Oil and Gas News Briefs
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France's Total quits U.S. oil and gas lobby group

(Reuters; Jan. 15) - France's Total on Jan. 15 became the first major global energy company to quit the main U.S. oil and gas lobby due to disagreements over its climate policies and the group's support for easing drilling regulations. Total said it would not renew its 2021 membership with the American Petroleum Institute following a review of the lobby's climate positions, describing them as only "partially aligned" with its own.

The high-profile departure from the most powerful energy lobby comes ahead of sweeping changes in U.S. policy, with incoming President Joe Biden promising to tackle climate change and bring the country to net-zero emissions by 2050. "As part of our climate ambition made public in May 2020, we are committed to ensuring, in a transparent manner, that the industry associations of which we are a member adopt positions and messages that are aligned with those of the Total Group in the fight against climate change," Total Chief Executive Patrick Pouyanne said.

The withdrawal highlights a widening rift between Europe's top energy companies, which over the past year accelerated plans to cut emissions and build large renewable energy businesses, and their U.S. rivals ExxonMobil and Chevron that have largely resisted investor pressure to diversify. The announcement puts pressure on Total's European rivals BP and Shell to follow suit after resisting the move in recent years.

Total cited API's support for last year's rollback of U.S. regulation on emissions of methane, its differing views on pricing carbon, as well API's lack of support for subsidies for electric vehicles. Total, BP and Shell have already pulled out of the American Fuel & Petrochemical Manufacturers, also due to differences over climate policies.

Occidental plant would remove CO_2 from atmosphere for reinjection

(Bloomberg; Jan. 13) - Deep in the Permian Basin, America's biggest oil field, Occidental Petroleum plans to build a facility that it believes could change the way the world thinks about fossil-fuel emissions. The globe's first large-scale direct air capture plant will remove carbon dioxide from the atmosphere and pump it deep underground, where it will remain for millions of years. The process would essentially be the reverse of what oil and gas companies do today.

The goal is to lower emissions of the primary greenhouse gas responsible for global warming — and one day even produce a carbon-negative barrel of oil. But to cover the cost of operating the plant, Occidental will initially use much of the CO2 to push out lucrative oil from underground reservoirs, thereby replacing one pollutant with another. The facility, expected to cost hundreds of millions of dollars, will also need support from tax credits and outside investors to be financially viable.

The climate crisis has increasingly found its way to the boardrooms of the world's largest oil companies. Some, such as BP, have responded by plowing money into renewable energy. Others, such as ExxonMobil, are doubling down on fossil fuels. Occidental wants to take a different approach and become a "carbon management company," said CEO Vicki Hollub. "We are not afraid of the transition out of oil and gas, because we're a part of that transition. I do believe that in 15 to 20 years, more of our income will be from carbon management than from oil and gas."

China set record for crude oil imports in 2020

(Reuters; Jan. 14) - China's total crude oil imports surged 7.3% in 2020 despite the coronavirus shock earlier in the year with record arrivals in the second and third quarters as refineries expanded operations and low prices encouraged stockpiling, data showed on Jan. 14. For 2020, the world's top oil buyer brought in a record 542.4 tonnes of crude oil, or 10.85 million barrels per day, more than 11% of global consumption.

The strong flows followed feverish buying from refineries and independent storage operators after prices plummeted to the lowest in decades earlier in the year, taking advantage of robust domestic demand as China's economy quickly recovered from the pandemic. December shipments were down 2% from November's 11.04 million barrels per day, partly because independent refiners ran out of import quotas. Looking forward, tanker arrivals should firm up again following the release of import quotas for 2021.

Expansions at state-owned refineries and the launch of new facilities by privately owned Zhejiang Petrochemical further boosted China's appetite for oil. Customs data also showed imports of natural gas, including fuel supplied as liquefied natural gas and via pipeline, reached a record 11.23 million tonnes in December, as a harsh winter and a stunning manufacturing recovery boosted energy demand. Full-year gas imports rose 5.3% to a record 101.66 million tonnes in 2020.

