Oil and Gas News Briefs
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LNG developer gives up on Texas project after 8 years

(Natural Gas Intelligence; March 22) - The sponsors of the proposed Annova liquefied natural gas export project in Brownsville, Texas, have called it quits, citing changes in the global market. Annova disclosed the "immediate discontinuation" in a March 22 filing with the Federal Energy Regulatory Commission to vacate the project's authorization. The development had been pursued by majority owner U.S. energy company Exelon and minority owners Black & Veatch, Kiewit Energy, and Calgary-based Enbridge.

The news reflects problems faced by U.S. LNG developers as sluggish demand made worse by the COVID-19 pandemic has made it more difficult for projects to reach a final investment decision. Annova failed to secure any off-take contracts since it was founded in 2013. It received federal approval in 2019 and signed a 30-year lease with the Port of Brownsville in February 2020. It had also inked a feed gas supply deal with Enbridge last year. It had planned on reaching FID this year and beginning operations in 2025.

The decision to walk away comes as enthusiasm for North American LNG projects wanes. The Annova announcement was preceded by Chevron's recent disclosure that it would no longer fund the proposed Kitimat LNG project in British Columbia after it failed to find a buyer for its 50% stake. Texas LNG, another Brownsville development, has yet to sign its first customer. NextDecade, which is developing the nearby Rio Grande LNG facility, has been able to sell only a fraction of its capacity. The proposed Driftwood LNG project in Louisiana and Jordan Cove LNG in Oregon have had trouble finding buyers.

Exxon-led Guyana project at 120,000 barrels per day, and growing

(S&P Global Platts; March 23) - The ExxonMobil-operated Liza Phase 1 development offshore Guyana achieved its nameplate capacity output of 120,000 barrels per day in December and continues to produce at that rate, the top executive of Liza partner Hess Corp. said March 23. The partners at the Stabroek Block — where two additional developments in various stages of construction will lead to added production in 2022 and 2024 — also foresee two more developments that will come online in 2025 and 2026, Hess CEO John Hess said at the virtual Scotia Howard Weil Energy Conference.

The five developments will underpin total production estimates of more than 750,000 barrels of oil equivalent a day in 2026, John Hess said. "We continue to see multibillions of future exploration potential remaining" in Guyana, where the three partners including China's CNOOC have made 18 discoveries with recoverable resources of more than 9 billion barrels of oil equivalent, he said. The partners eventually foresee up to 10 separate developments produced from floating production and storage vessels.

Liza Phase 2, the second Stabroek development, will nearly double capacity to 220,000 barrels per day, as will Payara, the third development on the block under construction north of the Liza field. A fourth planned development, Yellowtail, sited southeast of Liza, has not yet been sanctioned. Liza Phase 1 has a break-even oil price of $35 per barrel Brent. It's $25 for Liza Phase 2 and $32 for Payara, John Hess said.

U.S. imports of Russian oil hit record high in 2020

(Bloomberg; March 24) - The oil tankers docking at the refinery in Baytown, Texas, look exactly like many others plying the waters of the Houston Ship Channel. But they are carrying Russian petroleum. The sprawling complex, which belongs to ExxonMobil, isn't the only U.S. refinery receiving shipments of Russian oil. Chevron's plant in Mobile, Alabama, and Valero Energy's facility in St. Charles, Louisiana, are also customers.

Deprived of Venezuelan crude by U.S. sanctions and facing reduced shipments from OPEC nations since the cartel cut output, U.S. refiners turned to Russian oil in 2020 to fill the gap. The buying spree, combined with sharply lower Saudi shipments, catapulted Russia into third place among oil suppliers to the U.S. last year. The feat has been the talk of the oil market, but surprisingly hasn't been discussed much in diplomatic circles.

After years of supplying less than 0.5% of annual U.S. imports of oil and refined products, Russia steadily increased its share over the past decade, reaching an all-time high of 7% last year, 538,000 barrels a day, according to Bloomberg News calculations. Russia's gains came in large part at the expense of Venezuela. Exxon's Baytown refinery is one of several in the U.S. outfitted with special cokers to break down dense, sulfurous crudes like those from Venezuela.

