Oil and Gas News Briefs
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Japanese joint venture takes 10% stake in Australia gas project

(Bloomberg; Aug. 8) - LNG Japan Corp. has agreed to a deal worth as much as $880 million for a stake in a giant natural gas project off Australia, a new step to secure supply of a fossil fuel that the nation expects to retain a key role in its energy mix. The joint venture of Sumitomo Corp. and Sojitz Corp. will acquire a 10% interest in the Scarborough project from Woodside Energy Group. It also struck a pact for 12 cargoes — or about 900,000 tonnes — of liquefied natural gas from the project each year for a decade beginning with production start-up in 2026, Woodside said Aug. 8.

Scarborough, which will take gas from an offshore field and pipe it 267 miles to an expanded liquefaction plant on the Burrup Peninsula in Western Australia, is forecast to produce as much as 8 million tonnes of LNG a year but has become a lightning rod for climate activists opposed to the development of new fossil fuels projects. The plan includes adding a second liquefaction train at the Pluto LNG terminal.

Japan has been striking pacts with major LNG shippers after last year's energy crisis prompted the government to press companies to lock in supply and invest in projects. Scarborough development costs were estimated in 2021 at $5.7 billion. Japan's $880 million investment includes $500 million for the 10% stake, along with LNG Japan's share of Woodside's project development costs retroactive to Jan. 1, 2022.

Scarborough is facing a legal challenge regarding its emissions impact on the Great Barrier Reef, a World Heritage-listed site. The Federal Court of Australia in May declined Woodside's attempt to have the case dismissed.

Wind power runs into stiff breeze of rising costs and delays

(Wall Street Journal; Aug. 7) - The wind business, viewed by governments as key to meeting climate targets and boosting electricity supplies, is facing a dangerous market squall. After months of warnings about rising prices and logistical hiccups, developers and would-be buyers of wind power are scrapping contracts, putting off projects and postponing investment decisions. The setbacks are piling up for onshore and offshore projects, but the latter's problems are more acute.

In recent weeks, at least 10 offshore projects totaling $33 billion in planned spending have been delayed or otherwise hit the doldrums across the U.S. and Europe. "At the moment, we are seeing the industry's first crisis," Anders Opedal, chief executive of

Equinor, said in an interview. The Norwegian energy major and BP are developing three wind farms off the New York coast to power about two million homes but told the state in June that it will need to renegotiate power prices or else the projects won't get financing.

The holdup of projects that could generate 11.7 gigawatts likely pushes 2030 offshore wind targets out of reach for the U.S. and European governments. The U.S. has the largest onshore wind market outside of China but just seven turbines producing power offshore. Europe's strong winds and shallow waters have made offshore wind one of its fastest-growing renewable technologies. But a 40% cost increase recently halted a giant project in the U.K., while developers delayed two investment decisions in the Baltic Sea.

The list of woes includes inflation, supply-chain backlogs, rising interest rates, long permit and grid connection timelines. Avangrid, a U.S. subsidiary of Spanish utility Iberdrola, this month agreed to pay $48 million to back out of an offshore wind-power deal in Massachusetts that it bid in September 2021, when outlooks were rosier. Another Massachusetts project backed by Shell, Engie and EDP Renewables is negotiating with utilities after saying it wanted to cancel and rebid its agreements to provide power, while Rhode Island's largest utility bowed out of an offshore project.

North Dakota oil industry recruits Ukrainians to help fill vacant jobs

(Associated Press; Aug. 6) - Maksym Bunchukov remembers hearing rockets explode in Zaporizhzhia as the war in Ukraine began. Now, 18 months later, he is in North Dakota, like thousands of Ukrainians who came more than a century ago. He is one of 16 new arrivals who are part of an oil industry group's pilot effort through the Uniting for Ukraine humanitarian program to recruit refugees and migrants during a workforce shortage.

Twelve more Ukrainians are scheduled to arrive by Aug. 15 as part of the North Dakota Petroleum Council's Bakken Global Recruitment of Oilfield Workers effort. The program has humanitarian and workforce missions, said project manager Brent Sanford, who watched the Bakken oil rush unfold as mayor of boomtown Watford City 2010 to 2016.

