Oil and Gas News Briefs
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OPEC+ expected this week to continue pace of restoring production

(Bloomberg; Aug. 27) - OPEC and its allies are expected to press on with their planned revival of oil production when they meet Sept. 1, as prices have bounced back from an August stumble. **The coalition led by Saudi Arabia and Russia is gradually restoring the vast amount of crude production halted during the pandemic, and will probably ratify the next monthly installment when it gathers Sept. 1, according to a Bloomberg survey of traders and analysts. Several OPEC+ delegates privately predict the same outcome.**

Oil markets faltered earlier this month as the resurgent pandemic threatened demand in China and the U.S. But prices have since recovered after fuel use proved resilient to the latest coronavirus wave, giving the Organization of the Petroleum Exporting Countries and its partners more breathing space. “There’s good evidence that the bottom in oil prices was temporary and overdone, and if the recovery continues OPEC+ would likely stick to the plan,” said Ed Morse, head of commodities research at Citigroup.

The cartel has restored roughly 45% of its unprecedented spring 2020 production cutback. Under a plan spearheaded by Saudi Arabia, OPEC+ will return the rest in monthly increments of 400,000 barrels a day through to late 2022. Seventeen of 22 traders, analysts and refiners surveyed by Bloomberg expected no change to this schedule at the Sept. 1 meeting. OPEC+ has wrong-footed observers several times this year, freezing supplies when an increase was anticipated and vice versa. But so far this meeting is on track to be a smoother affair than the previous one.

Kuwaiti oil minister says OPEC+ may reconsider production boost

(Reuters; Aug. 29) - The increase in oil output agreed last month by OPEC+ nations could be reconsidered at its meeting on Sept. 1, Kuwait's oil minister said on Aug. 29. The Organization of the Petroleum Exporting Countries and allies including Russia, collectively known as OPEC+, will meet to discuss the previously agreed increase of 400,000 barrels per day each month over the next year.

"The markets are slowing. Since COVID-19 has begun its fourth wave in some areas, we must be careful and reconsider this increase. There may be a halt to the 400,000 increase," Mohammad Abdulatif al-Fares told Reuters on the sidelines of a government-sponsored event in Kuwait City. Economies of East Asian countries and China remain affected by COVID-19 and caution must be exercised, Fares said.

OPEC+ last year implemented a record output cut of 10 million barrels per day, equating to about 10% of world demand, when energy consumption plunged because of travel restrictions and national lockdowns to counter the spread of COVID-19. The alliance members have been slowly restoring production and are scheduled to bring back all of the crude output by fall 2022.

After 7 years, expanded Canada-to-U.S. pipeline nears completion

(Calgary Herald columnist; Aug. 28) - The completion of Enbridge's Line 3 replacement and expansion oil line project is within sight. Earlier this week, the project withstood yet another U.S. legal challenge, as the Minnesota Supreme Court decided it would not hear an appeal from opponents to the pipeline receiving its necessary approvals from regulators — moving Line 3 another step closer to completion. Enbridge CEO Al Monaco said recently the project is expected to begin operating in the fourth quarter.

"It's moving from a theoretical future concept to something that is physical, which has always been the challenge of pipelines," Kevin Birn, an analyst with energy consultancy IHS Markit, said Aug. 27. "There have been lots of projects in the past, but very few have made it to the finish line." It's taken an average of more than seven years for the two remaining oil line projects out of Western Canada — Line 3 and the Trans Mountain expansion — to move from initial regulatory filings to anticipated completion, Birn said.

The Line 3 project replaces pipe that initially went into service in the 1960s and runs from Alberta to Superior, Wisconsin. Once completed, the project will allow the line's capacity to increase to 760,000 barrels per day from about 390,000. The $5.3 billion Canadian segment of the replacement project was finished almost two years ago. But it's in the U.S. where the $4 billion development has seen the stiffest opposition, primarily in Minnesota, from environmental groups and some Indigenous communities.

