Oil and Gas News Briefs
Compiled by Larry Persily
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Natural gas investment shows no sign of slowing down

(Bloomberg; June 24) - The biggest fossil fuel players are making it clear: The transition to a green future will require much more natural gas. The world's top producers plan to accelerate investments in the fuel. China keeps signing deals to buy liquefied natural gas past 2050, with European importers not far behind. The U.S. is forging ahead with new projects that will make it the world's top LNG exporter for the foreseeable future.

This momentum marks a turning point. The "cleanest" fossil fuel was seen as a short-term bridge to greener energy sources, and environmentalists have sought to phase it out amid worries that gas is far dirtier than advertised. Now, the idea that gas demand will peak anytime soon is disappearing. "LNG sellers look around this market and feel pretty confident that gas demand will be with us for decades," said Ben Cahill, a senior fellow with the Center for Strategic and International Studies, a Washington think tank.

Russia's invasion of Ukraine, and the subsequent energy crisis and record-breaking price surge, has changed the long-term prospects for gas. Europe is rushing to replace Russian fuel, while emerging nations are signing long-term deals to avoid future shortages. China signed a 27-year agreement with Qatar on June 20 to safeguard its energy security, and a German importer on June 22 inked a landmark deal to buy U.S. LNG through 2046 — even though Germany aims to be carbon neutral in 2045.

Doubling down on gas makes sense for shareholders, said Saul Kavonic, a Sydney-based energy analyst at Credit Suisse. The fuel has been profitable over the past few years as the pursuit of green energy targets has been more of a struggle, he said. Still, there is a debate over how much gas and investment will be needed, with demand likely to hinge on how successful nations are in reducing emissions.

U.S. LNG expansion continues at record pace

(Reuters; June 23) - U.S. liquefied natural gas developers are on track to approve three export projects in the first half of the year, capable of processing 5.1 billion cubic feet per day of gas, about 38 million tonnes of LNG for a full year, a record volume for new projects in any year. The U.S. became the world's largest producer by capacity in 2022, driven by a boom in construction and a decade of surging shale gas output. U.S. LNG exports are poised to reach 12.1 bcf per day this year, about 12% of U.S. gas output.

The latest approvals come from a backlog of projects pursuing financial support and customers under long-term contracts. Analysts say demand for the fuel will keep the flow of approvals coming. Developers this year have already approved construction of two projects: the second phase of Venture Global LNG's Plaquemines in Louisiana, at an additional 1.2 bcf a day; and Sempra's Port Arthur LNG in Texas, at 1.8 bcf a day.

NextDecade said it expects to greenlight the first phase of its Rio Grande LNG project in Brownsville, Texas, by month's end. A final investment decision would allow the company to start major construction after signing construction and financing agreements. There are seven operating LNG projects in the country, plus four more under construction. As those four enter service from 2024-2028, U.S. LNG export capacity will rise to 15.3 bcf per day next year and then to 22.3 bcf in 2028.

U.S. developer strikes another deal to sell LNG to Germany

(Reuters; June 22) - U.S. liquefied natural gas developer Venture Global LNG on June 22 said it had signed a 20-year deal to provide Germany's Securing Energy for Europe (SEFE) with 2.25 million tonnes per year of the fuel. With this deal, Venture Global would become Germany's largest LNG supplier, with a combined 4.25 million tonnes per year, the company said.

The contract will deliver supplies from Venture Global's LNG Calcasieu Pass 2 (CP2) project. Approximately half of the project's nameplate capacity of 20 million tonnes per year has been sold, with a third of the contracted capacity committed to German customers, Venture Global LNG noted. Construction of the CP2 project in Cameron Parish, Louisiana, is expected to begin later this year. The company's first project, Calcasieu Pass LNG, is sending out cargoes, and its second venture in Louisiana, Plaquemines LNG, is under construction, with start-up expected in 2024 or 2025.

