Oil and Gas News Briefs
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OPEC+ struggles to meet announced production increases

(The New York Times; Jan. 4) – While OPEC+ continues its program of gradual monthly production increases, there are growing doubts about whether it can deliver on the additional barrels. A persistent failure to step up production by the amounts agreed on even in July is helping to keep oil prices high even though a surge in coronavirus cases from the Omicron variant threatens to dampen economic activity and oil demand.

Building output back up has not been easy for several countries, including Nigeria and Angola. In its December report, the International Energy Agency estimated that OPEC+ fell short of its November target by 650,000 barrels a day, substantially more than the 400,000 barrels a day the group had planned to increase each month. A few producers, including Saudi Arabia and Iraq, are increasing output handily, but others in are lagging. A range of issues, including political strife and underinvestment, are holding them back.

Even Russia appears to have hit a wall at about 600,000 barrels per day less than it pumped in April 2020. For Russia to increase substantially will require improved tax policies and development of new fields, analysts say. “Russia is temporarily near its limits,” said Bhushan Bahree, an executive director at IHS Markit, a research firm. Nigeria, Africa’s largest producer, in November pumped 360,000 barrels a day below its quota. “A poor regulatory framework, sabotage and vandalization of oil facilities” are deterring needed spending in Nigeria, the International Energy Agency said in its report.

OPEC+ decides to continue monthly boosts in production

(The Wall Street Journal; Jan. 4) – The OPEC+ coalition on Jan. 4 agreed to keep pumping more crude, as the group bets that the Omicron variant of COVID-19 won’t have the sort of devastating effect on demand as previous waves of the virus. The Organization of the Petroleum Exporting Countries and non-OPEC producing countries led by Russia decided to raise production by 400,000 barrels a day for February.

The group agreed last year to boost output in such increments each month until production reaches pre-pandemic levels. They review that policy every month. “The storm is over,” said one OPEC delegate, referring to the pandemic’s impact on oil demand last year. Last month, the broader OPEC+ group kept up with its planned increase despite a decision by the U.S. and other oil consumers to release extra barrels from their stockpiles, a move aimed at cooling rising oil and gasoline prices.

Since then, the Omicron variant has triggered travel bans and restrictions around the world, once again threatening economic growth and oil demand. But OPEC and other key energy actors are betting Omicron won't deliver the same shock to oil prices unleashed by the first coronavirus shutdowns in spring 2020, when U.S. crude futures briefly turned negative. One reason, OPEC delegates said, is a determination inside the group that strengthening demand for oil, including from the petrochemicals industry, is offsetting an expected continuing decline in jet-fuel consumption.

Deep cold in Canada, North Dakota disrupts oil flows

(Bloomberg; Jan. 5) - A deep-freeze in Canada and the northern U.S. is disrupting oil flows, causing a surge in crude prices just as American stockpiles are declining. With temperatures from North Dakota to northern Alberta below zero, TC Energy's Keystone oil pipeline was shut on Jan. 4 before resuming later the next day. In North Dakota's Bakken shale, production has started to succumb to the freeze, sending local crude prices to their highest since November. Canadian oil has also jumped in price.

The disruptions mean less supplies at a time when U.S. stockpiles have been shrinking every week since mid-November and getting closer to September's three-year low. Drillers have been slow to restore output to pre-pandemic levels as they prioritize shareholder returns over growth. This further supports growing predictions that the oil market will return to a deficit this year, with some like Pioneer Natural Resources Chief Executive Officer Scott Sheffield expecting oil to range from $75 to $100 a barrel.

Even though Western Canada and North Dakota are usually cold this time of year, temperatures have been lower than usual. Bakken crude in the Clearbrook, Minnesota, hub rose 90 cents a barrel in the past two days to reach a $1.25 premium to Nymex futures on Jan. 5, a two-month high. The same grade traded this week in Wyoming at a premium to New York futures for the first time since Nov. 18. Keystone carries 590,000 barrels a day of Canadian oil from Alberta to the U.S. Midwest.

