Oil and Gas News Briefs
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Quebec rejects proposed LNG export terminal

(CBC News; Canada; July 21) - The Quebec government has refused to approve construction of a liquified natural gas export facility on the Saguenay River, north of Quebec City, following years of opposition from citizens, Indigenous communities and environmental experts. The decision, announced July 21 by Environment Minister Benoit Charette, kills a C$14 billion project that would have moved gas from Western Canada across Quebec to the Saguenay port, then sent it to markets overseas.

Premier François Legault's government had initially been a proponent of the project, which it believed would bring high-paying jobs to the province. But the government also set out three criteria for approving the facility: It had to help with the transition toward greener forms of energy, lower greenhouse gas emissions, and have sufficient public support. Charette said an analysis by his ministry determined the Énergie Saguenay project couldn't meet the first two criteria. They didn't bother analyzing the third.

"It is a project that has more disadvantages than advantages," Charette said at a news conference in Saguenay. Legault's cabinet had voted hours earlier, cementing the decision not to support permitting for construction of the facility. The project included building a 485-mile gas pipeline from northern Ontario to Saguenay, and a separate project to build a plant to liquify the gas in Saguenay and load it on board tankers. The natural gas would have come from Western Canada. Charette said he expected many there, especially in Alberta, would be disappointed by Quebec's decision.

Rockies producers, First Nation propose coastal LNG project in B.C.

(The Globe and Mail; Canada; July 19) - Seven natural gas producers have teamed up with the Nisga'a Nation to submit a plan to regulators to build a gas project in British Columbia, saying they have learned valuable lessons from similar West Coast initiatives that have failed to materialize over the past decade. Calgary-based Birchcliff Energy is leading the group of producers known as Rockies LNG, which has enlisted Houston-based Western LNG to help carry out plans to export liquefied natural gas to Asia.

The Ksi Lisims LNG project is named after the Nass River in the Nisga'a language. The filing to regulators doesn't provide cost details. The project includes floating modules to supercool gas into LNG and a pipeline from fields in northeastern B.C. The LNG plant will rely heavily on electric motors in refrigerant compressors, using electricity from BC Hydro instead of the LNG industry's traditional reliance on gas-powered turbines.

The property where the terminal would be built is called Wil Milit, near Pearse Island in the Portland Canal in northwestern B.C. In 2000, the Nisga'a and the governments of Canada and B.C. signed a treaty giving the Nisga'a control over about 770 square miles of territory. "Attracting an economic base to our treaty lands in the Nass Valley has long been a priority for the Nisga'a Nation," said Nisga'a Nation President Eva Clayton.

The C$10 billion floating LNG facility would be located near the village of Gingolx, a coastal community 50 miles north of Prince Rupert, near the Alaska border. The project would be capable of producing 12 million tonnes of LNG per year. Backers of Ksi Lisims LNG are striving to make a final investment decision in early 2024.

Goldman still sees $80 oil, even with OPEC+ agreement

(CNBC; July 20) - A panic-induced sell-off in the oil market triggered by virus concerns has thrown the commodity’s upward march into question — but energy experts at Goldman Sachs don’t appear to be rattled. Fears over the surging delta coronavirus variant and a fresh supply-boosting agreement from OPEC+ sent oil prices tumbling down more than 7% as the trading week opened July 19. The drop was the steepest since March, a rude awakening as crude had been at its highest prices in 2½ years.

Oil analysts were quick to stress the uncertain road ahead for demand as new waves of COVID-19 infections — many among communities that have high vaccination rates — threaten the recent months of economic recovery. “The market is clearly unsettled about the demand outlook. And rightly so. The rise in delta variant cases is raising questions about the sustainability of demand,” Stephen Brennock, a senior analyst at PVM Oil Associates in London, wrote in a research note July 20 entitled “Oil takes a beating.”

