Oil and Gas News Briefs
Compiled by Larry Persily
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[OPEC+ talks focus on delaying production boost planned for January]

(Bloomberg; Nov. 11) - Talks between OPEC and its allies are zeroing in on a delay to next year's planned oil-output increase of three to six months, said several delegates. Saudi Arabia and Russia, leaders of the 23-nation coalition, have indicated publicly that they are thinking twice about easing back production cuts in January — adding 2 million barrels per day of supply — as the resurgent pandemic takes a toll. The presidents of Russia and OPEC have even mentioned the option of cutting production deeper, but that hasn't garnered widespread support among other members, a delegate said.

Fewer than three weeks before members meet to decide, most of the OPEC+ alliance is instead increasingly focused on maintaining the current cutbacks into early 2021, the delegates said, asking not to be identified as the talks are private. The alliance is keeping about 7.7 million barrels a day off-line now, or 8% of global output. The vaccine announced this week by Pfizer could revive fuel demand in mid-2021, allaying the need to reduce crude supply further, one delegate said. Oil prices rallied to a 10-week high above $45 a barrel in London on Nov. 11 in response to the scientific breakthrough.

However, the immense challenges of deploying a vaccine to billions of people mean it won't materially alter oil-market conditions over the next six months, a delegate said. In addition, OPEC is also having to contend with the return of supply from members that are exempt from cutting production. After a civil war truce, Libya has revived output to the highest level in almost a year. Traders expect Iran will resume exports in 2021 after President-elect Joe Biden reactivates an accord on the country's nuclear program.

[Rosneft eyes Arctic LNG as part of massive oil project]

(The Jamestown Foundation; Nov. 10) - Rosneft CEO Igor Sechin last month revealed previously unpublished details regarding the state-owned Russian petroleum giant's latest mega-project in the Arctic — Vostok Oil. Sechin confirmed Vostok could include a natural gas liquefaction plant. The terminal would be on the Yenisey Gulf, about 200 miles east of Novatek's LNG operation in the Gulf of Ob. The Rosneft terminal would be the largest yet in the Russian Arctic, possibly at 35 million tonnes annual capacity.

While Novatek has operated its Yamal LNG plant since late 2017, with a second under construction nearby, and Gazprom's LNG terminal in Russia's Far East has operated since 2009, Rosneft has struggled to develop its own LNG project for nearly a decade.

During this time, the company proposed to build an LNG plant in the Russian Far East together with ExxonMobil, but that development was recently postponed again to 2028.

Rosneft has said it expects to start oil production at Vostok in 2024, at about 500,000 barrels per day, possibly exceeding 2 million barrels per day by 2030. Development costs at Vostok for several oil fields, pipelines and transportation infrastructure have been estimated at more than $150 billion. Bringing LNG production online will likely take Rosneft at least six to eight years. It's likely that the company's marketing campaign to bring in foreign investors for Vostok Oil also includes a search for LNG project partners.

The Vostok Oil project has already been granted far-reaching tax breaks, which could amount to as much as 60 billion rubles (around $760 million) per year with oil prices around $40 per barrel. The proposed LNG plant would presumably benefit from the government's recent 12-year exemption from paying the mineral extraction tax.

Biden presidency likely the end of Keystone XL oil line

(The Wall Street Journal; Nov. 11) - President-elect Joe Biden's campaign promise to phase out oil probably signals the end of the long-delayed Keystone XL oil pipeline and threatens the future of Dakota Access, another major crude conduit. Obstructing pipeline projects is one way Biden could accelerate America's shift toward renewable energy — by making oil more difficult and expensive to move. Other policies that require legislative signoff would be more difficult to adopt unless Democrats win the Senate.

Biden's campaign has said he would revoke a presidential permit that Keystone XL needs to cross the U.S.-Canada border. The move is likely to doom the $8 billion venture to bring crude from the Canadian oil sands to the Midwest. Biden hasn't publicly deliberated Dakota Access, though Vice President-elect Kamala Harris, as a U.S. senator, joined dozens of members of Congress in filing a legal brief earlier this year supporting efforts to shut down the pipeline, which runs some 1,200 miles from North Dakota to Illinois and has been operating since 2017.

