Oil and Gas News Briefs
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Oil prices decline despite OPEC+ efforts to prop up market

(Wall Street Journal; Nov. 13) - A sell-off that has dragged crude prices to their lowest levels in four months has left many oil drillers, energy traders and fuel producers with the same question: What will OPEC do? Benchmark U.S. crude has posted three weekly losses in a row, tumbling as much as 20% below its September high, while the market is flashing signals that suggest some traders are betting declines will continue.

The market's retreat has come despite slimmed-down production this year by the Saudi-led Organization of the Petroleum Exporting Countries and its Russia-led allies. Lower prices mean less revenue for the oil-reliant governments in Riyadh and Moscow, which have elected to cut their production through December in a bid to prop up the market. But that support has proven shaky. A manufacturing slowdown has dinged some fuel-hungry industries in Europe and the U.S., while an uncertain economic outlook in China and strong U.S. dollar have dented oil demand growth in Southeast Asia.

On Wall Street, analysts are also increasingly pointing to gushers of new supplies that have kept storage tanks around the world filled higher than anticipated. America is pumping more oil than ever, thanks to the continued growth of shale producers. Brazilian officials have reported record crude output of their own, while rigs off the coast of Guyana have begun tapping the country's prodigious reserves in earnest. More sanctioned oil is also seeping back into the market. Russian exports exceeded the country's target by about 400,000 barrels a day in October, according to Rystad Energy.

IEA forecasts global oil market could shift into surplus in 2024

(Reuters; Nov. 14) - The International Energy Agency on Nov. 14 raised its oil demand growth forecasts for this year and next despite slower economic growth in nearly all major economies, although its 2024 demand outlook remains much lower than that of producer group OPEC. The Paris-based IEA said the market could shift into surplus at the start of 2024 having been kept in a "significant deficit" through year-end by voluntary cuts from Saudi Arabia and Russia which will last until the end of December.

"For now, with demand still exceeding available supplies heading into the Northern Hemisphere winter, market balances will remain vulnerable to heightened economic and geopolitical risks — and further volatility ahead," the IEA said in a monthly report. Oil has weakened to around $82 a barrel for Brent crude from a 2023 high in September near $98. Concern about economic growth and demand has pressured prices, despite support from supply cuts by OPEC and its allies, and conflict in the Middle East.

For 2024, the IEA raised its oil demand growth forecast to 930,000 barrels per day from 880,000. Growth expectations are underpinned by hopes of interest rate cuts and the recent fall in crude prices, the IEA, the energy adviser to industrialized nations, said. However, this is still well below OPEC's demand growth forecast of 2.25 million barrels per day. OPEC and the IEA have clashed in recent years over issues such as the long-term oil demand outlook and the need for investment in new supplies.

Exxon plans to produce lithium from acreage it acquired in Arkansas

(Bloomberg; Nov. 13) - ExxonMobil plans to begin producing lithium in Arkansas, marking a new entry into the provision of a key component of large-scale batteries and the first time the oil giant has invested in a major non-fossil fuel extraction project in recent history. Exxon acquired rights to 120,000 acres in the Smackover formation in southern Arkansas and plans to begin output of lithium by 2027, the company said Nov. 13. The project will make Exxon a “leading supplier for electric vehicles by 2030,” it said.

Exxon is one of several oil and gas companies looking to expand into lithium, which would provide a foothold in the growing market for energy storage. The metal’s use in electric vehicle batteries would also help mitigate revenue losses from an expected reduction in use of gasoline and diesel over the coming decades. “Lithium is essential to the energy transition, and ExxonMobil has a leading role to play in paving the way for electrification,” Dan Ammann, president of Exxon’s Low-Carbon Solutions division, said.

Lithium is not geologically scarce like fellow battery metals cobalt and nickel, but mining high-grade quantities at scale is a major challenge. Exxon CEO Darren Woods has said producing it from saltwater such as brine could be cheaper and greener than mining, currently the most common production method. While efforts are at an early stage, Exxon believes its expertise in drilling and processing liquids can give the company a competitive advantage in obtaining lithium from underground saltwater deposits.