But Goldman Sachs analysts see the setback as merely a speed bump, with little reason to be worried. Oil stockpiles globally are tighter than they were before, despite the deal between OPEC and its allies over the weekend to cumulatively boost output by 400,000 barrels a day on a monthly basis beginning in August. The International Energy Agency estimated a 1.5-million-barrel-per-day shortfall for the second half of 2021. Goldman still sees Brent crude hitting $80 per barrel in the second half of this year.

U.S. crude exports coming back strong

(World Oil; July 20) - Despite volatility in global oil markets, U.S. crude oil exports reached a record high in 2020 and are continuing strong this year. The four-week rolling average of U.S. crude exports was at 3.2 million barrels per day for the week ending July 16, according to the U.S. Energy Information Administration’s Weekly Petroleum Status Report. In 2013, the government lifted export restrictions on minimally processed ultra-light oil, and the restrictions on oil exports were fully lifted in December 2015. U.S. crude oil exports have increased significantly since 2015.

U.S. infrastructure has expanded significantly since then to facilitate crude exports from onshore production. Ports on the Texas Gulf Coast, particularly Corpus Christi and Houston, have led the expansion, allowing more oil to be exported from the Permian Basin and Eagle Ford Basin. The only time exports were higher than they have been in June and July this year was back in January through May last year, before the pandemic started to constrict demand for crude worldwide.

Worker shortage threatens oil recovery in North Dakota

(Minneapolis Star Tribune; July 20) - A shortage of oil-field workers is threatening the North Dakota petroleum industry's recovery from the COVID-19 crisis. That was the word July 20 from Lynn Helms, North Dakota's mineral resources director, as the state released anemic gains in oil output for May. Oil companies "are trying to hire with all their might, but they are not finding employees in the industry who want to come back," Helms said, referring to oil-field workers who left North Dakota after jobs shrunk in 2020.

North Dakota pumped 1.13 million gallons of oil per day in May, up less than a half percent from April. "It was a flat as a pancake," Helms said. Natural gas production was up 1% during the same time. The lethargy was surprising, he said, given that seasonal road restrictions in the oil fields had been removed by May — and crude prices were rising as the economy grew. North Dakota's drilling rig count rose from 15 to 19 from April to May. It stands at 23 working rigs today, a growth that Helms called "very slow."

Helms said North Dakota only has eight fracking crews at work — at current oil prices, there would be 20 to 25. When U.S. production plummeted in the spring of 2020 — a reaction to the economic hit of the coronavirus pandemic — oil-field hands were laid off throughout the country. Many of them left North Dakota, and "they are slow — if at all — to come back," he said. The Texas and New Mexico shale industry have come back stronger than North Dakota, absorbing workers, who might also prefer warmer climates.

Saudis suspend $6.6 billion Texas petrochemicals expansion

(The Wall Street Journal; July 19) - Saudi-owned Motiva Enterprises has suspended a $6.6 billion plan to add petrochemical facilities to its refining operations in Port Arthur, Texas, according to people familiar with the matter. The decision to halt the project — which had envisioned the creation of the biggest refining and petrochemical operation in the U.S. — comes as Saudi Aramco dials back its diversification plans and refocuses on its core business of pumping oil and natural gas, according to the people.

The suspension won't be revisited for at least a year, the sources said. The state-run company now plans to invest almost all of its $35 billion capital budget this year toward boosting oil and gas production, according to people familiar with those plans. Aramco said last year it was working to increase its oil production capacity by one million barrels a day to 13 million barrels a day. Amid moves by governments, investors and other oil companies to transition away from fossil fuels and the greenhouse gases they emit, Saudi Arabia is betting that the world will need its crude for the foreseeable future.

State-run Aramco took full ownership of Motiva and the refinery in 2017 from joint-venture partner Shell. At the time, the company was pushing to expand its global refining and petrochemical business as a way of locking in buyers of its crude and controlling more of the value chain. Under Saudi ownership, Motiva bought a separate Port Arthur petrochemical plant in 2019. A few months earlier, it filed for approval to spend $6.6 billion to build two new petrochemical plants as an addition to its existing 630,000-barrels-a-day Port Arthur refinery. That plan is now shelved, the people said.