Saudis cooperate with Russia for market stability

(S&P Global Platts; Jan. 14) - Saudi Arabia's cooperation with Russia has helped stabilize oil markets and the kingdom looks forward to further collaboration with Moscow as the world's biggest oil exporter seeks to remain a key player in market stability, Saudi Foreign Minister Faisal bin Farhan said Jan. 14. The cooperation between Russia and

Saudi Arabia within OPEC+ "not only contributed to the stabilization of the energy products markets but also protected the global economic system," bin Farhan said in a joint press conference with his Russian counterpart Sergey Lavrov in Moscow.

The OPEC+ alliance, led by Saudi Arabia and Russia, decided in December after days of heated negotiations to ease their quotas by a collective 500,000 barrels per day for January, instead of the originally planned 2 million boost in output. For February and March, Russia and Kazakhstan were permitted slight increases, while Saudi Arabia, which has opposed raising production, decided to institute a voluntary 1 million-barrels-per-day cut below its quota. All other countries will maintain their January output.

Deputy Prime Minister Alexander Novak, who is representing Russia in OPEC+ meetings, called Saudi Arabia's surprise cut "a New Year's gift" to the oil market. The Saudi cut has helped boost oil prices to an 11-month high, with front-month Brent futures surpassing $57 per barrel on Jan. 13. The new OPEC + agreement locks in quotas through the first quarter, with the group's next meeting set for March 4.

Russian production up 150,000 barrels per day this month

(Reuters; Jan. 15) - Russian oil and gas condensate production increased by 150,000 barrels per day to around 10.19 million in the Jan. 1-14 period from December as output curbs were eased, an industry source said Jan. 15. Oil and gas condensate production stood at 10.04 million barrels per day on average in December, according to official data. Russia had said it would raise its oil production in January by about 125,000 barrels as curbs by the OPEC+ group of leading global oil producers were eased.

The OPEC+ producer group's global deal excludes condensate, a type of light oil, of which Russia pumps 700,000 to 800,000 barrels per day on average. Starting from February, Russia is due to raise its oil output by an additional 65,000 barrels per day. Russia's higher production comes as Saudi Arabia last week announced it would cut its own output by 1 million barrels a day for two months to help bolster crude oil prices.

Columnist says ANWR lease sale more about jobs than oil

(Houston Chronicle commentary; Jan. 13) - If the federal government auctions Alaska drilling leases and no major energy company makes a bid, does it mean the oil is not needed? If the primary bidder is a state-owned economic development corporation, does it mean it's no longer the energy they want, but the jobs? The answer to both is yes. The auction of oil leases in the Arctic National Wildlife Refuge marks a turning point for the industry. Major corporations are not willing to court public controversy for profits, and the drilling debate is becoming more about job creation than energy independence.

The auction results were damningly disappointing. The Alaska Industrial Development and Export Authority was the only bidder on 480,000 acres at the minimum of $25 an acre. The state-owned organization has never drilled a well. Two small companies, neither of which produces any oil, were the sole bidders on 75,000 acres. Analysts cannot imagine how they could launch an exploratory drilling program, particularly because major U.S. banks have promised to never finance drilling in the refuge. The Bureau of Land Management received no bids on about half the tracts offered.

The economics are all wrong for arctic drilling and always will be. The world is awash in oil with OPEC and its allies holding back 8 million barrels a day to keep prices high. So why even talk about arctic oil? Because the existing Alaska North Slope fields are petering out, and thousands of Alaskans rely on the oil patch for work. Unless someone drills more wells, a lot of people will lose their jobs in a place where there are few alternatives. The appeal to place jobs over the environment is an old one.

U.S. LNG developer loses another European customer

(Bloomberg; Jan. 14) - Developers of U.S. liquefied natural gas projects are facing more hurdles in their plans to sell the fuel into Europe. The latest setback is the expiration of a 2017 accord between U.S. LNG developer NextDecade and the Port of Cork to build an import terminal in Ireland. The memorandum of understanding for the floating storage and regasification unit lapsed Dec. 31 and the port has no plans to renew it, Eamon Ryan, Ireland's climate minister, said to a question from a member of parliament.

