Oil and Gas News Briefs
Compiled by Larry Persily
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Oil and gas companies bidding for Gulf Coast carbon storage sites

(Wall Street Journal; June 19) - When brokers representing oil and gas producer Occidental Petroleum came to a rural district east of Houston last year, Dennis Dugat thought they were pulling his leg. Occidental was offering a lot of money to lease not the property or minerals, but the porous rock deep under his 750-acre farm and that of his neighbors. The company proposed to store carbon dioxide there, a procedure the 69-year-old rancher and constable says he had never heard of.

Then energy giant Chevron came by and offered even more money to lease the land, making Dugat a believer and kicking off a bidding war as the companies wooed local landowners, he says. Dugat ended up leasing to Chevron; some of his neighbors went with Occidental. ConocoPhillips and ExxonMobil are also on the prowl nearby, Dugat says he has heard. “I don’t quite understand all of what they’re doing. … Apparently it’s something that a lot of the oil and gas people are interested in.”

That something is carbon sequestration, the process of taking carbon dioxide — the greenhouse gas associated with the bulk of the world’s warming emissions — and removing it from circulation by compressing it and injecting it deep underground. Critics say that as a tool for reducing emissions, carbon sequestration is a Band-Aid measure that lets companies avoid tough steps to decarbonize. Many supporters have said carbon sequestration is too costly to make business sense.

But fossil fuel companies have been some of the most active in exploring the technology, partly because injecting carbon into fading oil fields has for decades been an established way to boost output. Now, spurred by huge U.S. subsidies passed last year for capturing and storing carbon dioxide, some of the world’s leading energy companies and a scattering of start-ups are quietly engaged in a subsurface land grab.

Oklahoma hopes to sell carbon credits for plugging abandoned wells

(The Oklahoman; June 20) - Oklahoma may have found a clever way to get paid for cleaning up orphaned oil wells. A new program in the planning stages would measure methane leaks from abandoned wells that have no clear owner. Then as the state plugs those wells, it would sell carbon credits to polluters and environmentally conscious companies based on the amount of methane blocked from entering the atmosphere.

More than 17,000 orphaned wells have been discovered in Oklahoma — remnants of past oil and gas booms. Their owners are gone or long forgotten. If an abandoned well's owner cannot be found, it's considered orphaned and it becomes a state responsibility to plug and clean it up. Regulators in Oklahoma have been working on plugging these old wells with state funds and surety bonds paid by current oil and gas operators. So far this year, about $7 million in state funds has been spent plugging 361 wells.

More recently, last year's federal Inflation Reduction Act contributed $25 million to help clean up 1,000 sites in Oklahoma. Now, the new carbon credit program will give the state another revenue source. Under the law, Oklahoma can register and sell carbon credits it receives from plugging wells to others needing to reduce their own emissions. It's expected the sale of those credits will turn enough of a profit to fund additional plugging. By purchasing carbon credits, companies can reduce, at least on paper, the net amount of greenhouse gas they are putting into the atmosphere.

Despite oil's pullback from renewables, investments continue flowing

(Bloomberg; June 19) - Big Oil won't be missed by its renewable power competitors. Shell's pivot away from wind farms and solar parks to the oil and gas that droveits record profits is the latest example of the world's biggest energy companies spurning a crucial tool for cutting global carbon dioxide emissions. BP previously softened its target for cutting fossil fuel production.

The pullbacks may be a worrying sign for investors and policymakers seeking a quicker energy transition, but they have the effect of widening the lanes for renewables firms in the game. "Oil companies pulling back from renewables isn't great for climate change, but it's good for the existing competitors," said Deepa Venkateswaran, an analyst at Sanford C. Bernstein & Co. "If they had decided to subsidize renewables with oil and gas profits, and they were willing to accept lower returns, that wouldn't have been good for utilities" with renewable energy business interests, Venkateswaran said.

The shift may be most notable in the offshore wind sector, where oil companies used their financial heft to win government auctions at record-setting prices. Still, there's no sign the low-carbon transition is slowing. This year, clean energy is set to attract a record $1.7 trillion of investment — about two-thirds more than the global investment in fossil fuels, according to the International Energy Agency. That marks the eighth year in a row green energy attracted more cash. Investment in solar power alone will surpass the amount of money going into oil production for the first time, the IEA expects.