Energy transition investments still abound, even without oil majors

(Bloomberg columnist ; June 25) - The world's five biggest publicly listed oil and gas companies posted just under $200 billion in total profits last year. Faced with three strategic possibilities for how to use their cash piles — extract oil and gas, move their businesses into renewable power and energy transition, or return cash to shareholders — the supermajors have largely sprung for the third option in recent weeks.

ExxonMobil, Chevron, BP, Shell and TotalEnergies "choose cash over climate," Kevin Crowley, a Bloomberg reporter, wrote. Shareholders seem to support this position: Resolutions that would have forced the companies to align with Paris Agreement climate targets failed. BP and Shell have pulled back on plans to cut fossil fuel output.

This may seem like a major change in capital allocation for the energy transition. But it says more about company strategy than about investments at a trillion-dollar scale. Put another way: The majors retreating from clean-energy investment means more to them than it means to the energy transition. Investments in the energy transition is certainly welcome, but oil major dollars have not, to date, moved the needle much. Clean-energy investment trends would look largely the same if oil majors were not investing at all.

There is no shortage of capital at the moment. According to the International Energy Agency, more has been invested in clean energy than fossil fuels every year since 2016. The majors' appetite for investing in the energy transition has come and gone before. For the moment, though, the pullback has a contained impact. It may remove 1% or 2% of total investment in the transition, in a world where other investors abound.

Oil field service firms see new revenues in energy transition

(Wall Street Journal; June 22) – Oil field service companies have long depended on energy producers' drive for growth. But with those clients' dreams getting smaller, they are repurposing some of their tools for the energy transition and going where the money is. Every year since 2016, global investment in clean energy has exceeded that in fossil fuels, according to the International Energy Agency. This year, clean energy investment is set to reach $1.74 trillion, mostly to mature technologies such as solar and wind, but a small portion of it is going to emerging ones such as hydrogen and carbon capture.

Baker Hughes and SLB, formerly known as Schlumberger, have put numbers on their green ambitions, and they aren't small. Baker Hughes said orders in its new energy segment could reach $6 billion to $7 billion by 2030. At the midpoint, that represents about a fifth of the revenue that Wall Street expects it to generate that year. SLB's target is to book $3 billion, or roughly 5% of expected revenue, from new energy by then.

Mature technologies such as wind and solar are tough to crack, but service firms are finding niches that match their expertise. The three largest oil field service companies — SLB, Baker Hughes and Halliburton — have all been doing geothermal work for decades, which is a natural fit given their subsurface expertise. All three are looking to do carbon capture and sequestration, which also requires geological knowledge.

Baker Hughes booked more than $400 million of orders in the segment last year and said it is on track to exceed that amount this year. Another company that already generates revenue today from clean energy is deep water oil and gas expert NOV, which uses its jack-up vessels to help install offshore wind generation.

Oregon county sues oil industry over climate change; asks $51 billion

(The Oregonian; June 22) – Oregon’s Multnomah County, which includes Portland. has joined a slew of states and municipalities in suing the largest fossil fuel corporations and petroleum trade associations to recover costs associated with responding to extreme weather events linked to climate change. The suit, filed June 22 in state court, alleges the carbon pollution emitted by the companies over decades was a substantial factor in causing and exacerbating the 2021 heat dome, which killed 69 people in the county.

The complaint also asserts the companies have known for decades about the harmful impact of fossil fuels on the climate but chose to deceive the public about the effects — and continue to portray them as harmless to the environment. “At the core, this lawsuit is about fairness and accountability for these giant oil companies who have record profits, who have known about the damage that their products do to our environment and who have been using pseudoscience, disinformation and outright lies for decades,” Multnomah County chair Jessica Vega Pederson told The Oregonian/OregonLive.

