Oil and Gas News Briefs
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Conoco purchase of Permian assets will make it No. 2 U.S. producer

(The Wall Street Journal; Sept. 21) – ConocoPhillips is set to become the second-largest oil and gas producer in the Lower 48 states following its $9.5 billion purchase of all of Shell's assets in the Permian Basin. The company's acquisition of 225,000 net acres in West Texas is a big bet that drilling in the busiest American oil field will underpin returns for a decade. It is also the latest example of how competition to consolidate is reshuffling the pecking order among top U.S. shale drillers.

ConocoPhillips has been among the biggest spenders in the recent consolidation wave. It closed a $9.7 billion purchase of Permian oil producer Concho Resources in January, before disclosing its plans to buy Shell's assets on Sept. 20. When its deal with Shell closes in the fourth quarter, ConocoPhillips' oil and gas production in the Lower 48 will overtake that of Chevron, natural gas driller EQT and oil producers Occidental Petroleum and EOG Resources, according to the consulting firm Rystad Energy.

Adding an estimated 200,000 barrels of oil equivalent a day will put ConocoPhillips within striking distance of leader ExxonMobil, which is expected to produce about 1 million barrels of oil equivalent a day from the Lower 48 this year. The spending spree marks an about-face in strategy for the Houston-based company. For years, ConocoPhillips had focused on shrinking its size, spinning off its refining business, halting exploration of deep-water fields, and selling off Canadian assets.

Conoco said Shell's Texas assets include about 600 miles of oil, gas and water pipelines and other infrastructure. The deal comes as Shell is attempting to cut its carbon emissions and invest more in renewable energy.

Conoco buys more oil assets, says 'this is what we're really good at'

(Reuters; Sept. 21) - ConocoPhillips CEO Ryan Lance on Sept. 20 doubled down on U.S. shale and the world's continued demand for oil with his second blockbuster acquisition in less than a year. His $9.5 billion purchase of Shell's West Texas properties, nine months after closing a $13.3 billion deal for Concho Resources, puts the company's future squarely in shale after exiting Canada's oil sands, U.S. offshore and British North Sea fields.

The strategy depends on a world thirsty for cheap oil and Conoco's ability to extract it with less carbon emissions. While Shell, BP and Equinor quit shale for renewable fuels, Lance argues oil and gas will not be soon supplanted. “We don’t believe the existential threat to this business is right around the corner,” he told analysts in June. With Shell’s assets, Conoco gets more than 10 years of output and rewards shareholders willing to stick with fossil fuels, Lance said.

Lance, who became CEO in 2012, joins Chevron and ExxonMobil in rejecting the shift to solar, wind and batteries embraced by European oil majors. Shareholders want the company to focus on its strengths, he said. “This is what we’re good at. This is what we do really really well,” Lance said, referring to generating strong cash flow from modest investments in new oil and gas. The deal increases capital spending by $1 billion per year, but will add $10 billion to free cash flow and shareholder payouts over a decade.

BP sells off oil and gas assets to bet on renewables

(Reuters; Sept. 20) - Deep in the Oman desert lies one of BP's more lucrative projects, a mass of steel pipes and cooling towers that showcases the British energy giant's pioneering natural gas extraction technology. The facility earned BP more than $650 million in profits in 2019, according to financial filings reviewed by Reuters. Yet the oil major agreed to sell a third of its majority stake in the project earlier this year. The deal exemplifies a larger strategy to liquidate fossil-fuel assets to raise cash for investments in renewable-energy projects that BP concedes won't make money for years.

BP's big bet is emblematic of the hard choices confronting Big Oil. All oil majors face mounting pressure from regulators and investors worldwide to develop cleaner energy and divest from fossil fuels, a primary source of greenhouse-gas emissions that cause global warming. That scrutiny has increased since early August, when the U.N. panel on climate change warned that rising temperatures could soon spiral out of control.

CEO Bernard Looney, who took office in February 2020, is gambling that BP can make the clean-energy transition faster than its peers. Last year, he became the first major oil CEO to announce he would purposely cut future production. He aims to slash BP's output by 40%, or about 1 million barrels per day. At the same time, BP would boost its capacity to generate electricity from renewable sources to 50 gigawatts, a 20-fold jump.

