Oil and Gas News Briefs
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Gas flaring declined in 2020, but producers still burned off 5 tcf

(World Oil; April 29) - In an unprecedented year for the oil and gas industry, oil production declined by 8% in 2020 while global gas flaring was down 5%, according to satellite data compiled by the World Bank's Global Gas Flaring Reduction Partnership. Oil and gas production declined amid pandemic-induced lockdowns and economic constrictions. And although the volume of gas flared worldwide declined last year to 5 trillion cubic feet, the world still flared enough gas to power sub-Saharan Africa.

Gas-flaring satellite data from 2020 reveals that Russia, Iraq, Iran, the U.S., Algeria, Venezuela, and Nigeria remain the top seven gas-flaring countries for nine years running, since the first satellite was launched in 2012. These seven countries produce 40% of the world's oil each year and account for roughly two-thirds of gas flaring. This trend is indicative of ongoing, though differing, challenges facing these countries.

The U.S. has thousands of individual flare sites, difficult to connect to markets, while a few high-flaring oil fields in East Siberia in the Russia are extremely remote, lacking the infrastructure to capture and transport the associated gas. Flaring, the burning of natural gas associated with oil extraction, occurs due to multiple issues, including market and economic constraints and a lack of regulation and political will, the World Bank project said. The practice results in a range of pollutants released into the atmosphere, including carbon dioxide, methane and black carbon (soot).

Texas freeze knocked down U.S. oil output to 3-year low

(Bloomberg; April 30) - An Arctic cold blast that swept through the U.S. South in February caused a much bigger loss in oil supply than previously estimated, with April's output falling to a three-year low, according to U.S. government data. Drillers cut oil production by almost 1.2 million barrels a day, the biggest decline since last May and far more than the 800,000 barrels a day officials had estimated in early April, according to figures released April 30 by the U.S. Energy Information Administration.

Scores of wells were forced to shut after extreme cold triggered power outages across Texas, the nation's energy capital. The historic wintry blast at one point curtailed about 4 million barrels a day of U.S. crude oil supply, traders and executives said at the time. The low temperatures also froze oil and gas output at the wellhead, along with pipes that were transporting that supply. Texas alone contributed about 70% of the monthly loss, while declines in New Mexico accounted for almost 9%, according to the EIA.

U.S. crude output declined to about 9.9 million barrels a day in February from just over 11 million in January. Producers have since managed to restore most of the supply, with weekly production averaging almost 11 million barrels a day.

Russia boosts oil output almost 2% in April

(Bloomberg; May 1) - Russia increased its oil production in April thanks to a more generous OPEC+ quota. The nation pumped 42.81 million tons of crude and condensate last month, according to preliminary data from the Energy Ministry's CDU-TEK unit. That equates to 10.46 million barrels a day, or 1.9% more than in March.

The data don't provide a breakdown between crude and condensate — a light oil extracted from natural gas that's excluded from the OPEC+ deal — making it difficult to assess Russia's compliance with its quota. If April condensate output was the same as in March, about 900,000 barrels a day, then crude production would be around 9.56 million barrels a day, some 180,000 barrels above Russia's quota.

Between February and April, Russia and its neighbor Kazakhstan were the only nations allowed to increase production under the OPEC+ agreement. Other members kept their output flat, while Saudi Arabia voluntarily took an extra 1 million barrels a day off the market. In April, Russia's daily quota rose by 130,000 barrels, following a 65,000-barrel-a-day increase each month in February and March. Last week the Organization of Petroleum Exporting Countries and its allies confirmed their plans to increase production by about 2 million barrels a day from May to July as global demand recovers.

Total says Mozambique LNG project delayed at least a year

(S&P Global Platts; April 29) - The Mozambique LNG project will be delayed by "at least a year" due to the "very serious" security situation in the southeast African country, Total's Chief Financial Officer Jean-Pierre Sbraire said April 29. Total declared force majeure on its Mozambique operations April 26 and removed all staff from the site on the Afungi Peninsula in response to "severe deterioration" in the security situation.