Native American tribes, environmentalists, and landowners have been trying for years to block both projects. Keystone XL is particularly vulnerable because it isn't running more than a decade after being proposed, due to legal and permitting delays. The expansion of the existing Keystone pipeline, which would run from Canada to Nebraska, requires U.S. authorization to cross the international border. Biden can unilaterally rescind the permit President Trump granted last year. The project is being built by Calgary-based pipeline firm TC Energy and partially financed by Alberta's provincial government.

Work on schedule for two more U.S. Gulf Coast LNG terminals

(S&P Global Platts; Nov. 10) – Owners of the two U.S. LNG export terminals currently under construction said Nov. 10 that they remain on target to start up on time despite global market volatility, an unusually active hurricane season and ongoing impacts form the coronavirus pandemic. The updates for Venture Global LNG's Calcasieu Pass in Louisiana and Qatar Petroleum- and ExxonMobil-backed Golden Pass LNG in Texas come as developers of other projects on the Gulf, Atlantic, and Pacific coasts that have yet to be sanctioned continue to struggle to build commercial support.

Calcasieu Pass, at 10 million tonnes per year capacity, and Golden Pass, at up to 18 million tonnes per year, are part of the second wave of U.S. liquefaction and export terminals slated to begin service by the middle of the decade. They will add to the six major LNG export facilities currently in operation. Another dozen or so in development have yet to make final investment decisions and many have delayed those decisions.

Golden Pass has been on a "full sprint" since starting construction in 2019, Jeff Hammad, chief commercial officer, said during a webcast LDC Gas Forums in San Antonio. "In spite of the collapse of the global energy market, a pandemic and two hurricanes, we remain on track to have Train 1 operational in 2024." At Calcasieu Pass, Venture Global recently received the first two of 18 pre-fabricated modular liquefaction trains and mixed refrigerant compressor skids from a Baker Hughes factory in Italy, according to a company statement. Calcasieu is scheduled to begin service in 2022.

Cheniere will add Gulf Coast LNG capacity in 2021 and 2022

(Reuters; Nov. 6) – Gulf Coast LNG producer and exporter Cheniere Energy on Nov. 6 reported a loss that was deeper than analysts had forecast, and also said it expects to complete the third liquefaction train at its Corpus Christi liquefied natural gas export plant in Texas in the first quarter of 2021, a little earlier than expected. The company also said it still plans to complete the sixth train at its LNG terminal in Sabine Pass, Louisiana, in the second half of 2022. Sabine Pass opened in 2016, the first of several LNG terminals built on the Gulf Coast. Corpus Christi shipped its first cargo in 2018.

Each of the new production units at Sabine Pass and Corpus Christi will have capacity to make about 5 million tonnes per year of LNG. Though the company is optimistic for the future, it’s been a tough year for the LNG industry due to coronavirus-inflicted demand destruction in the market. Cheniere said it sent out 55 cargoes in the third quarter of 2020 versus 108 in the same period last year, mostly as customers canceled cargoes. “As we look ahead to 2021, we expect the global LNG market to continue rebalancing,” Cheniere CEO Jack Fusco said.

Bechtel grants extension on price quote for LNG project in Texas

(Natural Gas Intelligence; Nov. 9) - Engineering firm Bechtel last month agreed to give NextDecade more time to raise funding for its proposed Rio Grande liquefied natural gas export project in Texas, amid a major setback that the project recently sustained. Houston-based NextDecade now has until December 2021 to make final investment decisions to build up to three liquefaction trains at Rio Grande LNG if it wants to retain the construction prices that Bechtel established last year.