To hit those targets, Looney plans $25 billion in fossil-fuel asset sales by 2025. That's equivalent to about 13% of the company's total fixed assets at the end of 2019. Under his watch, BP has already sold legacy projects worth about $15 billion. In addition to the Oman deal, Looney unloaded oil and gas fields in Alaska and the North Sea and sold off BP's entire petrochemical operation, which produced a $402 million profit in 2019.

Asia’s buyers scramble to cover winter needs as LNG tops $25

(S&P Global Platts; Sept. 20) – Asia’s spot LNG prices surging past $25 per million Btu have sent the region's biggest gas importers scrambling to hedge energy price risk for winter, dampened spot-market interest and accelerated switching to alternative fuels. Japanese LNG importers said the price level was "extreme" for this time of the year.

One source with a Japanese power utility said it had secured sufficient LNG cargoes for winter but the price level was a "little scary" amid signs of tightening supplies in Asia and Europe, and buyers could switch to cheaper coal. Several of Japan's power utilities — which typically require a two-month lead time to adjust their LNG receiving volumes to balance their requirements — have already moved early to secure fuels for winter, with some domestic fuel oil procurements happening even through summer.

The wild card will be the weather forecast for December-February, with indications of normal winter weather so far. Japan tends to experience colder winters when it is hit by the La Nina weather phenomenon, but so far there is a low probability of this, according to the preliminary outlook released Sept. 10 by the Japan Meteorological Agency.

Europe needs gas, but Asian buyers willing to pay more

(Bloomberg; Sept. 19) - A record rally in natural gas prices in Europe doesn’t mean it’s become lucrative to send every available molecule to the region. Although European prices have more than tripled this year, they are yet to beat rates for the fuel delivered to Asia, the biggest importing region. That’s because countries from Japan to India are panic-buying before the winter, heightening competition for the small fraction of global LNG supply that trades freely in the spot market and isn’t tied to long-term contracts.

Gas markets in Europe, Asia and the U.S. are connected through the LNG trade, so moves in one region could redirect flows. As the world’s biggest traders and producers meet in Dubai for the Gastech conference — the first major in-person event for the industry since the onset of the coronavirus pandemic — LNG purchases will be a key topic of discussion as nations seek to keep the lights on and people warm this winter.

Europe went from surplus to scarcity in just two years. That’s because of soaring demand in Asia, as China quickly emerged from the global pandemic. That left very few cargoes for Europe, with imports slumping since the start of June. Most LNG is locked in long-term contracts and the majority is destined for Asia. What traders have to play with is actually under half of total global supply, making less available for spot sales.

U.K.’s natural gas shortage due in part to lack of storage capacity

(Bloomberg; Sept. 21) - As U.K. Business Secretary Kwasi Kwarteng addressed parliament on Sept. 20 on the energy crunch facing households, he left a key question unanswered: How will Britain secure enough natural gas this winter without paying the sky-high prices that have put multiple companies on the ropes? At the crux of the problem is a lack of sites to stockpile the fuel, following the U.K.’s decision to close its biggest storage facility — accounting for about 70% of its capacity — back in 2017.

That has left the U.K. reliant on the vagaries of the world market, competing with top buyer Asia for every molecule of liquefied natural gas offered for sale. While the U.K.’s supply squeeze is particularly acute, Europe as a whole is suffering from insufficient gas inventories just weeks before the heating season starts. This predicament has been years in the making, with the region winding down its own gas output and boosting reliance on Russia and on intermittent wind and solar power.

“We need storage; the U.K. gave up its storage and north Europe is only 70% full,” said Marco Alvera, CEO of Italian energy infrastructure company Snam. “If I were a policy maker, I would find every incentive to either force or incentivize or ask people to fill up existing storages.” Centrica, the U.K.’s biggest utility, announced the shutdown of its Rough storage facility off northeast England in 2017 after three decades of operation. That reduced Britain’s buffer and left it at the mercy of global markets.

