Oil and Gas News Briefs
Compiled by Larry Persily
June 15, 2023

IEA forecasts global oil demand peaking before end of decade

(Wall Street Journal; June 14) - Rising demand for oil is set to slow to a trickle within five years and peak before the end of the decade, as the uptake in electric vehicles surges and developed nations rapidly transition to cleaner sources of energy, according to a prominent energy forecaster. The International Energy Agency, funded by some of the world's largest oil-consuming nations, expects demand for transport fuels such as gasoline will be the first to peak before starting a steady decline — hastened by a sharp uptick in EVs and a long-lasting shift to remote work spurred by the pandemic.

Rapidly growing Asian economies will continue to prop up the global appetite for oil in the coming years, and demand for jet fuel, naphtha and other oil products with industrial uses will continue to tick higher, the IEA said in a report released June 14. But even in China, which has long been the powerhouse of global oil demand, the appetite for crude will slow markedly before the end of the decade. India will surpass China as the main driver of oil growth as soon as 2027, the IEA said.

The forecast, which the IEA made in an annual report, isn't the first time the group has laid out a timeline predicting a zenith for oil. But it envisages a far more rapid shift away from fossil fuels than previously expected — a shift that has been sharply accelerated by the pandemic and the energy crisis that followed Russia's invasion of Ukraine. "The shift to a clean-energy economy is picking up pace, with a peak in global oil demand in sight before the end of this decade," said Fatih Birol, the IEA's executive director.

Some of the IEA's forecasts have missed the mark in the past. OPEC has also laid out longer-term forecasts that see oil demand peaking in wealthier nations this decade but remaining more robust in the rest of the world for longer.

Global economics run counter to Saudi efforts to boost oil prices

(Wall Street Journal; June 15) - Saudi Arabia's move to reduce crude output was designed to prop up global oil markets. The past week has shown how difficult that will be. Prices have fallen in four of the past five sessions and are now hovering near 2023 lows, with traders parsing better-than-expected oil production by sanctioned countries including Russia and Iran, and fears of an international industrial slowdown that could slow growth in fuel demand.

The eurozone slid into a recession last week, partly because of weakness in Germany's export juggernaut. China's postpandemic recovery has shown signs of losing steam. And in the U.S., where much of the economy has proven resilient, the Federal Reserve on June 14 signaled the potential for more rate increases later this year to curb inflation. On Wall Street, even the most bullish analysts have cut oil-price forecasts in response.

The pessimism helped drive Brent crude, the global price gauge, to $71.84 a barrel on June 12, its lowest in 18 months. Benchmark futures have since clawed back some of those losses, closing June 14 at $73.20. Meanwhile, Russia's seaborne crude exports were up 18% through June 11 compared with the same period in 2022, according to TankerTrackers.com, surging in the face of Western restrictions that many analysts expected to curb supplies. Some analysts expect prices to rebound in the second half as OPEC cuts take hold, inventories dwindle and growth in U.S. output slows.

China pushing to expand its efforts in offshore drilling

(Bloomberg; June 13) - A concrete expanse almost a square mile in size, jutting off China's southern coastline, is the imposing centerpiece in Beijing's efforts to slow its growing dependence on imported oil. More than 15,000 workers can be on site at one time at the facility at Zhuhai, near the gambling mecca of Macau. Run by a unit of China National Offshore Oil Corp., it's been churning out production platforms for deployment in China's offshore oil fields.

The deepwater drilling push comes as China's aging onshore wells and insatiable appetite for energy force it to become ever more reliant on foreign crude. The world's biggest oil importer gets more than 70% of its supply from overseas, compared with less than 10% at the turn of the millennium. With its sprawling industrial base and deepwater ambitions, CNOOC, one of China's three main state-owned oil firms, is on a spending spree to develop drilling technology now dominated by Western oil majors. But pushing into waters contested by China's neighbors has also put it in conflict with the U.S.