Permanent shortage possible as oil patch workers leave industry

(Bloomberg; Aug. 26) - For more than a year, Kristopher Guidry crisscrossed the Texas oil patch, fixing electrical equipment on drilling rigs. Today, he's studying to be a home appraiser. Abhinav Mishra was an oil engineer in some of the same fields. In January, he started an internship in Silicon Valley. And Andrew Crum, who ran digital operations for fracking outfits, headed to Kansas City, Missouri, where he joined Walmart's supply-chain management team. All three men say they've probably left the industry for good.

After three oil busts in the past seven years, they're fed up with the stomach-churning volatility of it all. The boom years may be wonderful, but the trips to the unemployment line that follow are devastating. Besides, some workers said, the industry is on the decline as the government and corporate America pivot to a greener future. Who wants to be part of a dying business? "I would have to be pretty desperate to consider going back," said Crum, who had followed three earlier generations into the oil fields.

Of all the labor shortages that are wreaking havoc on the U.S. economy, few are as thorny or potentially as permanent as the one with a grip on the oil sector. Thousands of roughnecks and engineers are, like Guidry, Mishra and Crum, wary of returning to jobs like the ones they lost when the pandemic sent the price of crude oil crashing last year. It doesn't help that oil producers, trying to display a newfound financial discipline to their frustrated Wall Street backers, are hesitant to offer the signing bonuses and double-digit pay hikes that have become commonplace to attract workers in other industries.

Average pay in the Permian basin of West Texas and New Mexico remains below pre-COVID levels. All of which, analysts said, could put a cap on production in the Permian and other shale formations that collectively pump out more than two-thirds of all U.S. oil.

Imperial Oil may use Alberta refinery to produce renewable diesel

(Reuters; Aug. 25) - Imperial Oil, one of Canada's biggest oil producers and refiners, on Aug. 25 outlined a plan to process vegetable oil into renewable diesel at its 191,000-barrel-per-day Strathcona refinery near Edmonton, Alberta. The project, which still requires final approval, is part of majority-owner ExxonMobil's goal of producing more than 40,000 barrels per day of low-emissions fuels by 2025.

Imperial aims by 2024 to construct a hydrotreater and use fossil fuel-derived blue hydrogen to process feedstocks such as canola and soybean oils into 20,000 barrels a day of renewable diesel, it said. A decision to proceed will require government support and approvals, favorable market conditions and judging the project's economic competitiveness, an official said. Imperial's investment in the project was not disclosed.

Canada's Clean Fuel Standard, which takes effect next year, is intended to spur investment in clean-energy technology and create a trading scheme that enables fuel suppliers that do not meet emissions reduction targets to buy credits generated from cleaner-fuel producers. Imperial's production process would capture and store underground about 500,000 tonnes of carbon dioxide each year, Exxon said in a statement. U.S. refiners including Valero Energy and Marathon Petroleum are utilizing U.S. and state incentives to produce renewable diesel.

Portland will decide on oil storage, loading terminal permit renewal

(Oregon Public Broadcasting; Aug. 26) - Portland leaders will soon have to decide whether to grant Zenith Energy, an oil storage and transport company based in Texas, the permits it needs to continue operating within city limits. The company’s facility in

Northwest Portland has 84 aboveground tanks that can hold a little over 1.5 million barrels of oil. Zenith pumps the stored crude into oil tankers that take their cargo — which includes Canadian oil sands production — to refiners in the U.S. and abroad.

Over the past three years, the company has increased its oil-by-rail transport nearly 17-fold. If the city denies the permit — and if that denial were to withstand legal challenge — the decision could mean the end of Zenith's operations in Portland. Willamette University law professor Susan Smith, who specializes in environmental and natural resources law, said the Zenith operation is a huge creator of fossil fuel emissions.

Zenith took over the facility in 2017. Smith said it was originally an asphalt plant built in 1947. "As you can imagine, [it was] not built to today's environmental standards at all," she said. Zenith needs two permits to continue its Portland operation: A land-use permit from the city and, if that is approved, an air quality permit from the state. Six years ago, the Portland City Council adopted a policy to "actively oppose expansion of infrastructure whose primary purpose is transporting or storing fossil fuels in or through Portland or adjacent waterways." It also voted to oppose oil-by-rail transportation.