Qatari ministry says industry did not invest enough in new gas supply

(Reuters; Sept. 21) - Qatar’s energy minister said Sept. 21 that he believes currently high natural gas prices reflect a lack of investment as well as a shortage of supply, but added he did not regard the situation as a crisis. "There is a huge demand from all our customers, and unfortunately we cannot cater for everybody. Unfortunately, in my view, this is due to the market not investing enough in the industry," Saad al-Kaabi said on the sidelines of Gastech industry conference in Dubai.

He hopes the high prices do not last. “We don't want these high prices, we don't think it is good for the consumers. We don't want $2 (per million Btu) and we don't want $20, we want to have a reasonable price that is sustainable." Gas prices have soared by about 280% in Europe this year and by more than 100% in the U.S. due to a range of factors including low storage levels, carbon prices and reduced Russian supply.

Separately, Kaabi, who is also the CEO of state-owned Qatar Petroleum, the world’s top liquefied natural gas supplier, said the company will have an additional 64 million tonnes of LNG coming to the market between 2025-2027, accounting for 15% of current global production. The company in February signed a contract for the first phase of its North Field LNG project expansion, aiming to boost Qatar’s LNG output by 40% by 2026.

China turns to spot market to get enough LNG

(Bloomberg; Sept. 21) - China is escalating its purchases of liquefied natural gas for the winter, exacerbating a global supply shortage and leaving less fuel for energy-parched Europe. China also is struggling to secure enough coal to power factories and heat homes this winter, as the world's second-biggest economy faces a potential energy crunch similar to the chaos gripping Europe. That's spurred some of the nation's energy giants, such as state-owned Sinopec, to dive back into the LNG spot market, seeking shipments of the heating fuel in preparation for when temperatures turn colder.

Natural gas prices from Europe to Asia have surged to seasonal highs as the post-pandemic recovery collides with supply constraints. The situation was already strained by China's insatiable appetite for LNG to fuel its economic rebound — it is poised to overtake Japan as the world's top importer of the fuel this year. Many of China's LNG buyers — among the biggest in the world — had temporarily paused spot procurement when prices began to surge over the summer. Traders were gambling that spot rates would slide. But that hasn't happened, and now they are jumping back into the game.

Sinopec released a tender Sept. 21 seeking to buy at least 11 cargoes of LNG through March, one of the largest winter purchase requests by a Chinese firm in months. Smaller importers are also seeking to buy shipments for October and November.

Surging natural gas prices add to strain on world economy

(Reuters; Sept. 20) - Soaring gas prices that threaten to push up winter fuel bills, hurt consumption and exacerbate a near-term spike in inflation are another blow to a world economy just getting back on its feet after the coronavirus shock. The gas market chaos, which has driven prices 280% higher in Europe this year and led to a 100%-plus surge in the United States, is being blamed on a range of factors from low storage levels to carbon prices to reduced Russian gas supplies.

So high are tensions that several European Parliament lawmakers have demanded an investigation into what they said could be market manipulation by Russia's Gazprom. Whatever the causes, the surge carries major implications: Analysts say it's too early to downgrade economic growth forecasts, but a hit to economic activity looks inevitable. Morgan Stanley reckons the impact in the U.S. should be small. While over a third of U.S. energy consumption in 2020 came from gas, users were predominantly industrial.

"It is quite clear there is a growing sense of unease about the economic outlook as a growing number of companies look ahead to the prospect of rising costs," said Michael Hewson, chief market analyst at CMC Markets. Eurozone wholesale power prices are at record highs, potentially exacerbating inflation pressures inflicted by COVID-related supply bottlenecks.

Record gas prices push some companies to curtail operations

(Reuters; Sept. 22) - Global record high natural gas prices are pushing some energy-intensive companies to curtail production in a trend that is adding further disruptions to global supply chains in some sectors such as food and could result in higher costs passed on to customers. Some companies, including steel producers, fertilizer manufacturers and glass makers, have had to suspend or reduce production in Europe and Asia as a result of spiking energy prices.

Natural gas prices have risen sharply around the globe in recent months. That has been due to a combination of factors including increased demand particularly from Asia due to a post-pandemic recovery, low gas inventories, and tighter-than-usual gas supplies from Russia. Gas prices in Europe have risen more than 250% this year, while Asia has seen about a 175% increase since late January. In the United States, prices have surged to multi-year highs and are about double where they were at the start of the year. Electricity prices have also risen sharply as many power plants are gas-fired.

