Oil and Gas News Briefs
Compiled by Larry Persily
November 27, 2023

OPEC+ moving closer to resolving dispute over output quotas

(Bloomberg; Nov. 24) - OPEC+ is close to resolving a dispute over output quotas that forced the group to postpone a pivotal meeting, as it reviews the demands made on African members under an earlier deal. The group is working to tweak the 2024 targets set for Angola and Nigeria to allay unease the two nations expressed in recent days, according to a delegate. Deadlock on the issue compelled Saudi Arabia and its partners to postpone their policy-setting gathering in Vienna this weekend to Nov. 30. Talks continue and agreement looks within reach, officials said on Nov. 23.

The spat dredged up a disagreement from June, when Angola, Congo and Nigeria were pushed by Saudi Energy Minister Prince Abdulaziz bin Salman to accept reduced output targets for 2024 that reflected their diminished production capabilities. The African exporters have struggled in recent years with under-investment, operational disruptions and aging oil fields. A compromise now would allow the Organization of Petroleum Exporting Countries and its partners to focus on whether they need to agree to new steps to tighten supplies in 2024, amid the threat of slowing demand and falling prices.

OPEC+ leaders Saudi Arabia and Russia are expected to at least extend just over 1 million barrels a day of output curbs through the first quarter, to pare a looming global surplus. They could also announce deeper cuts to deter bearish speculators, RBC Capital Markets and hedge fund manager Pierre Andurand said. Brent crude futures have slumped by about 15% over the past two months to trade around $81 a barrel on Nov. 23, eroding revenues for the cartel.

OPEC+ members in dispute over 2024 production quotas

(Bloomberg; Nov. 23) - The delayed OPEC+ meeting next week will be held online instead of in-person as the cartel wrangles over production levels amid a slump in oil prices. Saudi Arabia and its allies are embroiled in a dispute over output quotas for African members, particularly Nigeria and Angola. The disagreement has forced the group to push back its scheduled conference by several days to Nov. 30, sending crude plunging by as much as 4.9% to below $80 a barrel in London on Nov. 21.

Before the delay, oil traders had thought Saudi Arabia was gearing up to announce an extension into 2024 of its unilateral 1 million barrel-a-day cut in a bid to prop up faltering prices. There were also some predictions that Riyadh could even steer other members into joining them with additional curbs. The spat puts that outcome in doubt and dredges up a disagreement from June, when Angola, Congo and Nigeria were pushed by Saudi Arabia to accept reduced output for 2024 that reflected their diminished capabilities due to years of under-investment, operational problems and aging oil fields.

Crude is down about 16% from its September peak amid surprisingly strong U.S. output, while China — the world's biggest oil importer — has seen falling refining margins and faltering economic indicators. World markets are poised to tip back into surplus early next year as demand growth slows drastically, while producers like the U.S. and Guyana continue to grow, according to the International Energy Agency. At the same time, Iranian oil supplies have recovered as the U.S. relaxes its enforcement of sanctions, and Russian exports have held steady as it pumps more than its quota.

Oil market dealer explains weak outlook to OPEC

(Reuters; Nov. 22) - An OPEC technical panel invited a top financial market dealer to give a presentation this week which painted a bearish (weak) outlook for the oil market, which has been in decline the past month, according to materials from the presentation seen by Reuters. "Market sentiment had been fragmented for much of this year, but the evidence is that there has been a recent shift in collective sentiment to bearish as we head toward the end of the calendar year," one of the slides by Onyx Capital showed.

OPEC did not reply to a request for comment. London-based Onyx Capital is the world's biggest market maker by volume across oil swaps, trading more than 25 billion barrels equivalent a year. It says it owns a dataset that analyses market positions to predict how the market behaves. Onyx CEO Greg Newman gave the presentation, according to a company tweet on X, formerly Twitter. Its content was not made public.

According to the materials seen by Reuters, it showed that Brent futures had undergone two significant sell-offs since the start of the quarter, with the first, from Sept. 27 to Oct. 2, driven by weak U.S. gasoline markets and financial speculators. The second sell-off, which happened in November, moved the oil market to a collective neutral-to-bearish sentiment, with commercial participants like oil producers and airlines joining financial speculators in seeing a weakened outlook for demand.