Washington blacklisted CNOOC in 2021, saying that it acted in concert with China's military to "bully" neighboring countries over its disputed claims over large parts of the South China Sea. The company denies the allegations. The Chinese oil major has developed the Bohai Sea between northern China and the Korean Peninsula into the country's largest oil field and is expanding the Liuhua and other fields in the eastern South China Sea. Offshore wells provided 60% of China's new oil production last year.

Saudi Aramco sees growing partnership with China

(S&P Global; June 11) - Saudi Arabia is eager to collaborate with China in developing natural gas, crude-to-chemicals and mining projects, within and outside the kingdom, Energy Minister Prince Abdulaziz bin Salman said June 11. "When it comes to oil demand in China, it is still growing, so of course we have to capture some of that demand," he told the Arab China Business Conference streamed live from Riyadh.

In April, Saudi Arabia was the top oil supplier to China, delivering 2.07 million barrels per day, down 5.3% year on year and down 1.8% from March on a barrels-per-day basis, data from China's General Administration of Customs showed May 20. Saudi Arabia has traditionally been China's top crude supplier, with most of China's refineries designed to crack Middle East crudes. But discounted Russian crude is taking market share.

Aramco is already boosting investments in China to guarantee long-term oil supply to the world's second-biggest oil consumer. Aramco will begin construction in 2023 of a 300,000 barrels-per-day refinery in northeast China, in which it has a 30% stake. The complex will be integrated with an ethylene cracker and a paraxylene unit, which are expected to be fully operational by 2026. In March, Aramco signed an agreement to buy a 10% stake in Rongsheng Petrochemical, which allows it access to the massive 800,000 barrels-per-day refinery owned by Zhejiang Petroleum and Chemical Co.

Chevron will invest more than $500 million in Argentine shale

(Reuters; June 10) - Chevron will invest more than $500 million to develop the Trapial block in western Neuquen province, home to the massive Vaca Muerta shale basin, Argentina's economy ministry announced on June 9. The announcement followed a meeting between Economy Minister Sergio Massa and company officials, according to a ministry statement. The new spending plan is scheduled to start up before July.

Last year, Neuquen officials granted Chevron a concession for shale production in the area, with what the company said at the time would be a pilot-stage investment of about $80 million. Trapial is a 109-square-mile block. The Vaca Muerta formation is the world's fourth-largest shale oil reserve and the second largest for shale gas. It represents a major source of both domestic energy and foreign exports for the South American country. Companies have been ramping up output from Vaca Muerta in recent months, which officials hope can eventually reverse the country's longstanding energy deficit.

TotalEnergies buys 17.5% stake in developer of Texas LNG project

(Reuters; June 14) – TotalEnergies will buy a 17.5% stake in U.S. liquefied natural gas developer NextDecade for $219 million, the French group said on June 14, part of a broader deal to enable the Texas company's Rio Grande LNG export project to proceed. NextDecade said it had entered into framework agreements with Global Infrastructure Partners and TotalEnergies to advance the final investment decision for Rio Grande LNG, expected to be confirmed by the end of June. Production would start in 2027.

"Our involvement in this project will add 5.4 million tons per year of LNG to our global portfolio, strengthening our ability to ensure Europe's security of gas supply, and to provide our Asian customers with an alternative fuel to coal," TotalEnergies CEO Patrick Pouyanne said. The French energy major is the world's third-largest LNG player, with a roughly 12% market share and global portfolio of about 50 million tons of LNG per year. It has said it aims to grow its LNG business 3% annually, and expects gas to account for half of all its energy sales by 2030. Its Rio Grande off-take contract is for 20 years.

The Rio Grande LNG export plant in south Texas has been in development for several years, suffering repeated delays after lead financier Societe Generale left the project in 2022 under pressure from climate and indigenous activists. NextDecade plans to build the terminal in two phases, totaling 27 million tonnes of annual production capacity. The aggregate cost of engineering, procurement and construction for the first phase (16 million tonnes) is estimated at $11.5 billion. The company has deals to supply LNG to Japan's Itochu, Shell and ExxonMobil, France's Engie and China's ENN.

