Oil and Gas News Briefs
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Major western firms bid for stake in Qatar’s LNG expansion

(Reuters; June 13) - Six top western energy firms are vying to partner in the vast expansion of Qatar's liquefied natural gas output, industry sources said, helping the Gulf nation cement its position as the world’s leading LNG producer. ExxonMobil, Shell, TotalEnergies, and ConocoPhillips — which are all part of Qatar's existing LNG production — were joined by new entrants Chevron and Italy's Eni in submitting bids May 24 for the expansion project, industry sources told Reuters.

The bids show energy giants continue to have an appetite for investing in competitive oil and gas projects despite growing government, investor, and activist pressure on the sector to tackle greenhouse gas emissions. Unlike Qatar's early LNG projects in the 1990s and 2000s when the country relied heavily on international oil companies' technical expertise and deep pockets, the country's national oil company has gone ahead alone with development of the nearly $30 billion expansion project.

It is, however, seeking to partner with majors in order to share the financial risk of the development and help sell the additional volumes of LNG it will produce. Qatar plans to grow its LNG output by 40% to 110 million tonnes per year by 2026, solidifying its position as the world leading exporter of the fuel. The bidding interest from companies in the Qatari expansion comes despite relatively low returns. QP offered bidders returns of around 8% to 10% on their investment, down from the 15% to 20% that Exxon, Total, Shell, and Conoco have seen from the earlier Qatar LNG facilities, according to sources.

Goldman Sachs forecasts $80 oil this summer

(Reuters; June 10) - U.S. investment bank Goldman Sachs expects Brent crude prices to reach $80 per barrel this summer, betting that a recent oil market rally will continue as vaccination rollouts boost global economic activity and demand for the commodity. Brent prices hit $72.93 per barrel this week, their highest level in over two years, fueled by expectations of stronger demand. U.S. West Texas Intermediate was around $70.

"Rising vaccination rates are leading to higher mobility in the U.S. and Europe with global demand estimated … (increasing by) 1.5 million barrels per day in the past month to 96.5 million barrels per day," the bank said in a note released June 10. Goldman, which has longstanding commodity-sector expertise, expects recovery in oil demand to continue and sees global demand reaching 99 million barrels per day in August.

The bank also said slow progress in negotiations on an Iran nuclear deal could also weigh on oil supply, supporting prices. Iran and global powers have been negotiating since April to lift sanctions on Tehran, which have hit its economy hard by cutting its oil exports. "Recent headlines comfort us in our expectation that a potential recovery in Iran exports won't happen till the fall," the bank said. "While there exists both OPEC+ upstream and refinery downstream excess capacity, we expect OPEC+ to fall behind the demand rebound."

IEA says OPEC+ needs to 'open the taps' to keep up with demand

(Financial Times; London; June 11) - Oil demand is expected to exceed pre-coronavirus levels by the end of 2022, the International Energy Agency said June 11, with the body calling on world producers to "open the taps." Consumption declined by a record 8.6 million barrels a day last year as coronavirus raged around the world. It is expected to rebound by 5.4 million this year as vaccines are rolled out and countries open up again.

In 2022, the IEA expects a further increase of 3.1 million barrels per day to a global daily average of 99.5 million, with even more demand by the end of 2022 that will pass the level of demand in 2019 before the pandemic took hold. The agency reiterated that OPEC and its allies need to boost production and keep the world well supplied.

However, the IEA warned in its monthly oil market report, "the recovery will be uneven not only among regions but across sectors and products." Slow vaccine distribution, it said, could "jeopardize" any rebound. The aviation sector would be the slowest to recover as governments keep in place some travel restrictions "until the pandemic is brought firmly under control," the IEA said. Petrol demand could also take longer to recover as work-from-home practices continue and the rising adoption of electric vehicles offsets increased mobility.

OPEC expects oil demand to gather strength in second half of year

(Bloomberg; June 10) - OPEC predicted that the recovery in global oil demand will gather strength in the second half of the year, as the group prepares to consider reviving more of its oil output. Oil consumption will jump by about 5 million barrels a day — or roughly 5% — in the second half of 2021 versus the first half as the world emerges from the pandemic slump, the Organization of the Petroleum Exporting Countries forecast in a report. The estimates are little changed from a month ago.

"The recovery in global economic growth, and hence oil demand, are expected to gain momentum," the group's research department wrote. The need for transport fuels should climb as vaccination programs stymie the virus, it said. OPEC and its partners have restored almost 40% of the output they shuttered when the coronavirus crushed demand a year ago, and will gather on July 1 to consider reviving the remainder.