The oil boom initially was met by a workforce of North Dakotans with experience in oil field jobs elsewhere. Later, as the U.S. economy reeled from the Great Recession, thousands of people flocked to the Bakken oil field from other states and even other countries to fill high-wage jobs, Sanford said. But the 2015 oil industry downturn, coronavirus pandemic and other recent shocks probably led workers back to their home states, especially if moving meant returning to warmer and bigger cities, Sanford said.

Workforce issues have become "very acute" in the past 10 months, with an estimated 2,500 jobs available in an oil field producing about 1.1 million barrels per day. The recruitment program's sponsors, including company owners, managers and employees, agree to help Ukrainians find work, health care, schools for their children and safe and affordable housing. About 160 Ukrainians have arrived in North Dakota as part of Uniting for Ukraine, according to State Refugee Coordinator Holly Triska-Dally.

U.S. oil output is forecast to reach record 12.8 million barrels a day

(Bloomberg; Aug. 8) – U.S. oil production this year will rise faster than previously expected, providing additional crude supplies to a market that has tightened because of Saudi Arabia’s output cuts, according to a new government forecast. Higher-than-expected well productivity and rising crude prices will help boost U.S. production to a record 12.8 million barrels a day in 2023, up from a previous forecast of 12.6 million, according to a monthly report from the Energy Information Administration released on Aug. 8. The U.S. averaged about 11.9 million barrels a day in 2022.

The additional production would help supply a market that has tightened after the Organization of the Petroleum Exporting Countries and its allies cut their output to prop up prices. Cartel leader Saudi Arabia recently extended its 1 million-barrel-per-day production cut for another month, sending its output to the lowest in years.

Production in the U.S. and globally is forecast to increase further next year. World oil output will grow to 103 million barrels a day in 2024, up 1.7 million barrels per day from this year, the EIA said. Over 70% of that growth is expected to come from non-OPEC countries, led by the U.S., Brazil, Canada, Guyana and Norway. U.S. output will climb to 13.1 million barrels a day next year, the agency said.

China’s oil imports drop in July as stockpiles increase

(Reuters; Aug. 8) - China's crude oil imports in July fell 18.8% from the previous month to the lowest daily rate since January, customs data showed on Aug. 8, as major exporters cut back overseas shipments and domestic stocks continued to build. Crude shipments into the world's biggest oil importer in July totaled 10.29 million barrels per day, the data from the General Administration of Customs showed. June's 12.67 million barrels per day of imports were the second highest on record.

Even with the drop in July, oil imports were 17% higher than the 8.79 million barrels a day imported a year earlier, a period when China's economy was hammered by widespread COVID outbreaks and extensive lockdowns. Crude imports for the first seven months of the year were up 12.4% on the same period in 2022.

"The (month-on-month) decline was led by lower imports from the Big 3 crude exporters, namely the U.S., Saudi Arabia and Russia," said Emma Li, a China crude oil analyst at Vortexa in Singapore. Li noted that China's onshore crude oil inventories were over 1.02 billion barrels at the end of July, and the consistent rise in stockpiles could allow Chinese refiners to slow their purchases in the coming months.

Saudi Aramco wants to expand investments in China

(Middle East Eye; Aug. 7) - Saudi Arabia's state-owned oil company, Aramco, will plough ahead with new investments in China, despite posting a 38% drop in profit as lower oil prices and production cuts bite into its income. Despite the drop in profit, Aramco CEO Amin Nasser said in a press call on Aug. 7 that the energy giant was committed to expanding its footprint in China, Saudi Arabia's biggest oil customer, but a country where Riyadh is seeing increased competition with Russia.

"China represents an important market for us, not in terms of only crude placements but also in terms of chemicals growth. There is a number of investments in China in the pipeline that we are currently evaluating and which we will announce in due course," Nasser said. Saudi Arabia has invested heavily in China's refineries. Last month, Aramco completed its purchase of a 10% stake in Rongsheng Petrochemical company for about $3.6 billion. The deal will see Aramco supply about 480,000 barrels per day of additional crude to Rongsheng-affiliated refineries.