IEA calls on oil and gas industry to spend more on clean energy

(Financial Times; London; Nov. 22) - Oil and gas producers should be spending about half of their annual investments on clean-energy projects by 2030 to be aligned with global climate goals, the International Energy Agency said. The West's energy watchdog also warned oil and gas companies that are investing in new carbon-capture projects that the technology would be no substitute for cutting emissions and "cannot be used to maintain the status quo."

Oil and gas producers account for just 1% of global green-energy investment and last year committed 2.5%, or $20 billion, of their capital to the sector, the IEA said, meaning they would need to execute a massive strategic shift by 2030. “The oil and gas industry is facing a moment of truth at COP28 in Dubai,” said IEA executive director Fatih Birol, referring to the international climate conference starting on Nov. 30. “With the world suffering the impacts of a worsening climate crisis, continuing with business as usual is neither socially nor environmentally responsible.”

The latest intervention is the IEA’s starkest since it shocked the fossil fuel industry in 2021 by saying that there would be no room for new oil and gas exploration projects if climate targets were to be met. The IEA was founded in the aftermath of the 1973 Arab oil embargo to advise on energy security. Its latest report said producers would need to devote half their annual capital budget to clean-energy projects by 2030 if they want to align with the 2019 Paris climate agreement, which aims to limit global warming.

Brazil’s Petrobras plans to boost investment in oil production

(Wall Street Journal; Nov. 24) - Brazil’s state-controlled oil company Petrobras announced it would invest $102 billion before the end of 2028 as Latin America’s biggest nation positions itself to become one of the world’s major oil powers. “Someone has to produce oil, right?” the company’s chief executive, Jean Paul Prates, said in an interview Nov. 23. The investment plan, unveiled by Prates, is 31% more than the $78 billion Petrobras had announced in its previous five-year plan for 2023-2027.

More than 70% of the outlay will be spent on production and exploration, the plan said. As the world’s major economies invest heavily in clean energy, weaning themselves off fossil fuels, Brazil has thrown ever more money behind oil production, tapping deepwater reserves off the coast of Rio de Janeiro and eyeing potentially vast new deposits near the mouth of the Amazon River. “Just because we’ve reached the conclusion that the world needs clean energy and increasingly more of it,” Prates said, “it doesn’t mean that we should condemn oil and stop pumping overnight.”

If it weren’t for oil profits, Prates said, Petrobras wouldn’t be able to invest in renewable energy. Going green is an “ongoing metamorphosis.” Brazil is set to be one of the top three sources of oil production growth this year, alongside the U.S. and Iran, according to the International Energy Agency. Brazil is already the world’s ninth-biggest oil producer. It posted a record in September of 4.7 million barrels of oil equivalent a day.

The problem with Petrobras isn’t cash flow or technical know-how, said Pedro Galdi, an investment analyst at brokerage Mirae Asset Brasil, a São Paulo-based brokerage. “The big concern is politics,” he said, citing fears that President Luiz Inácio Lula da Silva, who took office in January, could seek greater influence over how Petrobras is run.

Opponents step up campaign against pipeline from Uganda oil fields

(South China Morning Post; Nov. 22) - Environmentalists have stepped up a pressure campaign in East Africa amid reports that China is considering backing a major oil pipeline that runs from Ugandan oil fields to Port Tanga in Tanzania. Hundreds of environmental and community demonstrators staged coordinated multi-country protests at the corporate headquarters of various Chinese lenders on Nov. 20, as well as at Chinese embassies across Africa, Europe and North America, demanding that the institutions to back out of the financing deal for the East African Crude Oil Pipeline.

Protests were staged in Uganda, Tanzania and the Democratic Republic of the Congo, with solidarity demonstrations in South Africa, Paris, New York and London. Activists want Chinese lenders — including state-owned China Export & Credit Insurance Corp. (Sinosure), the Export-Import Bank of China (Eximbank) and Industrial and Commercial Bank of China — to drop their plans to bankroll the controversial US$5 billion project. The 896-mile pipeline would transport oil from Uganda's Lake Albert oil fields to Tanga on Tanzania's Indian Ocean coast for overseas delivery.