The 23-nation OPEC+ coalition has already indicated it expects world crude markets to become tight in the coming six months, while the International Energy Agency has warned of higher prices if the group doesn't open the taps. Yet so far Saudi Arabian Energy Minister Prince Abdulaziz bin Salman has said he wants demand to be clearly manifest before the alliance raises supplies. OPEC's latest report reaffirms that there will be a substantial gap in the market for the producers to fill.

Shell reportedly considering sale of Permian assets

(Reuters; June 13) - Shell is reviewing its holdings in the largest oil field in the United States for a possible sale as the company looks to focus on its most profitable oil and gas assets and grow its low-carbon investments, according to sources familiar with the matter. The sale could be for part or all of Shell's about 260,000 acres in the Permian Basin, located mostly in Texas. The holdings could be worth as much as $10 billion, the sources said, speaking on condition of anonymity because the talks are private.

CNBC has independently confirmed that talks with a buyer or potentially multiple buyers are ongoing. Some of the acreage in question is part of a joint venture with Occidental. Shell declined to comment. Shell is one of the world's largest oil companies, all of which have been under pressure from investors to reduce fossil fuel investments to stem changes to the global climate brought on by carbon emissions.

Shell's oil and gas production in the Permian from company-operated and non-operated rigs averaged 193,000 barrels of oil equivalent per day in 2020, around 6% of its total output that year, according to its website. Earlier this year, Shell set out one of the sector's most ambitious climate strategies, with a target to cut the carbon intensity of its products by at least 6% by 2023, 20% by 2030, 45% by 2035, and by 100% by 2050 from 2016 levels. However, a Dutch court said last month that the efforts are not enough, ordering Shell to lower emissions by 45% by 2030 from 2019 levels.

Despite opposition, Canada needs oil more pipeline capacity

(Calgary Herald columnist; June 11) - The Keystone XL project is DOA with Alberta taxpayers facing more than a $1 billion loss over the province's investment in the pipeline. Environmental protests continue in Minnesota over construction of Enbridge's Line 3 replacement project. And Michigan's governor is trying to shut down Enbridge's Line 5, even though it would cause fuel prices to spike in the region. You might think from all this that new lines aren't needed and even existing ones are no longer required.

Yet a new report by the Canada Energy Regulator on the country's pipeline industry over the past five years underscores a critical point. Oil pipelines in the country have largely been running full since 2015, except in the aftermath of the pandemic, and are still exporting large volumes today. If oil production increases in the future — and that depends on many factors, although projections from the province and the regulator have indicated they will — more transportation capacity will be needed, not less.

"What we saw, of course, in the last five years was that no new (oil) pipelines came on stream," the agency's chief economist Darren Christie said in an interview earlier this week. "The report points to the fact that for exports to grow and production to grow, there is going to be some requirement for getting that product to market. And where we stand today, the system is very close to full again, as it was heading into the pandemic."

"It used to be that pipelines would go through the regulatory process and no one knew what they were . . . now we know the names of every pipeline out of Western Canada," said Kevin Birn with energy consultancy IHS Markit. "This was the flashpoint, the lightning rod, and the (Keystone XL) name is going to be recorded into history."

Keystone XL defeat energizes anti-pipeline movement

(The Wall Street Journal; June 10) - The failure of the Keystone XL project shows the challenges of building pipelines in the U.S. and Canada amid galvanized environmental groups, while delivering a blow to oil and gas companies that now must rely on aging infrastructure. The win has further emboldened anti-fossil fuel environmentalists, who in recent weeks have turned their attention to other pipelines in the U.S. and Canada.

But the U.S. and Canada still rely on pipelines to transport fuels that underpin commerce, transportation, heating and cooling. As lines become increasingly difficult to build, the countries will become more dependent on older infrastructure. "Clearly … the question becomes, as we think about filling future demand, and we need to repair or replace old infrastructure, how are we going to handle it?" said Amy Myers Jaffe, a research professor at Tufts University's Fletcher School.

In the past two years at least four multibillion-dollar pipelines that drew protests have been canceled or delayed after encountering regulatory and political roadblocks, and opponents are looking to build on the momentum. "Does the Keystone XL cancellation embolden fights against other pipelines? That's a resounding yes," said Mike Shriberg, Great Lakes region executive director for the National Wildlife Federation, which opposes a pipeline in Michigan. Some producers have resorted to transporting more oil by rail, a more expensive and potentially more dangerous alternative.