Saudi Arabia, along with other Gulf states, is ramping up investments in order to churn out more crude and petroleum products at a time when Western companies are scaling back new production amid concerns about Western governments' climate mandates and future demand. Saudi Arabia Energy Minister Abdulaziz bin Salman has famously vowed the kingdom would be "the last man standing" in the energy market and extract "every molecule of hydrocarbon" it possesses.

First Nation-led LNG project in B.C. delays decision until end of year

(Upstream; Aug. 7) - A final investment decision has been pushed back for the US$2.4 billion greenfield Cedar floating liquefied natural gas project in northern British Columbia, after the partners elected to obtain a second front-end engineering and design study. The pairing of South Korea's Samsung Heavy Industries and U.S. contractor Black & Veatch early last year won the FEED contract for the 3 million-tonne-per-year Haisla First Nation-led Cedar FLNG project, which is targeting start-up in 2027.

However, Cedar LNG has revealed that late last year it chose to obtain a second FEED study for the liquefaction vessel and "has been waiting for that work to progress to the same stage as the original FEED." The company said it now anticipates a final investment decision in the fourth quarter of 2023. It had been aiming for a decision before the end of September.

The Haisla Nation has formed a partnership with Canada’s Pembina Pipeline Corp. to develop the proposed Cedar LNG project in Kitimat, B.C., near where a Shell-led venture is building Canada’s first LNG export terminal at four times the size. Cedar LNG last month received its facility permit from the provincial energy regulator, which followed receipt of its environmental assessment certificate. Haisla Nation has a 51.1% majority stake and Pembina holds 49.9% interest in Cedar LNG Partners.

U.S. firm moves closer to start-up at Mexico floating LNG project

(Reuters; Aug. 8) - U.S. energy firm New Fortress Energy plans to start operations in September at the first of three planned floating liquefied natural gas production plants in Altamira, Mexico, the firm said on Aug. 8. It would be the country's first production of the fuel for export. New Fortress, along with Mexico's state-owned power utility CFE, is building an LNG hub in Altamira in the Gulf of Mexico, drawing gas from offshore fields.

Two other floating LNG plants are under construction for Altamira, with their start-up planned for the first quarter of 2025, New Fortress said. The company signed a non-binding letter of intent with Mexican power company Comisión Federal de Electricidad (CFE) in May to explore putting Units 2 and 3 at an underutilized LNG import terminal at Altamira. Each of the units will cost an estimated $1 billion and will be designed to turn about 180 million cubic feet per day of gas into 1.4 million tonnes per year of LNG.

U.S. LNG project developer finding it hard to repeat earlier success

(Financial Times; London; Aug. 6) - He has been hailed as the architect of the U.S. liquefied natural gas industry, a man whose brash vision reconfigured global energy markets and once made him the best-paid executive in America. Now Charif Souki says he is battling Swiss bank UBS to keep a roof over his head. Souki founded Cheniere Energy, the company that invented the business of shipping U.S. shale gas overseas.

But Souki, sacked from Cheniere after a bruising clash with the investor Carl Icahn, has so far failed to repeat his success with a second gas export venture named Tellurian. This year, his bankers at UBS stripped him of much of his Tellurian shareholdings in a dispute over a defaulted loan. His prized sailboat, the Tango, has been seized. UBS is seeking to liquidate more of his assets including Aspen Valley Ranch, an 813-acre luxury compound in Colorado that includes several residences in addition to his own.

Tellurian plans to construct Driftwood LNG on 1,200 acres along Louisiana’s Calcasieu River. If fully built, it would become one of the largest export projects in the U.S., costing an estimated $25 billion. By 2017 Tellurian, with few assets besides the unconstructed terminal, commanded a stock market valuation of nearly $3 billion. At around that time Souki, looking to raise cash, borrowed $90 million from UBS.

Soon after the loans were funded, Tellurian hit the rocks and the share price collapsed. Earlier this year UBS liquidated the Tellurian shares Souki had pledged; Souki says the sales were poorly timed and drove the stock even lower. A New York court has refused his request for an injunction that would have barred UBS from conducting a planned auction of his assets. Still, Souki maintains he will succeed in building Driftwood LNG.