The county is seeking more than $51 billion, including $50 million for the costs it says it incurred as a result of the heat dome, including establishing emergency cooling centers for heat-stressed residents, supplying air conditioners, responding to heat-related illnesses and preparing for public health emergencies related to extreme heat and wildfires. The county also seeks $1.5 billion in future damages to cover costs associated with extreme heat events as well as $50 billion to study, plan and upgrade public health care services and infrastructure to “weatherproof” itself against extreme heat.

The suit names ExxonMobil, Shell, Chevron, BP, ConocoPhillips, Motiva, Occidental Petroleum, Anadarko Petroleum, Space Age Fuel, Valero Energy, Total Specialties USA, Marathon Petroleum, Peabody Energy, Koch Industries, American Petroleum Institute and the Western States Petroleum Association.

U.S. Energy Department turns down appeal of LNG project extension

(Reuters; June 22) - The U.S. Department of Energy will not rehear Energy Transfer's request for a second extension of the export authorization for its proposed Lake Charles liquefied natural gas project in Louisiana. Energy Transfer has said it spent $350 million on the project and signed up customers for just short of half of the plant’s output, though it has not made a final investment decision to start construction. The Dallas-based company has been working on the venture for more than a dozen years, planning to convert an unused LNG import terminal into a liquefaction and export operation.

In an order published on June 21, the DOE said it was not convinced by Energy Transfer’s arguments for the second extension of its start-up deadline. The company sought the extension in part due to a design variation to include a major carbon capture and sequestration component. Adding CCS to the liquefaction process would necessitate amendments to Lake Charles LNG's DOE authorizations and even a new Federal Energy Regulatory Commission authorization, the DOE pointed out in its order.

The department in May denied Energy Transfer's request for a three-year extension of the export deadline for its multibillion-dollar Lake Charles LNG project, saying it did not meet its criteria for granting second extensions. Export authorizations, similar to FERC authorizations, include a deadline to start operations. The DOE did give Energy Transfer some hope in its latest ruling, saying it would be open to considering another application if the company is unable to meet its export deadline in 2025.

Tanzania hopes to sign LNG project agreements in July

(Bloomberg; June 22) - Long-delayed negotiations between Tanzania and oil majors for a $42 billion onshore liquefied natural gas plant were concluded in May, paving the way for agreements to be signed in July. The East African nation could confirm a host government agreement and an amended production-sharing deal with the project’s consortium that includes Equinor, Shell and ExxonMobil as early as next month, according to the Energy Ministry’s permanent secretary, Felchesmi Mramba. The government also aims to pass a project law to expedite construction of the plant.

“We want to have a special law for that project,” he said on the sidelines of an energy conference in the Kenyan capital, Nairobi. “That should pave way for the final investment decision. The earlier we accomplish these two, the earlier the foreign direct investment comes.” If successful, it will likely become the second country to export gas off the eastern African shoreline. Neighboring Mozambique sent off its first shipments from a floating LNG terminal in November, with French major TotalEnergies close to resuming construction of a much larger onshore LNG plant in Mozambique.

About 10% of the gas to be produced from the proposed LNG terminal in Tanzania, around 250 million cubic feet per day, would be used domestically to fuel industries, Mramba said. Tanzania estimates it has recoverable natural gas reserves of more than 57 trillion cubic feet. The government is keen to accelerate development of its natural resources and plans to conduct joint oil and gas exploration with China’s CNOOC in two offshore blocks held by the state-owned Tanzania Petroleum Development Corp.

China plans to partner with Tanzania for offshore exploration

(Bloomberg; June 22) - China’s CNOOC is planning offshore oil and gas exploration with state-owned Tanzania Petroleum Development Corp. as the East African nation seeks to boost the development of its natural resources. The joint work will be conducted in two deep-sea blocks held by TPDC, according to Tanzanian Energy Minister January Makamba. The acreage is located near large gas fields discovered by a consortium of international energy companies led by Equinor, Shell and ExxonMobil that plan to build a multibillion-dollar liquefied natural gas terminal.