Among those asking for help is the food industry, following a shortage of carbon dioxide caused by the suspension of production in some fertilizer plants. CO2 is used in the vacuum packing of foods to extend their shelf life and to put the fizz in soft drinks and beer. Additional supplies of gas could alleviate pressure. Norway has allowed increased gas exports. Russia could add more supply by the end of the year with the country’s new Nord Stream 2 pipeline awaiting approval from Germany’s energy regulator.

India forced into higher-priced LNG spot market

(Bloomberg; Sept. 22) - Liquefied natural gas suppliers are limiting the volume they deliver under long-term contracts in favor of higher-priced spot sales, according to GAIL India, a major buyer. Spot LNG prices have surged to a seasonal record as buyers in Asia and Europe scramble to secure supplies to avoid a looming winter supply crunch. By contrast, long-term supply accords, typically linked to oil prices and with contracted delivery volumes, are now less than half the rate of LNG in the spot market.

“Suppliers are trying to limit the supply, the long-term quantities, to get a better price in the spot market and send it elsewhere,” E.S. Ranganathan, director for marketing at GAIL, said in an interview. “We had to buy spot cargoes at a higher price.” GAIL has to buy spot LNG in order to meet its own supply contracts with customers, even as India’s import needs are typically 80% covered by long-term supplies. As the country’s power demand has increased, the need for gas is rising, too.

GAIL is considering a new LNG supply contract for five to eight years, seeking a price linkage to oil. Those terms will likely rule out a U.S. supplier, as American LNG is mainly linked to the U.S. Henry Hub gas benchmark. In addition, the shipping distance is longer and U.S. suppliers prefer deals of 10 years or longer. GAIL's current supply is about 60% oil-linked and 40% Henry Hub-linked, according to a source.

High natural gas prices likely to drive power generators to oil

(S&P Global Platts; Sept. 22) - OPEC+ could be forced to react to the current spike in natural gas prices if it means a colder-than-average winter forces meaningful volumes of oil into the power-generation sector, BP energy economist Jorge Leon said Sept. 22. The more developed nations are currently facing low oil inventories, below the five-year average, and a significant call from power generation for oil would "clearly tighten the market," he said during the S&P Global Platts European Refining Virtual Conference.

Currently record-high gas prices can drive more demand for fuel oil and gasoil, said participants during a panel discussion. These are the oil products most likely to be used in power generation to mitigate soaring costs of natural gas. There is clearly potential for more barrels to make their way into the sector if high prices and low availability of gas persists, Leon said.

"There is definitely scope [for oil switching] and I think we are seeing signs of tightening in the market. Propane prices, for example, have reached their highest level since 2014. ... It really depends on the weather, of course" he said. S&P Global Platts Analytics estimates that current high LNG prices could trigger fuel switching from gas to oil, where feasible, with up to 320,000 barrels per day of additional oil demand over the next six months in Asia and Europe.

Surging gas prices could help boost oil prices, Goldman Sachs says

(Reuters; Sept. 20) - Goldman Sachs said that with the surge in global natural gas prices, a colder winter in Europe and Asia could in turn boost demand for oil, driving a $5 per barrel upside risk to its fourth-quarter 2021 Brent price forecast of $80 a barrel. A surge in wholesale power and gas prices has prompted concerns of high winter energy bills and shortages, already forcing some energy suppliers out of business in Britain.

A colder winter could lead to an increase in oil demand of 900,000 barrels per day, the bank said in a note dated Sept. 19. "The tightness in global gas supplies creates a clear and potentially meaningful bullish catalyst for the oil market this winter, larger than the downside risk to oil demand from another Delta-like COVID wave," Goldman said.

The investment bank said that for oil prices to cross the $80 a barrel threshold, natural gas prices at the Dutch hub and Japan-Korea Marker would have to trade at $23.50 and $25.50 per million Btu, respectively. The prices are currently trading at $24 and $25, respectively. Bank of America Global Research said recently it could bring forward its

$100 per barrel oil price target to the next six months from mid-2022 if the winter is colder than usual, while Barclays expects low stocks in Europe and strong demand for LNG in Asia, suggesting higher gas prices are here to stay over winter months.