LNG developer faces new financial setbacks with Louisiana venture

(Houston Chronicle; Aug. 9) – Houston-based Tellurian and its polarizing chairman, Charif Souki, are facing more obstacles along the path to building a liquefied natural gas export project on the Louisiana coast. The proposed Driftwood LNG lost its remaining customer this week, forcing the company back to square one as it seeks new contracts to kick-start financing and construction. Trading firm Gunvor said it terminated its long-term agreement after it couldn’t agree with Tellurian "on the commercial terms," according to an Aug. 7 filing with the Securities and Exchange Commission.

The deal fell apart as two entities owned by Souki and related to his ranch in Aspen, Colorado, filed for bankruptcy, according to court records, halting efforts by lenders to foreclose on the property over failure to repay a real estate loan. Souki borrowed $120 million from a unit of UBS Asset Management in 2017 and 2018, using the ranch and his shares in Tellurian as collateral, according to a suit filed by Souki and his affiliates.

“Both are setbacks,” said Dan Pickering, chief investment officer for Pickering Energy Partners. “You never like to lose a customer and you never like to have external events affect your company.” The events are the latest in a series of setbacks facing Tellurian since its Driftwood deals with Shell and commodities trader Vitol collapsed last year.

The fate of the $13.6 billion project is uncertain as Tellurian struggles to lure an equity investor willing to gamble on its riskier business model in which it would operate like an integrated oil company, producing, transporting and liquefying gas and taking prices set by global markets, rather than relying on a traditional model where LNG companies sign 15- or 20-year contracts with buyers who pay a fixed price for the processing of the gas.

U.S. LNG export plant owner disputes customer complaints

(Reuters; Aug. 7) - Venture Global LNG on Aug. 7 lashed out at some of the customers signed up to take liquefied natural gas cargoes from its Louisiana export facility, claiming they "have chosen to misrepresent confidential long-term contracts." A public spat is heating up over the lack of shipments to Venture Global LNG customers BP, Shell, Edison International, Repsol and Portuguese energy company GALP Energia.

Shell, Edison and BP have filed for arbitration over Venture Global's failure to supply contracted cargoes from its Calcasieu Pass facility in Louisiana, even as it sold the fuel into the profitable spot market. Italian electric utility Edison "is pursuing the enforcement of its contractual rights for the ongoing Venture Global breach of the contract," spokesperson Cristina Parenti said on Aug. 7, declining further comment. Repsol has asked U.S. regulators to intervene. GALP has said it is weighing options.

The company started liquefying gas in March 2022 and has loaded at least 177 cargoes valued at $15.3 billion through May, according to a Reuters tally. However, equipment problems at the plant have prevented it from being able to deliver contractual cargoes to customers, the company said. It considers the exports to date "pre-commercial" and not covered under the contracts. The customer claims "are entirely inconsistent with the long-term contracts they signed," a Venture Global spokesperson said. The company last May told federal regulators it expected to start commercial shipments in early 2024.

Norway approves electrification of LNG plant

(Bloomberg; Aug. 8) - The Norwegian government has given Equinor the green light to electrify its liquefied natural gas facility, a project forecast to lower emissions and lock in gas deliveries beyond 2030. "We are putting in place the policies so Hammerfest LNG can continue operating to 2040," Prime Minister Jonas Gahr Store said at a news conference on Aug. 8. Connecting the Arctic facility to the national power grid is the "largest, single climate measure decided by a Norwegian government," he said.

The Melkoya plant, which opened in 2007, processes natural gas from the Snohvit field in the Barents Sea, producing some 230 billion cubic feet of gas a year, or about 5% of Norway's total exports of the fuel. Equinor submitted plans at the end of 2022 to build an onshore compressor, electric steam boilers, two transformer stations and the necessary grid connections to fully electrify the facility, with an estimated cost of 13.2 billion kroner ($1.3 billion).

