Oil and Gas News Briefs
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Ministry says Russia may never return to pre-pandemic oil output

(Moscow Times; April 12) - Russian oil production might never recover to pre-coronavirus levels, the country's Energy Ministry has forecast, according to the Kommersant business paper. In a strategy document outlining prospects for Russia's critical oil and gas industry, the government said its base case — or most likely — scenario is that Russia's oil production will never again hit the record levels of 2019.

In the last full year before the pandemic, Russia produced an average of 11.3 million barrels a day. But output dropped for the first time in more than a decade in 2020 as Russia agreed on significant production cuts with Saudi Arabia and other members of the OPEC cartel in a bid to support oil prices at the start of the pandemic — pushing Russian production down 9% to 10.3 million barrels per day.

In the scenario labeled most probable, the Energy Ministry predicts Russia's output will grow over the rest of the decade but fail to reach the 2019 record, with production topping out at 11.1 million barrels a day in 2029 before dropping to 9.4 million by 2035. Russia vies with Saudi Arabia to be the world's second-largest producer, behind world-leading U.S. The Russian economy remains heavily dependent on energy exports, with revenues in pre-pandemic years covering more than a third of the government budget.

Russia remains poorly positioned to take advantage of the global transition to cleaner and renewable sources of energy, experts say. While Europe and the U.S. have put clean energy at the center of their post-coronavirus economic stimulus and investment packages, Russia is reportedly planning to cut state spending on green energy.

Russia wants to boost oil production before demand starts to drop

(S&P Global Platts; April 14) - Russia's revised oil strategy will focus on maximizing monetization from exports before hitting peak production in 2027-2029 and seeing world demand drop, according to a draft document on development of the sector up to 2035 being reviewed by the State Duma and set to be approved by the government April 22. "Everything that can be produced should be produced while there is still demand to sell it," Pavel Zavalny, energy committee head at the Duma, said at a presentation April 14.

The draft document, which is prepared by the energy ministry and revised annually, takes into account the consequences of the pandemic, as well as decarbonization trends globally, which may cause world oil demand to peak earlier than 2030. Russia has outlined protection of its share in the global market as one of its goals for 2021.

According to the revised oil strategy, Russia's pipeline exports of crude should rise for the next several years. "In all scenarios, we forecast a decline in oil production without gas condensate after peaking in 2027-2029," the document reads. Tax breaks and technology investment will be critical not only for supporting production at mature and hard-to-recover fields, but also to develop Russia's Arctic reserves which will play a key role closer to 2035 but for now are profitable only at Brent prices over $80 per barrel.

Producer says too much U.S. shale oil triggered price collapse

(Bloomberg; April 14) - U.S. shale producers risk another oil-price war with OPEC and its allies if they resume the breakneck production growth of the past decade, according to Pioneer Natural Resources's top executive. U.S. shale, not the pandemic, was responsible for the initial oil-market crash of 2020, Pioneer CEO Scott Sheffield said at BloombergNEF's annual summit. The cartel, frustrated at U.S. producers' success in taking market share from OPEC, allowed prices to tumble, he said.

"OPEC and Russia were upset that we grew too much," said Sheffield. "If we ever start growing again too much, we're going to have another price war." U.S. producers responded to last year's oil collapse by reducing capital spending, drilling, and jobs as well as merging with rivals to shore up their balance sheets. The result has been lost production of about 2 million barrels a day, or more than the output from the entire Gulf of Mexico. But as prices rebound this year due to the economic recovery and Saudi Arabia's unilateral output cuts, temptation is growing for U.S. shale to ramp up output.

The Energy Information Administration sees U.S. oil production averaging 11.9 million barrels a day in 2022, up about 1 million, or 9%, from the average this quarter. Sheffield is "totally against" the EIA forecast, saying that producers now know the stakes and will stick to their mantra of capital discipline. "If we grow another million barrels a day next year, we're going to have another price war in my opinion going into '23," he said. So far there hasn't been much evidence of producers significantly boosting activity in the field.

Oil markets in a wait-and-see mode, analysts say

(Houston Chronicle; April 12) - Crude oil prices may get support from economic growth estimates this week from the International Energy Agency and OPEC, but concerns about supplies increasing as the pandemic rages in many countries could spoil the mood, analysts said. Ole Hanson, head of commodities strategy at Saxo Bank in

Denmark, said in a note that prices are looking a bit range bound. The U.S. benchmark seems to be consolidating around $60 per barrel after topping off at $66 mid-March.

