Oil and Gas News Briefs
Compiled by Larry Persily
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Colorado initiatives would impose tighter restrictions on drilling

(Reuters; Jan. 7) - A Colorado environmental group on Jan. 7 launched a fresh push to curtail drilling in the fifth-largest oil-producing state, citing concerns over health and safety. The initiatives, proposed by Colorado Rising, include a steep increase in the insurance that oil and gas companies are required to carry to cover abandoned wells and would widen the separation between new wells and public areas.

To gain a place on the November ballot, the initiatives will require about 125,000 voter signatures. In 2018 voters struck down a setback initiative that would have required new oil and gas activity to occur at least 2,500 feet from schools and parks. A similar rule failed to make the ballot in 2016. This time Colorado Rising is considering six initiatives, among which include 2,000- to 2,500-foot setbacks, separation waivers on private land, and increasing the required insurance to $270,000 per well versus as little as $100,000 for multiple wells. It will decide later which proposal(s) to offer.

The state last year passed a law allowing local governments a greater say in oil and gas development. Some counties implemented temporary moratoriums on new drilling as result, but environmentalists said the state law did not go far enough. “The regulations that they’ve come up with have been insufficient and a lot of concessions have been granted to the oil and gas industry,” said Anne Lee Foster, spokeswoman for Colorado Rising. Energy executives oppose the latest proposals, saying they would threaten jobs.

U.S. oil production projected to hit 13 million barrels a day in 2020

(Houston Chronicle; Jan. 3) - In late 2017 the United States crossed the threshold of producing 10 million barrels of crude oil per day and hasn’t looked back, surpassing Russia and Saudi Arabia as the world’s largest energy giant. That 10-million-barrel mark was reached only once before during a brief one-month blip way back in 1970. From there, it was downhill. The U.S. lost its position as the top oil producer in the 1970s and it once seemed like it would never get there again.

As recently as a decade ago, the nation was churning out about 5 million barrels of oil per day, which is only marginally more than Iraq’s output. The shale revolution changed all of that as its focus switched from natural gas to crude oil. Now the U.S. enters 2020 on the verge of surpassing 13 million barrels of oil daily — more oil than any nation or kingdom has ever produced. The question is whether 13 million is an unlucky number.

An interesting dichotomy is playing out with the rising production and falling U.S. shale activity. The number of rigs drilling for oil and gas plunged by about 25 percent in 2019 because of modest oil prices and spending cutbacks. U.S. shale output is slowing down, but it's still ticking upward. At some point a reckoning will come when U.S. output finally peaks and falls. But we're not there yet, and we may not get there in 2020 since producers have learned to drill more wells more quickly with each rig and cut costs.

China tops Japan for LNG imports in December

(Reuters; Jan. 7) - China imported a record high monthly volume of liquefied natural gas in December, overtaking Japan as the world's top importer of the fuel for a second consecutive month, ship tracking data from Refinitiv Eikon showed on Jan. 7. China imported 7.198 million tonnes of LNG in December, up nearly 16% from November, while Japan imported 6.574 million tonnes, up nearly 7% from the previous month.

Both countries have yet to release official monthly data and shipping data fluctuates. But analysts said this reversal will not last beyond winter. "I assume the reversal is due mainly to a seasonal boost in LNG demand from China, but the long-term trend of weakening LNG demand in Japan to reflect increasing renewable energies and restarts of more nuclear power plants was also behind it," said Hiroshi Hashimoto, senior analyst and head of the gas group at the Institute of Energy Economics, Japan.

While Japan is still the world's top LNG importer, China will take the No. 1 spot early this decade, Wood Mackenzie said. Japan's energy demand has been falling due to an aging population and competition from other sources, such as nuclear, while China's gas demand has soared because of a government push to switch coal-fired power and heat to gas to cut pollution. Competition from cheaper coal and ramp-up of gas flows from Russia to China through a new pipeline could also slow LNG imports this year.

Qatar's LNG expansion will cost 'dozens of billions of dollars'

(Gulf Times; Qatar; Dec. 29) - Qatar's decision to boost its liquefied natural gas production capacity to 126 million tonnes per year by 2027 is among the major strides the country's energy sector made in 2019. The huge production boost by 64% will have a multiplier effect on the nation's economy over the coming decades and help Qatar consolidate its position as the world's top LNG producer. Qatar has not disclosed the project cost, though Reuters in November reported it at "dozens of billions of dollars."