Activists sue Santos, allege false claims of environmental credentials

(Sydney Morning Herald; Aug. 26) – Australian oil and gas giant Santos has been sued for allegedly misleading and deceptive claims about its environmental credentials, including that the company has a clear plan to achieve net-zero emissions by 2040 and that natural gas is a "clean fuel." The Australasian Centre for Corporate Responsibility filed a statement of claim in federal court on Aug. 25 outlining its argument that Santos' annual report makes false claims about the company's approach to climate change.

One of the key claims is that Santos refers to gas as a clean fuel and it provides "clean energy," according to a statement released by the group on Aug. 26. "The annual report fails to disclose that the extraction, processing and use of natural gas releases significant quantities of carbon dioxide and methane into the atmosphere, gases which are key contributors to climate change and global warming," the center said.

The group is also taking aim at Santos' claims to have a clear pathway toward reaching net-zero emissions by 2040, an aspiration that relies on the development of carbon capture and storage technology and blue hydrogen. The legal action is part of a rising trend of climate change litigation, following Environment Minister Sussan Ley's decision to appeal the court ruling that found she had a duty of care to protect Australian children from climate harm. A Santos spokesman declined comment.

Japanese power company pilot project will burn hydrogen with LNG

(Natural Gas Intelligence; Aug. 26) - JERA, Japan's largest power company, said Aug. 26 it plans to launch a pilot project backed by the government that could help displace 30% of the liquefied natural gas used to generate electricity with hydrogen. The government grant would help fund the switch to hydrogen for a portion of the fuel used at an unspecified large-scale LNG power plant. JERA is aiming to cut carbon dioxide emissions across its business and plans to gradually increase the use of hydrogen and ammonia at its facilities. LNG currently is used to generate 71% of its power.

Hydrogen would be introduced later this year. JERA said it would evaluate the operational and environmental performance of the fuel from this October to March 2025. The results could help inform JERA's aim of building hydrogen supply and related facilities, along with combustors that could co-fire hydrogen and natural gas at the power plant and displace with hydrogen 30% of the LNG used by fiscal year 2025.

The initiative would be Japan's first to use a large amount of hydrogen as a fuel in large-scale commercial LNG power plant operations. For decades, Japan has been the world's largest LNG importer. A draft energy plan released in July would see the nation cut the share of fossil fuels in its energy mix from 76% in 2019 to 41% in 2030. While the viability of the plan has faced scrutiny, it could significantly hit the global LNG trade.

PetroChina expects one-third of its portfolio will be green by 2035

(Reuters; Aug. 26) – PetroChina aims to have oil, gas and green energies each account for a third of its portfolio by 2035, it said on Aug. 26, as the Chinese oil major shifts toward a lower-carbon future. For PetroChina, Asia's largest oil and gas producer, natural gas currently accounts for about 47% of total output and oil the rest. It is at the early stages of developing renewables. "Our capital spending will increase progressively on green energies," said chairman Dai Houliang.

In addition to expanding natural gas production, PetroChina is zeroing in on geothermal, solar and wind power by adding renewable projects in 2021 with total capacity of 3.45 million tonnes of standard coal equivalent. It also has 350,000 tonnes of standard coal equivalent projects under construction.

Asia's LNG importers brace for high prices this winter

(S&P Global Platts; Aug. 26) - Asia's LNG importers expect high spot prices this winter on the back of tight demand-supply fundamentals, which could derail purchasing plans and increase electricity prices, especially if temperatures drop sharply similar to cold snaps in the previous winter season. The key difference in 2021 is that LNG demand surged much earlier in the year on the back of the Chinese economy rebounding sharply from COVID-19 and spot LNG prices never dropped below $5.50 per million Btu, while last year they languished in the low single digits for several months.

As the Northern Hemisphere summer kicked in, pushing up air conditioning demand, spot LNG spot prices soared to an eight-year seasonal high, almost touching $18 last week. The outlook for buyers is just as painful. Japan-Korea Marker futures peaked at nearly $20 last week for deliveries in the coming winter through to January, reflecting broad-market expectations of tight market conditions persisting to the end of this year.

