Oil and Gas News Briefs
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Iraqi government considers buying out Exxon stake in large oil field

(Bloomberg; May 3) - Iraq, OPEC's second-biggest oil producer, said crude prices would probably remain around $65 a barrel in the coming months as it also announced it is considering buying ExxonMobil's stake in one of the world's biggest fields. The Organization of Petroleum Exporting Countries and its allies — a 23-nation grouping known as OPEC+ — will continue trying to keep crude prices "within normal averages," Oil Minister Ihsan Abdul Jabbar said. "There is no concern about a drop in prices."

The comments suggest OPEC+ remains confident about the outlook for energy demand, despite the surge in coronavirus cases in India, the third-largest oil importer. The group of major exporters began unprecedented supply cuts last year to bolster prices as the pandemic spread. It plans to ease the restrictions between May and July and increase daily output by just over 2 million barrels.

Meanwhile, Baghdad may buy Exxon's 32.7% stake in the West Qurna-1 oil field in southern Iraq, the minister said. The U.S. company is planning to sell the stake in the marquee field — which has recoverable reserves of more than 20 billion barrels — partly to reduce the mountain of debt it accumulated last year. West Qurna-1 used to be seen as one of the oil industry's glittering prizes, with Exxon becoming lead contractor in 2010. But tough contractual terms, payment delays, OPEC production cuts and political instability have reduced its appeal in recent years. The field produced more than 400,000 barrels per day before last year's OPEC+ negotiated production cutbacks.

Canada asks U.S. help in oil pipeline fight against state of Michigan

(The Wall Street Journal; May 5) - Canada is fighting to stop the state of Michigan from closing a vital cross-border oil and gas pipeline as a deadline looms to shut it down. The dispute erupted in November, when Michigan Gov. Gretchen Whitmer announced she was revoking a permit that allows Enbridge's Line 5 pipeline to run along the bottom of the Straits of Mackinac, between Lake Michigan and Lake Huron, citing environmental risks. She gave the company until May 12 to shut down the 68-year-old pipeline.

The 645-mile conduit carries more than a half million barrels of oil and gas liquids each day from Superior, Wisconsin, to refineries in Michigan, Ohio, Pennsylvania, Ontario, and Quebec. Canadian officials and Enbridge say closing the pipeline would choke off almost half of the supply used to make gasoline, jet fuel, and home-heating oil for Ontario and Quebec, the most populous provinces. The closure could lead to higher fuel costs and thousands of job losses in the refineries that process the oil, officials say.

Enbridge has sued Michigan in federal court to stop the revocation, arguing the state has no authority to do so, and said it won't shut down the line unless ordered by a court. The issue has become the biggest irritant between Canada and the U.S. since President Joe Biden's election. Canadian Prime Minister Justin Trudeau brought it up during a virtual summit in February with Biden. The White House has given no sign that it is prepared to step into the middle of the dispute, but Canada has continued to press.

"We really want the state of Michigan and Enbridge to find a solution, without going to court or going through another process," an official in Canada's foreign department, said in March at a special parliamentary committee meeting. Enbridge is now engaged with Michigan in mediation that was ordered by the federal judge hearing the case.

Proposed Nova Scotia LNG project missing a lot of pieces

(Natural Gas Intelligence; May 4) - Nine years after its 2012 announcement that shipments would start in 2018, the C$10 billion project for liquefied natural gas exports from Canada's Atlantic Coast has secured road access to the terminal site but still has a lot of work ahead. Calgary-based Pieridae Energy recently filed information on the delay. The 75 pages explain that only four of 12 project essentials have been achieved, with formidable obstacles remaining.

Uniper Global Commodities is the lone customer for the 4.8 million tonnes per year that the first half of Goldboro would produce. The Uniper contract, extended five times since it was signed in 2013, is set to expire on June 30 and no extension has been announced. Meanwhile, the European-based trader has converted a proposal for an LNG import terminal in Germany into a plan for a hydrogen storage and trading hub.