"Obviously, these events will impact the project and at this stage we estimate an impact of at least a year of delay," Sbraire said on an analyst call. "We hope that the actions carried out by the government of Mozambique and its regional and international partners will enable the restoration of security and stabilize the Cabo Delgado province in a sustained manner," he added. Total had hoped to produce the first LNG from the project in 2024, and this means it has been now pushed back to at least 2025.

"We are managing the situation with contractors to minimize spending as long as we do not have clarity on the situation," said Sbraire. In February, Total CEO Patrick

Pouyanne said the Mozambique LNG project was 21% complete as of the end of 2020. The $20 billion development is planned for about 13 million tonnes of output per year. Total operates Mozambique LNG with a 26.5% stake, with partners from Japan, India, and Thailand, and Mozambique's national energy company. A range of major LNG buyers have signed term deals, including those from India, China, Japan, and Thailand.

Tanzania president wants to restart negotiations for LNG project

(Bloomberg; April 29) - Tanzania says it expects to conclude an agreement for a $30 billion liquefied natural gas project within six months after the country's new president called for a resumption of negotiations that had stalled for more than a year. Talks for the host-government agreement that would govern the tax, legal and commercial terms for the proposed onshore project fell apart in 2019. Plans for a plant on the southern coast connected to offshore fields by pipeline have been under discussion since 2014.

"The government's negotiation team has already been formed ahead of the resumption of talks and we will be preparing next week to restart negotiations with the investors as soon as possible," said James Mataragio, managing director of the Tanzania Petroleum Development Corp. Investor sentiment soured after the administration of then-President John Magufuli overhauled mining legislation and ordered contracts renegotiated.

His successor, Samia Suluhu Hassan, told lawmakers last week that talks over the LNG project had dragged on too long and pledged to finish them speedily so that the project can proceed. One of the developers, Equinor, took a $982 million impairment on the project in January, which it said would be reversible, after failing to settle terms with the Tanzanian government. Other project partners include Shell, ExxonMobil, London-based Ophir Energy, and Singapore-based Pavilion Energy.

LNG developer selects contractor for second Louisiana project

(Reuters; April 29) - Liquefied natural gas project developer Venture Global LNG said on April 29 that construction firm Zachry Group will work with engineering firm KBR in a joint venture to build the first phase of the proposed Plaquemines LNG export plant in Louisiana. The joint venture, called KZJV, will install modular liquefaction trains at Plaquemines that are similar to systems being installed at Venture Global's Calcasieu Pass LNG plant, which is under construction in Louisiana.

Energy analysts have estimated the cost of Calcasieu at about $4.5 billion and said it could start producing LNG in test mode as soon as late 2021. Venture Global said on its website that it expects to make a final investment decision on its second project, Plaquemines, in mid-2021, with the plant entering commercial service in 2024. Analysts say Plaquemines is one of the few U.S. export projects expected to go forward this year after only one LNG export plant — Sempra Energy's Costa Azul on Mexico's Pacific Coast — started construction in 2020 as the coronavirus pandemic depressed demand.

Currently, 13 North American projects, including Plaquemines, have said they plan to make a final investment decision to start construction in 2021, most of which were delayed from 2020. Venture Global said it has contracted 3.5 million tonnes per year of the first 10-million-tonne phase of Plaquemines under binding 20-year off-take agreements and has received both U.S. export authorization and final approval from the Federal Energy Regulatory Commission.

Rosneft moves closer to LNG project in Russian Far East

(Reuters; April 30) – Rosneft said on April 30 it plans to complete a feasibility study of a liquefied natural gas plant in Russia's Far East this year and start marketing gas from the project. The plant, proposed for an annual capacity of 6.2 million tonnes in the Pacific port of De Kastri, is part of the Sakhalin-1 consortium. Rosneft, ExxonMobil, Japan's SODECO, and India's ONGC Videsh are partners in the group of fields that has been producing oil since 2005 and hit a peak in 2018 at about 300,000 barrels per day.

Rosneft said it expects to tender for an engineering, procurement and construction contractor for the gas project this year. The Sakhalin-1 partners have been looking at gas development options for years, including building their own liquefied natural gas plant on the Pacific island or sending their gas through the neighboring Sakhalin-2 LNG terminal, led by Gazprom, Russia's top gas company. Sakhalin-2 produced 11.15 million tonnes in 2018. It started operations in 2009, and its partners have been looking at expansion options, though sufficient reserves to feed an expansion have been an issue.