The previous FID deadlines were July 31, 2021, according to a third-quarter report NextDecade filed Nov. 4 with the U.S. Securities and Exchange Commission. Under a contract signed on May 24, 2019, Bechtel would build two liquefaction trains with combined capacity of 11.74 million tonnes per, two LNG storage tanks, a marine loading berth and related facilities for $7.042 billion, according to a document NextDecade filed with the SEC. Under a second contract signed the same day, Bechtel would build a third liquefaction train and related facilities for $2.323 billion.

The French government recently delivered a blow to the project by scuttling a proposed $7 billion, 20-year deal for French energy firm Engie to buy LNG from NextDecade because of environmental concerns over hydraulic fracturing used in U.S. gas production. The French government has a 23.63% stake in Engie. NextDecade management has said it is continuing negotiations with multiple customers to sign enough long-term deals to reach an FID on at least two trains in 2021.

Canada’s Northwest Territories will look at offshore LNG project

(CBC News; Nov. 10) - The government of Canada’s Northwest Territories is working on reviving a decades-old dream of exporting natural gas from the Mackenzie Delta. But this time, the gas won't be flowing by pipeline. With less and less ice in the Arctic Ocean thanks to climate change, the government is exploring the possibility of sending the gas to East Asia by tanker. "We don't know yet how realistic it is," said Menzie McEachern, director of the territory’s mineral and petroleum resources division. "Right now, we're really at the stage of, 'Hey, is this something that could be competitive?'"

The government released a request for proposals in October, seeking bidders to conduct a feasibility study developing the region's gas fields, building pipelines and two offshore liquefaction and tanker-loading platforms far off Tuktoyaktuk on the Beaufort Sea. The liquefied gas would be shipped to ports such as Tokyo, which is almost 600 miles closer to Tuktoyaktuk than to Kitimat, British Columbia, where construction of a Shell-led C$40 billion liquefied natural gas project is underway.

The LNG loading platforms, according to a map prepared by the territorial government, would have to be located far offshore due to the shallow waters near Tuktoyaktuk. The map shows a potential site almost 13 miles northeast of Tuktoyaktuk. Decades of exploration work done in anticipation of the Mackenzie Valley pipeline established that there are at least 9 trillion cubic feet of gas in the Mackenzie Delta and offshore — and likely much more. But such expensive and remote gas projects need to compete with gas from more accessible and developed parts of the world like the U.S. and Australia.

Chinese company officials say LNG supply could tighten in 5 years

(S&P Global Platts; Nov. 10) - Global LNG supply is expected to turn tight gradually in the next five years due to delays in final investment decisions on export projects, which could lift prices, participants at the China International Oil and Gas Trade Congress said. "We estimate that around 97 million tonnes per year of production capacity FID have been delayed due to the slump in LNG prices, which is expected to result in tight supply … in the future," said Zheng Jun, a deputy general manager with PetroChina.

"Global LNG supply will be moving from sufficient to tight in the next five years," Zheng added. "As a result, global LNG prices are expected to rebound, with spot LNG prices in Northeast Asia estimated to reach a high of $8 per million Btu in 2024." A senior executive with CNOOC Gas and Power also shared the same view at the conference. "We expected there would be 60 million tonnes per year of LNG projects to make FID in 2020 earlier, but many of these projects were said to have been either delayed or cancelled due to COVID-19," said Zhu Yanyan, assistant president and general manager of trading department at CNOOC Gas & Power Trading & Marketing Branch.

At most only half of these projects would likely reach the FID stage by 2022, Zhu said. “The move will surely affect LNG supply in the next four to five years," she added. Investment in LNG projects has gone through a series of peaks and troughs in the past 15 years, according to Zhu. "We can see 2006-2008 was an FID trough while 2011-2015 was an FID peak," she said.

Ireland’s High Court blocks planning extension for LNG import project

(S&P Global Platts; Nov. 10) - In a new blow for U.S. LNG in Europe, the High Court in Ireland has ruled to quash all development consents for the planned Shannon LNG import project. The court on Nov. 9 issued an order to environmentalist group Friends of the Irish Environment (FIE) that quashed an extension awarded by planning authority An Bord Pleanala in 2018 of a 10-year planning approval first given in 2008. The venture is proposed to handle up to 500 million cubic feet of natural gas per day.