Oil’s future a hotly debated issue in Norwegian election

(Bloomberg; June 9) - In one of the greenest cities in the world, where electric cars abound and almost all carbon emissions will be eliminated within a decade, the debate about climate change is so poisonous that the police are investigating violent threats against one of its top officials. Lan Marie Nguyen Berg, the Green Party politician who is a vice mayor of Norway’s capital Oslo and a strong voice for climate policies, has received a stream of hate messages, threats, and racist comments on social media.

She has become a target in large part for highlighting the contradiction at the heart of the nation’s economy. Norway portrays itself as progressive and environmentally conscious, but is Western Europe’s largest oil and gas producer. “We are only five million people, but are still among the world’s largest exporters of oil and gas,” Berg said in an email. “It is very important for Norwegian climate policy that we stop looking for even more oil and gas, and stop new field developments.”

It’s what the Green Party will demand if it becomes part of a coalition government after elections in September. The issue could provide some of the most heated moments in the election campaign. All of Norway’s major parties want the oil industry to continue to explore and develop new fields, but the process of forming a coalition after the elections could disrupt the status quo. Polls suggest that the Labor Party is in the lead, though it will need support from smaller parties to govern. That will probably include the Socialist Left Party, Green Party, or Red Party, all of which advocate for less drilling.

Norway sees more green energy and less oil and gas in its future

(Reuters; June 11) - Norway is betting on hydrogen and offshore wind for its energy transition but will continue to extract oil and gas until 2050 and beyond, the center-right government said as it presented its long-term energy strategy on June 11. Europe's second-largest oil and gas producer will continue to hold regular licensing rounds, offering exploration acreage to energy firms, the government said.

The government anticipates oil and gas extraction, which made Norway one of the world's wealthiest nations, will naturally decline by 65% by 2050. "We will facilitate a future-oriented Norwegian oil and gas industry capable of delivering production with low emissions within the framework of our climate policy," Minister of Petroleum and Energy Tina Bru told a news conference. Norway plans to use hydroelectric power from land to cut emissions from its extensive offshore network of oil and gas platforms, but petroleum will not be the driving force of the economy that it once was, she said.

The government wants to strengthen the national power grid in order to make better use of Norway's extensive hydroelectric energy supply, which faces high demand both from new land-based industries as well as offshore oil platforms. "It currently takes too long to plan and approve new grid installations," Bru said. In its push for more green energy, the government also released a road map for hydrogen, promising to establish hubs in the area of maritime transport and industrial use by 2025, and to boost research. Norway also aims to award its first offshore wind farm licenses in 2022.

Shell says it will 'rise to the challenge' of court order

(CNN; June 9) - Shell will cut emissions faster than planned after being ordered to do so by a court in The Hague last month. In a statement June 9, the oil company's CEO Ben van Beurden said he was determined "to rise to the challenge." But he kept open the option of appealing the landmark ruling that he said "singled out" Shell and was "not the answer" to tackling the climate crisis. Efforts to make the world's energy system greener must address the demand for fossil fuel products and not just the supply, he said.

The Dutch court ordered Shell to slash its carbon dioxide emissions by 45% by 2030 from 2019 levels. It marked the first time a judge has ordered a company to comply with the Paris Agreement to limit global temperatures. Shell had been targeting a 20% cut in the carbon intensity of its business and products by 2030 and 45% by 2035. Carbon intensity refers to the greenhouse gas emissions associated with each unit of energy.

"But now we will seek ways to reduce emissions even further in a way that remains purposeful and profitable. That is likely to mean taking some bold but measured steps over the coming years," the CEO said. Legal experts heralded the judgment as "groundbreaking" and said similar cases could be brought against other oil companies, which are already facing mounting pressure from shareholders and activists to ditch fossil fuels and invest into cleaner energy sources. Van Beurden said the energy transition is too big for one company to tackle and it needs a global effort.

Importing nations' net-zero emissions goals put pressure on U.S. LNG

(S&P Global Platts; June 9) - The U.S. natural gas industry is facing new urgency to keep its exported LNG cargoes attractive to consumer nations aspiring to meet net-zero carbon targets by 2050. In Europe, buyers have expressed a preference for LNG with low associated greenhouse gas emissions. In many other countries around the world, the decarbonization goals in the Paris Agreement are now figuring more prominently.