Oil and gas likely to be hot topic in Norwegian election

(Financial Times; London; July 18) - Norway's prime minister insists the Scandinavian country would continue to drill for oil and gas, ahead of a reelection campaign in which the future of the fossil fuel industry will be intensely debated. Erna Solberg, in power since 2013 and bidding for an unprecedented third term for a Conservative prime minister in Norway, told the Financial Times that oil production in the country was slowing down. But she refused to back calls from the International Energy Agency to stop all new petroleum projects to keep climate change in check.

She insisted there is a continuing need for Norway's oil and gas, including to make hydrogen. "There is a big change going on, and that will happen anyway. The question is just how fast it will go. We don't intend to speed it up politically," the prime minister said on a campaign stop in the southern town of Tvedestrand. The reliance of Norway, western Europe's biggest petroleum producer, on oil and gas is likely to be a hot topic in national elections set for Sept. 13. Solberg lags behind in the opinion polls.

The largest opposition parties back the Norwegian oil industry — which includes the most extensive exploration program of any country in the Arctic — but they could be dependent for support on smaller parties that want to wind down the country's biggest sector. The Green Party — which is in shared power in the city of Oslo with the Labor Party — has said it would only support a government that stopped future oil exploration.

Oil and gas industry receives subsidies, too

(The Wall Street Journal column; July 20) - Oil and gas investors need to stop fretting about subsidies for green energy and start worrying about hanging on to the prodigious ones their own industry receives. The world's 20 largest economies spent $3.3 trillion in direct support for fossil fuels from 2015 to 2019, according to a new report by Bloomberg New Energy Finance. That is enough to build a solar electricity system 3½ times the size of the current U.S. grid. Most of it went to oil and gas.

In addition to those ongoing amounts, the 10 largest countries' COVID-19 stimulus plans also commit about $1.2 trillion to carbon-intensive industries, more than three times the support for green ones. Detailed data can be hard to come by, but a recent paper from the Stockholm Environment Institute estimated that two key U.S. fossil-fuel tax breaks — expensing intangible drilling costs and percentage depletion provisions — added a median $4 a barrel of oil equivalent to the expected value of new oil and gas projects in the high-price years of 2008 and 2010 to 2014.

Purists may count only retail price support as a "real" subsidy, ignoring tax incentives, budget transfers, public finance support and investment by state-owned enterprises that those figures include. However, it is a distinction unlikely to hold up to sustained pressure, particularly with the focus of building back better and greener. Some countries such as Russia and Saudi Arabia seem unlikely to commit to cutting their net greenhouse gas emissions to zero. But China, Brazil, the U.S. and the European Union have all pledged to do just that by around midcentury.

Chevron missed carbon storage target at Australia's Gorgon LNG

(Bloomberg; July 18) - The world's biggest project to capture and store carbon dioxide isn't working like it should, highlighting the challenges that oil companies face in tackling their greenhouse gas emissions. Chevron's system at the A$54 billion Gorgon LNG export plant in Australia missed a local government target to inject captured carbon dioxide underground, the company said July 19, a setback for energy firms globally that have staked their net-zero futures on the technology, which has shown limited success.

While Chevron has sequestered almost 5 million tons of carbon dioxide since the capture project began in August 2019, that's fallen short of a target to capture an average 80% of emissions in the first five years of the facility's operation. The company has buried only 30% of about 15 million tons of CO_2 generated since Gorgon began producing gas in March 2016, oil industry publication Boiling Cold reported July 16.

Oil and gas producers are counting on carbon capture, or CCS, as they come under greater scrutiny from investors and governments to cut emissions. ExxonMobil and Shell each hold 25% of Gorgon; Chevron has just over 47%. The multibillion-dollar CCS project has been beset with technical issues, including problems with its pressure management system. Instead of venting the CO_2 into the atmosphere — the industry norm — the plant is designed the reinject the CO_2 produced from the offshore fields into a reservoir 1.2 miles underground. Western Australia's government insisted on CCS as before approving Gorgon, and has requested details on why Chevron missed its target.