"Having lost Venezuelan crude and facing less and more expensive feedstock from the traditional OPEC suppliers," U.S. refiners have turned to Russia, said Adi Imsirovic, a fellow at the Oxford Institute for Energy Studies. The top U.S. importer of Russian petroleum last year was Valero, at almost 55 million barrels, followed by Exxon at almost 50 million. The two accounted for almost 50% of U.S. imports of Russian oil.

OPEC+ will meet April 1; sources expect no increase in supply

(Reuters; March 24) - With oil prices making steady gains earlier this year, OPEC and other producers had hoped to ease output cuts, but industry sources say a fresh wave of lockdowns around the world threatens to tear up those plans. The OPEC+ group of producers, which are holding back millions of barrels of daily supply, surprised the market on March 4 by deciding to hold output broadly steady.

Saudi Arabia's Energy Minister Prince Abdulaziz bin Salman Al-Saud cited a return to lockdown in Milan as one of the reasons. That decision is now looking wise. European nations including France, Switzerland, and Norway have since tightened restrictions to address rising coronavirus cases as OPEC+ prepares to assess their policy on April 1. Brent crude futures, the industry benchmark, which topped $71 a barrel this month, the highest since before the pandemic, have since fallen to about $63.

Four OPEC+ sources said they expect a similar decision to maintain the status quo at the April meeting. "I won't be surprised to hear the view that it is better to be cautious and not add more supply yet," said one OPEC+ source, who asked not to be identified. The energy minister for the United Arab Emirates, OPEC's third-largest producer, also expressed caution this week, saying that OPEC+ was unlikely to pump more oil than the market could handle. "The price of oil has not yet stabilized," said another source.

Railroad merger could benefit Canadian oil producers

(Calgary Herald; March 22) - Canadian Pacific Railway's blockbuster US$25 billion deal for Kansas City Southern offers new hope for expanded access to the U.S. Gulf Coast for Canadian oil producers that have struggled to reach heavy-oil markets in Texas and Louisiana. Canadian oil and gas companies have for years tried to expand their options to ship heavy oil from Alberta to the coast, but their efforts to reach the world's largest concentration of heavy-oil refineries have been challenged time and time again.

Most recently, President Joe Biden canceled permits for the Keystone XL pipeline. CP Rail's deal with Kansas Southern "looks promising," said Tristan Goodman, president of the Explorers and Producers Association of Canada, which represents mid-sized oil and gas companies. Currently, only Canadian National Railway offers a direct route for oil producers to ship crude from Alberta to the U.S. Gulf Coast, and the combined railway network could introduce some competition among the railways to move those barrels.

The CP and Kansas Southern rail networks currently connect in Kansas City. "In combination, the combined railroad can offer one-railroad connectivity between Alberta and U.S. Gulf Coast markets via these existing connections," said Paul Bingham, director in the transportation consulting business at IHS Markit. The deal could also reduce overall shipping costs by boosting competition, said Darryl Anderson, managing director for maritime and multimodal transport at Wave Point Consulting.

China’s Sinopec signs 10-year deal for Qatari LNG

(Gulf Times; Qatar; March 22) - Qatar Petroleum on March 22 entered into a 10-year deal to sell liquefied natural gas to China Petroleum & Chemical Corp. (Sinopec), at 2 million tonnes per year. The agreement was signed by Qatar’s minister of state for energy affairs, who also serves as president of Qatar Petroleum and the chairman of Sinopec, during a virtual ceremony attended by senior officials from both sides.

LNG deliveries will start in January 2022 to Sinopec terminals in China. “In a step that will further solidify the excellent bilateral relations between the People’s Republic of China and the State of Qatar, we are delighted to enter into this historic long-term” agreement, said Energy Affairs Minister Saad Sherida Al-Kaabi. “We are also proud of the fact that this agreement will be Sinopec’s first long-term LNG agreement from Qatar.” Since the first delivery in September 2009, Qatar has supplied China with more than 62 million tonnes of LNG under short-term and spot sales.