"Due to the increased uncertainty in Ireland's evolving policies regarding the importation of LNG, NextDecade has elected to suspend development activities related to the Inisfree project in the Port of Cork," NextDecade said. While natural gas is the cleanest of fossil fuels, it's still a source of greenhouse gas emissions and its production is blamed for polluting methane leaks. It's the second setback for NextDecade in Europe.

France's Engie in November scrapped plans to buy LNG from the developer, handing a victory to an environmental group that had urged the French utility to drop the deal over pollution concerns. NextDecade intended to supply the Ireland terminal with LNG from its planned Rio Grande LNG facility in Texas. The Port of Cork project suspension won't affect NextDecade's ability to reach a final investment decision on its project, CEO Matt Schatzman said. The company is talking with potential buyers in Europe and elsewhere, and still expects to make a final investment decision this year, he said.

China’s gas importers back off from buying expensive LNG

(S&P Global Platts; Jan. 15) - China's natural gas companies have backed off from purchasing high-priced spot LNG for February deliveries as they are unable to sell the gas downstream at high prices, and after the government cracked down on domestic price surges in recent weeks. This is despite energy shortages in northern China and efforts to shore up supplies of electricity and feedstocks like coal, imported pipeline gas, domestic gas and LNG imports. It also comes after record high LNG imports by China in December, according to S&P Global Platts Analytics.

There has been a noticeable decline in buying interest after Asian spot LNG prices climbed over the $15 per million Btu mark at the end of 2020, with no spot purchases by Chinese end-users reported since the Christmas holidays, Singapore-based traders said. Several purchase tenders issued in mid-December by importers such as CNOOC, PetroChina, Guangzhou Gas and Guangdong Energy for January-February deliveries were also left unawarded when spot prices increased far too much for buyers.

"Chinese second-tier buyers are trembling just looking at the price surge each day; no one will buy at this price level," a Shenzhen-based end-user said. S&P Global Platts’ benchmark for spot deliveries into North Asia hit a record $32.50 this week, a price at which LNG is likely to see demand destruction, especially in markets like China where end-users cannot pass on their costs to the government-price-regulated downstream.

Winter-driven LNG demand will help boost prices all year

(Bloomberg; Jan. 13) - The historic surge in Asian liquefied natural gas prices is poised to soon end as frigid winter weather subsides. But its impact could linger all year. The past few weeks of abnormally cold weather across North Asia, home of the biggest LNG consumers, will force the region’s end-users to restock supplies, providing support for price benchmarks throughout 2021. What was expected to be a finely balanced summer just a month ago is now looking increasingly tight, according to Wood Mackenzie.

“The cold spell will have long-lasting implications throughout the year,” said Massimo Di Odoardo, a vice president at the consulting firm. “That is going to pave the way for restocking demand very much across North Asia. The harsh winter has upended energy markets and caught some utilities flat-footed, sending prices for electricity, fuel, and chartered vessels to record highs. The Japan-Korea Marker, Asia’s benchmark for LNG, surged to $32.494 per million Btu on Jan. 12, an 18-fold rise from April’s record low and the highest since S&P Global Platts began assessments in 2009.

That rally is poised to peak this week as the February contract expires on Jan. 15. Asian LNG prices then will soon begin to fall, and end up averaging $7.60 per million Btu in 2021, nearly double last year’s rate, according to WoodMac. Already, the end of

Asia's cold blast is in sight. "The big cold seen in recent weeks in Northeast Asia will be over by next week, as milder temperatures return," said Todd Crawford, lead meteorologist with the Weather Co., an IBM business.

[Asian utilities buy fuel oil to meet demand for electricity]

(Bloomberg; Jan. 14) - Asian utilities are snapping up prompt supplies of fuel oil — an emergency backstop for natural gas — as power demand surges across the region due to a winter freeze. Power generators in Japan such as Tohoku Electric Power recently bought several cargoes of low-sulfur fuel oil for generating power, said traders who asked not to be identified. The fuel can be used in oil-fired plants, which are typically left in an idled state and utilized only when gas-fed facilities have been maximized.