For Hanson, last week's International Monetary Fund estimate for 6% growth in the global economy for 2021 is offsetting concerns about a stubborn pandemic depressing demand in the U.S. and elsewhere. The biggest worry, however, remains the pandemic, particularly as new strains of the coronavirus emerge and dampen economic activity. "Given that we are not out of the woods, it is very important for (government stimulus) to be continued in this crisis," IMF chief economist Gita Gopinath said in a statement.

Giovanni Staunovo, a commodities analyst at Swiss investment bank UBS, described oil markets in a wait-and-see mode. In addition to progress in controlling the pandemic, he said, traders also are watching negotiations that would bring the U.S. back into the Iran nuclear agreement and Iran back in compliance with its terms, leading to a resumption of Iranian oil exports and more supply on global markets.

OPEC raises demand forecast; next meeting April 28

(Reuters; April 13) - OPEC on April 13 raised its forecast for growth in world oil demand this year on expectations the pandemic will subside, providing help for the group and its allies in their efforts to support the market. Demand will rise by 5.95 million barrels per day in 2021, or 6.6%, the Organization of the Petroleum Exporting Countries forecast in its monthly report. That is up 70,000 barrels from last month.

"As the spread and intensity of the COVID-19 pandemic are expected to subside with the ongoing rollout of vaccination programs, social distancing requirements, and travel limitations are likely to be scaled back, offering increased mobility," OPEC said in the report. The upward revision marks a change of tone from previous months, in which OPEC has lowered demand forecasts because of continued lockdowns.

A further recovery could bolster the case for OPEC and its allies, known as OPEC+, to unwind more of last year's record oil output cuts. OPEC+ agreed on April 1 to ease oil output cuts gradually from May after the new U.S. administration called on Saudi Arabia to keep energy affordable for consumers. OPEC+ cut supply by a record 9.7 million barrels per day last year to support the market as demand collapsed. Most of those curbs remain in place even after the April 1 decision. OPEC+ meets next April 28.

Permian on path to highest oil production in a year by May

(Bloomberg; April 12) - The Permian Basin, the most prolific U.S. shale patch, will produce at levels not seen since the start of the pandemic in the latest sign the global economy is heating back up. Higher prices are buoying drillers' confidence. Oil prices have gained nearly 35% the past four months after OPEC and its alliance cut production to strike a balance between demand and supply. Oil is also getting a bump as COVID-19 vaccinations progress and Americans travel again, boosting gasoline consumption.

Permian output will reach 4.466 million barrels a day in May, the most in a year, and rig counts have touched a one-year high, according to the latest data from the U.S. Energy Information Administration. The increase is also from explorers trying to complete the drilling and finishing of wells disrupted by the extreme cold weather that swept across the U.S. last month, said Artem Abramov, head of shale research for Rystad Energy.

Before the weather interruptions in February, Permian output was recovering, with drillers finishing wells at 57% of their pre-pandemic speed, or about 250 a month. The patch should return to a path of higher output if producers can sustain the momentum, Bloomberg energy analyst Tai Liu said in a note to clients last week. But growth across the U.S. shale patches will likely be kept in check by producers seeking to limit spending in tune with promises to shareholders to boost dividends instead of supply.

Permian Basin has too many pipelines for too little oil

(Reuters; April 12) – Even as production returns, nearly half of all oil pipelines from the Permian Basin, the biggest U.S. oil field, are expected to be near empty by the end of the year, analysts and executives said. Pipeline companies went on a construction spree in 2018 and 2019 to handle blistering growth in U.S. crude production to a record 13 million barrels per day. However, the pandemic crushed both fuel demand and oil production, and neither have recovered fully, leaving many pipelines unused.

Major pipeline companies are exploring ways to ship other products in those lines and are considering selling stakes in operations to raise cash. The coronavirus pandemic upended the global energy supply system and worldwide fuel demand. U.S. gasoline consumption is now estimated to be past its peak and as refiners process less crude, producers are not filling pipelines used to transport the oil.