U.S. world's largest LNG exporter in December

(Bloomberg; Jan. 3) – The U.S. was the world's biggest exporter of liquefied natural gas last month for the first time ever, as several terminals ramped up production and deliveries surged to energy-starved Europe. Output from American facilities edged past Qatar in December due largely to a jump in exports from the Sabine Pass (Louisiana) and Freeport (Texas) facilities, according to ship-tracking data compiled by Bloomberg.

The shale gas revolution, coupled with billions of dollars of investments in liquefaction facilities, transformed the U.S. from a net LNG importer to a top exporter in less than a decade. U.S. gas production has surged by roughly 70% from 2010 after a combination of horizontal drilling and hydraulic fracturing unlocked supplies from shale formations across the country. The first LNG cargo produced from shale gas was shipped in 2016, and the U.S. is expected to have the world's largest export capacity by the end of 2022.

The U.S. position as top LNG shipper may be short-lived, however. Exports in December were just a hair above those from Qatar and Australia, and any production issues could affect the rankings. Looking further out, Qatar is planning a gargantuan LNG export expansion project that will fully come online in the late 2020s, which could cement the Middle East nation as the top supplier of the fuel.

LNG tankers park and wait offshore Boston for prices to rise

(Bloomberg; Jan. 4) - A third Caribbean liquefied natural gas cargo is headed for Boston, where two other await colder weather before unloading in an unprecedented bet on price spikes this winter. The GasLog Partners-owned Methane Lydon Volney is expected to arrive in Boston on Jan. 11 with an LNG cargo from Trinidad & Tobago, according to ship tracking data compiled by Bloomberg. The site of two Caribbean cargoes lingering at anchorage, while a third is on its way — that's a first.

The tanker will join two others, which are both anchored in Massachusetts Bay and also carrying LNG cargoes from the Caribbean gas producer. With New England's limited gas pipeline capacity, Boston uses LNG imports to fill demand gaps, making it one of the most expensive U.S. gas markets. Although current prices there aren't as attractive as in Europe, where an energy crisis has lured scores of U.S. LNG cargoes, that could change quickly later this month when temperatures are expected to plunge.

Natural gas was trading Jan. 4 at more $18 on the futures market for February delivery to New England, according to traders and data compiled by Bloomberg, compared to less than $4 for the U.S. Henry Hub gas benchmark. Although those prices are still lower than the $29 in Europe, they could jump quickly during a cold blast. During a cold snap early last month, New England spot gas traded as high as $62.50.

More LNG carriers divert from China for higher prices in Europe

(Bloomberg; Jan. 5) - More natural gas cargoes are being diverted away from China to Europe, as traders spend hundreds of thousands of dollars to take advantage of a rare price premium before it disappears. Thirteen liquefied natural gas carriers shipping supply mainly from the U.S. and West Africa are rerouting to Europe instead of Asia, according to shipping data from Kpler and Bloomberg. That's up from about eight ships spotted a week earlier.

In one case, traders are sending a ship back through the Panama Canal, paying canal charges of almost $400,000 for a second time, according to Bloomberg estimates. Sellers have been sending tankers halfway around the globe on expensive detours as an energy crunch in Europe has made gas on the continent pricier relative to Asia. But as more cargoes flood into Europe to help ease the crisis, the arbitrage window is closing quickly and may not last for shipments arriving in February.

Asia prices could also be held down by weaker demand from China, even as colder weather hits Northeast Asia, said traders. Cargoes are turning away from China as factory activity has dropped before the Lunar New Year holidays and pollution curbs take effect ahead of the Winter Olympics.

Qatar awards engineering, construction contract for LNG expansion

(Oil & Gas Mideast; Jan. 3) - QatarEnergy announced Jan. 3 that it had awarded a major engineering, procurement, construction and installation contract to McDermott Middle East for the offshore portion of its North Field expansion project. The project will increase Qatar's liquefied natural gas production capacity significantly, from 77 million tonnes per year to 126 million. Production from the first phase of the $28 billion expansion is expected to start up in 2025.

The contract's scope includes 13 normally unmanned wellhead platforms topsides, as well as pipelines, beach valve stations and buildings. The jackets and pipelines for the North Field South part of the project will be subject to a separate tender and is expected to be awarded in the first half of 2022. Qatar is one of the world's leading LNG producers, along with Australia and the United States. The expansion project will restore Qatar to the top position among LNG exporters.