Australian company proceeds with $7.2 billion Gulf of Mexico project

(Bloomberg; June 20) - Woodside Energy gave the go-ahead for a $7.2 billion oil field off Mexico, the Australian producer's first major fossil fuel investment since acquiring BHP's petroleum business last year. The Trion field, a joint venture with state-owned oil company Petroleos Mexicanos, will be Mexico's first offshore deepwater oil project, according to Woodside. It has estimated resources of 479 million barrels of oil equivalent, and first production is expected in 2028, the company said June 20.

Woodside, Australia's biggest oil and gas producer, has come under intense pressure from activists and shareholders for its fossil fuel expansion plans, but has said new projects are necessary and can be consistent with global emission reduction goals. The company in February said it would review potential acquisitions in the Gulf of Mexico after reporting its highest-ever profit thanks to surging prices and the integration of BHP's former energy unit.

"We have considered a range of oil-demand forecasts and believe Trion can help satisfy the world's energy requirements," CEO Meg O'Neill said, adding two-thirds of the Trion resource would be produced "within the first 10 years after start-up." Woodside inherited a 60% stake in Trion from BHP and will invest $4.8 billion in the project, subject to clearance from Mexico's Pemex and regulatory approval expected in the fourth quarter. The floating production unit will have capacity to produce 100,000 barrels of oil a day.

World's poorer nations struggle to secure fuel supplies

(Bloomberg; June 21) - Crippling energy shortages are easing across Europe, yet the world's poorest countries aren't so lucky. Many developing nations are still finding it difficult to secure fuels. Pakistan this week failed in its first attempt in a year to purchase liquefied natural gas from the spot market as sellers were scared off by the nation's credit risk. Bangladesh was again forced to shut its massive coal power plant in late May after the nation wasn't able to obtain a letter of credit for fuel imports. Thailand and India are cutting back gas purchases following a recent uptick in prices.

The issue is that overseas fuel is still more expensive than normal and will remain so for some time as a side effect of Russia's war in Ukraine. Asian LNG prices have dropped more than 80% from a record in 2022 but are still 40% higher than the 10-year average through 2021. That's a problem both for cash-strapped buyers, who struggle to prove creditworthiness to international banks, and for importers unable to pay high prices. The ongoing fuel shortages threaten more blackouts, power curtailments and higher inflation in economies still reeling from last year's energy crunch.

Emerging nations are forging alliances with energy-rich governments that are more comfortable taking on the financial risks in exchange for decades-long contracts. Qatar signed a 15-year LNG deal with Bangladesh on lenient terms, including lower prices and flexible payment deadlines. But it won't start until 2026. Pakistan struck a deal with Azerbaijan's state-owned LNG producer for shipments below market prices, without revealing a start date. One consequence could be a return to long-term contracts, reducing trade in the spot market where oil majors and trading houses profit the most.

Without letters of credit, Pakistan unable to buy LNG on spot market

(Bloomberg; June 20) - Pakistan failed in its first attempt in about a year to buy liquefied natural gas from the spot market, with no suppliers of the power-station fuel offering cargoes. Several overseas banks weren't accepting letters of credit — a pledge by a lender to repay funds if the buyer can't — from Pakistani counterparts to purchase LNG shipments, making suppliers reluctant to offer cargoes, Bloomberg reported last week.

No companies responded to Pakistan LNG's tender to purchase six shipments for October-to-December delivery, which closed on June 20, said traders with knowledge of the matter who didn't want to be named. The South Asian nation is struggling with a weakening currency, political turmoil and an increasing risk of a sovereign default.

The International Monetary Fund recently criticized the government's budget as insufficient to meet the goals of its bailout program, a sign that a deadline this month to unlock aid will not be met. Pakistan's inability to buy gas will aggravate energy shortages in the country, increasing the frequency of blackouts and curbing the supply of fuel to industrial consumers. Several similar tenders by Pakistan last year also failed to gain offers from suppliers.

Qatar signs up second Chinese buyer for LNG expansion project

(Reuters; June 20) - Qatar on June 20 signed its second large gas supply deal with a Chinese state-controlled company in less than a year, putting Asia clearly ahead in the race to secure gas supplies from Doha's massive production expansion project. China National Petroleum Corp. and QatarEnergy signed a 27-year agreement, under which China will purchase 4 million tonnes of liquefied natural gas a year from the Gulf state.