Replacing on-site gas turbine generators with shore-based electricity will slash carbon dioxide emissions from the facility by 850,000 tons annually after its completion, equal to 13% of the cut in carbon emissions pledged by Norway's oil and gas sector, Equinor said. Onshore compression, meanwhile, is needed to extend plateaued production from the Snohvit field as its gas reserves dwindle. The plan, however, has been contentious with locals due to its perceived clash with green industry development, rising power prices as well as the rights of Indigenous Sami reindeer herders.

Russian shipyard launches ice-capable oil and LNG tankers

(High North News; Aug. 8) - The Zvezda shipyard in Russia's Far East launched two new vessels built to travel the country's Northern Sea Route. The vessels are among the first to be completed at Zvezda for service in transporting Russia's Arctic energy resources, albeit with significant assistance by Samsung Heavy Industries in South Korea. Both ships were designed and partly built by SHI before they were towed to the Russian shipyard for final assembly.

Russia aims to achieve increasing self-reliance in the construction of ice-capable crude oil and liquefied natural gas carriers. Western sanctions have accelerated these efforts. Ships originally ordered from South Korea's Daewoo Shipbuilding & Marine Engineering were subsequently canceled or remain unfinished. Zvezda recently launched the oil shuttle tanker Valentin Pikul in service of Rosneft and the LNG carrier Sergei Witte for Novatek's Arctic LNG-2 project, which is under construction.

The vessels feature more powerful propulsion and improved hull shape and are expected to require even less icebreaker escort than the original 15 ice-class carriers serving Russia's Yamal LNG terminal since 2017. The Sergei Witte is even more capable, with the ability to break ice almost seven feet thick and features a double-acting hull allowing it to proceed astern through the thickest ice.

Rising fuel prices put pressure on efforts to control inflation

(The Wall Street Journal; Aug. 7) - Booming oil prices last year powered U.S. inflation to 40-year highs. That trend was reversing in 2023 — until now. Benchmark crude prices are up more than 18% in the past month, driving up the cost of Americans' commutes, freight haulers' trips and the production of everything from plastics and fertilizers to clothing. The gains threaten to prop up inflation, just as easing price pressures had investors betting that the Federal Reserve would soon wrap up its interest-rate hikes.

"You're paying for it at the grocery store, with the cost of building materials, household goods," said Mike Kucharski, vice president of JKC Trucking, a 200-truck operation based in Illinois. Diesel fuel's price climb has been particularly costly for JKC during this summer's heat waves, since the company's refrigerated semitrailers need to burn more fuel to keep lettuce, melons and other produce cold in transit. The company updates its fuel surcharge for customers once a week, Kucharski said, but prices have risen so quickly in recent days that his company has had to eat some of the costs.

The recent run-up in fuel prices comes after Saudi Arabia and Russia cut production to curb oil supplies to the market. Investor optimism about the strength of the U.S. economy also helped fuel the rise in prices. Over the past three months, wholesale diesel costs jumped 36%, jet fuel climbed almost 40% and gasoline rose 19%. A continued climb in oil prices could signal the economy's resilience, but too steep of an increase could suggest the Fed will need to keep rates higher for longer.

India pays far less for Russian crude than a year ago

(Bloomberg; Aug. 6) - The average cost of Russian crude landing on Indian shores in June was the lowest since Moscow's invasion of Ukraine more than a year ago. The price for each barrel including freight costs was $68.17, down from $70.17 in May and $100.48 a year earlier, according to the latest figures from India's Ministry of Commerce and Industry. While that's higher than a $60 cap imposed by Western nations on Moscow, that threshold price doesn't include shipping costs.

India has become one of the world's top consumers of cheap Russian crude since the war, along with China. Data from Kpler shows Indian imports dipping over the past two months, with flows expected to fall further in August as the OPEC+ producer fulfills a pledge to trim exports. The analytics firm sees shipments to the South Asian nation rebounding from October, however.

India typically buys Russian crude on a delivered basis inclusive of freight, insurance and other miscellaneous costs. It leaves the seller to handle all logistics and risks with transporting the crude, regardless of whether the shipment is under or above price cap. India's oil imports from Iraq in June averaged $67.10 a barrel, while those from Saudi Arabia were much higher at $81.78, according to the government data. India relies on imports to meet 88% of its oil demand needs.