LNG developer again delays decision on Texas project

(Reuters; Jan. 3) – Houston-based NextDecade said a final investment decision for its Rio Grande LNG project would again be delayed, this time until the second half of the year. The $15.7 billion project, which would produce 27 million tonnes per year at full capacity, has been delayed twice since 2020. It was originally expected to start producing LNG in 2023. The company disclosed the latest delay in a presentation to investors on Jan. 3. It did not give a reason. The postponement comes as NextDecade continues to seek sufficient supply deals with buyers to support the cost of construction.

"Pushing off their final investment decision by yet another year is only delaying the inevitable," said Gabby Brown, a spokesperson for the Sierra Club. "We will continue to fight to ensure that this project is never built. NextDecade should accept reality and cancel this disastrous project." NextDecade has agreed to supply Shell with 2 million tonnes per year of LNG over 20 years from the proposed facility near Brownsville, Texas. The first phase would have two trains producing 11 million tonnes per year.

Several U.S. LNG projects have been delayed as low prices from coronavirus-induced demand destruction caused buyers to back away from new long-term supply contracts. Analysts at consultants RBN Energy have said developers will probably go forward with three LNG projects over the next year: Cheniere's expansion at Corpus Christi in Texas, Venture Global's Plaquemines in Louisiana, and Tellurian's Driftwood in Louisiana.

LNG export revenues surge 25% in Australia, but it may not last

(Australian Financial Review; Jan. 4) - Australia reaped lucrative gains from strong international energy prices and demand in 2021, with LNG export revenues surging by 25%, close to $50 billion, and China overtaking Japan as its largest customer. Exports of liquefied natural gas from Australia reached a record 80.9 million tonnes last year, beating the 77.6 million tonnes exported in pre-pandemic 2019 and topping rival giant exporter Qatar, according to analysis released Jan. 4 by consultancy EnergyQuest.

But EnergyQuest warned that 2021 will likely turn out to be close to the peak of Australian LNG production amid declining supply from mature gas fields and a limited number of new projects. Still, the strong 2021 performance was a boon amid supply chain disruptions that have caused problems for other exports worldwide and came on the back of robust growth in Chinese demand for natural gas as the economy recovered from the COVID-19 pandemic and the broader push across Asia to tackle air pollution.

The jump in exports means Australia just slipped by Qatar as the world’s largest LNG exporter in 2021. But that top position is under threat as Qatar plans a major expansion and the U.S. ramps up its LNG exports. The U.S. Energy Information Administration anticipates the U.S. will overtake both Australia and Qatar in LNG exports in 2022.

Lack of affordable natural gas hurts Pakistan’s textiles industry

(Bloomberg; Jan. 2) - Pakistan’s natural gas shortage is hurting its most important export industry, putting even more stress on an economy struggling with accelerating inflation and a weakening currency. About $250 million of textiles exports were lost last month after mills in Punjab were shut for 15 days, said Shahid Sattar, executive director of the All Pakistan Textile Mills Association. Factories in the province are dependent on imports of liquefied natural gas, while domestic gas is diverted to other regions, he said.

Pakistan has become a fast-growing import market for LNG as the local gas supply has declined in the past few years. But competition for LNG — used to generate electricity and for heating and cooking — has intensified due to global shortages, sending spot prices to levels that Pakistan cannot afford. The textiles industry is one of the country's few economic bright spots. Production grew almost 6% in the nine months through March 2021 and the sector accounted for 60% of total exports, government data show.

"The high gas prices are prohibitive," Sattar said. The "supply shortfall is due to the energy ministry's inability to arrange supply, and is hurting the very future of Pakistan's exports and economy." The country faces gas shortages every winter because Pakistan's gas fields are seeing a depletion of about 9% each year and imported LNG is very expensive, Energy Minister Hammad Azhar said at a briefing in late December.

High prices knock down India's demand for LNG imports

(Argus Media; Dec. 31) - India's demand for liquefied natural gas will continue to fall next year if strong competition between wealthier nations maintains prices at present high levels. LNG deliveries to India fell in November to the lowest level since February 2019, preliminary shiptracking figures from oil analytics firm Vortexa show. Industry officials point the finger entirely at record-high global spot prices, which have all but wiped out India's spot LNG demand.