Cheap, convenient coal plants hard to shut down in developing world

(Reuters column; July 20) - Coal-fired power plants are proving hard to shut down in developing economies because they are cheap and convenient, but keeping them going is pumping out carbon dioxide at a rate far beyond the level needed to achieve net-zero emissions by 2050. Coal, which is being phased out of the power system in many industrialized nations, is still a vital fuel for generation in many developing economies and may remain so for decades to come.

Countries outside the Organization for Economic Cooperation and Development, a grouping of mainly industrialized nations, accounted for 80% of global coal consumption in 2019, BP's annual energy report says. If emissions from coal combustion are to be reduced and global emissions cut to net zero by mid-century, then progress toward phasing out coal-fired power in non-OECD, developing economies also is essential.

But there is little evidence that developing economies are lessening their dependence on coal as power demand climbs because of urbanization, industrialization, rising incomes and growing populations. OECD countries relied on coal to meet less than 13% of their total energy in 2020, but that rises to over 21% in the non-OECD outside China and 57% in China itself. Coal is cheaper and more secure than gas, particularly imports of liquefied natural gas. It is technically simpler and cheaper than nuclear, and more predictable than renewables. Coal has become the default choice for the poor.

Japan's draft energy policy downplays LNG, coal and oil

(S&P Global Platts; July 21) - Japan expects non-fossil fuel power supply sources to account for roughly 60% of the country's energy mix in fiscal 2030-31 under a draft Strategic Energy Plan released July 21 — more than double the 24% share in FY 2019-20 — as the country aims to match its 46% greenhouse gas emissions reduction target by the end of this decade. Japan's LNG share in the energy mix is set to be around 20%, coal 19% and oil 2% in FY 2030-31 under an outlook in the Strategic Energy Plan, compared with 37% for LNG, 32% coal and 7% oil in FY 2019-20, according to the draft.

As the country's principal energy policy, it shows a significant shift to focus on decarbonizing the energy sector, which accounts for 80% of the country's GHG emissions, in its efforts toward 2050 carbon neutrality. The latest plan outlines Japan's intention to take a series of supply and demand policy measures, as well as supporting technological innovation, to accelerate its move to curb GHG emissions.

The outlook for renewable energy supply is being described as one path to achieve Japan's ambitious GHG reduction target at a time when the country is already aware of the difficulty in securing suitable locations for renewables. The draft was presented during the Ministry of Economy, Trade and Industry's strategic policy committee at its advisory committee for natural resources and energy. It remains subject to scrutiny, including a month-long public comment process, before being approved by the cabinet.

Mining giant BHP may get out of oil and gas business

(Bloomberg; July 20) - BHP Group is considering getting out of oil and gas in a multibillion-dollar exit that would accelerate its retreat from fossil fuels, according to people familiar with the matter. The world's biggest miner is reviewing its petroleum business and considering options including a sale, said the people, who asked not to be identified as the talks are private. The business, which is forecast to earn more than $2 billion this year, could be worth an estimated $15 billion or more, one of the people said.

BHP's energy assets make it an outlier among the world's biggest miners. The company has long said the oil business was one of its strategic pillars and argued that it will make money for at least another decade. But as the world tries to shift away from fossil fuels, BHP wants to avoid getting stuck with assets that more become more difficult to sell, the people said. The deliberations are still at an early stage. The move comes as oil supermajors grapple with how to respond to investor pressure over climate, in some cases by shrinking their core production and adding renewable energy assets.

BHP wants to exit while it can still get a good price for the assets, aiming to repeat a 2018 sale of its shale business to BP for $10.4 billion, the people said. And unlike Big Oil rivals, BHP doesn't depend on profits from the energy business, which are dwarfed by the company's giant iron ore and copper units. BHP has been in oil and gas since the 1960s, and has assets in the Gulf of Mexico and off the coast of Australia. It produced 102.8 million barrels of oil equivalent in the year ending June 30.