Several other companies including Japanese utilities and trading houses were also seeking cargoes this week, sources said. Low-sulfur oil and fuel oil used for power generation in Japan need to have an ultra-low sulfur content to meet environmental standards. Goldman Sachs estimates the unexpected boost in oil demand from wintry conditions will lift global consumption by at least 1 million barrels a day in the coming weeks, with the potential for demand to hit 1.5 million barrels.

Power prices in Japan, meanwhile, rallied to a record high this week amid calls for consumers to curb electricity use. "We are in talks with power companies. They are saying they plan to restart oil-fired plants, as many as possible," according to Shunichi Kito, the president of Idemitsu Kosan, a Japanese oil producer and refiner. Idemitsu is assessing its situation to figure out how much fuel oil it can provide.

[Cold winter strains energy supplies, resiliency in Asia]

(Reuters commentary; Jan. 14) - Northeast Asia has been hit by a midwinter energy crisis as an extended period of much lower than normal temperatures across the region has strained supplies of coal, gas, and electricity to the breaking point. China has been forced to restrict power in multiple provinces, Japan has appealed for restraint, and LNG prices have hit record highs as generators and utilities scramble for spot cargoes.

While freezing temperatures triggered the crisis, they have also exposed an underlying lack of resiliency in regional energy systems caused by the rapid transition to gas for space heating and power generation. Japan has failed to restart or fully replace nuclear generation a decade after the Fukushima disaster, which has left the country short of generation capacity and excessively reliant on imported gas. China's rapid transition from coal to gas for urban heating systems has tightened gas supplies while the rapid rise in household and industrial electricity consumption strains the electrical grid.

More broadly across Asia, economic growth, rising incomes and surging electricity demand is stretching generation systems and the ability to import enough LNG at peak times. Asia's energy crisis started to emerge in the fourth quarter 2020, with reports that some countries were struggling to buy enough LNG cargoes to meet rapidly increasing consumption. The entire energy system, including power, gas, and coal, has been left without the flexibility needed to respond unusual weather or an interruption in supplies.

Japan needs more oil to keep up with winter electricity demand

(S&P Global Platts; Jan. 15) – Faltering LNG stocks will likely prompt Japanese power utilities to actively chase for oil in a desperate attempt to keep up with robust domestic winter electricity demand, with local refiners struggling to produce enough fuels and leading to a surge in the country's heavy crude and fuel oil imports. The chilling cold has led to fuel oil demand far exceeding the planned supply volumes of the country's largest refiner ENEOS, a company official told S&P Global Platts.

"We have received emergency requests from power utilities for fuel oil supply at a level significantly exceeding our supply plan," the official said. "We need to prioritize our supply for power utilities with supply contracts amid a shortage of coastal vessels." Severe cold and surging power demand are tightening power supply amid declining LNG stocks and low renewable output, Minister of Economy, Trade and Industry Hiroshi Kajiyama said Jan. 12, with utilities undertaking emergency fuel procurement.

Japan's additional crude and fuel oil demand for power generation comes as refiners are maximizing their output of kerosene to meet heating demand. One Japanese refiner is finding difficult to increase its output of fuel oil for power generation, as it would derail its supply balance of other refined products, a company source said.

Growing demand stretches China's electrical generation capacity

(Reuters commentary; Jan. 15) - China's electricity system was already becoming stretched — even before unusually cold weather descended on most of the country in December and January. In common with other fast-developing economies in Asia, China's reliability problem stems more from rapid growth in electricity consumption than abnormal weather, with generation struggling to keep up.

Nationwide power consumption rose by more than 9% in November compared with a year earlier, one of the fastest year-on-year increases in the past decade, data from the China Electricity Council showed. Electricity use rose across all sectors, including primary industries (+13%), manufacturing (+12%), services (+8%), and residential

(+7%), despite milder than normal weather. Business activity recovered rapidly from the slowdown in 2019 and early 2020 caused by the trade war with the U.S. and COVID-19.