Some analysts see the potential for climate policies to expand growth opportunities for gas in the global market, especially in parts of Asia that favor it as a bridge fuel. But there is also uncertainty. "There is a clear clock ticking until 2050," said Nikos Tsafos, a senior fellow for energy security and climate change at the Center for Strategic and

International Studies. "The idea of gas as a useful short-to-medium decarbonization strategy has lost a lot of its appeal. … The conversation is just so different."

As countries adopt aggressive decarbonization goals, it is becoming harder to make decades-long investments in gas projects without asking questions about the role of the fuel, Tsafos said. "There is a race to make LNG as green as possible," he said.

S&P Global Platts Analytics estimates global gas demand will grow by 1.2% per year in the 2020s, fueled by growth in the Asia-Pacific region and the use of gas as a bridge fuel in western power markets. The growth is forecast to slow in the 2030s, however, as net-zero carbon goals put pressure on governments to rely less on gas and LNG. "In most advanced economies, the window for increased natural gas consumption is probably already closed, while developing and emerging economies, especially in Asia, have some further room to grow in the decades ahead," said IEA analyst Akos Losz.

China in position to overtake Japan as world's top LNG importer

(Reuters; June 9) - China's rising imports of liquefied natural gas put it in position to surpass Japan this year as the world's largest buyer of the fuel, pricing data and cargo tracking firm ICIS Edge showed on June 9. The shift — which some analysts had not expected until 2022 — could happen very soon on a 12-month rolling basis as China's strong economic recovery, cold weather and a crackdown on pollution boosted demand for the less polluting fossil fuel.

Japan has been world's biggest LNG importer for decades and the change would signal a major shift in one of the fastest-growing energy markets. Purchases by Japan, which burns gas from LNG to produce electricity, have been in long-term decline. In the 12 months from June 2020 to May, China imported 76.27 million tonnes of LNG, only slightly behind Japan's 76.32 million tonnes, ICIS LNG Edge said. It estimated China's 2021 total LNG demand at 81.2 million tonnes, which is above 75.2 million tonnes for Japan.

Independent and second-tier Chinese LNG buyers keen to lock in contractual supply with global sellers should keep China's demand high, the firm added. China's efforts to cut emissions have boosted demand for LNG, which produces half of the emissions of coal. The share of gas in China's energy mix is around 10%, in third place behind coal and oil. Japan aims to cut its carbon emissions almost in half by 2030 and the resumption of nuclear power generation in recent years has reduced its LNG imports.

CNOOC starts work on billion-dollar LNG storage expansion

(Reuters; June 9) - China National Offshore Oil Corp. has started the construction of six liquefied natural gas storage tanks at its Binhai terminal in eastern province of Jiangsu. The tanks — each with the capacity to hold almost the entire cargo of two standard-size LNG carriers — will be built at the same time, along with ancillary facilities, CNOOC said in a statement June 9. The Binhai terminal currently has four LNG storage tanks, each with slightly smaller capacity than the new storage units. The project will cost 6.1 billion yuans ($955.56 million) and is scheduled for completion in late 2023.

Rising LNG and coal prices could help renewables

(Reuters columnist; June 9) - Liquefied natural gas and thermal coal prices in Asia have been roaring ahead in recent months amid strong demand, but while welcome news for the commodity producers, the rally is a longer-term boon to their main rival, renewable energy. Spot LNG prices have nearly doubled since the post-winter low of $5.60 per million Btu, ending last week at $10.95.

The price gains in spot LNG and thermal coal will sharpen the minds of utilities and countries in Asia planning their energy futures. Already, coal-fired and gas-fired power plants struggle to compete with renewables such as solar and wind, even when battery back-up storage is factored in. A recent report compiled by Australia's science agency and the Australian Energy Market Operator showed that the capital cost of building a new coal-fired power plant using higher-grade fuel was about A$4,450 ($3,435) per kilowatt. A combined cycle gas-fired plant came in A$1,801 per kilowatt, while large-scale solar was A$1,408 and onshore wind was A$1,951.

The figures in the report are for capital costs and don't assess operating costs, which heavily favor renewables as they don't require fuel purchases, operate with fewer workers, and cost less to insure.

High coal prices fail to produce investments in new mines

(Bloomberg; June 10) - The highest coal prices in years aren't enough to spur investment in new mines in the face of heightened efforts by governments and financial institutions to get the world to abandon the dirtiest fossil fuel. Prices are surging from China to Europe as demand for coal rebounds from a virus-induced hit and temporary mine outages curtail supply. Yet companies remain hesitant to invest in new projects, with financing difficult to come by and question marks over long-term coal demand.