Partners seek approval for small LNG plant in Canadian Arctic

(Natural Gas Intelligence; March 21) - Natural gas supply development is returning to the Canadian Arctic, initially to serve the small Mackenzie Delta market. Native-owned Inuvialuit Petroleum and Ferus Natural Gas Fuels applied March 18 for approval by the Canada Energy Regulator for their estimated C$100 million (US$80 million) Inuvialuit Energy Security Project. The project has been on the drawing board for several months.

Ferus, an arm of Texas-based Energy & Minerals Group, plans to build a plant to produce liquefied natural gas, propane and synthetic diesel. Ferus operates a similar small plant in Alberta. The partners said the arctic plant could start up as soon as early 2023, pulling feed gas from a well discovered in 2002, six miles south of the Beaufort Sea community of Tuktoyaktuk, in the Northwest Territories. The single well could tap more than enough gas to supply the region for 50 years, according to the filing with regulators. Gas production is estimated at up to 8 million cubic feet per day.

The project is designed to counter “chronic energy insecurity” in the region, the filing said. Long-distance fuel deliveries are expensive and prone to seasonal disruptions amid severe weather. Truck deliveries of fuels have been made possible by a C$265 million (US$212 million) all-weather road built across 83 miles of tundra and woods in 2017 between the regional hub of Inuvik and Tuktoyaktuk, population about 1,000. Tuktoyaktuk is about 190 miles east of the Alaska border.

[Quebec environmental board questions need for LNG project]

(CBC News; Canada; March 24) - Quebec's environmental review board said the benefits of a proposed multibillion-dollar liquefied natural gas plant in the Saguenay do not outweigh the environmental and social costs. The 500-page report by the BAPE (Bureau d'audiences publiques sur l'environnement) said there is already significant global competition for LNG production and export, so the Saguenay project may not even be needed by the time construction is finished and the plant is up and running.

The GNL Quebec project has garnered the greatest response of any BAPE review, with more than 2,500 briefs presented, the board said. There are two components to the project: The C$5 billion Gazoduc pipeline that would run from northern Ontario to the Saguenay near the St. Lawrence River and access to the Atlantic Ocean; and the C$9 billion GNL Quebec gas liquefaction plant in the Port of Saguenay. Proponents tout the development as an economic booster, job creator and environmental innovator.

But the BAPE report recommends the government take extra care to consider the risks to marine life, specifically the area's beluga whales, before making any decision about the project. As for the plant's promoted carbon neutrality, the BAPE said that aspect alone is not enough to reduce worldwide greenhouse gas emissions, particularly since the project would still rely on fracking at gas production wells in western Canada.

[Investors increasingly ask about carbon footprint of LNG projects]

(Reuters; March 24) - Investors are increasingly considering environmental, social and governance (ESG) factors before committing to invest in new liquefied natural gas projects, analysts at S&P Global Platts and S&P Global Ratings said March 24. The net-zero LNG trade, which typically involves companies offsetting emissions, is expected to grow as the discussion on transiting to a carbon-neutral world gathers pace, they said.

“It is almost surprising the prominence that ESG considerations have started to take in conversations,” lead analyst in the Energy Infrastructure Group of S&P Global Ratings Stephen Goltz said during a press briefing. “It is not something that is just sitting with counterparties. To a certain degree it is also being influenced by the investment community as well,” he said. The comments come as governments and companies start to take action to reduce the LNG’s industry carbon footprint.

Earlier this month Russian energy giant Gazprom delivered its first carbon-neutral shipment of LNG to Europe. Cheniere Energy, the largest U.S. LNG producer, said in February it will provide greenhouse gas emissions data associated with each cargo to customers beginning in 2022. While LNG can produce about 50% less emissions than carbon-intense fuels such as coal, the demand destruction for fossil fuels during the coronavirus pandemic has encouraged a shift straight to renewables by some players.

