Oil and Gas News Briefs
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Occidental has big plans for direct-air carbon capture business

(Bloomberg; Aug. 28) - When Occidental Petroleum's Vicki Hollub introduced the idea of "net-zero oil" two years ago, few outside the CEO's inner circle knew what she meant. It was easy for climate-minded critics to dismiss the rhetoric as a greenwashing ploy from an embattled oil executive trying to stay relevant in a world transitioning away from fossil fuels. But Hollub's vision keeps moving closer to reality. This month she helped convince the Biden administration to spend hundreds of millions of dollars on the technology behind the industry's most ambitious moonshot to keep fossil fuels alive.

Occidental won one of two major Department of Energy grants to develop hubs for direct-air capture (DAC). That means Occidental will be in charge of an experimental facility built in Kleberg County, Texas, designed to pull carbon dioxide from the air and bury it underground. Hollub followed this milestone days later by agreeing to a $1.1 billion deal to buy Carbon Engineering. The Canadian start-up is Occidental's partner in technology on the government-backed project as well as another DAC plant in West Texas that — according to the company's claims — will produce emissions-free crude.

The speed with which Occidental and DAC has captivated the Biden administration is alarming for environmentalists and some scientists. DAC remains by far the most expensive way to capture carbon, and the technology is largely unproven outside one small plant in Iceland. There are serious questions about whether the large quantities of power the process needs will offset the climate benefits. The loudest critics insist direct-air capture should never be used to justify fossil-fuel extraction.

Occidental's first DEC plant won't be operational until 2025 at the earliest — yet it has ambitions to build 100 in the next 10 years. Carbon dioxide has been key to its business for decades. Before it became a big U.S. shale player, it would buy aging oil fields from larger rivals. To squeeze out the last dregs of crude, Occidental would pump CO2 into wells for enhanced oil recovery. Now it sees another way to make money from CO2.

U.S. auctions Gulf of Mexico leases for wind power projects

(Bloomberg; Aug. 28) - The Gulf of Mexico has been a hub for U.S. oil production for decades. A government auction Aug. 29 could help make it a nexus for offshore wind, too. More than a dozen companies have qualified to bid for wind development rights during the first-ever sale of tracts off the Texas and Louisiana coast. The sites have the potential to generate 3.7 gigawatts of emission-free electricity that could be used to make green hydrogen and provide power to Gulf Coast refineries, ports and shipyards.

“All of a sudden, you could see the greening of what has been a rather carbon-intensive industrial base,” said Erik Milito, head of the National Ocean Industries Association. Three tracts, each spanning about 100,000 acres, are up for grabs in the auction, which is set to unfold anonymously over successive rounds. Companies that have registered as potential bidders include apparent affiliates of offshore oil heavyweights BP, Equinor, Repsol, Shell and TotalEnergies, as well as renewable power companies.

Past federal auctions of wind leases along the U.S. East Coast have drawn big interest, buoyed by near-guaranteed demand from states vowing to buy the produced power. But the winds are less potent across the areas of the Gulf of Mexico that are for sale. Developers also will have to design around — and deal with — seasonal hurricanes. Yet they can tap into a vast network of construction companies, shipyards, ports and engineering firms that have long supplied offshore oil and gas development in the Gulf.

BP CEO calls for investment in oil and gas — and energy transition

(Reuters; Aug. 26) - Global oil major BP said the world must invest in oil and gas production to avoid sharp price spikes while also accelerating the energy transition to combat greenhouse gas emissions. Global natural gas prices surged seven-fold last year as 3% of gas supplies were hit following Russia's war on Ukraine, forcing countries to boost energy spending and shift to coal, CEO Bernard Looney said in New Delhi.

"We need to do both. We need to invest in today's energy system responsibly and, at the same time, we must invest in accelerating energy transition," Looney told the B20 conference. The energy transition has to be orderly to maintain its pace as emission levels have risen since the Paris conference on climate change in 2015 despite global efforts, he said. Looney said his company would invest 40% of its capital on energy transition projects by the middle of this decade and 50% by the end of the decade.

High energy costs drive German industry to consider moving

(Bloomberg; Aug. 29) - German businesses are increasingly curbing investments and eyeing production abroad amid high energy prices at home. Over half of surveyed companies say the energy transition is having negative or very negative effects on their competitiveness, according to a report by the German Chamber of Commerce and Industry. Among manufacturers, almost a third are considering or already executing a production shift abroad — twice as much as during last year’s energy crisis.

“The German economy’s confidence in energy policy has fallen to a low point,” the group’s chairman Achim Dercks said. “Concerns about competitiveness have never been greater.” Germany’s manufacturing-heavy economy has seen a protracted period of weakness that shows few signs of abating amid plunging business confidence, and it’s the only major European nation whose output is forecast to shrink this year.

While manufacturers enjoyed relatively cheap power when Germany was receiving pipeline gas from Russia, last year’s crisis forced the country to revamp its plan for future supplies. Its energy prices are currently among the highest in Europe. While the expansion of renewable energy sources is expected to eventually bring costs down, they are likely to remain elevated until at least 2027, according to the government. Among large industrial companies — who often already have links to production abroad — one in four have already started or completed further capacity movements.