The LNG expansion is considered one of the energy sector's most lucrative projects. Qatar may also maintain its position as the holder of the world's largest non-associated gas reserves for the foreseeable future after it confirmed reserves of 1,760 trillion cubic feet at the North Field. This is in addition to more than 70 billion barrels of condensates and massive quantities of liquefied petroleum gas (propane), ethane, and helium.

During the past two years, Qatar Petroleum has worked to determine the degree to which the North Field extends to the southwest, as well as possible production from Qatar's northern onshore areas. In addition, QP owns a 70% stake in the $10 billion Golden Pass LNG export project under construction in Texas. At completion by 2026, the plant is designed to produce 16 million tonnes per year. ExxonMobil owns 30%.

Australia exported more LNG last year than Qatar

(The Age; Australia; Jan. 6) - Australia has overtaken Qatar to become the world's top exporter of liquefied natural gas, shipping 77.5 million tonnes in 2019 with an export value of $49 billion as the fuel becomes increasingly important in the global energy mix. The figures, released Jan. 6 by energy consultancy EnergyQuest, show Australia's LNG shipments for calendar year 2019 increased 11.4 percent over 2018 exports, primarily due to the growth in the Ichthys project operated by Japan's INPEX in the Timor Sea.

The surge follows a succession of massive LNG terminals that started production in the past decade, including projects led by Australian companies Woodside Petroleum and Santos and other global operators such as Shell and Chevron. While Qatar's final production figures for 2019 are yet to be released, the country's output is forecast to be 2.5 million tonnes lower at 75 million tonnes, according to EnergyQuest's analysis.

Australia's production capacity is 88 million tonnes per year, while Qatar's is at 77 million tonnes — though Qatar has announced plans to expand its output capacity to 126 million tonnes by 2027. Australia's boom in LNG exports, however, has been described as concerning by environmental groups due to the significant amount of emissions released during gas extraction and production — adding 4.7 million tonnes of carbon dioxide equivalent in Australia during the year to March 2019.

Kuwait signs 15-year deal for LNG from Qatar

(Reuters; Jan. 5) - State-run Qatar Petroleum (QP) said Jan. 5 it had signed a 15-year agreement to supply Kuwait with up to 3 million tonnes of liquefied natural gas per year. Deliveries will begin in 2022 to help meet Kuwait's growing energy needs, particularly for power generation, QP said in a joint statement with Kuwait Petroleum Corp. Qatar, which has lost the top LNG-producer title to Australia, plans to boost its production of LNG by more than 60% to 126 million tonnes a year by 2027 and retake the title.

The deal will help Kuwait meet its requirement for cleaner energy and improve local air quality, Kuwaiti Oil Minister Khaled al-Fadhel said. While the country is working toward boosting its domestic gas production, “there remains a pressing need to secure imports of natural gas supplies,” Fadhel said. Kuwait has been relying on imported gas to meet power demand, especially in summer when air conditioning use rises sharply, but it is also focusing on ramping up domestic gas production as part of its growth strategy.

B.C. towns see benefits and stresses of LNG Canada construction

(CBC; Canada; Dec. 29) - After 25 years of cutting hair in downtown Prince George, British Columbia, Freda Barton is doing something she never expected: moving back home to Kitimat to cash in on northwestern B.C.’s economic boom. "The whole town is just crazy busy," Barton said. "I'm really excited." Barton will help Kitimat's Nechako Barber Shop set up a mobile studio to serve a 4,500-person work camp being built in support of the C$40 billion LNG Canada export terminal now under construction.

But though the mega-project is creating new opportunities in the region, it's also creating challenges for small businesses and local governments attempting to keep up with rapid growth. Aside from needing more barbers, communities say they also need more police officers to respond to some of the problems that come with a rapidly growing population — but questions remain about who will pay for that.

Already about 1,000 workers are on the job and the effect can be seen everywhere, said Nechako Barber Shop owner Tracy Best. "Everybody's got 'Help Wanted,' signs," she said, adding it's hard to recruit into service-industry jobs with high-paying camp work nearby. Even so the Kitimat Chamber of Commerce is warning people against moving to town and expecting to cash in. Rentals are in high demand, so best to have a job and a place to live lined up before deciding to move, said president Daniel Chimko.

Construction is underway on new townhouses and a new hotel to accommodate the growing population, which isn't limited to Kitimat. The nearby city of Terrace, which acts as a service center for the region, is also affected, said Heather Avinson, the city’s chief administrative officer. "And it's happening more quickly than we expected."