[North Dakota tribes move closer to earning revenue from their oil]

(Bismarck Tribune; ND; March 20) - Along the outskirts of the Fort Berthold Indian Reservation in North Dakota lie 214 wells that cross the boundary, sucking up oil from both sides. Of those, 132 start just outside the border and cross horizontally underneath. The Three Affiliated Tribes doesn't collect any taxes on the oil produced from those wells. The money, which amounts to millions of dollars each year, goes to the state. But the tribe wants the state to share the taxes from wells situated that way, as it does for the 82 wells that start on the reservation and extend outside the border.

Legislation before North Dakota lawmakers would allow the tribe to share in taxes from the wells that start off-reservation — the House this week will consider a proposal to do that. It cleared the Senate last month but not before senators attached conditions that caught the tribe off-guard, including delaying tax sharing for two years and excluding wells in one of three counties where oil wells straddle the Fort Berthold boundary.

What sealed the deal in the Senate was an idea about how to partially circumvent President Joe Biden's directive to halt oil leasing on federal lands while the practice comes under review by the new administration. Some tracts of federal minerals next to the reservation boundary could be accessed by drilling a well that starts on Fort Berthold and extends into those areas. That, in theory, would be possible if the tribe could get leniency from the Biden administration.

[Total resumes work after Mozambique boosts security at LNG site]

(Reuters; March 24) - Total will restart construction at its $20 billion liquefied natural gas development in Mozambique after the government increased security, the French energy firm said March 24. In January, after an attack nearby, Total withdrew most of its workers from the site in the northernmost province of Cabo Delgado, where there has been an insurgency, now linked to Islamic State, since 2017. The company asked the government for additional security measures, including a buffer zone around the site.

The security zone is in place, Total said, allowing for the "gradual remobilization" of the project's workforce and a resumption of construction work. The LNG export project is scheduled to start operations in 2024. Total added that other measures including reinforcement of security infrastructure and strengthening of Mozambique's security forces had also been implemented. Total said the government had committed that its personnel would act in line with international human rights standards.

Amnesty International this month accused government forces and insurgents of committing war crimes in the province, where insurgents have stepped up their attacks over the past year. In 2020 the group began regularly taking over entire towns. The conflict has killed more than 2,500 people, according to the Armed Conflict Location & Event Data Project, a consultancy that tracks political violence.

Oil industry execs support limits on methane emissions from wells

(Bloomberg; March 22) - CEOs of some of the largest U.S. oil companies promised to collaborate with the Biden administration in its campaign against climate change during a meeting March 22 with White House National Climate Adviser Gina McCarthy. The oil industry leaders pledged support for federal regulations explicitly limiting emissions of methane from wells and other oil field equipment — a declaration that dovetails with President Joe Biden's vow to clamp down on leaks of the potent greenhouse gas.

They also cheered the U.S. return to the Paris climate agreement and urged greater government support of carbon-capture and hydrogen technology that can help the country fulfill carbon-cutting pledges set to be unveiled next month, according to two people familiar with the session conducted over Zoom. The meeting, which included executives from industry trade groups and 10 oil companies — including ExxonMobil, BP, ConocoPhillips, Shell, and Chevron — was the first of its kind since Biden moved in.

The meeting was described as pleasant, without the acrimony of some of the industry's exchanges with President Barack Obama's administration. The format did not allow for a deep, back-and-forth dialogue. Instead, McCarthy opened the meeting, with remarks from each of the participants. Almost of all of the executives made a pitch for putting a price on carbon dioxide emissions — a policy shift they said could trigger investment in emission-reducing technology while fostering more certainty for energy companies.

Qatar seeks charter proposals to meet future LNG shipping needs

(S&P Global Platts; March 21) - Qatar Petroleum has issued an invitation to tender to ship owners for the chartering of LNG carriers to meet the future shipping requirements of its offshore North Field expansion and Golden Pass LNG export project in Texas. The invite to "a large group of LNG ship owners" also includes options to replace time charters for a number of Qatar's existing LNG carriers that will expire in the next few years, the company said in a March 20 statement.