U.S. natural gas exports on track for record in April

(Reuters; April 30) - U.S. liquefied natural gas and pipeline exports are on track to hit records in April amid high prices in Europe and a steady production decline in Mexico. The amount of gas flowing to U.S. LNG export plants has averaged 11.5 billion cubic feet a day so far in April, putting it on track to top March's record of 11.2 bcf, according to data provider Refinitiv. Pipeline exports to Mexico, meanwhile, averaged 6.1 bcf per day so far in April on track to surpass September's monthly record of 6 bcf a day.

The U.S. Energy Information Administration has projected LNG and pipeline exports would reach new all-time highs in 2021 and 2022. LNG exports from the Gulf Coast started in 2016. U.S. pipeline exports have hit all-time highs every year since 2015. The country became a net exporter of gas via LNG and pipelines in 2017. Most pipeline gas goes to Mexico. The U.S. still imports more pipeline gas from Canada than it exports.

China cuts taxes on imported natural gas

(Reuters; April 30) - China will grant a refund of 70% of the value-added tax on natural gas imports that are under long-term contracts signed before 2014, the Ministry of Finance said April 30, in an effort to help national oil companies narrow their losses on gas imports. The firms have racked up billions of dollars in losses due to multi-year gas deals signed with exporters from Qatar and elsewhere nearly a decade ago, when oil-linked prices were much higher and China badly needed the fuel to combat air pollution.

The ministry will also give tax refunds on other imported gas if the import cost exceeds certain benchmarks, it said. The tax rate is 9%. The finance ministry also exempted some equipment used in onshore and offshore oil and gas exploration, including coal-bed methane, from import tariffs and the value-added tax. The refunds and exemptions will be in force from Jan. 1, 2021, until Dec. 31, 2025, according to the statement.

Sinopec continues to increase its natural gas production

(S&P Global Platts; April 29) - Sinopec plans to import 17.4 million tonnes of liquefied natural gas in 2021 (about 835 billion cubic feet of natural gas), while producing half again as much gas domestically, about 1.2 trillion cubic feet, in an effort to meet China’s growing demand while lowering carbon emissions, senior officials said during the company's first-quarter conference call April 29. About a third of the company’s domestic gas production would come from shale plays, Sinopec said.

The company plans an additional production boost of 15% by 2023, in particular increasing its shale gas output. Sinopec is lifting its shale gas production 6% to 10% annually, according to vice president and secretary to the board of directors, Huang Wensheng. As the second- largest gas producer in China, Sinopec contributed 15.5% to the country's domestic production during the first quarter.

COVID lockdowns cut into India’s energy consumption

(Reuters; April 29) - India is expected to consume less energy — from petrol to coal — than previously expected this year as it battles a massive second wave of COVID-19 infections, which has forced many states to reimpose lockdowns and curfews. The energy-hungry nation’s bumpy economic recovery and surging coronavirus cases in Brazil and Japan are already keeping a lid on global oil prices.

Lockdowns have been put in place in Delhi, the industrial state of Karnataka and the southern state of Maharashtra, while other regions are also mulling restrictions. As a result, analysts expect various commodity markets to suffer in coming months. Analysts expect India's demand for transportation fuels to have dropped in April from March, with a sharper slump seen in May due to more impending restrictions. Consultancy Wood Mackenzie sees India's gasoline demand falling 6% in the second quarter.

Usage of electricity in India — most of which is produced using coal — has been falling since the end of the second week of April, government data shows, amid a wide virus spread that has curbed economic activity. India is the world's second-biggest importer, consumer, and producer of coal behind China.

Spot-market LNG prices up as buyers restock inventories

(Reuters; April 29) - Asian spot prices for liquefied natural gas and shipping rates to carry the fuel soared to unusual highs this week on the back of strong demand to restock gas inventories in Europe and Asia, industry sources said. Unipec Singapore sold an LNG cargo for June 3-7 delivery to BP at $8.90 per million Btu on April 29, data from price agency S&P Global Platts showed. This is the highest spot price since late January, Reuters data showed.