That's a boon for miners' profits but goes against the grain of the typical commodity cycle, where high prices are a signal to increase production and eventually bring the market back into balance. The disruption to normal dynamics underscores how broader environmental goals are changing investments in fossil fuels. “You won’t find many producers out there who expect we’ll be in a multi-year recovery for coal demand,” said Lucas Pipes, an analyst at B. Riley Securities. “Coal is facing long-term headwinds.”

At the same time that permitting and building new mines has become more difficult, financing is also increasingly tough, as banks withdraw from the sector to boost their green credentials. That leaves more expensive borrowing through private equity as the only route for the majority of miners that can’t fund projects from their own balance sheet, said James Stevenson, lead researcher for coal, metals, and mining at IHS Markit.

Several market forces lift LNG prices

(Reuters; June 11) - Liquefied natural gas prices are poised for more gains as gas-hungry China guzzles cargoes to feed a rebound in economic growth while the easing of coronavirus-induced restrictions restores industrial demand in India. Higher oil and coal prices have also helped lift global gas prices, with spot Asian LNG prices doubling in just three months. "We believe this has been driven by a tightening of Asian LNG balances led by strong generation demand in southern China,” at the same as demand has stabilized in India, analysts from Goldman Sachs said in a note earlier this week.

China imported over 7 million tonnes of LNG in May, a record for that month, and looks set to import more over the next two months driven by strong industrial activity. "Fuel-switching (from coal) across households and businesses appears to have regained momentum after a brief hiatus, and now has an added policy boost ... that is heavily oriented around increasing clean fuels use and decarbonization," Fitch Solutions said.

South Korea's newest and biggest nuclear reactor shut last month after a fire, which is expected to boost LNG demand. An official at operator Korea Hydro & Nuclear Power said it was not clear when the reactor would resume operations. Tokyo Gas, Japan's biggest city-gas provider, may boost storage capacity using LNG tankers, chief financial officer Hirofumi Sato said, potentially lifting imports. Utilities in Japan, the world's top importer, faced a power crisis last winter which caused LNG prices to hit record highs.

Tennessee suspends company payments into fuel tank clean-up fund

(Tennessee Lookout; June 9) - Two weeks after the formal close of the Tennessee legislative season, a committee of lawmakers agreed to give a break to gas stations and oil companies. The Joint Government Operations Committee approved new rules that shift the financial burden of cleaning up toxic spills at gas stations and truck stops from business owners to taxpayers for the next five years.

The new rules will save Pilot Flying J, Chevron, Exxon, and other companies, large and small, $2 million a year by eliminating environmental fees, while taxpayers will remain on the hook for roughly $14 million annually through a four-tenths-of-a-cent, per-gallon gas tax. The money goes into a state fund to pay for the clean-up of toxic spills from company-owned underground storage tanks. The change eliminates the $125-per-tank annual fee paid into the states' clean-up fund by companies for the next five years.

The new rules also give companies with a history of environmental violations access to the fund for leaky tanks for the first time. Previously, companies that failed to comply with environmental rules were barred from accessing the fund. State officials told lawmakers that the high balance of the underground tank fund — which has held steady at about $50 million for years after clean-up costs — allows for suspension of company fees. Sen. Heidi Campbell, of Nashville, called the rule "appalling," adding that the state "is shifting responsibility to small businesses and families."

Earthquake frequency and strength is increasing in oil fields

(Houston Chronicle; June 10) - Earthquakes in oil and gas fields across Texas and other oil-producing states are not only becoming more frequent but stronger, according to new analysis from the research firm Rystad Energy. The Norwegian analytical firm reported there were 938 earthquakes above a magnitude of 2.0 on the Richter Scale in Oklahoma, Texas, Louisiana, and New Mexico last year, up from 242 in 2017, the result of increasing volumes of wastewater being pumped into underground injection wells that can interfere with the normal shifting of tectonic plates underground.

"Around 570 such tremors have been recorded through the first five months of 2021, meaning we may see a new record this year if the trend continues," the report read. "The trend appears to be moving not only to more frequent, but also larger events." The increase of seismic activity comes as U.S. oil and gas field reinjection volumes have increased almost 50% over the past decade to 11.3 billion barrels last year — more than two times the volume of oil that was produced.

Some oil companies are examining recycling the wastewater to use for oil drilling, crop irrigation, or other purposes, but so far progress has been limited. Last year only 1.5 billion barrels of wastewater were recycled, Rystad said. The largest earthquake linked to injection wells was recorded near Pawnee, Oklahoma, in 2016, with a magnitude of 5.8, according to the U.S. Geological Survey.