By the fourth quarter, total utilization of the largest oil lines from the Permian is expected to drop to 57%, consultancy Wood Mackenzie said. U.S. crude output is currently about 11 million barrels per day, and is not expected to grow much until 2022. But more pipelines are set to come online, expanding the gap between production and capacity covered by long-term contracts to a record of more than 1 million barrels per day in February, said energy research firm East Daley Capital. The top three Permian pipeline companies are offering discounts to entice shippers and stem the fall in volumes.

Shell, Equinor prod Tanzania to negotiate LNG export project

(S&P Global Platts; April 14) - Shell and Norway's Equinor have urged the government of Tanzania to take immediate action to conclude talks on the country's planned LNG export project, warning that the time to develop new gas resources was "limited." In an opinion piece published April 13 in Tanzanian newspaper The Citizen, the country managers from the two majors said "critical decisions" on the project are needed now.

Equinor and Shell — together with other international companies with interests in the gas reserves, estimated at 36 trillion cubic feet — have been looking to develop a liquefied natural gas export plant in the southeast African country for a number of years. However, talks on a host government agreement and other terms for the $30 billion development were suspended by the Tanzanian government at the end of 2019.

"Natural gas has a key part to play in the global energy transition, but the window in which to act to develop new resources is limited," wrote Shell's country chair Frederik Grootendorst and his counterpart at Equinor, Mette Halvorsen Ottoy. "Tanzania is encouraged to do so now by demonstrating its commitment and successfully restarting negotiations on the host government agreement and pledging to conclude them in a timely manner. … 2021 must be the year … to conclude negotiations."

Tanzania has lagged behind neighboring Mozambique, which has two LNG export projects under development and a third at the planning stage. It had been hoped that construction at the Tanzania plant could begin as early as 2022, with start-up in 2028.

Insurgency adds investor risk to LNG projects in Mozambique

(Bloomberg; April 14) - One of the world's poorest countries could be transformed by Africa's biggest-ever private investment splurge, but there's a problem. Increasingly brazen attacks by Islamist insurgents are threatening plans to tap huge natural gas deposits found off Mozambique's northern coast a decade ago. More than 2,600 people have died and over 700,000 have been displaced since the violence began in 2017.

The country's gas export ambitions are linked to giant projects by France's Total and Italy's Eni, and others being considered by companies including ExxonMobil, but investments are being held up by the fighting. Completion of even some of the projects would be a game-changer for the southern African country and its 32 million people, almost two-thirds of whom live on less than $1.90 a day.

The government expects to pocket $96 billion over the next quarter-century from three LNG plants, which could go a long way toward improving woefully inadequate transport links and access to health and education. Gas production could boost local output of electricity, fuel and fertilizer. Officials plan to create a sovereign wealth fund to manage the LNG income and allocate a portion to fund infrastructure and poverty reduction.

But there's growing risk some investors will pull the plug. While oil majors are attuned to operating in conflict zones and have already made substantial investments, the violence is adding to costs and their financiers are becoming increasingly skittish. Prolonged delays would also be problematic because other big LNG projects in Australia, Qatar, and Russia are due to come on stream from about 2025 and could create a market glut.

China's purchases of Iranian crude crowd out other suppliers

(Reuters; April 13) - China's record imports of Iranian crude in recent months has squeezed out supply from rival producers, forcing sellers from countries such as Brazil, Angola, and Russia to slash prices and divert shipments to India and Europe. The jump in Iranian oil volumes took the market by surprise and has capped global prices.

Iranian oil started to slip into China from late 2019 despite tough U.S. sanctions, but volumes began to surge only since late last year as oil rebounded above $60 and buyers were emboldened by the prospect of the United States lifting sanctions on Iran under President Joe Biden. China received a daily average of 557,000 barrels of Iranian crude between November and March, or roughly 5% of total imports by the world's biggest importer, according to Refinitiv Oil Research, returning to levels before former U.S. President Donald Trump reimposed sanctions on Iran in 2019.

Most of these oil ended up in the eastern province of Shandong, China's hub for independent refiners. "These 'sensitive' barrels are hammering supplies from everywhere, as they are simply too cheap," said a Chinese trader who handles oil sales to Shandong, referring to Iranian oil which was sold $6 to $7 a barrel below that from Brazil earlier this year. A second trader said suppliers from South America to West Africa and the North Sea are looking for new markets as Chinese demand plummeted.