OPEC could benefit from natural gas shortage

(Bloomberg; Sept. 22) - As the global natural gas crunch hits suppliers and consumers alike, OPEC nations are warning of the knock-on impact for oil markets. Iraq expects higher demand for crude as the shortfall of gas forces consumers to look for alternative fuels, Oil Minister Ihsan Abdul Jabbar said on Sept. 22. The head of Nigeria's state oil firm, Mele Kyari, predicted that petroleum demand could be boosted by 1 million barrels a day, with prices potentially gaining $10 a barrel over the next six months.

While the two exporters are hardly neutral observers, their views echo thinking that's increasingly widespread in the market. Brent futures are already at $75 a barrel, approaching this year's peak. Goldman Sachs said a cold winter could overwhelm the oil market's capacity to make up for missing natural gas supplies, resulting in a price spike with repercussions for the economy. Almost 2 million barrels of oil a day could be needed for a mixture of power generation and industrial purposes, the bank said.

In such an extreme scenario, the Organization of the Petroleum Exporting Countries and its partners could benefit handsomely, as they still have plenty of crude supplies shuttered when the pandemic struck last year. It could be a particularly golden opportunity for Iraq, which is eager to maximize sales after being hobbled by years of conflict. "If there is agreement within OPEC, we will be ready," Iraq's Jabbar said.

Mozambique offshore LNG facility on track for 2022 start-up

(S&P Global Platts; Sept. 20) - Commercial production at the Coral South floating LNG production facility offshore Mozambique is on track to start as planned in 2022, according to the country's energy minister Ernesto Max Elias Tonela. In a pre-recorded video address ahead of the Japan-hosted 10th LNG Producer-Consumer Conference on Oct. 5, Tonela said Mozambique was also making progress in improving the security situation in the country, which has been hit by recent militant violence.

"Commercial production remains a target for 2022. This is the very first step, but a significant step, for Mozambique to join the LNG-producing countries," Tonela said. The offshore Eni-led project is planned for 3.4 million tonnes per year annual production. BP has signed on to buy the entire output for 20 years. More than 30 million tonnes per year of LNG production capacity is envisaged in Mozambique, but the fledgling industry has been delayed by the growing Islamist insurgency that began in 2017.

In late March, dozens of people were killed during attacks on the town of Palma, prompting France's TotalEnergies in April to declare force majeure on work at its nearby Mozambique LNG project. Chief financial officer Jean-Pierre Sbraire said in April that the project would be delayed by "at least a year" because of the security situation. The company had targeted first LNG from the project in 2024. The planned ExxonMobil-led Rovuma LNG project in Mozambique is on hold, with no final investment decision.

Hurricane damage will limit Shell’s U.S. Gulf output into next year

(Reuters; Sept. 23) - Shell, the largest U.S. Gulf of Mexico oil producer, said damage to its offshore transfer facilities from Hurricane Ida will cut production into early next year, slashing deliveries of a type of crude prized by refiners. Shell was the worst hit producer from Ida, which tore through the Gulf of Mexico last month and has removed 28 million barrels from the market. The ongoing disruptions have hampered exports and raised crude prices, as Asian buyers searched for substitutes for the popular Gulf Mars grade.

Three weeks after the storm, about 40% of Shell’s production from the offshore region is still offline. Shell is the largest U.S. Gulf producer, with eight facilities pumping about 476,000 barrels per day, according to researcher Rystad Energy. Overall, the U.S. Gulf produces 1.8 million barrels per day, or about 16% of U.S. oil output.

Shell’s damaged transfer facility, West Delta-143, carries oil and gas from three major fields for processing at onshore terminals. The company previously suspended numerous contracts to supply crude from the fields, citing hurricane losses. The fields are a key source of Mars sour crude, a grade prized by oil refiners in the U.S. and Asia. Rystad analyst Artem Abramov estimated the lost production will remove 200,000 to 250,000 barrels per day of Gulf of Mexico oil supply for several months.

Russia plans return to near peak oil production next year

(Bloomberg; Sept. 21) - Russia expects its oil output next year to be back near its post-Soviet high as OPEC+ eases production curbs. Russian companies are seen raising combined production of crude and a light oil called condensate by 8% to an average 11.24 million barrels per day in 2022 and staying close to that level in 2023 and 2024, according to a draft budget submitted by the Finance Ministry to the government.