QP said it intends to assign the winning bidders to shipyard construction slots that were previously reserved in China and South Korea. QP in April 2020 announced a $3 billion agreement to reserve LNG ship construction capacity in China, and in June said it signed three agreements with South Korean shipyards to reserve newbuild slots for more than 100 LNG tankers at a combined cost of almost $19 billion, both to support its North Field gas expansion projects and for QP's future LNG carrier fleet requirements.

QP is planning to increase its LNG production by 64% via the two-phase North Field expansion project. The Gulf state's LNG production capacity is being expanded to 126 million tonnes per year in two phases through 2027, from 77 million tonnes currently. Meanwhile, QP and ExxonMobil's Golden Pass export terminal is under construction in Texas, and is expected to start operations by the middle of this decade with full capacity of 18 million tonnes per year.

Russia’s new development plan would boost LNG production fivefold

(The Barents Observer; Norway; March 25) - “Natural gas is an environmentally clean fossil fuel,” say the authors of Russia’s new development program for LNG. The document signed this week by Prime Minister Mikhail Mishustin is based on the assumption that liquefied natural gas has a bright future in international energy markets. By year 2050, the plan says, global demand for LNG will be 50% higher than in 2018.

Russia wants to boost its annual LNG production to 140 million tonnes by 2035, an almost fivefold increase compared with 2020. That could require five or six multibillion-dollar LNG projects over the next decade, and would almost double this year’s output capacity of either world-leading Qatar or Australia. Practically all of Russia’s planned projects are in the remote Arctic, where Novatek in 2017 opened its Yamal LNG terminal and where its Arctic LNG-2 terminal is due to start up in 2023.

The development plan lists potential projects led by Novatek and Russia’s oil-and-gas giants Gazprom and Rosneft. The boost in LNG sales could generate a lot of revenues, however, only a minor share of that money would go into the state treasury. In a bid to boost project development, the Russian government has a zero tax on the LNG exports.

Saudi Aramco sees future market in clean hydrogen energy

(Natural Gas Intelligence; March 22) - Saudi Arabia’s state-owned oil company is looking to expand its natural gas business by skipping over the traditional export route and going for a growing market in blue hydrogen, executives said March 22. Saudi Arabia Oil Co., better known as Aramco, is the largest oil exporter in the world. It also has a plethora of gas reserves, CEO Amin H. Nasser said during a conference call to discuss the company’s 2020 results. He shared a microphone with Aramco’s Khalid Al-Dabbagh, senior vice president of finance strategy and development.

“Gas is growing at twice the rate of crude globally,” Al-Dabbagh said. Because gas also has a lower carbon footprint, it has become “important strategically. … We continue to be interested in international gas,” including liquefied natural gas, because “it’s a great opportunity.” Aramco has a “huge advantage” because of its oil and gas reserves, Al-

Dabbagh said. The producer has "economy of scale when you look at our facilities and their proximity to each other. We do have the advantaged geology."

Aramco, however, is looking beyond exporting gas. Executives want to use the gas to underpin blue hydrogen exports as the world shifts toward low-carbon emissions. Blue hydrogen is manufactured from natural gas with emissions reduced through carbon capture and storage. "Having a large-scale cost-competitive, carbon-capture utilization and sequestration potential in the kingdom is big for us," Al-Dabbagh said.

Texas LNG producer signs up asphalt paving company as customer

(Natural Gas Intelligence; March 19) - Stabilis Solutions, a small-scale producer and distributor of liquefied natural gas, said March 17 it has three new long-term sales contracts that represent up to 40% of the liquefaction capacity at its George West, Texas, plant. The company said the contracts are with customers in infrastructure and mining. Combined with existing sales, Stabilis said utilization at its plant should be near 100%. The plant is about 57 miles from Corpus Christi on the Gulf Coast.