"Asia's spot LNG trade has moved into unchartered territory from this summer, trading for an extended time above oil-parity prices," said Jeffrey Moore, Asia LNG manager for S&P Global Platts Analytics. "Demand growth in China is expected to more than offset loss from Japan, Korea and Taiwan entering this winter with higher inventories. The market is running out of mechanisms to counter higher demand and higher prices." The buying interest from China is being closely watched. "The Chinese will have to buy more to inject for winter. I doubt they have fully prepared for winter," a trader said.

Bangladesh may renew oil-fired power plants amid high LNG prices

(Reuters; Aug. 27) - Bangladesh is reviewing the lease renewals of five oil-fired power plants as they near expiration, despite a government plan to move away from oil and instead use natural gas for power generation, two senior government officials told Reuters. This comes amid soaring gas prices globally, with Asian liquefied natural gas prices at their highest for this time of the year since at least 2010, and which are well above oil-linked gas prices.

Bangladesh has been a critical growth market for LNG, with annual imports climbing six-fold since 2018, according to Refinitiv data. Extended use of oil-powered plants beyond their expected lifespan may slow LNG purchases going forward, however. "The proposal has been sent to the energy regulatory body for scrutiny. If they find it cost-effective, the tenure of the power plants will be extended by two years," one of the two officials said, declining to be named as he was not authorized to speak with media.

The lease is expiring this year for five "quick rental" power plants, which are private sector-funded plants that run on fuel oil or gas oil and came online at short notice in mid-2011 when Bangladesh was grappling with severe power shortages. They have a total capacity of 457 megawatts. Last year, the country idled several oil-fired power plants and imported LNG as the price of gas in Asia fell to record lows from coronavirus-induced demand slump. Current high prices are upending that strategy.

Europe facing gas shortage and uncertain flows from Russia

(The Wall Street Journal; Aug. 25) - Europe is facing a natural gas shortage just as Russia is completing a controversial pipeline to Germany, increasing President Vladimir Putin's leverage over the continent's energy flows. Europe's gas stockpiles are at their lowest levels for years after demand rebounded from a pandemic-induced low that had led producers to slash output. As a result, prices are hitting record highs and utilities are firing up coal-fired power stations to keep their own costs down.

Despite this, Russia, Europe's biggest gas supplier, has declined to book big additional flows through pipelines in Ukraine, which are running below capacity. A large share of Russian gas exports to Europe transits through Ukraine, but that is expected to change after Russia completes construction of the Nord Stream 2 pipeline, which could happen this month. This will allow Moscow to export gas directly to Germany and bypass Ukraine and Poland, whose governments are critical of Moscow.

The U.S. fears Russia will use Nord Stream 2 to wield influence over Europe and punish pro-Western Ukraine and other countries by depriving them of the fees they charge on Europe-bound Russian gas. "Even without Nord Stream 2 built, we are already seeing who pushes the gas price in Europe up," said Ukrainian President Volodymyr Zelensky on Aug. 22 after meeting with German Chancellor Angela Merkel, a supporter of Nord Stream 2. "The project is only beneficial for the Russian Federation."

Rosneft asks permission to crack open Gazprom's export monopoly

(Reuters; Aug. 27) - Russia's largest oil producer Rosneft has asked President Vladimir Putin to allow it to export 350 billion cubic feet of gas per year via an agent agreement with Gazprom, which holds exclusive rights to pipeline gas exports from Russia, the newspaper Kommersant said on Aug. 20. The newspaper cited a letter by Rosneft's head Igor Sechin to Putin, dated Aug. 13. It said the state budget would get an additional 37 billion roubles ($500 million) a year with increased gas production tax on the overseas sales. Rosneft has yet to respond to a Reuters request for comments.

The oil company and its shareholder BP have long planned to ship Russian gas abroad. Gas prices in Europe are at multi-year highs amid tight supplies and the economic recovery from the pandemic. The Kremlin-controlled Gazprom has long held the monopoly for Russian gas exports via pipelines. The proposal was put forward following an Aug. 5 fire at Gazprom's gas facility in northern Russia, which led to a decline in Russian gas exports via the Yamal-Europe pipeline. Supplies have been restored.