China moves to curb overcapacity at independent refiners

(Bloomberg; April 13) - China is clamping down on independent oil refiners in an effort to curb overcapacity and stamp out illegal practices as the central government tries to control one of the country's fastest-growing industries. The National Development and Reform Commission, the top economic planner, begins inspections this week of more than 50 privately owned oil refineries, most of them in the eastern province of Shandong, said people with knowledge of the checks.

A key reason for the probe is to determine whether refiners have closed outdated, polluting equipment demanded by Beijing over the past decade, they said. Inspectors will also visit plants that are allowed to buy foreign crude to investigate allegations of irregular activities such as tax evasion and illegal resale of the imports, the people said.

China is trying to curb overcapacity, a move that could potentially affect the growth of China's crude imports. Private refiners have caused a seismic shift in the global oil market since Beijing gave them permission to import crude in 2015.

While state-run companies still account for most of the nation's refining, independent producers processed 3.16 million barrels a day in 2020, rivaling that of Japan or South Korea. A March report by China Energy News, a journal run by the state-owned People's Daily, estimated that excess refining capacity in China could grow to 1 billion barrels a year by 2025 unless authorities tighten supervision and implement controls. The report was read by top Chinese leaders and partially triggered the inspections.

IMF expects Mideast nations can cover budgets at lower oil prices

(S&P Global Platts; April 11) - The breakeven oil prices that Middle East countries need to balance their state budgets are largely projected to fall in 2021 and 2022 on rising production and economic recoveries, according to the International Monetary Fund's regional outlook for Middle East and Central Asia. Saudi Arabia's breakeven is expected to drop to $76.20 per barrel this year from $77.90 in 2020, and fall further to $65.70 in 2022, according to IMF data released April 11.

Meanwhile, Oman's breakeven price will fall to $72.30 in 2021 from $95.80 in 2020, while the UAE's breakeven price declines to $64.60 from $68.20 in 2020, the IMF said. While the economics are improving for producing nations, oil prices still are not high enough for most to reach breakeven with their government budgets.

Oil futures point to prices hovering near current levels in the coming months, slipping to $57 at the end of 2021 before sliding to $53 in 2022 as supply picks up, the IMF said. In contrast, S&P Global Platts Analytics is looking for prices over $70 mid-year. Firmer fundamentals are expected beginning in May with demand increases requiring substantial stock draws May through August, pushing up prices in the near term, it said.

Australian government may be stuck with costly offshore cleanup

(Australian Broadcasting Corp.; April 13) - A rust-riddled oil vessel anchored in the Timor Sea has cost Australian taxpayers A$86 million since February 2020, and Sen. Rex Patrick, in his fifth year in Parliament, believes the final price tag for its clean-up could spiral to $1 billion. The Northern Endeavour is a floating oil production, storage and off-take facility connected to the Laminaria and Corallina oil fields 340 miles northwest of Darwin. The vessel was owned and operated by Woodside until 2015.

After extracting about 200 million barrels of oil, the company decided to shut down the Northern Endeavour and remediate the oil fields. Then Woodside changed tack and sold it to a small, inexperienced company called Northern Oil and Gas Australia. The new owner continued oil production for a few years, but was issued several prohibition and improvement notices by the federal government's offshore energy regulator, the National Offshore Petroleum Safety and Environmental Management Authority.

In July 2019, the agency issued a final prohibition notice and forced the Northern Endeavour to shut down, citing environmental and safety concerns. The Northern Endeavour was found to be riddled with rust, lacking a proper fire suppression system and "risks of a major accident event occurring." The federal government took over responsibility in February 2020, later deciding to decommission the Northern Endeavour and its associated oil fields, "to remove potential risks to the environment." Work contracts totaling A$231 million already have been issued, with more to come.

Russian oil producers fail to reach target to reduce gas flaring

(Reuters; April 10) - Russian oil producers reduced gas flaring only slightly last year and failed to reach a targeted level by a large margin, hampered by a lack of necessary infrastructure at new oil fields, a draft government document seen by Reuters showed on April 10. Flaring, or the combustion of gas generated by various processes in the oil industry, generates carbon dioxide emissions.

Climate change poses a serious challenge for Russia, with the economy heavily reliant on oil and gas production, as well as mining, and the government is under pressure to cut emissions. The draft, outlining oil industry developments until 2035, showed that the utilization solely of the associated petroleum gas (APG) oil companies produce as a byproduct of crude extraction rose to 82.6% in 2020 from 81.5% in the previous year — well below the 95% target which was expected to be achieved in the mid-2010s.