Spot prices in recent months have been "unsustainable and unviable," Petronet LNG's chief financial officer VK Mishra said. His comments echoed those of the firm's chief executive, AK Singh, at a recent event. "It's not viable to buy spot cargoes (at prices) that can oscillate between $26 and $56 per million Btu," he said. Customers typically seek alternative fuels if LNG delivered prices exceed $8 to $10, a Petronet official said.

Two of Petronet's customers in Mangalore have recently stopped purchasing regasified LNG because of the high prices. Fuel-switching levels are different depending on the sector. Indian power producers can only afford to pay around $6 to $7 per million Btu for the fuel, while refineries will only switch to using fuel oil or naphtha if prices exceed $15. City gas firms and fertilizer producers may have more appetite for LNG despite the high prices because they are subsidized by the government. Urea is sold to farmers at below production costs, with the government providing subsidies for fertilizer producers.

U.K. government looks for solution to high natural gas prices

(Bloomberg; Jan. 5) - The U.K. government is giving itself until April to find a solution to soaring natural gas prices, since that's when consumers would start feeling the bite of a higher price cap on utility bills. Energy regulator Ofgem is due to announce a new price cap Feb. 7, but ministers believe they have a couple more months to gauge whether any assistance is needed to help alleviate the impact, according to a person familiar with the matter who asked not to be identified because the discussions are private.

Business Secretary Kwasi Kwarteng will meet with utility bosses Jan. 5. The measures under discussion include an industry proposal for loans to help suppliers delay some of the April price increase, as well as cuts to the value-added tax charged on utility bills. Wholesale power and gas prices have spiked to record levels, stoking higher inflation and a cost-of-living crisis throughout Europe. In the U.K., consumer groups and charities are asking politicians to provide some relief.

On Jan. 2, 20 Conservative members of Parliament wrote a letter appealing to Prime Minister Boris Johnson to remove the 5% value-added tax charged on energy bills, as well as the environmental levies they say make up almost a quarter of electricity bills. Trade body Energy U.K. told the BBC in December that it expected energy bills in the country to rise by up to 50% in the spring. The U.K. is particularly reliant on gas as an energy source, with more than 22 million households connected to the gas grid.

State attorneys general want to make sure LNG does not move by rail

(Natural Gas Intelligence; Jan. 4) - A coalition of 14 attorneys general wants to close the door on approving shipping liquefied natural gas by rail in the U.S. The coalition, led by Maryland Attorney General Brian Frosh and New York’s Letitia James, submitted comments in late December on the proposal by the Pipeline and Hazardous Materials Safety Administration which in November had suspended a rule approved by the Trump administration in 2020 that allowed bulk transport of LNG in specialized rail tank cars.

The federal agency referenced concerns about public and environmental safety in announcing the suspension of the Trump-era rule. PHMSA also framed the move as necessary to alert companies interested in shipping LNG by rail from investing in infrastructure that would likely change with further regulations. However, instead of enacting more thorough regulations, the attorneys called for “prompt suspension” of the final rule indefinitely. The attorneys said it was based on flawed safety assessments.

The group’s comments also questioned whether the agency ignored proper accounting for emissions and didn’t consider possible impacts on vulnerable communities when the final rule was approved. Many of the same attorneys general submitted comments against the final rule when it was proposed in January 2020. They also had joined a lawsuit against the rule in August 2020. No LNG was transported by rail between the final rule’s approval and the PHMSA’s November suspension.

Gas pipeline protestors end blockade in British Columbia

(CBC News; Canada; Jan. 4) - Coastal GasLink has resumed construction on a section of a gas pipeline route in northern B.C. that had been blockaded for two weeks in an ongoing dispute over pipelines and Indigenous land rights. In an email to CBC News, parent company TC Energy said it had confirmed that "opposition groups had departed" from a forest service road and a pipeline work site on the Morice River on Jan. 3.

On Dec. 19, a group identifying itself as land defenders and water protectors returned to a protest camp to reoccupy the remote area on Wet'suwet'en traditional territory, near Houston, British Columbia, about 625 miles northeast of Vancouver. Their move to disrupt the construction of Coastal GasLink's natural gas pipeline came just one month after the high-profile arrests of dozens of people blockading the project.