Banker says Mozambique LNG could get back on track in 18 months

(Reuters; Aug. 27) – TotalEnergies' liquefied natural gas project in Mozambique could be back on track within 18 months after African armies deployed to help quell an insurgency, the president of the African Development Bank said on Aug. 20. The French company declared force majeure on the $20 billion project in April after Islamic State-linked fighters overran the town of Palma, near its facilities in Cabo Delgado province. TotalEnergies estimated the disruption would delay development by at least a year.

Troops from Rwanda and members states from the Southern African Development Community have since deployed to support Mozambican forces to help put down the insurgency. Bank president Akinwumi Adesina told Reuters he did not expect the interruption to affect the LNG project's long-term viability. "The return of security in that place will give assurances to Total and others to return," he said. "In one year to 18 months, I expect it to be stabilized enough to get back on track."

TotalEnergies did not immediately respond to a request for comment on Adesina's remarks. The development bank is lending $400 million to the project, which is Africa's largest-ever foreign direct investment and a lynchpin of Mozambique's economic development strategy. "It gave us real concern when Total declared force majeure and they had to move out. But you can understand because of the insecurity situation," Adesina said. Total had hoped for production start-up in 2024, before work shut down.

Satellite data points to Algeria was top emitter of greenhouse gas

(Bloomberg; Aug. 27) - A series of large methane plumes were detected by satellite near oil and gas fields, processing plants and pipelines in Algeria, which is among the world's top emitters of the potent greenhouse gas. At least five clouds have been identified so far in August, mostly in or around a sparse desert area roughly 354 miles southeast of the capital Algiers, according to Kayrros, a geoanalytics company that parses satellite data to track down methane releases.

The worst plume was spotted on Aug. 18. It had an estimated emissions rate of 121 metric tons an hour. Algeria is a global methane hotspot and was responsible for some of Africa's most severe emissions of the greenhouse gas over the past few years, according to Kayrros' analysis. The methane intensity of the OPEC member's energy output was the fourth-highest among a selection of producers last year, according to the International Energy Agency.

Sonatrach Group, Algeria's state-owned oil company, didn't respond to calls and emails seeking comment. Methane, which is the primary component of natural gas, traps more than 80 times more heat than carbon dioxide in the short term. Curbing emissions of the gas could do more to slow climate change than almost any other single measure and scientists are targeting leaks from the oil and gas operations because they offer the biggest potential reductions at the cheapest cost.

LNG developer uses YouTube for pitch to individual investors

(The Wall Street Journal; Aug. 27) - Charif Souki has found a new tool in the race to build America's next shale-gas shipping terminal: YouTube. From his home office in Aspen, Colorado, the executive who built the first U.S. liquefied natural gas export terminal crafts videos once a week for an audience of mostly young, internet-savvy individual investors who have collectively taken a big stake in his fledgling venture, Tellurian. Souki, the company's 68-year-old executive chairman, records monologues about the global gas market and the company's latest deals on his iPad.

"We found so far that they're extremely faithful. They do their homework. They understand exactly where we're trying to go," Souki said of his new fans. "We find the retail market a lot more long-term oriented than the hedge-fund market."

Souki in 1996 co-founded Cheniere Energy, the first company to take the bounty of fracking and export LNG to global markets from the Gulf Coast. He has spent the past several years trying to start construction on a new export plant in Louisiana, but has had a tough time securing the billions needed to pull it off. His strongest support has come from the unlikely but passionate subculture of individual investors that is captivated by his YouTube appearances and rooting for him across social media platforms and online forums — and helping his new venture stay afloat through new stock sales.

As tens of thousands of individual investors began purchasing Tellurian shares last year, Souki said he realized the only way he could communicate with all of them at the same time was through YouTube. He began making videos in September, focusing on what he believes investors should hear and issues that surface from social media. In interviews, Tellurian investors said they're holding on to shares because of the record of Souki, a charismatic Lebanese-American banker-turned-entrepreneur who has had success in a number of businesses, including restaurants, before turning to energy.