Oil Search rejects takeover bid

(Bloomberg; Jan. 20) - Oil Search rejected a takeover approach from Santos that would create a A$22 billion (US$16 billion) liquefied natural gas export giant with operations across Australia and Papua New Guinea. Santos made an all-share proposal on June 25 with an implied transaction price of a 12% premium to Oil Search's close on the previous day, Santos said in a July 20 statement. The company had subsequently sought to engage the target's board, indicating it remains open to further negotiation.

Combining the two producers would create a “diversified portfolio of high quality, long-life assets,” Santos said. The bid values Oil Search at A$8.8 billion. Sydney-based Oil Search, which on July 19 announced the abrupt departure of Managing Director Keiran Wulff, said July 20 its board and advisers had rejected the offer “as it was determined to not be in Oil Search shareholders’ best interests on the terms and value proposed.”

“A higher bid could come from Santos,” said Jamie Hannah, deputy head of investments and capital markets in Sydney at VanEck. “Oil Search is trading at very low levels and Santos can afford to bid more.” Santos and Oil Search are both junior partners in the ExxonMobil-operated Papua New Guinea LNG project, which is rated to produce as much as 8 million tonnes of LNG a year — and is looking at an expansion. A merger would rank the combined Santos/Oil Search operation among the world’s top 20 oil and gas producers by market capitalization, Santos said in its statement.

Singapore plans transition from fossil fuels to green energy services

(Bloomberg; July 18) - Shell announced late last year it would slash capacity by half at its biggest oil refinery. For Singapore, where the plant has been a mainstay of the economy for six decades, it marked a turning point in one of the most successful bets on fossil fuels in history. The plant is part of a massive refining and petrochemical industry built largely on reclaimed islands just off the city-state. With the cargo vessels they fueled, the refineries helped drive Singapore’s economic success, attracting billions in investment and spawning businesses from plastics to rig construction and finance.

“We’ve come a long way as a result of the energy and chemical sector,” said Tan See Leng, Singapore’s labor minister and second minister for trade and industry. “The key thing is not to completely sort of move away, but to see how we can pivot, how we can transform.” To that end, the government this year released the Singapore Green Plan 2030, setting out a path for the city-state to become a leading regional hub for carbon trading, green finance, consulting, risk management and other services.

State investor Temasek Holdings, along with other financial businesses announced in May a plan to set up a global exchange for high-quality carbon credits. But Singapore’s switch from black gold to green energy is a difficult balancing act. In 2019, the city was the world’s fourth-biggest exporter of refined petroleum, and fuels and chemicals accounted for about 23% of its total merchandise trade. It’s still a regional trading center for coal, gas and oil products. For a nation with no natural resources of its own, its position as an intermediary in the global fuel supply chain will be hard to replace.

China competes to take marine fueling business from Singapore

(Bloomberg; July 20) - Singapore is facing the greatest competition yet to its status as the dominant marine fuel supplier in Asia, with China luring more ships following a rapid expansion of its port and refining facilities. China's marine fuel sales — known as bunkering — have almost doubled over the past five years, and the nation is banking on attracting ships that travel to nearby ports such as in South Korea and Japan.

Singapore still has a commanding position as the top supplier to a sector valued at over $30 billion in Asia, but China's growth is accelerating. The epicenter of China's bunkering is Zhoushan, an archipelago to the south of Shanghai on the east coast. Some of the nation's newest and biggest oil refineries are being built in the area, while the government has offered tax incentives that make Chinese fuels more competitive.

Singapore — also the world's biggest ship refueling hub — sold about 50 million tons of bunker fuels last year, or a fifth of the global total. Consultant OilChem estimates China's sales rose for a fifth straight year to 16.9 million tons. "China's bunkering business is closely catching up with that of Singapore," Zhang Xiaoli, a former official with the customs authority in Zhejiang province, which includes Zhoushan, said last month. She predicted the nation's marine fuel sales will be 40% of Singapore's this year — or about 20 million tons based. Zhoushan has been more competitive with its prices.