Jennifer Wickham, media coordinator for the Gidimt'en Checkpoint, told CBC News last month that Wet'suwet'en people and their supporters "are doing what they can in order to ensure that no pipelines cross traditional territory." In 2020, arrests on the Wet'suwet'en traditional territory sparked rail blockades by supporters across Canada. The pipeline will carry gas from northeastern B.C. along a 416-mile route to a C$40 billion export terminal that is being built by a Shell-led venture in Kitimat, B.C.

South Korea closes down oldest coal-fired power plants

(S&P Global Platts; Jan. 3) - South Korea has permanently shut down its two oldest coal-fired power plants, which will be replaced by new LNG-based generating stations, in line with President Moon Jae-in's push to reduce the country's reliance on coal in electricity generation and address worsening air pollution, the energy ministry said Jan. 3. Honam Coal Power Plant No. 1 and No. 2, each with a capacity of 250 megawatts, stopped operations Jan. 1, according to the Ministry of Trade, Industry and Energy. The two power plants had operated for the past 48 years, since they were built in 1973.

"The site of the Honam-1 and -2 will be transformed into an environment-friendly power complex with two LNG-fired power plants and a hydrogen fuel cell power plant," a ministry official said. With the closure of Honam-1 and -2, President Moon met his promise to shut down 10 aging coal-fired power plants before his five-year term ends in May 2022, the ministry said.

Under the anti-coal drive by Moon, who took office in 2017, a total of 10 coal-fired power plants have been retired. "Under its longer-term roadmap, South Korea plans to get 24 aging coal-fired power plants fully retired by 2034 as part of efforts to phase out coal consumption for electricity generation by 2050," an official said. Coal-fired power plants account for about 40% of South Korea's electricity mix, with LNG-fired plants at about 25%, while nuclear meets about 30% of demand. Renewables cover the remainder.

Germany shuts down half its nuclear plants; the rest to close in 2022

(The Associated Press; Jan. 3) - Germany on Dec. 31 shut down half of the six nuclear plants it still has in operation, a year before the country draws the final curtain on its decades-long use of atomic power. The decision to phase out nuclear while shifting from fossil fuels to renewable energy was first taken by the center-left government of Gerhard Schroeder in 2002. His successor, Angela Merkel, reversed her decision to extend the life of Germany's nuclear plants in the wake of the 2011 Fukushima disaster in Japan and set 2022 as the final deadline for shutting down the reactors.

The three reactors now being shuttered were first powered up in the mid-1980s. Some in Germany have called for reconsidering the decision on ending the use of nuclear power because the power plants already in operation produce relatively little carbon dioxide. Advocates of atomic energy argue that it can help Germany meet its climate targets for reducing greenhouse gas emissions.

The German government said this week that decommissioning all nuclear plants — while also then phasing out coal by 2030 — won't hurt the country's goal of making Europe's biggest economy "climate neutral" by 2045. "By massively increasing renewable energy and accelerating the expansion of the electricity grid, we can show that this is possible in Germany," Economy and Climate Minister Robert Habeck said. Renewables delivered almost 46% of the electricity generated in Germany in 2021. Coal, gas and other fossil fuels provided nearly 41%, while nuclear supplied over 13%.

South Korea classifies natural gas as transition fuel to green

(Bloomberg; Jan. 3) - South Korea's government is being criticized for including natural gas in a category of activities that it deems will help cut emissions. Liquefied natural gas was included in a classification to accelerate green goals released by the Environment Ministry on Dec. 30, while nuclear energy was left out. LNG is in the transition section, so it shouldn't be seen as an outright green activity, but is essential in the move away from dirtier fuel, the ministry said.

While South Korea has a goal of being carbon neutral by 2050, the decision shows that it still sees natural gas, a fossil fuel, as key to the transition. Seoul's stance is similar to the European Union, whose plan to allow some natural gas and nuclear energy projects to be labeled as sustainable has also come under fire from activists.