Goldboro has obtained export licenses, commissioned front-end engineering and design work, acquired the terminal site near Halifax and received some permits. The missing essentials include project finance. Also missing is the final investment decision, along with an engineering, procurement and construction contract. Pieridae's 2020 average gas production of about 200 million cubic feet per day is less than one-third of the output planned for the first half of Goldboro. The company has said it plans to pipe in what it needs from Western Canada. Pieridae is seeking C$925 million (US$740 million) in federal and provincial government grants and loans for Goldboro.

Total looks to 2023 LNG investment decision in Papua New Guinea

(S&P Global Platts; May 5) – French energy major Total hopes to move to a final investment decision on the planned Papua LNG project in Papua New Guinea in 2023, it said May 5, as it begins to remobilize project teams after a one-year delay due to COVID-19. Papua LNG — which will take gas from the Elk and Antelope gas fields — will move to the front-end engineering and design stage in early 2022, Total said. The two-train development is planned for an output capacity of 5.6 million tonnes per year.

"I confirm that this project is ranking very high in Total's portfolio given its proximity to growing Asian LNG markets and we will dedicate all necessary resources," Total CEO Patrick Pouyanne said in a statement. The announcement followed a meeting in Paris with a delegation from Papua New Guinea led by Deputy Prime Minister Samuel Basil. The announcement follows signing of a fiscal stability agreement in February. Basil said the government has pledged its "full support" to the project.

The Total-operated fields will supply gas via a 200-mile pipeline to the Caution Bay site of the existing ExxonMobil-operated PNG LNG facility. Total's project will be integrated to the existing PNG LNG facilities, Total said. The Exxon-led venture, rated at 8.3 million tonnes per year output capacity, has been producing since 2014. Total operates the Elk and Antelope fields and is the largest shareholder at 31.1%, alongside ExxonMobil (28.7%) and Oil Search (17.7%). A separate plan led by Exxon to boost capacity at its operation has been delayed over terms with the government.

LNG price swings push buyers to seek more protection

(S&P Global Platts; May 5) - The Asian market's price extremes of the past year — due to the pandemic's demand destruction and then the winter demand spike of early 2021 — created friction between buyers and sellers that are likely to feed into negotiations as new LNG contracts get signed. Buyers in Asia have found themselves unable to hold suppliers accountable beyond limited monetary compensation for non-delivery of cargoes under a contract, especially when the gas is critical to keep the lights on.

When COVID-19 hit Asia in 2020 and the LNG market was flooded, spot prices plunged to record lows below $2 per million Btu. Nearly nine months later, the situation reversed when winter cold snaps and supply disruptions caused cargo shortages in North Asia, pushing prices to record highs of $32.50 in mid-January. Many suppliers diverted cargoes from their long-term, lower-price customers to profit from the high spot price, sending "failure to deliver" or "missing cargo" notices to those customers.

No major legal disputes arose, according to arbitrators in Singapore, and sellers addressed customer concerns by promising concessions at a later date; or simply apologizing for delays. But it raised concerns about the reliability of long-term contracts and buyers have been seeking ways to protect themselves from future problems.

Currently, a seller's liability varies widely with each contract, from penalties that cover buyer's actual losses, or a fixed sum paid by the seller. Counterparties said many older contracts do not even have provisions for legal recourse or have caps on the supplier's liability. Hence, buyers are starting to seek more protection in their new LNG contracts.

Cheniere in the right place at right time with LNG to sell

(The Wall Street Journal; May 4) - Cheniere Energy, the largest U.S. liquefied natural gas exporter, had a great first quarter and can look forward to many more. Revenue increased 14% from a year earlier — higher than the 4% growth analysts had expected. The East Asian LNG spot-price benchmark, the Japan/Korea Marker, spiked to a record $32.50 per million Btu in mid-January — six times what it was a year earlier — buoyed by cold weather and a tighter shipping market. That helped boost Cheniere's margins.

Though more than 80% of Cheniere's export capacity is sold under long-term contracts, the company is able to capitalize on short-term spikes with its uncontracted capacity. Currently higher oil prices tend to make U.S. LNG more competitive because it is sold under U.S.-indexed gas prices rather than global oil-indexed pricing used elsewhere. Cheniere should do well the rest of the year as the global LNG supply-demand balance looks tight for 2021, according to the team lead for LNG analytics at S&P Global Platts.