Exxon CEO says attacking oil and gas companies is not helpful

(Bloomberg; Nov. 15) - ExxonMobil cautioned that branding the oil industry as “villains” and attempting to limit the supply of fossil fuels will impede progress toward achieving net-zero emissions, potentially perpetuating poverty for millions in the developing world. “The solutions to climate change have been too focused on reducing supply,” CEO Darren Woods said in a speech at the Asia Pacific Economic Cooperation CEO Summit in San Francisco on Nov. 15. “That’s a recipe for human hardship and a poorer world.”

Woods called for governments to “harness the industry’s capabilities for change” by providing taxpayer support for emissions-reducing technologies like carbon capture before market forces can take over. Attacking oil and gas companies for their role in climate change will only serve to keep net-zero as an “aspiration” rather than a reality, he said. Exxon plans to spend $17 billion over six years on low-carbon initiatives, and it recently bought the largest U.S. carbon dioxide pipeline operator for about $5 billion.

But Exxon is also spending big on oil and gas. It agreed las month to buy shale driller Pioneer Natural Resources for $62 billion. Woods is adamant that Exxon won’t reduce oil and gas production or invest heavily in renewable energy as its European peers. Instead, it will invest in low-carbon technologies that complement fossil fuels such as carbon capture and hydrogen. “Oil and gas companies reliably provide affordable products essential to modern life,” he said. “Making them into villains is easy. But it does nothing – absolutely nothing – to accomplish the goal of reducing emissions.”

Developer gives up on East Coast Canada LNG project

(National Observer; Canada; Nov. 10) - After years of climate-change activists and Indigenous-led opposition to its proposal for an East Coast liquefied natural gas export plant, Calgary-based Pieridae Energy is giving up on its Goldboro project in Nova Scotia. In a corporate update this week, Pieridae said it intends to sell off its Goldboro assets, which include licenses and permits to 267 acres of coastal land. The company plans to use the cash to pay off a C$20 million loan due by the end of next year.

Pieridae said once it offloads its Goldboro assets, that will “mark the conclusion of (its) strategic pivot away from East Coast LNG and toward an Alberta-focused natural gas production and processing business.” The project had been planned for up to 10 million tonnes per year production capacity, likely requiring a cross-country transit to pipe in gas from Western Canada. The news is a bruise for proponents of East Coast LNG development but represents a win for climate and Indigenous-led opponents.

“This project has flailed for many years now, and the company even had the audacity to request a billion in federal money even as we were still dealing with the impacts of COVID,” national programs director with Sierra Club Canada Foundation Gretchen Fitzgerald told Canada’s National Observer. “The active opposition from Mi'kmaw Grassroots Grandmothers to the establishment of man camps in the rural area where it was to be located showed how unwelcome this project was in a province that had already successfully mobilized to stop fracking.”

North American LNG capacity to more than double by 2027

(S&P Global; Nov. 13) – Liquefied natural gas export capacity in North America is projected to reach 24.3 billion cubic feet per day by 2027, more than doubling the region's current nameplate capacity of 11.4 bcf a day, the U.S. Energy Information Administration said in a Nov. 13 note. The U.S. is anticipated to experience the most significant increase in LNG export capacity by 2027, adding 9.7 bcf a day, the EIA said.

Canada and Mexico, neither of which are currently LNG exporters, are projected to bring into production 2.1 bcf a day and 1.1 bcf a day by 2027, according to the EIA. The capacity additions that the EIA is counting come from 10 new projects across the three countries. In the case of the U.S., the EIA counts five LNG export projects currently under construction on the Gulf Coast: Golden Pass, Corpus Christi Stage III, Rio Grande and Port Arthur in Texas, as well as Plaquemines in Louisiana.

The Golden Pass terminal, Venture's Global Plaquemines and expansion at the Corpus Christi plant are expected to start up between 2024 and 2025, based on information their developers previously released. The others are planned to come online later.

European customers of U.S. LNG plant ask help in contract dispute

(Bloomberg; Nov. 11) - European oil majors have asked a cross-Atlantic government task force to intervene in their ongoing dispute with Venture Global LNG, warning that the Louisiana export terminal operator's actions of "reneging" on contracts to supply liquefied natural gas threatens Europe's energy security and undermines the U.S. as a reliable supplier. In separate letters, Shell and BP accuse Venture Global of "misconduct" for withholding cargoes agreed under long-term contracts and instead opting to sell LNG from the Calcasieu plant on the spot market at higher prices.