FIE said the court order means Shannon LNG and its U.S. backer New Fortress Energy would now have to apply for new planning approval for the project. FIE argued that extension of the planning permission where development had not commenced triggered the need for a new environmental assessment. The setback for Shannon LNG follows a decision by France's Engie earlier this month to halt talks over a potential long-term supply agreement with U.S. LNG developer NextDecade with the French company having come under pressure not to import LNG produced from fracked shale gas.

It points to the environmental credentials of U.S. LNG coming under increasing scrutiny in Europe as the EU pledges to be at net-zero carbon emissions by 2050. Ireland had previously been a supporter of the project, saying in 2018 that it would improve Ireland's gas supply security by providing import diversity. But Ireland's new coalition government — formed in June between the country's two main political parties, together with the Green Party — has reversed the policy and come out against fracked gas imports.

Japan looks to hydrogen for clean-energy future

(Bloomberg; Nov. 8) - Tucked into a port in western Japan sits a spherical tank that may hold the country's energy future. The import terminal in Kobe is slated to get its debut hydrogen shipment in March. Over the next 30 years, cargoes of the zero-emission fuel are expected to ramp up exponentially as the world's fifth-biggest polluter seeks ways to replace its heavy fossil fuel use and meet a pledge to become greenhouse gas neutral by 2050. The shift would require a fleet of specialized tankers, said Kawasaki Heavy Industries, the tank owner and the country's only developer of a hydrogen supply chain.

It would also represent a shot in the arm for the nascent hydrogen industry, which Bloomberg New Energy Finance (BNEF) estimates could meet almost a quarter of the world's energy needs by mid-century. "Hydrogen is indispensable for Japan to reach the zero-emission goal," Motohiko Nishimura, the head of Kawasaki's hydrogen project development center, said in an interview in Kobe, where the company is based. "Renewable energy alone isn't enough to meet the nation's hefty energy needs."

While many countries are building out wind, solar and batteries as they move away from fossil fuels in the fight against climate change, that's a challenge in densely populated Japan. Hydrogen offers the greatest potential to decarbonize sectors like steel, cement and heavy transport, according to BNEF. But hydrogen poses somewhat of a dilemma in the clean-energy transition as it is still cheaper to produce from fossil fuels rather than from renewables. However, the European Union and South Korea are betting hydrogen generated from renewables will become more economical as solar and wind costs fall.

Qatar will supply carbon-mitigation statement with LNG to Singapore

(Reuters; Nov. 9) - Singapore's Pavilion Energy said on Nov. 9 it inked a deal to buy up to 1.8 million tonnes per year of liquefied natural gas from Qatar Petroleum's trading unit for 10 years from 2023. Each cargo delivered to Singapore under the agreement will come with a statement of greenhouse gas emissions from wellhead to discharge port, Pavilion Energy said. The company, owned by Singapore state-owned investment company Temasek Holdings, signed the deal with a subsidiary of Qatar Petroleum.

Qatar, which plans to boost its LNG production to 126 million tonnes a year by 2027 from 77 million currently, has been trying to secure buyers for the extra volumes. When issuing a tender for LNG earlier this year, Pavilion asked potential suppliers to outline their carbon-mitigation efforts because it aims to eventually make its purchases carbon neutral. Leading industry traders and consumers have been seeking more transparency on carbon and methane emissions in the chain amid a global decarbonization push.

Last year Qatar commissioned a carbon-capture and storage plant to remove 5 million tonnes of carbon from its LNG facilities by 2025. Singapore is trying to diversify its gas imports as its long-term piped-gas contracts with neighboring Indonesia start expiring in 2023. The deal means that Qatar, the world's largest LNG producer, will become a significant energy supplier to Singapore.