The document, which was seen by Bloomberg, requires approval from the parliament and President Vladimir Putin. It sets expectations for budget revenue and spending over the period, but actual figures may differ. Russia produced 11.25 million barrels a day in 2019, the highest level in its post-Soviet history.

The Organization of the Petroleum Exporting Countries and allies including Russia are reviving production idled in the depths of the COVID-19 pandemic. Each month the group will add 400,000 barrels a day to the market, of which about a quarter comes from Russia. The hikes are set to continue until all of the output curbs are rolled back.

Opponents ask court to vacate FERC order for Alaska LNG project

(Natural Gas Intelligence; Sept. 21) - Environmental groups have asked for a judge to order the Federal Energy Regulatory Commission to vacate its authorization for the Alaska LNG project, arguing the regulators did not adequately review its environmental impacts. In a petition filed last week in the U.S. Court of Appeals for the District of Columbia, the Center for Biological Diversity said FERC “shirked” its obligation “to take a hard look at the project’s harmful environmental impacts at nearly every turn” in compiling the environmental impact statement behind the 2020 authorization.

The center filed the petition on behalf of itself and other groups including the Sierra Club and Earthjustice. The estimated $38.7 billion Alaska LNG project is being pursued by the state-owned Alaska Gasline Development Corp. It would transport stranded North Slope natural gas via a new 807-mile pipeline to a liquefaction terminal in Nikiski, on the Kenai Peninsula. It is authorized to export 20 million tonnes per year, though the venture is far from a final investment decision due to a lack of customers and investors.

In particular, the legal filing said that while FERC determined the project would increase Alaska’s annual greenhouse-gas emissions by 30% to 47%, the commission failed to evaluate the potential impacts of the higher levels. The petition also said FERC “entirely ignored the indirect greenhouse-gas emissions caused by the project’s commercialization of currently isolated Arctic gas,” which it said was a violation of the National Environmental Policy Act.

Tribes challenge new environmental study for Dakota Access oil line

(Reuters; Sept. 22) - Native American tribes, including the Standing Rock Sioux Tribe, on Sept. 22 told the U.S. Army Corps of Engineers that the environmental study on the Dakota Access oil pipeline is biased and urged the Biden administration to bring in the U.S. Interior Department. The U.S. District Court for the District of Columbia revoked a key environmental permit for the largest pipeline out of the North Dakota oil basin last year and ordered the additional review, which is underway with the Army Corps.

The tribes said the Army Corps process is designed to justify issuing a new permit in the same location and that the draft of the study does not take into account technical and cultural information that the tribes have presented to the Corps. "The administration must bring in the U.S. Department of the Interior as a co-equal cooperating agency with appropriate expertise to assist the Corps in centering tribal impacts and concerns which motivated this environmental impact statement in the first place."

Dakota Access' operators earlier this week asked the U.S. Supreme Court to revisit whether the 570,000 barrel-per-day pipeline requires additional environmental review. The pipeline entered service in 2017 following months of protests by environmentalists, Native American tribes and their supporters. Opponents said its construction destroyed sacred artifacts and posed a threat to Lake Oahe, a critical drinking supply, and the greater Missouri River. Energy Transfer, which operates the line, has said it is safe.

China says it will stop building new coal plants abroad

(Bloomberg; Sept. 21) - China plans to stop building new coal-fired power plants abroad, President Xi Jinping said at a virtual United Nations General Assembly meeting on Sept. 21. The announcement came a year after Xi surprised world leaders by pledging to make China carbon-neutral by 2060 after reaching peak emissions by the end of the decade. He has come under pressure to back up that promise with concrete short-term goals ahead of global climate talks to be held in Scotland in November.

“China will step up support for other developing countries in developing green and low-carbon energy, and will not build new coal-fired power projects abroad,” Xi said. As the world’s most populous nation and top greenhouse-gas emitter, China can do more than any other country to help the planet avoid the worst effects of climate change.