The letters Bloomberg News has seen were sent by the companies in October to an energy-security task force set up by the U.S. and European Union. Venture Global responded Nov. 10, calling the accusations "false," and that a request for governments to interfere in agreements among private companies is "outrageous." The Financial Times in London first reported on the letters. It cites another from Italy's Edison claiming Venture Global stands to gain $17.5 billion from short-term market sales, compared to $2.8 billion under its long-term contracts, according to a Wood Mackenzie report.

Shell, BP and Eni are among at least four customers pursuing contract arbitration claims over a lack of gas supplies. Venture Global LNG has said the plant is not fully operational due to faulty power equipment that is being repaired. Though the company says it cannot supply cargoes under its long-term contracts until the terminal is fully operational, it has told U.S. regulators that it has sold more than 200 cargoes worth about $18 billion since March 2022, according to a Reuters tally. Those sales reaped higher prices than would be paid under the four customers' long-term contracts.

Louisiana LNG terminal owner calls accusations ‘outrageous’

(Houston Chronicle; Nov. 13) - Four years ago, Venture Global LNG announced it was going ahead on its Calcasieu Pass terminal in Louisiana, with plans to begin delivering natural gas to customers by the end of 2022. Almost a year past that target date, the Virginia-based company is producing and selling LNG, just not to the customers that hold long-term contracts at fixed prices. That has set off an unusually public dispute with Shell and BP, which are calling on the U.S. and European Union to intervene.

In a letter to the U.S.-EU Joint Task Force on Energy Security, Shell and BP accuse Venture Global of purposefully holding off completing work on the LNG terminal — which would require it to begin delivery to contracted customers — so it can sell LNG on the spot market, pulling in an estimated $18 billion in revenues across more than 200 cargoes. "There should be no tolerance for U.S. suppliers like Venture Global engaging in opportunistic conduct that reneges on long-term commitments to foundation buyers," Steve Hill, executive vice president at Shell Energy, wrote to the task force last month.

Venture Global says it is still working out the kinks and has not yet achieved the level of consistency it says is necessary for "commercial operation" due to equipment problems. In a Nov. 10 letter to the task force, the company called the accusations by BP and Shell "outrageous." The State Department and EU declined to comment. "The customers (of Venture Global) have been waiting to receive their LNG at a time of record gas prices," said Alex Munton, an analyst with the research firm Rapidan Energy. "Those profits, which they thought would be their's, have been accruing to Venture Global instead."

U.S. Energy Department declines to intervene in LNG contract dispute

(Houston Chronicle; Nov. 14) - The U.S. Department of Energy denied a request Nov. 14 by Repsol to intervene in its dispute with Venture Global LNG over delays in delivery of liquefied natural gas shipments from the Calcasieu Pass terminal in Louisiana. Spain-based Repsol, along with BP and Shell, have been calling on U.S. and European authorities to force Virginia-based Venture Global to deliver LNG, claiming it has held back contracted shipments in order to sell the gas on the spot market at higher prices.

Brad Crabtree, assistant secretary of fossil and carbon management at the department, wrote in an order that the delay in LNG shipments was "a matter for the commercial parties to resolve." The department, he wrote, “has no role in commercial disputes … and DOE proceedings cannot be utilized as a means of applying commercial pressure.” Venture Global has been locked for close to a year in a dispute with its customers over contracted cargoes and delays in completing its terminal, which it attributes to equipment problems that will delay "commercial operation" until the end of 2024.

The company in the meantime has been selling all the LNG it is producing, generating an estimated $18 billion in revenue across more than 200 cargoes. "There should be no tolerance for U.S. suppliers like Venture Global engaging in opportunistic conduct that reneges on long-term commitments to foundation buyers, years after having reaped the immediate benefits of having those commitments in hand," Steve Hill, executive vice president at Shell Energy, wrote to the U.S.-EU Energy Security Task Force last month.

Federal court vacates state emissions permit for Texas LNG project

(Houston Public Media; Nov. 15) - A large liquefied natural gas project in southeast Texas is on hold after a federal appeals court vacated an emissions permit granted by the Texas Commission on Environmental Quality, ruling that the state agency "acted arbitrarily and capriciously" and applied uneven standards when it signed off on the Port Arthur LNG facility. The Nov. 14 ruling by the 5th U.S. Circuit Court of Appeals was in response to a complaint filed on behalf of the Port Arthur Community Action Network.