It is expected to continue tightening until 2024-2025 because of a lack of supply growth. What happens after that has some observers concerned. Some major LNG suppliers, including Qatar, are expected to add massive capacity by 2026. At the same time, some countries have become ambivalent toward LNG because of climate concerns. That's terrible news for U.S. export projects in development — particularly those starting from scratch. But it is great news for existing ones such as Cheniere, which only need to find smaller contracts for spare capacity rather than having to sell large chunks all at once.

Company signs on to provide LNG marine refueling in Puget Sound

(The Maritime Executive; May 4) – A division of a Dubai-based company has signed an agreement to operate a liquefied natural gas bunker barge for refueling ships in Washington state's Puget Sound. Under the agreement, GAC Bunker Fuels will issue a request for proposals for a U.S.-built LNG bunker barge to be built, owned, and operated by a third-party. The refueling operation will get its supply for the $310 million Puget Sound Energy gas liquefaction and storage plant under construction on the Tacoma waterfront, at the southern end of Puget Sound.

The LNG terminal is scheduled to start operations by this summer, while the fuel barge would be ready by 2023. The terminal operator and GAC Bunker Fuels signed a memorandum of understanding to cooperate in the supply and sale of LNG from the new terminal to marine customers in the Pacific Northwest. The Tacoma operation will be the first terminal on the U.S. West Coast to provide direct shoreside loading access for a bunker barge.

Canadian firm thinks it has a shot at billions of barrels of oil in Africa

(CNN; May 3) - In this northeastern corner of Namibia, on the borders of Angola and Botswana, a Canadian oil company, ReconAfrica, has secured rights to explore what it believes could be the next giant onshore oil find. The firm has leased more than 13,000 square miles of land in Namibia and neighboring Botswana. The find could potentially contain 12 billion barrels of oil, and some experts believe oil reserves could be larger.

"We know we have discovered a new sedimentary basin. It's up to 35,000 feet deep and it's a large and very expansive basin," said Craig Steinke, co-founder of ReconAfrica. A 1,000-horsepower rig is on the job, capable of drilling down 12,000 feet, and Steinke said a detailed aeromagnetic survey shows the basin is large enough and deep enough to hold oil. "Every basin of this depth in the world produces commercial hydrocarbons."

It's part of a geological formation already known to geologists. Some 110 million years ago, it formed at the bottom of a shallow inland sea. Basins are depressions in the Earth's crust formed mostly by tectonic forces. Think of an empty swimming pool; over a very, very long period of time, the pool fills with material — leaves, sand, organic matter. When the sediment sits at the right depth and builds with the right mix of organic matter, such as dead animals or plants, it can, over tens of millions of years, turn into oil.

Supporters say oil could transform the fortunes of Namibia and Botswana, and that the countries have every right to exploit their own resources. Opponents are using a familiar argument against oil exploration. They believe a major find could devastate regional ecosystems. Unlike neighboring Angola, Namibia doesn't have an oil industry — yet.

China could see 9% to 10% boost in gas demand this year

(Argus Media; May 3) - China's state-controlled energy firms are expecting domestic gas demand growth to accelerate this year as the economy recovers and consumption of the fuel is boosted by the country's transition to lower-carbon energy sources. China's demand is likely to reach 12.7 trillion cubic feet this year, up by about 9% to 10% from 2020, said Hou Chuangye, vice president of top producer PetroChina's gas sales unit.

Hou sees higher demand from the gas-fired power sector as a backup for baseload renewables output, which will lead to an increase in installed gas-fired capacity as China works toward meeting its emissions reduction goals. PetroChina will cooperate more closely with the country's major state-owned electricity generators to boost utilization of gas-fired power plants, Hou said this week.

State-controlled Sinopec forecasts a similar gain in China's gas demand this year. The growth will be driven by the gas-fired power and industrial sectors, the company said. Both PetroChina and Sinopec plan to boost their domestic gas output this year, each producing about two-thirds of their gas supply at home and importing about one-third.