FERC rejects rehearing on LNG project over climate change issues

(S&P Global; June 12) - The majority at the Federal Energy Regulatory Commission resisted arguments that it should have weighed the significance of an LNG project's climate impacts, drawing a sharply worded dissent from Democratic Commissioner Allison Clements. FERC on June 9 upheld its earlier approval of the Commonwealth LNG facility in Cameron Parish, Louisiana, denying objections from a coalition of environmental groups including Sierra Club and Natural Resources Defense Council.

Among a long list of legal defects alleged by the environmentalists, the groups asserted that FERC's failure to make a significance determination for the project's foreseen operational and construction-related greenhouse gas impacts violates the National Environmental Policy Act and "poisons" FERC public interest balancing under the Natural Gas Act. Environmentalists long have sought to prod FERC to consider climate impacts when it determines whether to approve gas projects, but the commission has struggled to solidify its position or finalize a long-pending draft policy.

In the rehearing order, the FERC majority defended its balancing of interests in the November 2022 Commonwealth LNG order. Clements contended that FERC's position was "incomprehensible.” It was unclear whether climate factored into the determination at all and whether encouraging plentiful supplies of gas was the primary consideration, she said. Clements said she "cannot countenance the majority's refusal" to seriously consider how FERC should assess significance of greenhouse gas emissions. The case will likely be hashed out in court, as the opponents already have filed petitions.

U.S. natural gas industry should fix its methane leaks

(Bloomberg opinion column; June 10) - A new index released this week indicates that fugitive methane emissions — natural gas leaking from production and pipes — in the U.S. are roughly double the government's estimates. Methane is a far more potent greenhouse gas than carbon dioxide. A number of new tools, using technologies like drones or satellite imaging, have appeared in recent years to more accurately measure emissions. In addition, the Inflation Reduction Act passed last year contains a provision to impose a fee on fugitive methane, with implementation details due soon.

One of the more curious spectacles of the past decade has been the resistance displayed by the natural gas industry to punitive measures against methane emissions. Consider what we are talking about here. The natural gas business is, as the name suggests, in the business of delivering natural gas. Methane leaks are, essentially, the act of letting your product fall off the back of the truck or slip down the drain. Except, in this case, the lost product doesn't just cost the provider but also the rest of society.

The cost of mitigating methane leaks is relatively modest; almost half the oil and gas industry's fugitive emissions could be abated at zero net cost, the International Energy Agency estimates. So, yes, no industry likes punitive measures. But the gas industry might be better served addressing why things got to this point in the first place — and taking relatively easy steps to fix at least part of the problem. Instead, bodies like the American Gas Association have released dubious research claiming a methane fee on delinquent providers that don't stop leaks would cause natural gas bills to soar.

Weaker demand, growth in renewables keep Europe's gas prices low

(Bloomberg; June 12) - Whether it's chemicals or steelmakers, natural gas demand from Europe's power-hungry industrial heartland was slammed hard by the energy crisis that unfolded after Russia's attack on Ukraine. The largest consumers of the fuel still appear reluctant to run their businesses at full steam after the record surge in electricity and gas prices prompted them to cut production last winter. The sustained demand shortfall is one of the main reasons European gas prices have collapsed 60% this year alone.

Unless something fundamental changes in the short-term — perhaps record-high storage levels unexpectedly dropping due to extreme hot weather and a later increase in demand for cooling — prices are set to remain low. Data from S&P Global Commodity Insights illustrates the issue: Demand for gas across Germany, Italy, the Netherlands, France, Spain and the U.K. fell 9.7% in May from a year earlier. While that's the smallest decline of any month this year, last May the war in Ukraine was three months old and the European Union was trying to save gas ahead of the winter.

With the EU's economy laboring under higher interest rates and a global slowdown in manufacturing, there are fears that some demand for gas might actually be gone for good. That idea is given credence by the acceleration in renewable power. In May, solar panels generated more electricity than all of the bloc’s coal plants for the first time — and that’s before summer sun boosts production even further.