“There is also an agreement in the works” between Tanzania and CNOOC to do seismic studies in unassigned blocks before a licensing round next year, Makamba said by phone from China on June 21 after talks with senior officials at the China National Offshore Oil Corp. Tanzania wants to launch a licensing round in the first quarter of 2024 to bring in more investors as European nations move to diversify energy sources and cut reliance on Russian gas. The search for hydrocarbons in Africa has grown steadily since a slump in 2020, when just a single drill was operating in African waters.

Tanzanian President Samia Suluhu Hassan has revived negotiations with oil majors for the proposed onshore LNG terminal and introduced economic reforms. Talks wrapped up in May, paving the way for project agreements to be signed. A model production-sharing agreement is also being reviewed to draw more activity, the minister said.

Low water in Panama Canal could affect LNG carrier traffic

(Bloomberg analysis; June 22) - The global energy market is defined by chokepoints, those tight squeezes on the map that can cause havoc. The Suez Canal is a good example. Another canal is currently not quite choking but beginning to splutter. The Panama Canal is suffering from an “unprecedented drought,” according to the canal operator. The implications for energy markets, liquefied natural gas in particular, could be far-reaching, slowing existing routes while also creating opportunities for new ones.

A wonder of the modern world providing a shortcut between the Atlantic and Pacific oceans, the canal has also become a major trade route for LNG from the U.S. Gulf Coast to the growth markets of Asia. But here’s the rub: Its system of artificial lakes and locks requires plentiful rainfall in order to handle the deep drafts of large ships. As part of efforts to conserve water and maintain passage, the canal operator has reduced the maximum draft allowed on its newest locks that carry the largest vessels. In theory, this shouldn’t affect LNG tankers, which enjoy shallower drafts than the current limits.

However, Doug Brown, LNG marine manager at Poten & Partners, a consultancy, points out that container cargoes, which are more affected, may need to be split onto multiple ships to comply. Since the canal has only so many slots per day, higher container traffic can create bottlenecks. The canal may handle close to 60% of U.S. LNG exports to Asia. The question for the global market concerns the climate in Panama over the next several decades. In announcing measures to cope with the drought, the canal operator warned that the expected arrival of the El Niño phenomenon could make things worse.

Argentina may be stuck with more LNG than it needs

(Bloomberg; June 22) - An unusually warm winter in the Southern Hemisphere is threatening to saddle Argentina with a glut of liquefied natural gas. Argentina is spending about $1.8 billion to import 44 LNG cargoes this year, with 20 already delivered and the remainder scheduled in the coming months. The mild weather means some of those supplies may not be needed as households keep their heating off.

LNG traders closely watch Argentina's imports because it's a key buyer in the volatile spot market, and the country's bondholders monitor its energy trade because it affects the nation's precarious reserves of hard currency. After a mild winter last year, state energy company Energia Argentina said it was able to sell three of its surplus cargoes for delivery to other countries and book profits on the trades.

But this year, Argentina agreed to pay about $20 per million Btu for its LNG and weakening demand in Europe has since sent prices tumbling. That leaves Argentina with little opportunity to flip cargoes and suppliers aren't willing to renegotiate lower prices for fuel already under contract, traders familiar with the matter said. Energia Argentina may be able to delay arrival of one or two cargoes, according to one person. Argentina's suppliers this year are BP, TotalEnergies, Shell, Vitol, Gunvor and Glencore.

Nigerian crude unsold as traders wary of tax collections

(Bloomberg; June 23) - A glut of unsold Nigerian oil has built up again, with as much as half of the output due to be loaded next month still searching for buyers. Traders of the nation's oil said the surplus has been caused in part by a government request for back taxes from shipping companies, which has caused a wariness among some of the firms about sending their vessels to collect the West African nation's barrels.

While the government later clarified that there would be a six-month grace period to comply with the tax request, traders said the lack of sales demonstrated that Nigeria needs to do more to resolve the issue. The surplus is a sign that global reductions in oil supply from leading producer nations have yet to tighten every market. There are between 20 and 22 cargoes that remain unsold for July, about half the total, according to traders of West African crude. Shipments are typically about one million barrels.