"We have great concerns about the utility of the scheme because it's not sending the right signals to investors," said Youn Sejong, climate finance program director at South Korean nonprofit Solutions for Our Climate. "We expect to see serious greenwashing." The rules that governments are putting in place to help them achieve carbon neutrality goals are coming under increasing scrutiny from groups that are concerned they're not strict enough or will be gamed by the private sector. The classifications will be updated every two or three years based on feedback, Korea's environment ministry said.

EU may label natural gas, nuclear power plants as 'green'

(Reuters; Jan. 1) - The European Union has drawn up plans to label some natural gas and nuclear energy projects as "green" investments after a yearlong battle between governments over which investments are truly climate-friendly. The European Commission is expected to propose rules this month deciding whether gas and nuclear projects will be included in the EU's "sustainable finance taxonomy (classification)."

By restricting the "green" label to truly climate-friendly projects, the system aims to make those investments more attractive to private capital and stop "greenwashing," where companies or investors overstate their eco-friendly credentials. Brussels has also made moves to apply the classification to some EU funding. The rules could decide which projects are eligible for public finance in the transition to truly green energy.

A draft of the proposal, seen by Reuters, would label nuclear power plant investments as green if the project has a plan, funding and a site to safely dispose of radioactive waste. To be deemed green, new nuclear plants must receive construction permits before 2045. Investments in natural gas power plants would also be deemed green if they produce low emissions of carbon dioxide, replace a more polluting fossil fuel plant, and receive a construction permit by Dec. 31, 2030. Such plants must meet other conditions, including that they are technically equipped to burn low-carbon gases.

Federal agency approves rail line to move crude out of Utah

(Colorado Times Recorder; Jan. 3) - The prospect of up to 350,000 barrels of oil a day rolling through Colorado on trains has caught the attention of Colorado Sen. Michael Bennet following U.S. Surface Transportation Board approval Dec. 15 of the Uinta Basin Railway in northeastern Utah. "Given the strong opposition my office has heard from community leaders, I'm deeply concerned about the proposed expansion of rail lines through Tennessee Pass and Browns Canyon National Monument to move crude oil through Colorado," Bennet said in an emailed statement via a spokesperson.

Oil trains from Utah's Uinta Basin would likely use Union Pacific's active mainline through Colorado, which travels along the Colorado River, through the Moffat Tunnel at Winter Park, and down into Denver. "If (the Uinta Basin) railway is built, these trains are headed your way," warned Deeda Seed, Utah-based public lands senior campaigner for the Center for Biological Diversity and a former Salt Lake City Council member.

Surface Transportation Board Chairman Martin Oberman, in his dissenting opinion on the 4-1 vote, said: “What the STB did … was to pour gasoline on the climate emergency, that’s about all you can say when a regulatory body approves a project that has as its main purpose transporting 350,000 barrels of oil per day. … That’s about the amount of carbon emitted per year from six dirty coal plants.” Oberman was appointed chairman by President Joe Biden in January. The project is supported by Utah Sen. Mitt Romney and the rest of that state’s Republican congressional delegation.

Venezuela’s oil exports doubled in December, but it may not last

(Bloomberg; Jan. 3) - Oil exports from Venezuela doubled in December from a year earlier as the country raises production of revenue-generating hydrocarbons in defiance of U.S. sanctions. Shipments averaged 619,000 barrels a day in December. The OPEC-founding member increased exports for a third straight month with the support of ally Iran, which boosted the supply of a key ingredient that aids production of heavy crude.

Output touched the crucial mark of 1 million barrels on a single day in December, state-owned oil company Petroleos de Venezuela said. It’s unclear if the spike in shipments is sustainable because China, the biggest buyer of Venezuelan oil, continues to crack down on the energy sector. Private refiners in the Asian nation are at the center of allegations of tax violations and non-compliance with environmental rules. There are already signs of problems. Tankers laden with Venezuelan oil that have sailed to Asia end up floating offshore Singapore and Malaysia for months waiting for Chinese buyers.

The U.S. amped up sanctions against the regime of President Nicolas Maduro in 2017, cutting off the South American nation’s access to U.S. refiners. Crippled by the move, and with buyers in India and Spain also shunning its oil, Venezuela resorted to unorthodox tactics. It has been disguising and rebranding the oil in order to hide its origins and circumvent sanctions.