The document cites lack of infrastructure needed to transport and utilize APG, as well as a number of incidents at refineries as the main reasons for the high level of gas flaring. The overall rate of APG utilization in Russia rose to 88.2% in 2015 from 76.2% in 2013 but has declined since then, according to the document. The World Bank found Russia, Iraq, the U.S., and Iran accounted for 45% of all global gas flaring between 2017 and 2019.

Less flaring helps boost U.S. natural gas production

(S&P Global Platts; April 12) - A rebound in U.S. natural gas production back to pre-pandemic levels could come sooner than previously anticipated due to growth from associated-gas basins. Over the past 30 days, output has edged up to an average 91.8 billion cubic feet of gas per day, data compiled by S&P Global Platts Analytics shows.

As production continues to climb back toward its first-quarter 2020 high at more than 96 bcf per day, the growth has been propelled in large part by the steady build of drilling and completion activity. In the week ended April 7, the U.S. rig count edged up to 528 — up nearly 90% from last summer's bottom to its highest in nearly 12 months, recent data published by Enverus shows. With drilling activity still at just a fraction of its pre-pandemic level, though, recent production gains also reflect a drop-off in wellhead flaring and a steady rise in gas-to-oil ratios in the associated-gas plays.

Over the past 16 months, flared volumes from U.S. associated-gas basins have fallen by over 60%, led primarily by improvement in the Permian and Bakken. In the Permian, flaring declined to a multiyear low in the first quarter of this year, averaging just 170 million cubic feet per day, down from more than 400 million in first-quarter 2020 and monthly levels as high as 820 million at the height of West Texas drilling, Platts Analytics data shows. The decline in Permian flaring is due in large part by the growth in pipeline capacity, allowing more gas to reach interstate markets.

Argentina may try price controls to promote shale oil production

(Bloomberg; April 11) - Argentina's government is pushing for long-term oil price controls as the nation runs out of time to unearth a shale trove in Patagonia. The idea of setting a ceiling and floor on domestic crude prices is being written into draft legislation aimed at spurring oil and gas investments, Production Minister Matias Kulfas said April 8. A cap would prevent bull runs in oil markets from triggering a surge in domestic fuel prices. And a floor would discourage major oil companies from pulling out of a marginal asset like the burgeoning Vaca Muerta shale play if markets collapse.

"What we want structurally is a solution that foresees the problems of volatility," Kulfas said. The administration of President Alberto Fernandez is in the midst of drafting the bill, which will be sent to congress this year for debate. Enacting controls by law would send a clear signal about the rules under which drillers can produce oil in Argentina in the coming years when the specter of peak demand threatens to keep vast resources buried in Vaca Muerta, estimated in the billions of barrels.

Drillers are producing 137,500 barrels of crude daily at the largely untapped shale deposit in the southern part of the country, according to newspaper Rio Negro. In comparison, the Permian Basin in the U.S. is expected to produce 4.6 million barrels of crude a day in May. Argentina is a perennial meddler in energy markets. Just last year, when oil prices tanked, the government priced its crude higher, and companies recently agreed to help refiners pressured by the government to keep gasoline prices in check.

Argentina boosts LNG imports to make up for shortfall in local supply

(Buenos Aires Times; April 12) - Argentina is poised to more than double its purchases of liquefied natural gas on the spot market this winter, in a bid to avoid a supply deficit. Imports into the Bahia Blanca port have been suspended since 2018, in hopes there would be more of the country's own shale gas. But low prices and the pandemic slowed new domestic drilling, prompting a fuel shortage and the government's subsequent decision to increase imports for the Southern Hemisphere winter.

State-run Integracion Energetica Argentina has issued a tender seeking 13 LNG cargoes for delivery between May and August to Bahia Blanca, where a new floating storage and regasification unit will be parked for almost 100 days. The company had already purchased 24 partial loads to deliver during the same period to its other LNG receiving unit on the Parana River. If the latest tender is fully awarded, Argentina's winter LNG import volumes will more than double from the same period last year.

Equinor decides to remain a member of U.S. oil lobbying group

(Reuters; April 11) - Norway's Equinor has decided to stay in the American Petroleum Institute after the major U.S. oil lobby group changed its stance on climate policy. However, Equinor has quit the Australian Petroleum Production and Exploration Association as the firm has wound down operations in Australia after giving up an exploration drilling plan in the Great Australian Bight.