Countries have been trying to produce an agreement to phase out coal power before the U.N.-backed climate talks in order to keep the Paris Agreement goal of limiting warming within reach. China’s coal consumption is poised to hit a record this year. More than 70% of all coal plants built today around the world rely on Chinese funding. China didn’t finance any coal projects via its Belt and Road Initiative in the first half this year, the first time since the global investment program was launched in 2013.

Coal and oil sands companies find insurance is more expensive

(ClimateWire; Sept. 20) - Insurance, a basic necessity for any business, is becoming increasingly expensive for some coal and Canadian oil sands companies. That’s because a growing number of insurers are refusing to underwrite companies involved with producing or transporting the most emissions-intensive fossil fuels. Insurance executives are responding to pressure from environmental activists, climate change liability litigation and even their own children, experts and environmentalists say.

The move of insurers away from fossil fuels already has impacted a massive coal mine project in Australia and a provincially owned oil sands pipeline out of Alberta. If the trend continues, regulatory filings suggest, it could pose an existential risk to some energy companies. The insurance industry "is coming to an important crossroads here because for a long time the sector has been warning about climate change," said Swenja Surminski, the head of climate adaptation research at the London School of Economics.

Now many top insurers are "realizing that you can’t do both," she said. "You can’t be concerned about climate risk, but then continue underwriting those who contributed to it." Globally, 31 insurers have vowed to restrict underwriting for coal projects, according to data provided by Insure Our Future, a coalition of environmental groups working to drive a wedge between underwriters and their fossil-fuel company customers. Twice as many insurers have promised to limit their investments in the coal sector.

N.D. court upholds law limiting collections on past-due royalties

(The Associated Press; Sept. 20) - The latest bout of legal wrangling over the collection of state oil and gas royalties in North Dakota has been won by the energy industry, over a bill it promoted and was passed by the 2021 Legislature. A state judge on Sept. 16 ruled in favor of the law that limits how much interest companies have to pay for past-due royalties and sets a statute of limitations on how far back they have to pay. The decision came after a state agency argued that the legislation is unconstitutional.

The judge is unlikely to have the last word, however. Attorney Joshua Swanson, who has successfully represented clients over oil and gas mineral rights in North Dakota, said when the law was challenged in court last month that the issue is likely headed to the state Supreme Court. A brief filed on Aug. 6 on behalf of the Board of University and School Lands complained that the legislation violates the U.S. Constitution because it harms the obligation of previously agreed-upon contracts. The board said the new law will cost the state hundreds of millions of dollars that mostly go to schools.

The law approved by the Republican-led Legislature states that the Land Board cannot collect royalty payments owed from before August 2013. It also reduces the amount of interest the state can charge on unpaid oil and gas royalties, from 30% to 15%.

Shell has big plans for sustainable aviation fuel to reduce emissions

(Reuters; Sept. 19) - Shell plans to start producing low-carbon jet fuel at scale by 2025, in an attempt to encourage the world's airlines to reduce greenhouse-gas emissions. Aviation, accounting for 3% of the world's carbon emissions, is considered one of the toughest sectors to tackle due to a lack of alternative technologies to jet fueled-engines. Shell, one of the world's largest oil traders, said it aims to produce 2 million tonnes of sustainable aviation fuel by 2025, a 10-fold increase from today's total global output.

Produced from waste cooking oil, plants and animal fats, the fuel could cut up to 80% of aviation emissions, Shell said. Shell, which at present only supplies such fuel produced by others, including Finnish refiner Neste, said on Sept. 20 that it wants green jet fuel, which can be blended with regular aviation fuel with little need to change plane engines, to make up 10% of its global aviation fuel sales by 2030. The fuel accounts for less than 0.1% of today's global aviation fuel demand, investment bank Jefferies said.

Growing the market faces several hurdles, primarily due to the cost of sustainable fuel, which is currently up to eight times higher than regular jet fuel, and the limited availability of feedstock to make the fuel. The United States said last week it wants to cut aircraft greenhouse-gas emissions by 20% by the end of the decade by significantly boosting use of sustainable fuel. Shell plans to build a biofuels processing plant at its Rotterdam refinery with an annual capacity of 820,000 tonnes, with aviation fuel set to make up more than half of the output. The plant is expected to start production in 2024.