Russia to help Pakistan build new gas pipeline

(Argus Media; July 19) - The governments of Pakistan and Russia have signed a preliminary agreement for the construction of the Pakistan Stream Gas pipeline, which could allow as much as 1.5 billion cubic feet per day of regasified LNG to reach the northern part of the country. The pipeline will link Lahore — the capital of Pakistan's Punjab province — with Port Qasim, where the country's two operational LNG import terminals are located.

Construction of the pipeline, previously known as the North-South pipeline, is now expected to be completed by 2023, following multiple delays. The Pakistani government approved the project in December last year, with an unnamed Russian consortium expected to build the pipeline and hold a 26% to 49% share in the project. The two governments previously signed a preliminary agreement in 2015, but the project made little progress. The transmission link to the country's most populous province could boost Pakistani LNG demand once more import capacity is added at Port Qasim.

Strong gas demand and waning domestic output have buoyed Pakistan's LNG imports in recent months, with the country's two state-owned buyers frequently stepping into the spot market to buy additional volumes on top of their long-term supply arrangements.

Sakhalin LNG plant starts largest overhaul in 12 years

(Reuters; July 20) - Sakhalin Energy expects to cut exports of liquefied natural gas to 166 cargoes this year from a record-high 178 in 2020 after recently launching its largest overhaul since the plant opened in Russia’s Far east in 2009, the firm's CEO said. Controlled by gas giant Gazprom, Sakhalin Energy supplies LNG to the Asia-Pacific and has major customers in China, Japan, South Korea and Taiwan.

CEO Roman Dashkov said the overhaul includes maintenance and upgrades and is being carried out despite challenges posed by the pandemic. "Those are technological facilities and IT systems. In the first place, this is related to the possibility of our production capacity expansion," he said, adding the work, which began on July 9, is due to last around 37 days. Located on the southern tip of the Russian Pacific island of Sakhalin, the company produced and shipped record volumes of LNG in 2020, topping 11.6 million tonnes and accounting for 3.2% of the global LNG demand.

Sakhalin Energy has long planned to build a third production line, but the plans have been hampered by lack of necessary gas resources under the company's ownership in the region. Without new gas supplies, by around 2030 the project will see output start to decline due to "natural depletion of our fields," Dashkov said. Sakhalin stakeholders include Gazprom with a 50% stake plus one share, Shell with 27.5% minus one share, and Japanese firms Mitsui and Mitsubishi with 12.5% and 10%, respectively.

Not enough gas found at Norwegian offshore well

(S&P Global Platts; July 20) - Norway's hopes for exploration success at the eastern flank of its sector of the Barents Sea suffered a setback July 20 with the announcement that Aker BP had made only a minor gas discovery with its first wildcat well in the license area. The well was drilled about 100 miles south of state-controlled Equinor's Korpfjell gas discovery, with preliminary estimates placing the size of the new find at no more than 75 billion cubic feet, the Norwegian Petroleum Directorate said July 20.

"The discovery is not considered to be financially profitable at present," the agency said. The well was the first to be drilled in the area, which was awarded in Norway's 23rd licensing round in 2016. Norway has been hopeful that the Barents Sea would contain significant additional reserves to help it maintain production levels as its more mature resource base declines in the coming decades. However, the Norwegian industry's expansion into the Barents Sea has made only halting progress in recent years as a run of exploration success in the early part of the 2010s came to a halt.

Privately run LNG import terminal in China will double capacity

(Reuters; July 21) - China's gas distributor ENN Group plans to double its east China-based liquefied natural gas receiving terminal to 10 million tonnes a year by the end of 2024, making the facility one of the country's largest, a company official said July 21. ENN is China's first privately run gas company to own a major LNG import terminal, and it currently operates the Zhoushan terminal with an annual capacity of 5 million tonnes.

ENN aims to complete the regulatory procedures for the expansion in the second half of this year, said a company representative. The company has been ramping up imports after its Zhoushan terminal's handling capacity got a boost from a pipeline connection to the Zhejiang provincial gas grid and more recently the addition of new storage tanks.