Equinor said it had completed an annual review of industry groups' climate policy alignment with the Paris Agreement to limit global warming and the company's goal to be net zero by 2050. Last year it quit the Independent Petroleum Association of America over disagreement on climate policy and found "some misalignments" for the American Petroleum Institute and Australian Petroleum Production and Exploration Association.

However, following API's commitment to endorse the Paris Agreement's ambitions, work with the administration of President Joe Biden, and back a carbon price policy, Equinor said it would remain a member of API. Equinor's decision contrasts with French major Total's move to quit in January over API's climate policies. Equinor disclosed its fees for the first time, reporting its dues to API at between $1 million and $3.5 million.

New York state pension fund will divest of oil sands producers

(Reuters; April 12) - New York state's public employee pension fund is restricting investment in six Canadian oil sands companies because they have not shown they are prepared for a transition to a low-carbon future, the fund's Comptroller Thomas DiNapoli said April 12. The New York State Common Retirement Fund will divest more than $7 million in securities already held in the companies, and not make any further investments in them, DiNapoli said in a statement.

The oil sands hold the world's third-largest crude reserves but have some of the highest emissions intensity per barrel, due to the carbon-intensive production of extracting tar-like bitumen from the ground. Climate-focused investors are putting increasing pressure on the companies to reduce their greenhouse gas emissions or face divestment.

In December, the New York fund said it would help fight climate change by transitioning its investments to net-zero greenhouse gas emissions by 2040 — the first U.S. pension fund to set that date as a goal. "We have carefully reviewed companies in the oil sands industry and are restricting investments in those that do not have viable plans to adapt to the low-carbon future," DiNapoli said. "Companies responsible for large greenhouse gas emissions like those in this industry, pose significant risks for investors."

Pipeline company looks to wind power for its electricity

(Calgary Herald; April 12) - Pipeline company TC Energy is considering wind power investments to electrify its pipelines in the United States, where the company's assets have been subjected to environmental scrutiny for years. Calgary-based TC Energy (formerly TransCanada) announced April 12 it is seeking ideas from 100 power generation companies for potential contracts or investment opportunities in "wind energy projects that could generate up to 2,500,000 megawatt hours per year or 620 megawatts of zero-carbon energy" to power its pipeline assets in the U.S.

"Ultimately, our goal is to leverage our existing asset base to add more renewable-power generation to our portfolio and the broader market, resulting in a net reduction of emissions across our North American footprint," Corey Hessen, TC Energy senior vice president and president of the company's power and storage business, said in a press release. TC Energy plans to create a shortlist from the information it receives, and then pursue proposals for wind power investments.

TC Energy owns a network of oil and gas pipelines in Canada and the U.S. and has attracted controversy in recent years over its planned Keystone XL pipeline, which would have carried 830,000 barrels of heavy oil per day from Alberta to refineries in Louisiana and Texas. That project was canceled earlier this year, and analysts have been looking for TC Energy to redeploy its capital in other growth projects.

If European producers are right, they should sell out to U.S. majors

(Bloomberg opinion; April 13) - U.S. and European oil majors inhabit increasingly different planets. On that of Chevron and ExxonMobil, oil demand remains robust despite the acknowledged challenge of climate change. Where BP, Shell, and Total live, renewable energy, batteries and electric vehicles are set to overturn oil's incumbency relatively quickly. The U.S. majors might be characterized as energy transition-curious, while Europeans have shown more commitment rhetorically and dollars deployed.

Such disagreement should make for great trading. Private equity sometimes seeks to exploit discounts that open up when companies fall out of favor with public markets. Similarly, if the likes of Shell are signaling some of their resources might never be produced, then those same barrels could hold more value for competitors with a rosier view of the future. Shouldn't the Europeans just sell their businesses to the Americans? With the best deals, both parties walk away thinking they got one over on the other side.

The seller can offload something they guess is past its prime for more than they valued it; and the buyer, thinking the seller misguided or mad, grabs a perceived bargain. If you think your oil field has only 10 years left, then someone who thinks it has another 20 should pay up. If someone will pay more for something than you think it is worth, then you should sell. Even if the date of peak oil demand is debatable, each passing year brings it closer. Over time this should prompt European majors to offload oil (and eventually gas) assets to peers holding a more bullish view of hydrocarbons.