[Dakota Access oil line will continue operating during review]

(The Associated Press; May 3) - The Biden administration on May 3 reiterated that the Dakota Access oil pipeline should continue to operate while the U.S. Army Corps of Engineers conducts an extensive environmental review, although the Corps said that it could change its mind. The Standing Rock Sioux and other tribes have filed for an injunction asking U.S. District Judge James Boasberg to shut down the pipeline while the Corps conducts its second review, expected to be completed by March 2022.

The tribes and environmental groups, encouraged by Biden's moves on climate change and fossil fuels, were hoping he would step in and shut down the line north of the reservation on the Dakotas' border. Instead, the Corps in an update ordered by the judge repeated its stance from last month's hearing that the shutdown remains up to the judge. "It is possible that in the EIS process the Corps would find new information," the document stated, "but to date the Corps is not aware of information that would cause it to evaluate the injunction factors differently than in its previous filing."

Attorneys for the pipeline owner argue that shuttering the line would be financially devastating to several entities, including North Dakota and several tribes. The Standing Rock Reservation, which draws its water from the Missouri River, fears pollution. The company says the line is safe. Boasberg ordered further environmental review after determining the Corps inadequately considered how an oil spill under the Missouri River might affect Standing Rock's fishing and hunting rights, among other things. A federal panel later upheld the judge's ruling, but did not go as far as shutting down the pipeline.

[Oil pipeline developer agrees to drop eminent domain lawsuits]

(The Associated Press; May 4) - A company seeking to build a disputed oil pipeline over an aquifer that provides drinking water to 1 million people agreed May 4 to stop pursuing lawsuits against Tennessee property owners who refused to sell access to their land for construction. Plains All American Pipeline spokesman Brad Leone said the company will put an agreement in writing with the Memphis City Council to set aside the lawsuits it filed against property owners fighting the Byhalia Connection pipeline.

Leone spoke at a council committee meeting in which members discussed a proposed city law making it difficult for the pipeline to win approval. Plains is part of a joint venture with Valero to build the 49-mile line linking the east-west Diamond Pipeline through the Valero refinery in Memphis to the north-south Capline line near Byhalia, Mississippi. The Capline, which has been moving crude from a Gulf port to the Midwest, is being reversed to send oil south through Mississippi to Gulf refineries and export terminals.

The planned route would take the pipeline over the Memphis Sand Aquifer, which is part of a large aquifer that lies beneath eight states and provides water for farms, factories and homes. Environmentalists, lawyers, activists and politicians who oppose the line are worried an oil spill would cause contaminants to seep into the aquifer and endanger drinking water. A hearing had been set for May 14 for a judge to hear the case for using eminent domain to take land for the pipeline. The company said it would drop its lawsuits against landowners and explore alternatives to the current route.

Chevron expects LNG buyers to push more greenhouse gas controls

(S&P Global Platts; April 28) - Chevron expects global LNG customers to continue pushing producers to tie commercial deals to greenhouse gas emissions control efforts, following a unique offtake agreement it signed with Singapore's Pavilion Energy earlier this year, a company official said April 28 at a virtual climate summit. Chevron’s carbon-intensity initiative, though smaller in scale, is similar to what Cheniere, the largest U.S. LNG producer, plans to start next year for each cargo from its two liquefaction terminals.

Gas and LNG producers, especially in North America where new projects face challenges getting off the ground, are increasingly looking for ways to show their commitment to reducing greenhouse gas emissions, or at least quantify those emissions, amid the global energy transition to cleaner burning fuels. "If you think about the green premium that's talked about, we think the power resides within the consumer," Michael Rubio, Chevron's general manager of ESG and Sustainability, said during a panel discussion at the summit. "The market will respond well."

Using a food analogy, he said, "Everybody needs to know they are on the diet, if you will. Everybody's not eating healthy right now." In February, Chevron signed a six-year LNG sales agreement with Pavilion to supply approximately 500,000 tonnes per year of LNG to Singapore starting in 2023. As part of the deal, each LNG cargo delivered under the agreement will be accompanied by a statement of its greenhouse gas emissions measured from wellhead to discharge port.