Saudi Aramco wants to help China transition to cleaner fuels

(Bloomberg; Nov. 11) - Saudi Aramco wants to sell natural gas to China to help its biggest customer for oil make the transition to cleaner fuels, Chief Executive Officer Amin Nasser said. The Saudis, who have fought to remain among China's largest crude suppliers, are also looking at options to develop and supply energy sources such as hydrogen and new kinds of chemicals to broaden their relationship with China, according to comments Nasser made Nov. 10 to the China Development Forum.

China pledged in September to become carbon neutral by 2060. Though the country's leadership offered little detail on how it would get there, fulfilling that pledge would mark a big shift for a major user of coal and oil. "We can also supply bridge fuels that will help meet China's growing need for clean energy, as we expand into international gas and LNG," Nasser said. "There are opportunities to collaborate in the development and use of clean future fuels such as hydrogen and other chemicals-type clean fuels."

He added that technology to transform oil directly into chemicals is at "an advanced stage." Aramco is working with Tsinghua University in Beijing on a pilot project for the catalytic transformation of oil to chemicals. Aramco's ambition to become an international player in liquefied natural gas may take longer to realize with the company shifting its investment focus to the "long-term," Nasser said in a conference last month.

BP part of effort that would use wind power to produce hydrogen fuel

(Bloomberg; Nov. 10) - Two of Europe's largest energy companies, BP and Orsted, said Nov. 10 they would join to develop an industrial-scale electrolyzer to make hydrogen as a green fuel at a major oil refinery in Germany. If it gets financial backing, the plant at the BP's Lingen refinery in northwestern Germany would draw 50 megawatts of electricity from North Sea wind farms to make hydrogen. The gas would power 20% of the facility's energy needs and replace streams of hydrogen now made with fossil fuels.

It's the latest example of interest in hydrogen as an alternative to natural gas and coal for industries that need thousand-degree heat to run their processes. With utilities cleaning up greenhouse gas pollution, policy makers, especially in the European Union, are focusing on how to slash emissions from heavy industry. They're finding hydrogen is one of the primary options.

"Of course, we need funding to fall in place for the project to materialize," said Anders Nordstrom, vice president of hydrogen at renewable-energy company Orsted. "We also need further clarity from the regulatory side regarding the definition of renewable hydrogen." The Lingen Green Hydrogen project will be one of Europe's largest if it starts as expected in 2024. The companies have applied for money to support the investment from the European Union's Innovation Fund, which backs low-carbon technologies. The production of green hydrogen isn't yet economically viable without government support.

Balkans can use gas as bridge fuel while turning away from coal

(Bloomberg; Nov. 11) - Natural gas will serve as a bridge for the western Balkans, where nations seeking to join the European Union need to move away from coal to renewable sources, a top official at the European Bank for Reconstruction and Development (EBRD) said. Coal-fired power plants generate more than half of the six-nation region's electricity, enveloping cities in heavy smog for months every year to create the most-polluted air in Europe.

Some wind and solar power plants are being added in Serbia, Montenegro, Bosnia-Herzegovina, Kosovo, and North Macedonia, while Albania traditionally relies on hydro energy. The EBRD is helping finance gas transmission networks and gas-fired plants to help that transition to renewable output. "You can't go from coal to renewables without an intermediary step," Charlotte Ruhe, managing director for the region, said in an interview. "We believe that gas has to be the intermediary."

The EBRD, which is mandated to keep 40% of its portfolio in green-energy projects, has financed a gas-fired plant and gas pipelines, though the European Investment Bank, which also lends extensively in the Balkans, has committed to ending all financing of fossil-fuel projects. While a fossil fuel, gas causes far less environmental damage than burning the low-quality coal widely available in the Balkans. It can fuel power plants to provide electricity as a baseload backing intermittent output from wind and solar farms.