European Union nations are major buyers of Russian LNG

(Financial Times; London; Aug. 29) - The European Union is set to import record volumes of liquefied natural gas from Russia this year, despite aiming for the bloc to wean itself off Russian fossil fuels by 2027. In the first seven months of this year, Belgium and Spain were the second- and third-biggest buyers of Russian LNG behind China, according to analysis of industry data by Global Witness, a nongovernment organization. Overall, EU imports of the fuel were up 40% between January and July this year compared with the same period in 2021, before Russia’s invasion of Ukraine.

The jump comes from a low base — the EU did not import significant amounts of LNG before the war in Ukraine due to its reliance on piped gas from Russia. But the rise is much sharper than the global average increase in imports of Russian LNG, which was 6% over the same period, Global Witness said. Most of the Russian volumes come from Arctic Yamal LNG, which is majority-owned by Russian gas producer Novatek. Other stakes are held by France’s TotalEnergies, China’s CNPC and a Chinese state fund.

Global Witness said the cost of Russian LNG imported by EU countries from January to July at spot-market prices amounted to €5.29 billion (US$5.78 billion). “It’s shocking that countries in the EU have worked so hard to wean themselves off piped Russian fossil gas only to replace it with the shipped equivalent,” said Jonathan Noronha-Gant, senior fossil fuel campaigner. “It doesn’t matter if it comes from a pipeline or a boat — it still means European companies are sending billions to [Vladimir] Putin’s war chest.”

Russia sends first shipment of Baltic LNG via northern route to China

(High North News; Aug. 29) – This summer has brought another first to Russia’s Northern Sea Route. Following the initiation of regular oil shipments of both Arctic and

Urals crude to China via the polar region, the route has now been used for delivery of liquefied natural gas from the Baltic region for the first time. Gazprom dispatched an LNG carrier from its Portovaya liquefaction plant near St Petersburg on Aug. 14. The vessel traveled up the Norwegian coast and entered the NSR on Aug. 22. It is expected to arrive in Jintang, China, mid-September.

Previously, Russian LNG shipments via the Northern Sea Route exclusively originated from within the Arctic from Novatek's Yamal plant. Using the Arctic route shortens the voyage to China by around 10 days compared to using the traditional passage via the Suez Canal. In contrast to Novatek's fleet of 15 highly ice-capable Arc7 LNG carriers, the Velikiy Novgorod, which is carrying Gazprom's Baltic gas, only possesses light ice protection with a class of Ice2, limiting its Arctic operation to the summer months.

China has materialized as a burgeoning buyer of Russian hydrocarbon resources, including Arctic crude oil and LNG. With the existing European Union sanctions on crude oil and likely future expansion to encompass LNG, Russia now relies on diverting energy flows to Asia, and increasingly so via the Arctic. Russia has announced plans to build additional LNG plants in both the Baltic Sea and western Arctic.

Interest rates, construction costs drive up U.S. gas liquefaction fees

(Reuters; Aug. 30) - Long-term buyers of U.S. liquefied natural gas are agreeing to higher liquefaction fees at newer export projects, according to analysts and developers. The U.S. emerged in 2022 as the world's second-largest LNG exporter on plentiful supplies of natural gas and relatively low liquefaction costs, moving into the top spot in the first six months of this year. But rising interest rates and higher construction costs have pushed up liquefaction fees, also known as tolling fees, at new export terminals.

Jason Bennett, a partner at law firm Baker Botts who negotiates LNG contracts, said the willingness of long-term customers to pay higher tolling fees and higher prices for U.S. LNG is because newer projects provide very good margins due to the low gas prices at the Henry Hub, the main trading benchmark for U.S. gas futures. "U.S. LNG remains the best source of low-cost LNG in the world. … If the price (liquefaction fee) used to be $2.25 (per million Btu) and it's $2.75 now … it's still the cheapest price of LNG anyway," Bennett said. The liquefaction fee is in addition to the cost of feed gas into the plant.

The most recently approved project — NextDecade's Rio Grande LNG, in Texas — increased its liquefaction fee as project costs rose, said Jason Feer, global head of business intelligence at LNG shipping and brokering firm Poten & Partners. "NextDecade went back to their offtakers and sought an adjustment of their contract levels, and our understanding is most of them agreed," Feer told Reuters. NextDecade did not reply to questions about its fees. Liquefaction fees have been reported as low as $2 to $2.25 per million Btu a year ago, more recently moving into the high $2 range.

Workers at Chevron’s Australia LNG plants set to strike Sept. 7

(BBC News; Aug. 29) - Workers at two large liquefied natural gas plants in Australia are set to go on strike Sept. 7 in a move that could drive up global prices. It follows weeks of negotiations with unions over pay and working conditions. Chevron, which operates the plants, said it would "continue to take steps to maintain safe and reliable operations in the event of disruption at our facilities.” Fears of strikes recently pushed up wholesale gas prices in Europe.