CNPC will also take an equity stake in the eastern expansion of Qatar's North Field LNG project, QatarEnergy chief Saad al-Kaabi said at the signing. The stake is the equivalent of 5% of one LNG train with capacity of 8 million tonnes a year. "Today we are signing two agreements that will further enhance our strong relations with one of the most important gas markets in the world and key market for Qatari energy products," Kaabi said. The deal is one of the industry's longest-ever supply pacts.

In an identical deal, QatarEnergy sealed a 27-year supply agreement with China's Sinopec in November for 4 million tonnes a year. The state-owned Chinese gas giant also took an equity stake equivalent to 5% of one LNG train. Asia, with an appetite for long-term purchase agreements, has outpaced Europe in locking in supply from Qatar's two-phase, $50 billion expansion plan that will raise its liquefaction capacity to 126 million tonnes a year by 2027 from 77 million.

Norway’s Equinor signs 15-year deal to take U.S. LNG from Cheniere

(Reuters; June 21) - Cheniere Energy has entered into a long-term agreement with Norway's Equinor to supply 1.75 million tonnes of liquefied natural gas per year, it said on June 21. The United States has emerged as the world's largest LNG exporter after Western sanctions on major gas supplier Russia left Europe scrambling to find alternate sources of the fuel. Houston-based Cheniere said the supply agreement will help support the proposed expansion of its Sabine Pass LNG export terminal in Louisiana.

Delivery of half of the contract volume would begin in 2027, and the other half is expected by the end of this decade on reaching a positive final investment decision for the Sabine Pass project, Cheniere said. The supply agreement is for 15 years, starting from the first delivery of total contract volume. The firms had signed their first supply deal last year, and the new agreement doubles the volume of LNG that Equinor will export out of Cheniere's LNG terminals on the U.S. Gulf Coast, the Norwegian firm said.

Japan’s Mitsui says it has no plans to leave Russian LNG project

(Reuters; June 21) - Japanese trading house Mitsui has no plans to withdraw from the Sakhalin-2 liquefied natural gas project in Russia, a senior executive said on June 21, adding that the operation was continuing fuel exports to Japan. "We have decided last year to keep our stake in the Sakhalin-2 after consulting with the Japanese government as the project supplies about 9% of Japan's LNG imports," Toru Matsui, Mitsui's senior executive managing officer, told an annual general meeting.

"We have no plan to exit the project at the moment," he said, while adding that Mitsui would make an appropriate change if and when the situation changed because of the Japanese company's policy of complying with any government sanctions. Asked by a shareholder whether Mitsui was under pressure or had received unreasonable requests from the Russian government, Matsui said the project was experiencing no issues with operations and was continuing to export LNG to Japan.

Mitsui and its peer Mitsubishi retained their 22.5% combined stakes in Sakhalin-2 after the Kremlin ordered the establishment of a new locally based operating company in retaliation for Western sanctions imposed on Moscow after it sent troops to Ukraine last year. Their former partner, Shell, quit Sakhalin-2 as one of the many Western firms that pulled out of Russia after Moscow's invasion of Ukraine. Russia's Gazprom holds a 50%-plus-one-share stake in the operation.

Russia’s Novatek seeks export authorization for next LNG project

(Reuters; June 20) - The head of Russia's largest liquefied natural gas producer Novatek said the company is pushing for changes to the country’s gas export law so that its future Murmansk LNG plant will be able to sell abroad, TASS news agency reported on June 20. Novatek announced plans earlier this month to build the Murmansk plant, its third, which will have an annual capacity of 20.4 million tonnes per year. The first production line at the plant could start operations in 2027.

The plant will help Russia reach its goal of gaining a 20% share of the global LNG market by 2035 and expanding its annual LNG output to at least 120 million tonnes from around 32.5 million now. While Novatek's 6-year-old plant, Yamal LNG, is one of a limited number of entities that have the right to export Russian gas, Murmansk LNG does not. The company is building a second liquefaction terminal, Arctic LNG-2, which holds export authorization and is scheduled to start production late this year.

"The export law needs to be amended so that Murmansk LNG can get the right to export," Leonid Mikhelson was quoted as saying, adding that the company has set up a working group in parliament in order to address the issue.