Pipelines, LNG project in British Columbia will step up hiring in 2020

(Coast Mountain News; BC; Jan. 6) - While mechanics, welders and equipment operators are in demand for the expansion of the 66-year-old Trans Mountain oil and fuel pipeline, workers in the skilled trades, engineering, and management are also being sought for other projects in British Columbia and Alberta. The Coastal GasLink pipeline is part of the largest private-sector investment in Canadian history, the C$40 billion LNG Canada export project bankrolled by a Shell-led consortium to get B.C. gas to Asia.

Work will be underway in 2020 for the gas pipeline across British Columbia and the LNG Canada terminal in Kitimat, B.C., along the 66-year old oil line from Alberta to the B.C. coast. Surerus Murphy, the main contractor for the B.C. Interior portion of the Trans Mountain pipeline, is also a major contractor on the Coastal GasLink work that includes setting up camps and clearing sites from Dawson Creek to Kitimat.

Surerus Murphy has openings for engineers and surveyors for the Coastal GasLink project, as well as taking applications for Trans Mountain jobs in administration, camp support, engineering, environmental compliance and safety, welding, pipefitting, carpentry, and steel construction. It needs truck drivers, mechanics, equipment operators, and bus drivers to get workers from camps to job sites in Alberta and across B.C.

Work resumes on gas pipeline in British Columbia

(Reuters; Jan. 7) - Construction of the C$6.6 billion, 415-mile Coastal GasLink pipeline in British Columbia resumed on Jan. 7, after an indigenous group that opposes the project had ordered construction workers off their territory. Coastal GasLink, to be operated by TC Energy (formerly known as TransCanada), will move gas from northeastern British Columbia to the Pacific Coast, where the C$40 billion Shell-led LNG Canada export facility is under construction in Kitimat.

While less contentious than oil pipelines, Coastal GasLink faces opposition from some leaders of the Wet'suwet'en people, who say the project interferes with their hunting and trapping rights. The British Columbia Supreme Court granted an injunction last week against blockades preventing access for workers after protests a year ago resulted in arrests. Wet'suwet'en Nation rejected the decision and said on Jan. 5 that it had issued an "eviction notice" to Coastal GasLink from its territories.

Work has resumed after a holiday break, a Coastal GasLink spokeswoman said, including clearing, construction of work camps and pipe delivery. The company added in a statement that it would delay resuming work on a particularly sensitive site where Wet'suwet'en last year said they found stone tools that are thousands of years old. Coastal GasLink said it has requested a meeting with the hereditary chiefs.

UN committee on discrimination urges halt to B.C. resource projects

(The Canadian Press; Jan. 7) - A U.N. committee working to end racism is urging Canada to immediately stop construction of three resource projects in British Columbia until it obtains approval from affected First Nations. The Committee on the Elimination of Racial Discrimination monitors a convention to end racial discrimination signed by countries, including Canada, and is calling for a suspension of the Trans Mountain oil pipeline expansion, Site C hydroelectric dam and Coastal GasLink pipeline.

The committee of 18 experts said in a written directive last month that it is concerned by the approval and construction of the three projects without the prior and informed consent of impacted indigenous groups. It also said it's disturbed by law enforcement's "forced removal, disproportionate use of force, harassment and intimidation" and "escalating threat of violence" against indigenous people.

BC Hydro said it has been consulting with affected First Nations on Site C since 2007 and has reached benefit agreements with most of them. "The Canadian courts have reviewed our consultation with certain First Nations and found it to be adequate and to have appropriately accommodated their interests," the power utility said in a statement. The committee has previously demanded a halt to the hydro project in in northeast British Columbia, which is opposed by two First Nations. However, this marks the first time it has called for a stop to the Trans Mountain and Coastal GasLink pipelines.

B.C. government declines to intervene in gas line blockade

(Vancouver Sun; Jan. 6) - The British Columbia government resisted calls Jan. 6 to intervene in a blockade of a gas pipeline project near Houston in central B.C. despite it threatening the schedule of the C$40 billion LNG Canada terminal under construction in Kitimat. Neither Premier John Horgan nor Energy Minister Michelle Mungall would comment on the blockade Jan. 6, amid reports the RCMP were amassing in the area to enforce a recently won B.C. Supreme Court injunction and clear Wet’suwet’en First Nations members, hereditary chiefs and protesters opposed to the project construction.

Mungall’s ministry issued a statement that sidestepped the issue of whether the government would back the pipeline project that is under provincial jurisdiction, already has all its provincial permits and is crucial to the viability of a liquefied natural gas project the government awarded C$6 billion in tax breaks to entice into construction. The 415-mile gas line would serve the LNG Canada terminal.