The Wheatstone and Gorgon LNG plants produce more than 5% of the world's LNG. About 500 workers are currently employed at the two plants in Western Australia. The industrial action will see workers down their tools for up to 11 hours a day, according to a strike plan seen by the BBC. The Offshore Alliance — which is a partnership of two unions representing energy workers, including those at Chevron — said it had been trying to reach an agreement with the company on "several key" issues including pay, job security, rosters and training standards.

Energy analyst Saul Kavonic said he expects the strike to have a limited impact on global prices. However, he warned that prices could surge if the industrial action was stepped up. "In the very unlikely event of a prolonged large-scale supply disruption, prices could head back toward crisis levels witnessed last year," he added. Last week, wholesale gas prices in Europe jumped on concerns of a supply disruption at Chevron and another Australian LNG plant, run by Woodside Energy. Woodside later reached an agreement in principle with unions representing workers at its North West Shelf plant.

China allows oil refiners to export more of their surplus

(S&P Global; Aug. 28) - China has issued new export quotas to enable oil companies to send their surplus barrels of refined products overseas, senior officials with two quota holders said on Aug. 28. “The new allocation is out … and we are arranging September exports. It looks (like there will be) no restriction on outflows for the rest of the year," an official with state-owned Sinopec said.

Sinopec Shanghai Petrochemical executives said last week the company plans to increase oil-product exports if the margin remains strong in the second half of the year, while maintaining its priority of meeting domestic demand. An official with another state-owned company also said Beijing has issued new oil product export quotas, but both of them declined to give details on the quota volume.

"It makes sense if the government relaxes the restriction on oil-product exports to support industrial activities, thus boosting the weaker-than-expected economy. This would also help to sustain crude imports," a Hong Kong-based analyst said. Beijing controls China's oil-product exports while prioritizing meeting domestic needs. The country exported 23.99 million tonnes, or 897,000 barrels per day, of gasoline, jet fuel and gasoil in the first seven months of the year, up 76.1% from a low base in the same period of 2022, according to data from the General Administration of Customs.

[Colorado property owners deal with abandoned oil wells]

(The Colorado Sun; Aug. 28) - On the edge of Longmont, Colorado, there is an alfalfa field destined to be filled with new homes. A school and the city recreation center and museum are close by. Houses flank one side of the parcel. But there is one problem — the oil bubbling up in the middle of the plot. The oil and its pungent odor come from an old well plugged and abandoned almost 27 years ago. The driller went bankrupt long ago, and the well was unknown to the property owner, Diamond G Concrete Co.

There are nearly 22,000 plugged and abandoned oil and gas wells across nine counties in Colorado's Front Range. "Some wells leak immediately, some are good for 50 or 60 years," said Anthony Ingraffea, a Cornell University engineering professor emeritus, who has studied well integrity. "All plugged wells face the risks of corrosion, degrading cement." He added, "They are all ticking time bombs."

The state Energy and Carbon Management Commission allows the public to refer orphan wells to the state's program for plugging and remediation. That option had never been exercised by anyone until Aug. 24, when Diamond G asked the commission to plug the well in its alfalfa field. The commission voted unanimously to add Diamond G's well to the 458 wells and 1,147 sites on the list. In September, Oakwood Homes, which has housing developments in six towns and cities, is slated to go before the commission to ask it to take over and plug an old well underneath a parcel it wants to develop.

[Norway receives bids from 25 firms for offshore exploration acreage]

(Reuters; Aug. 29) - Norway's annual offshore exploration licensing round in mature areas attracted bids from 25 oil and gas firms, including Shell, ConocoPhillips, Aker BP and Equinor, the country's energy ministry said on Aug. 29. In May, the ministry offered 92 new blocks to search for oil and gas in the Norwegian and the Barents seas in the so-called pre-defined areas exploration round.

"Without exploration and new discoveries, we will neither be able to maintain production of oil and gas over time nor further develop the petroleum sector and all jobs in the industry," Terje Aasland, the oil and energy minister, said in a statement. In recent years, Norway has used annual leasing rounds to expand exploration on the Norwegian Continental Shelf, especially in the Barents Sea, despite protest from environmentalists.

The latest offer added 78 new blocks in the western part of the Barents Sea and 14 blocks in northwestern part of the Norwegian Sea to the already existing area. The oil and energy ministry plans to announce the winners of new acreage in early 2024.

German fund plans $500 million investment in Indonesia hydrogen

(Reuters; Aug. 28) - Germany's Augustus Global Investment fund plans to invest $500 million in Indonesia's Aceh province to build a green hydrogen plant next year, its CEO Fadi Krikor said on Aug. 28. The planned facility would have an annual output capacity of 35,000 tonnes of green hydrogen produced using renewable energy, Krikor told reporters in Jakarta.

The company signed an initial deal with Indonesian state-owned fertilizer company PT Pupuk Indonesia, petrochemical maker PT Pupuk Iskandar Muda and state utility company PT Perusahaan Listrik Negara for power supply and a construction site for the planned investment. "We expect construction to start next year in 2024, we expect to start production by 2026," Krikor said, adding that the hydrogen produced from the project could be exported to Germany, Japan and other Southeast Asian countries.