Each year China's power use peaks in summer, when air-conditioning demand is high, but pressure on the grid is eased by the availability of plentiful hydroelectric generation during the annual flood season. By winter, hydro generation is lower, adding to the load on thermal and nuclear generators as well as wind farms to make up the shortfall, which can stretch the availability of electricity. The country managed to scrape through this winter, but it will need far more generation capacity to reduce reliability risks in future.

Without LNG exports, Canadian producers miss out on high prices

(Financial Post; Canada; Jan. 14) - Canadian gas producers are watching with envy as liquefied natural gas prices in Europe and Asia hit records this month while Canada's only under-construction LNG export facility is years away from completion and the pandemic has dealt fresh delays to other projects. "I won't hide the fact that COVID has had an impact on the overall development timeline," GNL Quebec acting president Tony Le Verger said of his company's proposed C$9 billion project in northern Quebec.

Less than a year ago, GNL Quebec confirmed it had lost a major potential investor when Warren Buffett's Berkshire Hathaway pulled out of the proposed terminal amid concerns about political risk following rail blockades by pipeline opponents in Canada. Then two weeks later in early March, the spread of the coronavirus sent natural gas and LNG prices crashing as economies around the world closed down for months. This led Quebec regulators to question whether GNL Quebec's plans remained viable. The pandemic also delayed regulatory hearings for the project.

Le Verger said the company is hoping to make a final decision to build the project by the end of 2022, with first cargoes leaving the facility four years later. While the commodity price has skyrocketed globally, the Canadian export project closest to completion, LNG Canada, at Kitimat, British Columbia, isn't expected to be in service until 2023 at the earliest, which means Canadian producers will largely miss out on the current price boom. Fluor, which is building the Shell-led C$40 billion project, disclosed last fall that work had suffered delays prior to and as a result of the coronavirus pandemic.

Mozambique wants Total to restart work at LNG project

(Bloomberg; Jan. 14) - Mozambique wants Total to quickly restart work on its $20 billion liquefied natural gas project, despite concerns that security risks could lead to a prolonged delay, the nation's energy minister said. A three-year-old Islamist insurgency in the southeastern African nation's Cabo Delgado province has intensified in recent months, with attacks occurring near Total's work area. The French company paused construction and began evacuating its staff this month.

Mozambique is considering offers from several countries, including France, Portugal, and the U.S., for help fighting the Islamic State-linked insurgents, whose attacks have left nearly 2,500 people dead and caused 570,000 to flee their homes. The government wants to stop disruptions to the gas investments that it expects will transform one of the world's poorest countries. Production at the Total-led project is planned to start in 2024.

Without an announced plan on how to end the insurgency, the resumption of work could be delayed by months, according to Eurasia Group analysts. "The company is unlikely to succeed in securing its own armed protection at the site as President Filipe Nyusi's cabinet is likely to continue to insist on full control of all armed operations," Eurasia said in a report Jan. 12. "However, operations are likely to resume once the negotiations are concluded in February or March, given the company's commitment to the project."

Louisiana LNG project hopes it will start construction this summer

(Reuters; Jan. 14) - The co-founder of U.S. LNG developer Tellurian said Jan. 14 that the company is targeting this summer to begin construction of its $16.8 billion Driftwood LNG export project in Louisiana as demand for the fuel surges worldwide. "I hope that we will be in construction this summer," said Charif Souki, co-founder and executive chairman of Tellurian. "There is a strong need for additional liquefaction capacity and we're probably the project that is the closest to starting construction."

Demand for liquefied natural gas has risen in recent years as countries like China and India shift power generation away from dirtier coal-fired plants. In recent weeks, prices for the fuel and shipping fees have soared due to cold weather in Asia and bottlenecked shipments at the Panama Canal. Over the past two years, numerous North American projects, including Driftwood, were delayed because customers were unwilling to sign long-term deals needed to finance the projects as LNG prices slumped.

Driftwood apparently lost its largest single equity partner last year when Indian importer Petronet LNG declined to renew a non-binding agreement to take a stake in the project. Despite the setback, Tellurian continues to talk up its venture. The first phase of Driftwood is slated for operation in 2025, and would produce about 16.5 million tonnes per year of LNG, equivalent to about 2.2 billion cubic feet per day of natural gas.