"Traders are replenishing gas inventory in Europe after it dropped to very low levels during winter, so the restocking is supporting prices in Asia," a Singapore-based LNG trader said, adding that firm demand from China is also supporting higher prices. The daily charter rate for shipping LNG on a vessel has risen to up to $70,000 to $80,000 from about $50,000 to $65,000 last week, two shipping sources said. The spike in shipping rates is not usual for summer, the sources added.

Court says no harm, no foul in B.C.-Alberta fight over oil line

(The Canadian Press; April 27) – Canada's Federal Court of Appeal has set aside an injunction granted to British Columbia in its legal fight over Alberta's so-called turn-off-the-taps legislation, saying the dispute is more theoretical than real. A lower court suspended Alberta's Preserving Canada's Economic Prosperity Act in 2019 and granted B.C. a temporary injunction blocking the law until the courts could decide if it was valid.

Alberta passed the law to give it control over the export of its crude at the height of a dispute between the two provinces over construction of the Trans Mountain pipeline expansion. Alberta threatened to cut off the flow to its neighbor if British Columbia persisted in its efforts against the project. The three-judge appeal panel set aside the injunction in a decision released April 27, also ordering B.C. to pay Alberta's court costs.

B.C. had argued that the law would cause it irreparable harm, but the higher court said granting B.C. the injunction is “premature” because Alberta has not yet used the law.

The court said that without regulations and a licensing structure from Alberta, the court should not assess the constitutional validity of the law on the basis that it could allow discrimination in the supply of fuels to B.C. “Until Alberta imposes restrictions on exports through action taken pursuant to the act, a (constitutional) dispute has yet to arise and may not arise at all. Put otherwise, the dispute as it currently stands remains more theoretical than real,” the decision said. Construction is underway, which will triple the line’s capacity to almost 900,000 barrels per day to a coastal export terminal.

Oil sands pipeline gets OK to keep insurers’ names private

(Bloomberg; April 29) - Trans Mountain Pipeline’s effort to keep its insurers’ names confidential has been accepted by regulators in a setback for environmental groups fighting to prevent development of the Canadian oil sands. “Trans Mountain has satisfied the requirements for confidentiality,” Canada Energy Regulator said in its decision April 29. “The names of Trans Mountain’s insurers could reasonably be expected to prejudice its competitive position in its dealing with potential insurers.”

Mounting opposition to the Canadian oil sands led Trans Mountain to seek to protect insurers facing pressure to drop coverage of the pipeline running from Alberta to the British Columbia coast. Last year Zurich Insurance Group removed its policy on the line. Alberta’s land-locked oil sands producers have struggled for years with a shortage of export pipelines, which reduces the value of their crude. But efforts to build pipelines have encountered strong resistance from environmentalists who argue they threaten land and waterways and worsen climate change.

Trans Mountain has faced opposition from activists and some Indigenous groups over an expansion project that will almost triple the line’s capacity to 890,000 barrels per day, focused on sending more oil from Alberta to Asian markets. Construction, which was proposed more than a decade ago, began last year after Canada’s federal government stepped in to buy the company in 2018 for C$4.5 billion (US$3.7 billion) from owner Kinder Morgan, which was threatening to scrap the project due to the fierce opposition.

B.C. Supreme Court rejects challenge to gas pipeline

(The Canadian Press; April 28) - The British Columbia Supreme Court has rejected a bid to quash an extension of the environmental assessment certificate for the natural gas pipeline at the center of countrywide protests in February last year. The Office of the Wet'suwet'en, a society governed by several hereditary chiefs, asked the court to send the certificate for the Coastal GasLink pipeline back to the provincial Environmental Assessment Office for further review.

Their lawyers argued in part that the agency did not meaningfully address the findings of a 2019 report by the National Inquiry into Missing and Murdered Indigenous Women and Girls. They said Coastal GasLink's plan to mitigate potential socio-economic effects of the pipeline project did not address harms identified by the inquiry, which heard evidence linking the influx of temporary laborers with escalating gender-based violence.