“On December 31, the Supreme Court of B.C. made a determination and its ruling confirmed the company is lawfully permitted to conduct their work,” read the statement. “Construction activities have been taking place across northern B.C. for the last year, and it’s the provincial government’s role to ensure this work is in line with regulatory and legislative obligations. Any enforcement considerations related to the court’s ruling is an operational matter for the police to consider, independent of government.”

Alberta energy minister criticizes U.N. committee

(The Canadian Press; Jan. 7) - Alberta's energy minister said the United Nations is an unelected, unaccountable body that has no business criticizing Canada's energy projects. Sonya Savage said it is the job of elected leaders, not the U.N., to make decisions on how best to govern people and economies. The U.N.'s Committee on the Elimination of Racial Discrimination has urged Canada to stop work on three major resource projects — including the Trans Mountain oil pipeline expansion from Alberta to the British Columbia coast — until it obtains approval from affected First Nations.

The committee in a directive last month said it's worried that work is going ahead without prior and informed consent of indigenous groups. Savage said the committee is ignoring the majority of First Nations groups that support projects such as the Trans Mountain oil line expansion and Coastal GasLink gas pipeline to the LNG Canada project under construction in Kitimat, British Columbia.

She said the criticism is unfair given Canada's record on ensuring all voices are heard. "With all the injustice in the world, it's beyond rich that the unelected, unaccountable United Nations would seemingly single out Canada — one of the greatest champions of human rights, democracy, and the rule of law," Savage said Jan. 7.

Sempra, Saudi Aramco continue working toward LNG project in Texas

(Natural Gas Intelligence; Jan. 6) - Sempra Energy and Saudi Arabian Oil Co. have taken another step toward developing the Port Arthur LNG export project in Jefferson County, Texas, east of Houston. Through its subsidiaries, the companies signed an interim project participation agreement that aligns their "interest in the overall success" of the liquefied natural gas project, Sempra CEO Jeffery Martin said. The agreement sets forth mechanisms for the companies to work toward a final investment decision.

It follows a heads of agreement signed last May for Aramco to purchase 5 million tonnes per year of LNG and to take a 25% equity investment in the not-yet-sanctioned project. The definitive agreements in the project remain subject to final approvals. Each party's ultimate participation in the Port Arthur project also hinges on the execution of related agreements and other conditions. Sempra is targeting FID by the end of June.

"We see significant opportunities in this market," said Aramco CEO Amin Nasser, citing expected global demand growth for LNG in the coming years. The initial phase of the project is fully permitted and is expected to include two liquefaction trains, storage tanks and marine berths to export 11 million tonnes of LNG per year. Sempra LNG has also initiated the Federal Energy Regulatory Commission prefiling review for a potential expansion to double capacity to 22 million tonnes by adding two liquefaction trains.

U.S. LNG developers see potential for Saudi investment

(S&P Global Platts; Jan. 7) – U.S. LNG export terminal developers are stepping up their courtship of Saudi Aramco to secure investments in their projects, following the state-owned oil and gas company's initial public offering last month. Aramco has vowed to pump almost $160 billion into growth in the natural gas sector over the next decade, with a sizable portion of that money to be designated for LNG export projects overseas.

Beyond the Middle East, Russia, and Africa, it also has been looking intently at the U.S. Seizing that opportunity, Sempra Energy's proposed Port Arthur LNG export project in Texas reached a preliminary deal last May for Aramco to take a 25% stake, including a long-term commitment for 5 million tonnes per year of offtake from the facility. On Jan. 6, the companies said they had signed an “interim project participation agreement” memorializing key mechanisms, though a final deal is still subject to further approvals.

The length of time it is taking to get to a firm transaction may be a signal of a challenge convincing Aramco to reach into its deep pockets. "Saudis still seem very non-committal on U.S. LNG at this point, which means they're not ready yet to plunk down any cash," said Madeline Jowdy, Platts Analytics senior director for global gas and LNG. Whatever U.S. project or projects Aramco settles on, it is interested in expanding its portfolio to include more LNG as it expects global demand to continue growing in the coming years.

Russia starts up new gas pipeline to Turkey and southern Europe

(Reuters; Jan. 8) - The presidents of Turkey and Russia on Jan. 8 formally launched the TurkStream pipeline that will carry Russian natural gas to southern Europe through Turkey, part of Moscow’s efforts to reduce shipments through Ukraine. The pipeline project, stretching 580 miles across the Black Sea, reinforces strong energy ties between Moscow and Ankara, which have also increased their defense cooperation after Turkey bought advanced Russian missile defenses last year.