One of the customers in the latest deals is a highway paving contractor that uses LNG to supply the heat required to produce finished asphalt. The other buyers operate Texas-based sand mines serving the industrial and energy markets. Stabilis delivered from its Texas plant and third-party suppliers almost 10.4 million gallons of LNG in the fourth quarter of 2020, equating to almost 9.5 million cubic feet of natural gas per day.

Bunkering vessel completes first LNG refueling of container ship

(Reuters; March 24) - Asia saw its first ship-to-container ship liquefied natural gas bunkering operation in Singapore on March 24, paving the way for refueling ships with the cleaner fuel at the world's top bunkering hub. The container ship, CMA CGM Scandola, was fueled with 7,100 cubic meters of LNG (energy equivalent to about 150 million cubic feet of natural gas) from FueLNG Bellina, Singapore's first LNG bunkering vessel, the Maritime and Port Authority of Singapore said in a joint statement.

"As the shipping industry explores alternative zero-carbon fuels, LNG is a viable transitional fuel," said Chee Hong Tat, Singapore's senior minister of state for the Ministry of Transport. The operation, the first ship-to-ship operation for the Bellina bunker barge, was conducted by shipping and logistics company CMA CGM and FueLNG, a joint venture between Keppel Offshore & Marine and Shell Eastern Petroleum, and the port authority.

The bunkering operation was also the first in Asia to simultaneously take place during container loading and offloading, which allows for shorter port stay times, Shell said.

Singapore expects annual LNG bunkering capacity to hit one million tonnes this year (equivalent to about 48 billion cubic feet of natural gas).

States sue to restart oil and gas lease sales halted by Biden

(CNBC; March 24) - Fourteen states filed suit on March 24 against President Joe Biden's moratorium on new oil and gas leases on public lands and waters. A coalition of 13 states led by Louisiana, filed one lawsuit, and Wyoming filed a separate lawsuit. The states in Louisiana's suit are Alabama, Alaska, Arkansas, Georgia, Mississippi, Missouri, Montana, Nebraska, Oklahoma, Texas, Utah, and West Virginia. All 14 states have Republican attorneys general.

"This moratorium might make for a nice headline about fighting climate change, but the real consequences of the action are far from certain and far from uniformly environmentally friendly," the Wyoming lawsuit said. Biden's order on Jan. 27 to pause new leasing was part of a series of executive actions to address climate change and transition the economy away from fossil fuel production and toward clean energy.

Biden also directed the secretary of the Interior Department to begin a thorough review of existing permits for fossil fuel development. The Louisiana lawsuit argued that the president's executive order would hurt communities dependent on oil and gas drilling and drive up energy prices. The lawsuit also requested the Bureau of Land Management be allowed to restart quarterly oil and gas lease sales.

Australia short on low-cost answers for potential gas shortage

(Reuters; March 24) - Australia, the world's largest exporter of liquefied natural gas, is facing a dilemma when it comes to domestic demand for the gas as the government's plans for a gas-fired economic recovery hit reality. Consumers are facing a gas-supply shortfall in two to three years, while explorers and producers are increasingly warning it will be difficult, if not nearly impossible, to boost output in the time available.

It may seem incongruous that a country that has in the past 10 years overtaken Qatar to claim the crown as the world's biggest shipper of LNG is facing a shortfall in supply that threatens an already under pressure manufacturing base. But a combination of over-investment in LNG export terminals on the populous East Coast, restrictive government resource policies in some states and at a federal level, and Australia's challenging geology and vast distances threaten to radically reshape the country's gas industry.

The message at this week's Australian Domestic Gas Outlook conference in Sydney was consistent. There isn't gas to meet demand, what gas is developed is likely to be much more expensive than discoveries of the past, and what new gas can be brought to market can’t come fast enough. Boost exploration, perhaps with government subsidies, in order to bring new production online, is the most commonly touted solution. But most prospective basins are in remote parts of the country, will be expensive to develop, and will require extensive pipeline systems in order to move the fuel vast distances.