Cheniere buys carbon offsets for LNG cargo

(Reuters; May 4) - U.S. liquefied natural gas producer Cheniere Energy said it has supplied a carbon-neutral cargo to Shell as part of the companies' long-term agreement, adding to a growing list of sellers neutralizing emissions to meet buyers' environmental and sustainability targets. The carbon-neutral LNG cargo was supplied from Cheniere's Sabine Pass, Louisiana, facility and sent to Europe in early April, the producer said. Carbon offsets were bought from Shell's global portfolio of nature-based projects.

Carbon-neutral LNG cargoes are a growing trend in the industry. In March, Russian energy giant Gazprom said it had delivered its first carbon-neutral shipment to Europe. Singapore-based Pavilion signed a long-term contract with Chevron earlier this year and one with Qatar Petroleum Trading late last year requesting data on greenhouse gas emissions. Last year China National Offshore Oil Corp. bought from Shell its first cargoes with offsets to carbon emissions.

Ghana ready for first LNG import cargo this month

(S&P Global Platts; May 5) - Ghana is expected to receive its first LNG cargo at the end of this month, a project spokesman said May 4, as the country prepares to become sub-Saharan Africa's first LNG importer. The project — consisting of separate regasification and storage vessels — has the capacity to import 1.7 million tonnes per year of LNG. The project is backed by Helios Investment Partners and Africa Infrastructure Investment Managers.

LNG will be supplied under a long-term contract with Shell, which said in a February strategy presentation that it wanted to grow its LNG market footprint by creating new markets, including being the first supplier of LNG to Ghana. The dedicated LNG regasification vessel arrived in Ghana from China in January. The chartered LNG storage vessel is currently headed for Ghana. In January, Spain's Reganosa was awarded the contract to operate the import terminal.

LNG will add to Ghana's own gas production and imports from Nigeria through the West African Gas Pipeline, though these have been subject to frequent interruptions.

Partners consider depleted offshore gas field for carbon storage

(Reuters; May 2) – Australia's Santos and Italy's Eni will consider developing new gas fields off northwest Australia, expanding gas exports from the 15-year-old Darwin LNG terminal and using a depleted gas field in the Timor Sea to capture and store carbon, the companies said May 3. The move comes after Eni called off the sale of its Australian gas assets earlier this year, as it failed to attract strong bids.

Eni and Santos are partners in the Bayu Undan gas field in the Timor Sea, which feeds the Darwin plant. Tax revenue from the field has been the main source of income for East Timor since 2004. Bayu Undan is expected to dry up in 2023, which means the impoverished Southeast Asian country will have to find new sources of income as its sovereign wealth fund, which had $17.7 billion by year-end 2019, runs down.

The companies are considering converting the Bayu Undan facilities for carbon capture and storage, which could take emissions from industry in Australia's Northern Territory and provide a new source of revenue for East Timor, Santos said. The company did not provide costs of converting the facilities for carbon storage, including a 312-mile pipeline from Darwin. However, talks on a carbon-storage project could help the companies put off billions of dollars in decommissioning costs for their offshore facilities.

Asia's refineries expand, plan for long transition away from fuels

(Bloomberg; May 5) - Predictions of peak oil and the impending demise of fossil fuels will hit Asian oil refiners especially hard. The region is home to three of the top four oil-guzzling nations, and more than a third of global crude processing capacity. Yet Asian refiners are expanding capacity at a breakneck pace, even building massive new plants designed to run for at least half a century. What is going on?

After a century of powering the world's vehicles, refiners are having to plan for an oil-free future in mobility as cars begin switching to batteries, ships burn liquefied natural gas, and innovation brings on other energy such as hydrogen. Goldman Sachs predicts oil demand for transportation will peak as early as 2026. Yet Asia's big refineries are planning for a much longer transition. Chinese refining capacity has nearly tripled since 2000, and the nation will end more than a century of U.S. dominance this year.

"Asia is going to be the center of global activity and hence the choices that are being made in Asia about pioneering cleaner-technology development, or not, are very important," said Jeremy Bentham, vice president of global business environment at Royal Dutch Shell Group. There has been a flurry of announcements from processors in South Korea, China and India in the past few months about net-zero emissions targets, switching to hydrogen and capturing carbon. But behind those promises is a business model that will continue to rely for several decades on rising demand for traditional vehicle fuels and even faster growth in the use of petrochemicals and plastics.