Earlier this month, some shipowners were said to be avoiding Nigeria after a series of multimillion-dollar tax bills were sent out, seeking to claw back unpaid duties from 2010-2019. Tax authorities have given shipping companies the grace period to reconcile the tax backlog through a committee involving shippers and regulators. Nigeria's slow sales contrast with a more bullish picture in Angola, where crude is sold out for July, sources said. Supplies from Gabon and Chad are also mostly sold out for July.

Oil field services firm expects 20% increase in offshore exploration

(Reuters; June 21) - Offshore oil and gas exploration spending will increase more than 20% globally this year and the growth will continue into the next year, oil field services firm SLB said on June 21. “Offshore is experiencing a renaissance, with significant breadth and anticipated durability,” SLB Chief Executive Olivier Le Peuch said at the JP Morgan Energy Power and Renewable Conference, according to a draft of the speech posted on the company’s website. Schlumberger changed its name to SLB last year.

SLB, the world’s largest oil services and equipment provider, said it expects to see a long tail of activity with 65 leasing rounds concluding globally this year, in addition to several countries awarding leases through open-door policies. “This year, we anticipate offshore exploration spend to increase more than 20%,” Le Peuch said. Between 2022 and 2025, the company expects more than $500 million in investment decisions, a 90% increase over the 2016-2019 period.

The growth will be driven by large projects in Guyana, Brazil and the Mideast, output capacity expansions in Africa and a return of exploration and appraisal in newer offshore provinces of Namibia, Tanzania, Colombia, India and the East Mediterranean.

U.S. shale oil producer sees less drilling, higher prices

(Reuters; June 21) - Muted increases in U.S. oil production and cuts by OPEC+ producing nations will limit crude supply in the months ahead, pushing up prices, an executive at U.S. shale producer EOG Resources said on June 21. U.S. energy firms have cut domestic oil and gas drilling activity to the lowest level since April 2022, with declines from Texas to Pennsylvania. Analysts expect further cuts this year with oil and natural gas prices off from last year's strong levels.

"We're a short term away from seeing the market tighten even further," EOG's chief operating officer, Lloyd Helms, said at a JP Morgan energy conference. U.S. natural gas prices could be boosted this year by fewer drilling rigs in shale gas basins at a time when liquefied natural gas demand is expected to peak, Helms said.

U.S. oil production growth will rise 1.3% to 12.77 million barrels per day next year, after a 6.1% gain this year, according to the U.S. Energy Information Administration. Output from the top shale region, the Permian Basin of Texas and New Mexico, has been waning. Helms said the Permian Basin was not an area where the company aims to expand activity, citing labor and service constraints. It expects to flatten drilling activity there and turn more to Ohio's Utica and Wyoming's Powder River Basin.

Texas upstream oil and gas reports highest job count in 3 years

(The Center Square; Franklin News Foundation; June 23) - As Texas continued to lead the U.S. in job growth last month, the Texas upstream oil and natural gas industry added 6,900 jobs in May, the highest job growth reported in a single month in the 33 years the Texas Workforce Commission has reported the data. The record jobs added in May brought the total upstream oil and gas job count in Texas to over 200,000 in the industry for the first time in over three years. Last month's more than 206,000 upstream jobs was an increase of 22,700, or 12.4%, from May 2022, according to the data.

"These numbers reported for May are the highest in decades and push upstream employment numbers above the 200,000 mark for the first time since 2020," the president of the Texas Oil and Gas Association, Todd Staples, said. "Despite a slowdown in rig count and concerns about the global economy, the world remains dependent on the tremendous resources produced every day."