Australia LNG developers should have joined together, analysts say

(Australian Broadcasting Corp.; June 18) - The stretch of sea between Australia and Indonesia is a corridor for some of the biggest storms that lash the face of the Earth. In the north, running parallel with the vast Indonesian archipelago, lies a tectonic fault line that is one of the most active in the world. Besides these natural phenomena, the area is also home to some treacherous corporate eddies not readily visible from the surface.

One such undertow can be found about 280 miles offshore Broome, Australia, where two big oil and gas players are entwined in a rivalry pitting them against each other. It's a high-stakes game, with huge amounts of hydrocarbons, billions of dollars and reputations on the line. Saul Kavonic, an oil and gas analyst with Credit Suisse, says the cause of tension is easy enough to identify. He says both companies are tapping the same resource. "Essentially, they're sucking from the same milkshake," Kavonic says.

The companies are Japan’s state-owned INPEX and Shell. They are operating distinct projects that happen to be side-by-side. For INPEX, it’s the $US45 billion Ichthys gas project; for Shell, the $US17 billion Prelude floating liquefied natural gas venture. It goes back to Australia's golden age of gas — a time when about $US200 billion was splurged on LNG projects. Martin Wilkes, of Perth-based industry adviser RISC, says many of companies may have been better off combining their projects with others nearby.

Kavonic says Shell and INPEX should have known from their geologists that Prelude and Ichthys are interconnected fields. As such, it would have made overwhelming financial sense for the companies to combine — or unitize — their projects to lower development costs and maximize returns. But he says both companies were so intent on doing things their own way that such logic went out the window.

LNG project transforming Kitimat, B.C., as completion nears

(CBC News; Canada; June 19) - It's been more than a decade since the global oil and gas industry began planning to send millions of tonnes of natural gas a year across the Rocky Mountains to British Columbia's western coast and on to Asia. Now, despite fierce opposition from some environmental experts and First Nations people along its 416-mile route, the controversial Coastal GasLink pipeline is almost complete.

The project's economic and environmental impacts are beginning to materialize in Kitimat, B.C., the port community that will host the project's export terminal. Less than 10 miles away sits Kitamaat Village, of the Haisla First Nation. The controversial gas pipeline, supported by the elected governments of all the First Nations along its route — but opposed by many community members and environmental groups — is scheduled to be completed later this year. The LNG Canada plant is expected to start production around 2025. In Kitimat, a new fire station, health clinic and youth center sit alongside apartments whose rents have skyrocketed, proof that LNG is transforming the region.

Among the most important changes in Kitimat is the collaboration with the Haisla First Nation, upon whose traditional, ancestral and unceded lands the factory and camps have been built. Former Chief Ellis Ross, who now represents the region in B.C.'s legislature, said he opposed the project at first. But with a Nation still living the social, economic and cultural devastation of ongoing colonization, Ross saw an opportunity for the multibillion-dollar project to change things, if the community got on board.

Floating LNG storage underway from South Korea shipyard to Russia

(The Barents Observer; Norway; June 19) - The floating storage unit for liquefied natural gas, built by the Daewoo Shipping & Marine Engineering in South Korea, this week sailed into the Norwegian Sea en route to its destination in Ura Guba, the Russian fjord located to the west of Murmansk City. The unit is 1,312 feet long and 197 feet wide, and is expected to reach Russian waters and the Ura Bay in the course of next week.

The Saam floating storage unit is built for Russian gas producer Novatek and will significantly facilitate the company’s export of LNG. Ice-class tankers will shuttle from the company’s production plants in the Arctic Yamal and Gydan peninsulas and unload the LNG to the FSU, whereupon conventional carriers will pick up the gas and bring it to buyers across the globe. Until now, the expensive ice-class carriers have mostly shipped the LNG all the way to markets themselves, consuming a lot of time.

The logistical scheme will enable Novatek to use its existing fleet of 15 ice-class tankers for both the Yamal LNG and the Arctic LNG-2 project, which is due to launch production in early 2024 and includes construction of a separate fleet of carriers. However, construction of the Arctic LNG-2 fleet is significantly delayed by Western sanctions. The first tanker will not be delivered until 2024, at the earliest. Similar delays will apply to all vessels. An FSU similar to the Saam is under construction and is to be deployed later this year in the far eastern peninsula of Kamchatka for a similar transshipment plan.