Justice Barbara Norell disagreed, saying it's clear that the assessment office did consider the report. Opposition last year by hereditary chiefs over the pipeline being built in their territory in northwestern B.C. set off Canada-wide rail blockades by their supporters that stalled parts of the country's economy. The executive director of B.C.'s Environmental Assessment Office granted Coastal GasLink an extension in October 2019, nearly five years after a certificate was first issued for the 415-mile gas pipeline that will feed the Shell-led liquefied natural gas plant under construction in Kitimat, B.C.

Dakota Access oil line wants Supreme Court to intervene

(Reuters; April 29) - The Dakota Access oil pipeline's operators plan to ask the U.S. Supreme Court to intervene in the ongoing legal battle to keep the line open, according to a court filing on April 29. The operators of the 570,000 barrel-per-day line had sought a stay from the U.S. Court of Appeals for the District of Columbia so that the pipeline could continue running. The District Court responded earlier this week, ordering the Army Corps to provide an update by May 3 on when it plans to finish an environmental review of the line and whether it recommends the line should shut during the process.

The pipeline operators said they do not intend to reargue in the District Court whether an environmental assessment is required but said that they could show reasonable probability that the Supreme Court would reverse the lower courts' decision to scrap a key environmental permit for the line. It is uncertain whether the case would be taken up by the high court, which hears about 2% of the cases brought to it for review each year.

The Dakota Access line, the biggest pipeline out of the Bakken Shale basin, began operating in mid-2017 after drawing controversy during construction as Native American tribes and activists protested its route under the Dakotas' Lake Oahe, a critical drinking water source for the tribes. The pipeline has continued to operate despite losing its easement to run beneath the lake in July, when the District Court threw out its permit and ordered the new environmental assessment. The District Court is expected to rule in the next several weeks on whether it will order the line to shut pending the review.

[Swiss-based energy trader buys U.S. shale oil assets in Texas]

(Reuters; April 30) - Energy trader Vitol on April 30 said its U.S. upstream company, Vencer Energy, will acquire Hunt Oil's Midland Basin assets for an undisclosed sum. Dealmaking in the U.S. shale industry has jumped in 2021 as large companies unload assets in response to investor anger over years of weak shareholder returns. Vitol is the world's biggest independent oil trader, but this is its first upstream asset in the U.S. and in shale, which transformed the nation into one of the biggest global oil producers.

The Swiss trader is already a major buyer of U.S. oil and set up Vencer last year to take advantage of potentially cheap assets. Shale bankruptcies began to mount after oil prices crashed last year when COVID-19 lockdowns crippled fuel demand. "We expect U.S. oil to be an important part of global energy balances for years to come, and we believe this is an opportune time for investment into an entry platform in the Americas," Ben Marshall, Vitol's head of Americas, said in a statement.

Vitol is buying 44,000 acres across five counties in the Midland Basin in Texas, with current production of about 40,000 barrels of oil equivalent per day. Bloomberg first reported the deal, saying the assets could fetch more than $1 billion. Trading firms traditionally aim to be asset light, preferring instead to finance production through oil-backed loans. The tide, however, is changing as securing new barrels becomes more difficult with increased competition from national oil companies.

[LNG-fueled, 1,200-passenger ferry starts service in Spain]

(Maritime Executive; April 30) - The world’s first large passenger fast ferry fueled by natural gas is due to enter service May 1 sailing between Spain and the Balearic Islands in the Mediterranean. In addition to being an LNG-fueled vessel, Balearia’s new vessel, the Eleanor Roosevelt, becomes the longest fast ferry. Construction of the ship began at the end of 2018 at Spain’s Astilleros Armon Gijon shipyard. The vessel, which has a length of just over 400 feet, is a catamaran fitted with Wartsila dual-fuel main engines.

The $100 million vessel, with room for 1,200 passengers and 450 vehicles, will have a service speed of 35 knots and a maximum speed of over 40 knots. It has a range of up to 400 nautical miles without refueling. The range is further extended to 1,900 nautical miles in dual-fuel (LNG/diesel) mode. The route between Denia, Spain, and Ibiza on the island is approximately 125 miles with an average crossing time of three hours. The Eleanor Roosevelt is the passenger line’s seventh vessel running on natural gas.