Pakistan receives first shipment of Russian crude

(Al Jazeera; June 12) - Pakistan has received its first shipment of Russian crude oil under an agreement signed between the two countries in April, but experts believe it is too soon to say if the deal will provide significant benefit to domestic consumers. The cargo carrying about 330,000 barrels of crude oil arrived at the southern city of Karachi on June 11, while another 365,000 barrels is expected to arrive later this week, according to the Pakistan Refinery Ltd., where the crude oil will be processed.

Prime Minister Shehbaz Sharif called the arrival of the Russian crude a “transformative day” for the crisis-ridden country. “This is the first-ever Russian oil cargo to Pakistan and the beginning of a new relationship between Pakistan and [the] Russian Federation,” he tweeted. Russia has been slapped with sanctions from the Western powers after it invaded Ukraine last year, cutting its oil and gas exports to the European Union and the United States. The Pakistan deal gives Moscow a new oil market after India and China.

Musadik Malik, Pakistan’s junior minister for petroleum, told a news channel on June 12 that petrol prices in the country will fall once the supply from Russia starts on a regular basis. Russia has been selling its crude at steep discounts to attract buyers. “If we start getting one-third of our crude oil from Russia, then there will be a big difference in prices and its effect will reach people’s pockets,” Malik said. Pakistan is reeling under a severe economic crisis, resulting in a shortage of foreign currency to pay for fuel imports.

Russia sends oil to North Korea for first time since 2020

(Bloomberg; June 13) - Russia has resumed sending oil to sanctions-hit North Korea for the first time since 2020, deepening cooperation between the two nations that the U.S. claims also includes sending arms from Pyongyang to help the Kremlin’s war in Ukraine. A report released this week from a United Nations sanctions committee said Russia began sending refined petroleum products to North Korea in December 2022, which has continued into 2023. The shipments had been halted in about October 2020, the data showed. Russia has sent about 67,000 barrels of oil since it restarted the flow.

The resumption of oil shipments comes as cooperation between the long-time partners has picked up in recent months, raising concerns that both nations may be evading sanctions in a partnership that helps North Korea’s beleaguered economy and funnels arms to Russian President Vladimir Putin for his war on Ukraine. Russia and North Korea appeared to have resumed trade over their sole rail link late last year, according to satellite images. The link had been closed in February 2020 when Kim Jong Un sealed his borders against the emerging COVID-19 threat.

Any weapons sales would mark a reversal in roles between the neighbors, since North Korea for decades relied on weapons from its former benefactor, the Soviet Union.

North Dakota tribe buys pipeline that will carry reservation oil

(Bismarck Tribune; North Dakota; June 10) - The Mandan, Hidatsa and Arikara Nation says a deal it has reached with a major pipeline company will advance its energy development goals. Thunder Butte Petroleum, a subsidiary of the MHA Nation, signed an agreement June 9 to acquire an unused pipeline segment from Enbridge. The Plaza/Wabek pipeline will connect the tribe's oil facilities on the Fort Berthold Reservation in North Dakota to Enbridge's system that covers the U.S. and Canada.

Tribal Chairman Mark Fox said the purchase will have a dramatic effect on the MHA Nation. "This is a major step in enhancing our ability to get our trust assets of oil and gas out to market," he said. The 31-mile Plaza/Wabek pipeline had been inactive, Fox said. It is the closest pipeline to Thunder Butte Petroleum's transloading and oil storage facility. New infrastructure is soon to be built to connect Thunder Butte, the Plaza/Wabek pipeline and the Enbridge system, according to Fox.

"We're going to spin that off into agriculture, into hydrogen development, and all these other things that we can do with water and sun," Fox said at the press conference. Mike Koby, vice president of U.S. liquids pipelines operations for Enbridge, said the MHA Nation will be the first tribal shipper on an Enbridge pipeline. The Fort Berthold Reservation has more than 2,640 active wells that produced an average of 144,190 barrels of oil per day in February. State regulators estimate the reservation has the potential for 3,911 additional wells. The pipeline can move 15,000 barrels a day.