The upstream sector includes oil and gas extraction, with some small types of mining. It excludes other industry sectors like refining, petrochemicals, fuels wholesaling, oil field equipment manufacturing, pipelines and gas utilities which support hundreds of thousands of additional jobs in Texas. The state has more than six times more jobs available compared to Oklahoma or Louisiana, the Texas Independent Producers and Royalty Owners Association said in an analysis of the jobs data.

Fuel barge on Lake Michigan would replace tanker trucks

(Urban Milwaukee; June 22) - A new six-mile pipeline through Milwaukee, Wisconsin, and two suburban communities is part of a $45 million plan to eliminate 25,000 truck trips annually and lower the price of gasoline in northeast Wisconsin. U.S. Energy is pursuing construction of the pipeline as part of a larger plan to transport refined fuels by barge from Milwaukee to Green Bay, replacing a pipeline that was shuttered in 2016.

"It currently takes 92 tanker truck trips daily to meet consumer demand, which not only negatively impacts regional traffic and infrastructure but also impacts fuel costs," said Mercedes Bereza, vice president of marketing for U.S. Energy parent U.S. Venture. The pipeline would connect a tank farm with the Port of Milwaukee, where the fuel would be loaded on barges for transit on Lake Michigan to Green Bay. The barge trip would cover about 250 miles, going around the Door Peninsula. The highway route is 120 miles.

The company, which is pursuing state and federal grants for the project, says each barge trip would replace 500 tanker truck trips. The new pipeline would be constructed along the Interstate 794 right of way. U.S. Venture has committed $15 million to the project. A grant pending before the Wisconsin Legislature would award $10 million if a larger $20 million federal grant is also approved.

Portuguese pipeline operator prepares to carry green hydrogen

(Reuters; June 22) - Portugal's REN has started adapting its high-pressure natural gas grid to allow it to carry an up to 10% share of green hydrogen as early this year, the company said on June 22. The government plans to hold its first auction in the second half of this year for the rights to sell green hydrogen, which is produced using renewable energy, for injection into national gas grids.

Some analysts say the sale could kick-start Europe's fledgling market for hydrogen, as European countries turn to it to tackle carbon emissions and improve energy security. While the auction aims to boost investment in green hydrogen, REN — the only operator that transports high-pressure natural gas and operates the interconnections with Spain — has to adapt its 854-mile grid across mainland Portugal so it can cope with a mixture of natural gas and hydrogen.

REN said it has started to adapt instruments to measure the quality of the transported gas and should be ready by the end of the year. REN said its strategy for renewable gases, in line with European Union policy, is based on "adapting existing infrastructures to accommodate these gases and development of infrastructures for 100% hydrogen." Portugal expects to become a major producer and exporter of green hydrogen.

New oil railway in Utah encounters opposition in Colorado

(Colorado Newsline; June 25) - A proposal to build a new short-line railroad in the oil fields of eastern Utah could result in a dramatic increase in the volume of hazardous materials shipped by rail through communities across western and central Colorado. The 88-mile Uinta Basin Railway, which is backed by industry and Utah county governments, would allow drillers to drastically ramp up production in Utah's oil-rich Uinta Basin and ship the output to U.S. Gulf Coast refineries.

Federal regulators say 90% of the traffic would run east through the Rocky Mountains and into Denver. Some of the state's most scenic, fragile and densely populated areas could be traversed by as many as five two-mile-long trains per day, with an average daily load of 315,000 barrels of Utah's waxy crude. While local opposition is mounting, the project has so far received only green lights from federal agencies, most recently a permit to build the railway through a protected area in Utah's Ashley National Forest.

Backers of the project, which carries a multibillion-dollar price tag, plan to apply for special tax-exempt bonds from the U.S. Department of Transportation, drawing further protests from Colorado officials. And amid growing alarm over climate change and progress toward projects like passenger rail, the Uinta Basin Railway exposes two contrasting visions for Colorado's railroading future — one that imagines a revival of the transit infrastructure that once connected towns to one another, and another that doubles down on the global fossil-fuel economy, replacing coal train traffic with oil.