Panama Canal delays expected to last all winter

(Reuters; Jan. 14) - Congestion delaying LNG shipments via the Panama Canal is expected to last through the peak demand winter months, traders close to the situation said, although the canal's regulator said it had made changes to speed up transit. The price of liquefied natural gas and shipping rates have hit record highs because of the bottleneck, supply constraints and heavy demand from Asia, where freezing weather has placed the energy supply system under strain.

Ships carrying LNG from the United States to meet the Asian demand waited for up to two weeks in December to navigate the canal. The canal authority said the wait had halved to one week after it changed its transit reservation system on Jan. 4 to reduce the logjam and allow LNG vessels to reserve two slots ahead of transit, rather than just one. The authority has also introduced auctions to sell off any slot that becomes available within two to three days before transit due to last-minute cancellations.

Analysts and traders say they still expect congestion until March, when northern hemisphere temperatures rise and heating demand eases. Traders have cancelled some LNG tenders because of the delays, but there still are too many vessels for the three sets of locks that lift and lower vessels carrying all kinds of products through the canal. "High spot prices in Asia are creating a morning rush hour scenario for U.S. LNG producers, with cargoes moving in the same direction at the same time," said Schreiner Parker, vice president for Latin America at Rystad Energy.

Equinor leaves Calgary for Canada's East Coast to focus offshore

(Financial Post; Canada; Jan. 13) - Norway's Equinor is leaving and moving staff across the country to St. John's, the capital of Newfoundland and Labrador province, as the company is no longer interested in Western Canada's oil and gas opportunities and will focus on offshore assets in Atlantic Canada. The Oslo-based producer, formerly known as Statoil, also will lay off 30% of its Canadian workforce. Equinor sold its interest in an Alberta oil sands project in 2017, but maintained marketing and trading staff in Calgary.

The company owns a minority stake in the Terra Nova, Hebron, and Hibernia offshore projects in Newfoundland and Labrador in addition to operating in seven other non-producing offshore licenses in the Atlantic province. In October, the company announced it had made hydrocarbon discoveries at two wells drilled on its Cappahayden and Cambriol prospects in the Flemish Pass Basin in the Atlantic, but it did not release estimates of how much oil it could produce from the formations.

Equinor is among a handful of European oil producers including Shell, Total, and BP to sell its Canadian oil sands holdings and refocus its efforts elsewhere. However, it is one of the few international companies to divest from the oil sands to continue looking at additional oil projects in Canada. "This is definitely an interesting case," said Joseph Marchand, associate professor of economics at the University of Alberta.

Investment in Norwegian continental shelf held steady in 2020

(The Barents Observer; Norway; Jan. 14) - "Although 2020 was an unusual year in many ways with the pandemic and the decline in oil prices, investments on the (continental) shelf were at the same level as previous years," Director General Ingrid Sølvberg at the Norwegian Petroleum Directorate said as she presented the Shelf 2020 report on Jan. 14. Investments in the country's shelf development totaled NOK 155 billion (US$18.2 billion), up from NOK 151 billion in 2019. A total of 31 exploration wells were spudded, and 14 discoveries made, most of them in the Norwegian Sea.

Oil production increased to 1.7 million barrels per day, which is the highest level in nine years. And production will continue to grow for several more years, much thanks to the newly opened Johan Sverdrup field in the North Sea. According to the estimates, Norway's production is expected to reach more than 2 million barrels per day in 2025. Natural gas production is expected to remain stable for several more years.

The crisis year of 2020 ultimately did not bring any crisis to Norwegian oil. According to Sølvberg, that is much thanks to the Norwegian Government's tax incentives that were introduced during the major drop in oil prices. The incentives were strongly disputed by environmentalists, who argued that the money instead should be invested in renewable energy transformation. Oil companies now openly say that the incentives have helped speed up investments in new petroleum projects. The directorate leader also made clear that Norway will continue to explore its shelf for additional resources.