U.S. continues with slow refilling of Strategic Petroleum Reserve

(Bloomberg; June 13) - The U.S. plans to purchase about 12 million barrels of oil this year as it begins to refill its depleted emergency reserve amid falling crude prices, according to two people familiar with the matter. The figure includes 3 million barrels already scheduled for delivery in August and an additional 3 million barrels from a solicitation the Biden administration issued on June 9, according to the people.

The more than 700 million-barrel-capacity Strategic Petroleum Reserve is at a 40-year-low following a historic 180-million-barrel drawdown last year in response to Russia's invasion of Ukraine. Oil traders have been closely watching while the government begins refilling the emergency stockpile, as its purchases are bound to tighten the market. The sour crude grades sought by the Energy Department are in high demand as a result of OPEC+ cutting its output.

Any additional pull on domestic barrels could send oil prices higher, potentially raising gasoline prices in the middle of the summer driving season and possibly dissuading the Biden administration from replenishing the reserve in larger quantities. “The DOE seems to be looking to replenish the reserve in a series of small nibbles rather than big bites, perhaps to minimize upside pressure on crude in the summer driving season (and the presidential election season),” Washington-based consulting firm ClearView Energy Partners wrote in a note to clients on June 9.

France pushes back on EU Green Deal to buy more time for nuclear

(Bloomberg; June 14) - European Union member states further delayed a decision on scaling-up renewable energy after a proposal to allay French concerns over its nuclear industry was criticized by nations led by Germany. At a meeting of EU government officials on June 14, Sweden floated amending part of a framework deal reached earlier this year with the European Parliament. That would address French demands that nuclear power have a greater prominence in the green shift, but it triggered skepticism from a majority of countries, according to EU diplomats with knowledge of the talks.

The parliament’s lead negotiator said that while member states haven’t made a final decision on how to change the draft law, the assembly was “fundamentally opposed” to additions to the text and reopening talks on the law. To take effect, the renewable energy overhaul needs support from the EU parliament and member states.

Lawmakers driving the renewable energy reform fear changes to placate France would create a bad precedent, according to the diplomats. The spat highlights how a key piece of the EU’s Green Deal — a sweeping strategy for Europe to reach climate neutrality by 2050 — risks getting sidetracked by national politics. Germany — which shut down its last nuclear plants in April — repeated June 14 that it prefers approving the law as it is. But France has been pushing to change the deal over concerns of the cost and time needed to upgrade its gas-powered ammonia plants so that they use green hydrogen.

Australia tourism business looks forward to reclaiming old oil field

(Australian Broadcasting Corp.; June 12) - On a small island in Western Australia's northern waters, work has started to turn an oil field into a must-visit holiday destination. Chevron has spent nearly a decade dismantling its operations on Thevenard Island, a tiny outpost off the Pilbara coast, and the local tourism industry is eager to capitalize. Attention has turned to rehabilitating the island's terrain and plant life, with Chevron required to return its site to a condition similar to Thevenard's nature reserve.

Drew Norrish is CEO of Mackerel Islands, a tourism firm that brings fishing enthusiasts and ocean lovers to islands such as Thevenard. The company's cluster of cabins was a long-term neighbor to Chevron, and Norrish said selling eco-tourism next to an oil field had been a difficult task. "It has been a limiting factor," he said. "The big word that comes out is the 'potential' of the place, once the oil facility is gone, then the potential is realized." Norrish said the business is looking forward to the legacy of the oil operations fading away, allowing his business to expand and further promote the island destination.

The first oil flowed from Thevenard Island in 1989, with about 156 million barrels before production ceased under Chevron in 2014. Reports from 2015 stated decommissioning of the onshore and offshore infrastructure would be completed by 2017; on-island work finished in 2021. Planning is still underway for offshore works. Chevron would not say how much it will cost but said it is paid for by the company and its partners. The state government confirmed no taxpayer money was spent on decommissioning or rehab.