The court expressed concerns about the amount of air pollution the plant would create, and also noted that the TCEQ had required a different LNG facility in the state to adhere to emissions rates that were nearly twice as stringent for its compression turbines — an LNG plant's most significant source of carbon monoxide and nitrogen oxide pollution. In allowing a higher pollution rate for the Port Arthur terminal, the agency “contravened its policy of adhering to previously imposed emissions limits, but did not explain why. It therefore acted arbitrarily and capriciously under Texas law,” the court ruling said.

Sempra Energy, which is working to develop Port Arthur LNG, said it is reviewing the court decision and “any potential impacts it may have.” The company took a final investment decision on the project in March, with start-up planned for 2027.The terminal is planned for 13.5 million tonnes per year of output capacity. The court ruling does not prevent Port Arthur LNG from going ahead, but it requires the company to reapply for a permit under the same emissions standards imposed on the Rio Grande LNG project in South Texas. Sempra holds a 28% stake in Port Arthur's Phase 1, while ConocoPhillips owns 30%. Investment firm KKR and Abu Dhabi Investment Authority also hold stakes.

Strong demand for new LNG carriers continues

(Riviera News; Nov. 15) - Despite rising prices, orders for new liquefied natural gas carriers remain steady, pushing the global orderbook to historic levels and keeping shipyard capacity tight. The current orderbook stands at 319 LNG carriers, with the current operational fleet tipping 670 vessels, as project developers and shippers line up orders to keep pace with their future needs.

“Prices have gone up phenomenally, we’ve gone from $170 million and $180 million a couple of years ago to now around $260 million to $262 million for a newbuild (in South Korea), with China only slightly lower, but the demand continues,” Debbie Turner, a senior broker at Howe Robinson Partners, said at the LNG Shipping & Terminals Conference in London. Shipyard demand remains strong, she said, with limited slots available at South Korea yards in 2027. Qatar is in its second phase of ordering new LNG carriers to handle the volume from its massive expansion of production capacity.

Environmental group sues over 145 Trump-era leases in Utah

(The Salt Lake Tribune; Nov. 10) - A new lawsuit targeting Trump-era oil and gas leases in Utah takes aim at the former president's approach to fossil fuel development. The Southern Utah Wilderness Alliance, or SUWA, filed a federal lawsuit challenging four decisions made by the Bureau of Land Management in 2018 and 2019 to issue 145 oil and gas leases on more than 215,000 acres of public land earlier this month. Most of the leases are located throughout the Book Cliffs and Uinta Basin in eastern Utah.

"This is like a poster child of all the things that went wrong with the Trump administration's rush to blanket public lands with oil and gas leases," said Landon Newell, a staff attorney with SUWA. The environmental nonprofit argues that the Trump-era BLM skimped on environmental assessments and public input for oil and gas leasing. Federal courts have generally agreed.

The industry said the lawsuits aim to make oil and gas leasing obsolete. "No matter who leases, Keep-It-in-the-Ground groups like SUWA will sue because they just don't want any American oil and natural gas production," Kathleen Sgamma, president of the Western Energy Alliance, which represents 200 producers, wrote in an email. Following Trump's election, oil and gas lease offerings in Utah increased sevenfold from 2017 to 2020 compared to a similar period under the Obama years, according to SUWA.

Baker Hughes CEO says energy geopolitics 'never been this fragile'

(Financial Times; London; Nov. 12) - Geopolitical risks are at their highest level in half a century, the head of one of the world's biggest oil field services companies said, raising concerns about energy supplies and helping to fuel a boom in liquefied natural gas cargoes. "From a historical context, I've heard people say you go back to the oil embargo of 1973 — that being somewhat similar," said Lorenzo Simonelli, CEO of Baker Hughes, in an interview with the Financial Times. "In my tenure," the geopolitical climate has never been this fragile. "This is, from a political standpoint, very fluid."