Russia wants OPEC+ to monitor oil exports, not just production

(Bloomberg; June 17) - OPEC and its allies need to monitor not only production of the organization’s member countries but also their exports, according to Igor Sechin, head of Russian oil giant Rosneft. Some nations in the Organization of the Petroleum Exporting Countries send as much as 90% of their output abroad, said Sechin, a key ally of President Vladimir Putin and formerly a critic of Russia’s cooperation with OPEC.

For Russia, the share of crude exports of production is just 50%, Sechin said at a panel session of the St. Petersburg International Economic Forum on June 17. This “puts our country at a disadvantage, given the current monitoring mechanism” in OPEC+, he said. “It seems appropriate to consider monitoring not only the production quotas, but also the oil exports, taking into account different sizes of domestic markets.”

Sechin’s call comes as Russian-oil watchers remain doubtful of Moscow’s commitment to voluntary production cuts. Russia was the first OPEC+ nation to announce output cuts earlier this year, aiming to bolster demand for its oil amid Western sanctions. Moscow pledged to cut its output by 500,000 barrels a day and maintain that level through 2024. However, the Russian government has made the nation’s oil production data classified, making it difficult to assess the progress of the cuts. Meanwhile, Russia continues to export growing volumes of its oil to China and India, though at a discount.

China filling stockpiles with discounted oil

(Reuters columnist; June 19) - China added to its crude oil stockpiles at the fastest rate in nearly three years in May, as imports outweighed near-record refinery processing. A total of 1.77 million barrels per day was added to inventories in May, the most since July 2020. When assessing the state of China's oil market, it's common to focus on the level of imports and refinery throughput, and both have been strong in recent months.

This has stoked the bullish narrative that China's reopening from its now-abandoned zero-COVID policy will boost fuel consumption and make the world's largest oil importer the major driver of global crude demand this year. But the question the market tends to pay less attention to is the third leg to China's oil picture, namely flows into commercial or strategic storage. It's possible that the large flows into inventories are a more medium to long-term bearish indicator, as stockpiles give Chinese refiners options should they deem prices are rising too high or too fast.

The question for the market is what Chinese refiners choose to do in the coming months, and the answer will likely depend on what happens to crude prices, with movements in the physical market more important than those in paper trade. It's also worth noting that the prices China pays for imports from Russia, Iran and Venezuela are largely disconnected from the rest of the global crude market, given these producers are selling at discounts because all are under Western sanctions of some form or another.

Argentina starts filling new gas pipeline

(Bloomberg; June 20) - Argentina started filling its new gas pipeline on June 20, marking a big infrastructure feat and political victory that stands to save the country billions from energy imports amid a severe dollar shortage. Government officials and corporate leaders celebrated the pipeline's filling, which will take about 20 days to complete. The pipeline stretches 356 miles from the remote Patagonia region to Argentina's cities and industry centers in the east. It was developed by state-owned Energia Argentina.

Economy Minister Sergio Massa, who oversaw the project's final months and is seen as a potential presidential candidate in this year's election, hailed the opening as a major savings opportunity. His ministry projects the pipeline will save Argentina $1.7 billion from gas imports this year and $4 billion next year. It also marks an accomplishment for Massa and other Peronist politicians facing a tough reelection bid this year against the backdrop of Argentina's economic crisis. Annual inflation is now over 114%.

The Netherlands will help South Africa with renewable energies

(Bloomberg; June 20) - State-backed firms from the Netherlands will help create a $1 billion green hydrogen fund for investment in South African projects as part of Dutch and Danish investments in renewable energy announced at an event in Pretoria attended by the leaders of the three countries. No breakdown of the investment was provided.

The fund, a first for South Africa, will include the participation of the Development Bank of South Africa and the Industrial Development Corp. of South Africa, which are both state finance institutions. The Netherlands' Climate Fund Managers and Invest International will be involved, as will South African insurer Sanlam and other "strategic investors," the Development Bank said in a statement.

South Africa's abundant wind and solar resources and industrial capacity have positioned it to potentially become a key producer of the green fuel, which is expected to ultimately replace natural gas. The DBSA said the money will be raised in South Africa or through “other channels.” The planned fund comes as South Africa prepares to implement an $8.5 billion climate finance pact with some of the world’s richest countries as it seeks to transition away from using coal.