Chinese refinery will expand crude storage to 100 million barrels

(Reuters; Nov. 9) - East China-based private refiner Shandong Hongrun Group plans to further expand its mega crude oil tank farm by additional 20% next year to meet growing demand from external parties, a company official told Reuters on Nov. 9. Commercial stockpiling played a pivotal role in China's bumper crude oil purchases this year as refineries and traders took advantage of decades-low oil prices to build stocks and as the Chinese economy emerged faster than expected from the coronavirus pandemic.

Based in Weifang in the northeastern part of Shandong province, China's oil hub for independent refineries, Hongrun, which started investing in crude oil storage a decade ago, plans to build the additional crude oil tanks next year. That would bring Hongrun's total storage capacity to nearly 100 million barrels, equivalent to nine days of China's total crude oil imports, said the Shandong-based company official, adding that this is possibly the largest such facility owned by a private Chinese refiner.

"Most of our storage targets third-party commercial use, as our site is kind of a transfer center for more than 70 refineries in Shandong," said the official, who declined to be named as he is not authorized to speak to the news media. Hongrun also operates a 140,000-barrel-per-day refinery in Shandong. Hongrun counts global traders Mercuria, Vitol, and BP among its regular clients under long-term agreements, the official added.

Oman will create new company to issue debt with oil as collateral

(Bloomberg; Nov. 9) - Oman is seeking to raise money off the back of its largest oil block, as the cash-strapped Gulf nation looks for new ways to tame its budget deficit and steady a reeling economy. The sultanate is transferring its 60% stake in Block 6, which has a capacity of 650,000 barrels a day, from Petroleum Development Oman to a new company, according to people familiar with the matter. In addition to Oman's stake, Shell holds 34% of the block, while Total owns 4% and Partex Oil & Gas 2%.

The company would then tap international financial markets, allowing Oman to raise debt without putting it on the government's books, the sources said, asking not to be identified because they're not authorized to speak to media. The new firm may try to sell about $3 billion of bonds in the first half of next year, one of the people said. JPMorgan Chase is advising the government, the person said. Block 6 contains 75% of Oman's crude oil reserves, according to Wood Mackenzie.

The proposal could set a precedent for oil and gas producers in the Middle East that want to raise cash without stretching their balance sheets. Iraq's Kurdish region sells some oil before it's pumped under so-called pre-payment finance deals, and the United Arab Emirates has raised billions of dollars this year by selling leasing rights to pipelines and properties. But no Middle Eastern government is known to have used specific oil blocks as collateral for funding. The structure for Oman would probably be similar to the reserves-based lending facilities that are common among U.S. shale producers.

Alberta landowners sue energy company over unpaid lease payments

(The Canadian Press; Nov. 10) - Two Alberta landowners have filed what a lawyer says could be the first class-action lawsuit against an energy company for not making its lease payments. "It's a pretty clear contract," said lawyer Matthew Farrell, who is representing Reinhold and Thyra Kautz of Strathmore in their proposed class action against oil and gas producer AlphaBow Energy of Calgary. "They're supposed to pay every year and now (they're) not. You can't do that." Farrell said.

In claim filed in Calgary on Nov. 4, the Kautzes allege that AlphaBow has reneged on a lease that compensates them for the company's access to and use of two parcels. The document quotes a letter in May from AlphaBow, which says: "Due to the severe impact of the COVID crisis that the oil & gas industry is currently facing, AlphaBow Energy is hereby advising that AlphaBow is deferring any and all surface rental payments for the time being. AlphaBow will review all outstanding rental payments in six months and will determine at that time what our plan is to catch up on outstanding rental obligations."

A deal's a deal, said Farrell. "When times are good, it's not like (landowners) are given bonuses. If it's OK to treat them that way when times are good, then the oil companies should be (paying) when times are bad." The Kautzes are the only plaintiffs and aren't owed a lot of money, Farell said. But he noted that AlphaBow has dealt with hundreds of landowners and he expects damages to add up as others join the class action, which has not been certified by the court. Earlier this year, many rural Alberta municipalities learned that energy companies wouldn't be paying $173 million in municipal taxes.