Presidents Vladimir Putin and Tayyip Erdogan inaugurated the project at a ceremony in Istanbul also attended by the leaders of Serbia and Bulgaria. Russia is also doubling the capacity of Nord Stream across the Baltic Sea to Germany as part of plans to bypass Ukraine, which is currently the main route to move gas to Europe. Relations between Moscow and Kiev have deteriorated sharply since Russia annexed Crimea in March 2014. Ukraine halted its own direct imports of Russian gas in November 2015.

Russia is building TurkStream in two pipelines, each with an annual capacity of 550 billion cubic feet per year. The first pipeline will supply Turkey and the second will extend from Bulgaria to Serbia and Hungary. Bulgaria hopes to be able to make shipments to Serbia by May and finish the entire project by year-end.

Rising oil prices will hit emerging economies the hardest

(Reuters; Jan. 6) - Oil prices topping $70 a barrel due to rising geopolitical tensions are piling the pressure on emerging-market crude consumers such as South Africa, Turkey, and India, already struggling to boost their fragile economic growth. Emerging markets have had a tumultuous time over the past couple of years with pressure from a strong dollar and the fallout from the China-U.S. trade war adding to reverberations from individual crises in countries like Turkey and Argentina.

More than half of the largest emerging-market economies are oil importers with China and India near the top of the list. But much of the focus will be on emerging markets that depend heavily on foreign money flows and whose currencies have struggled in recent months and years. “Whenever commodities prices spike, and especially oil prices, the analysis of effects on sovereign balance sheets becomes pertinent again,” said Bryan Carter, head of emerging-market fixed income at BNP Paribas Asset Management, adding much of the impact will depend on how long prices remained elevated.

Trouble could be brewing for those emerging economies in particular that have been hit by a combination of currency weakness, heavy reliance on dollar-denominated energy imports and external funding flows. “India and Turkey are generally the markets most associated with being harmed by dear oil,” Carter said.

Oil tankers head to U.S. Gulf to pick up cargoes

(Reuters; Jan. 6) - A flotilla of oil tankers is sailing empty from Europe and the Mediterranean toward the U.S. Gulf Coast to take advantage of surging shipping rates, according to shipping sources and Refinitiv Eikon data. Eight tankers, an unusually high number, are in the Atlantic and steaming to the United States with a combined capacity of up to 5.6 million barrels of oil, the people said. Freight rates for Aframax vessels out of the U.S. Gulf coast hit record levels last month, drawing more vessels to the region.

The U.S. exported a record 4.46 million barrels of crude oil per day in the week ended Dec. 27, according to the U.S. Energy Information Administration, as shale producers continued to deliver more oil than U.S. refiners can consume. Clearlake Shipping, a subsidiary of trader Gunvor Group, provisionally booked the tanker Chrysanthemum at a rate of about $120,000 per day, but the agreement fell through Jan. 6, sources said. It would have set a record for a tanker chartered from the Gulf Coast to the Caribbean.

Last month Equinor and Unipec, the trading arm of China’s top refiner Sinopec, booked two vessels at around $60,700 per day out of the Gulf Coast. Because of a lack of available tankers, the cost of reverse lightering, or using smaller vessels to transfer cargoes to larger ships at sea, have vaulted to around $1.80 per barrel, or $900,000 per vessel, about three times higher than usual, according to two of the shipbrokers.

Chinese state-run company orders LNG-fueled oil tanker

(S&P Global Platts; Jan. 7) - Chinese state-run company COSCO Shipping Energy Transportation's recent order of an LNG-fueled very large crude carrier (VLCC) is a significant development in the wider adoption of natural gas as a marine fuel. Even though it may not signal a wave of industry orders just yet, it shows that the largest cargo ships are able to run economically on gas and that industry heavyweights like Chinese national oil companies are taking interest in decarbonization of transportation fuels, which will be needed to move the needle in the broader energy transition.

The selection of a Chinese shipyard is also notable because the country has typically lagged behind its South Korea in LNG shipbuilding. Like the push to build electric vehicles, it represents China’s desire to gain the upper hand in future manufacturing capabilities. COSCO announced an agreement in December with Chinese shipyard Dalian Shipbuilding to upgrade a previously ordered VLCC to a dual-fuel ship that uses LNG as its main fuel.

The upgrade will require an additional payment of $6 million, COSCO said. The average price of a newbuild VLCC in November was about $91.8 million, according to Italian shipbroker Bancosta. This means the LNG upgrade adds roughly 7% to the cost. COSCO said its decision was prompted by the Jan. 1 global cap on sulfur in marine fuel. So far the push for LNG as a fuel has been in sectors like cruise ships, nearshore ships, a handful of large container ships, some dry bulk ships, and smaller oil tankers.