His comments come as the conflict between Israel and Hamas adds to an already hot geopolitical environment as Russia's full-scale invasion of Ukraine nears the end of its second year. Baker is one of the world's three leading providers of oil field services, responsible for drilling wells and laying pipes across the world, from Texas to West

Africa. It is also a top supplier of LNG equipment at a time when demand for seaborne gas is surging as Europe weans itself off Russian gas and global energy demand rises.

“Base case is that this (Israel-Hamas fighting) is hopefully contained within the situation that it is currently — sad as it is — and things continue to be tight,” Simonelli said. “But clearly, if there’s a worsening and deterioration and an escalation of the situation, things will change,” he said of global oil supplies and prices. Russian pipeline gas has little prospect of re-emerging in the short term as a competitor to LNG, he said, even if the Ukraine war ends. “I think Europe has been shown the difficulties of being so dependent on one energy source,” said Simonelli, who lives in Houston but is originally from Italy.

French oil and gas major buys gas-fired power plants in Texas

(Bloomberg; Nov. 13) - TotalEnergies agreed to buy three natural gas-fired power plants in Texas from TexGen Power for $635 million as it looks to expand in the U.S. market. The three plants will serve the “fast-growing energy demand” of Dallas and Houston, offsetting the intermittency of renewable power production, the French energy giant said in a statement Nov. 13. The three plants have a joint capacity of 1.5 gigawatts.

TotalEnergies has pursued gas plants to complement its growing fleet of wind and solar farms that provide more sporadic power generation. CEO Patrick Pouyanne said last month that the company might make such an acquisition in Texas. The French oil major currently has 2 gigawatts of gross installed renewable capacity in the Lone Star State, plus 2 gigawatts under construction and more than 3 gigawatts under development.

“These plants will enable us to complement our renewable assets, intermittent by nature, provide our customers with firm power and take advantage of the volatility of electricity prices,” Stephane Michel, president of gas renewables and power at TotalEnergies, said in the statement. Gas plants have become more valuable in the past couple of years amid supply issues, the rise of intermittent wind and solar generation and higher power prices in key markets like Texas.

Lacking enough gas, Australia LNG plant will shut down one unit

(Argus Media; Nov. 14) - Australian independent Woodside Energy has reiterated that Train 2, at 2.5 million tonnes per year output capacity, at its North West Shelf (NWS) LNG plant is likely to be taken off-line next year as field production dwindles. The NWS joint venture — comprising Woodside, BP, Chevron, Shell and Japanese trading houses Mitsubishi and Mitsui — is considering the "permanent and safe retirement" of the train if it does not have sufficient feed gas, a Woodside spokeswoman said on Nov. 13.

With all of the liquefaction plant’s five units operational, NWS has a nameplate capacity of 16.9 million tonnes per year. The plant started operations in 1989. The permanent shutdown of Train 2 will coincide with the expected first gas from Australian independent Beach Energy's Waitsia Stage 2 project in mid-2024, which has been delayed because of the collapse of a contractor. That gas is not expected to change the closure plan.

However, Waitsia is likely to be the last onshore project granted permission to export gas from Western Australia, apart from any prospective fields developed in the northern Canning Basin, due to current government policy. Western Australia is facing a shortfall of gas during the 2030s as it transitions away from coal-fired power generation.

Israel’s gas flows to Egypt are coming back to normal

(Bloomberg; Nov. 14) - Israel’s natural gas flows to Egypt are expected to almost double and reach pre-war levels early next week, according to a person familiar with Egypt’s imports, after a major offshore field, Tamar, resumed output on easing safety concerns. Imports are expected to rise to 650 million cubic feet a day on Nov. 16, and to the normal level of 800 million next week, from about 250 million earlier in November, the person said, asking not to be named because the information isn’t public.

Egypt uses some Israeli gas to meet its domestic needs and exports the excess along with its own liquefied natural gas, primarily to Europe. The government is still assessing if the restoration from Israel will result in the North African nation resuming LNG exports this winter because local consumption remains high, the person said. Egypt shipped 80% of its LNG to Europe last year as the continent sought to replace Russian gas.

Chevron said Nov. 13 it has resumed supplies from the Tamar field, which Israel had ordered shut because of security risks following Hamas’ Oct. 7 attack on the country. That left the market on edge about whether the conflict would disrupt regional energy flows with winter coming in Europe. In Egypt, the move led to more of the electricity shortages that have plagued the cash-strapped country since summer.