Development of the oil fields and the pipeline threaten pristine ecosystems, biodiversity hotspots, water resources and community land, according to the campaign. The activists said China and Chinese firms should not be a "last resort" for a project with a devastating social and environmental impact on Africa. The campaign focused on China after several international banks and insurers backed out over environmental opposition and the Chinese lenders were reported considering whether to step in.

Gulf Coast oil spill forces some companies to shut in production

(Houston Chronicle; Nov. 24) - An oil spill believed to be roughly one-tenth the size of the Exxon Valdez spill in Alaska is affecting wildlife and oil production offshore Louisiana, officials said. The U.S. Coast Guard said a pipeline was shut down Nov. 16 after it likely discharged an estimated 1.1 million gallons of oil into the Gulf of Mexico. The pipeline operated by Third Coast Infrastructure is believed to be the source of the spill, which has forced oil companies such as Oxy, Talos, W&T Energy, Walter Oil and Gas and Arena Offshore to halt production, the Coast Guard said Nov. 24.

About 61,165 barrels of daily oil production have been shut in until the source of the spill can be confirmed and addressed. That's about 4% of U.S. production in the Gulf of Mexico. While Third Coast's pipe, called Main Pass Gathering, is the suspected source of the spill, there are other pipes in the area and officials said they had not confirmed the culprit. Due to rough waters in the Gulf of Mexico, most of the oil appears to have been dissipated and evaporated, U.S. Coast Guard Capt. Kelly Denning said a Nov. 21 press conference. "At this time there have been no reports of shoreline impacts."

Still, early estimates rank the spill among the 10 largest to affect American waters in 40 years of tracking, said Matt Rota, senior policy director at the environmental group Healthy Gulf. “It’s troubling that they have not identified where the leak has happened,” said Matt Rota, senior policy director at the environmental group Healthy Gulf. “Somebody needs to be held accountable for this.”

South Korea avoids trend toward long-term LNG buys

(Bloomberg commentary; Nov. 22) - South Korea is avoiding the global trend toward long-term agreements on liquefied natural gas due to high prices, a risky move that will leave the importer more exposed to the volatile spot market. State-owned Korea Gas plans to rely on short-term deals or spot purchases to fill its uncontracted supply needs, the energy ministry said. The company is facing an annual supply shortfall of almost 5.5 million tonnes beginning in 2025, after existing long-term contracts from Qatar and Oman expire, according to data from KOGAS.

Russia’s invasion of Ukraine upended gas markets worldwide, triggering record-high prices and stoking worries about fuel security. In contrast to Korea, Japan is urging its importers to lock in long-term deals to protect from supply shocks, while rivals in Europe and Asia have signed several 27-year pacts with Qatar in recent months. Long-term agreements insulate buyers from wild fluctuations in spot prices, but the contracts tend to reflect the market sentiment of the day. For instance, 20-year LNG deals are currently being signed at about a 13% link to a barrel of Brent oil — much higher than in 2020, when similar agreements were closer to 10% as the pandemic triggered a supply glut.

Goldman Sachs analysts expect the next so-called bear cycle for LNG to begin in 2025, as new supplies from the U.S. and elsewhere flood the market. The result could give South Korea a better position when negotiating deals that span decades. The country’s two biggest LNG supply agreements that were signed in the mid-1990s will expire next year, according to data compiled by Bloomberg. That represents 20% of the country’s annual consumption, according to the data, creating the shortfall of contracted supply.

Japan starts up new system of LNG reserves as supply buffer

(S&P Global; Nov. 24) - Japan has approved JERA as the first supplier for the country's "Strategic Buffer LNG" framework, Minister of Economy, Trade and Industry Yasutoshi Nishimura said Nov. 24, ahead of the launch of the new supply contingency system in December. "With LNG playing an essential role for our country's power and gas supply in the midst of globally tightening of the natural gas and LNG supply and demand balance, we will strategically secure buffer LNG to be prepared for any temporary supply disruption," Nishimura told a press conference in Tokyo.

The move is part of Japan's efforts to enhance its LNG supply security after facing a series of supply issues in recent years, followed by Russia's invasion of Ukraine and the ensuing European energy crisis last year. Under the new framework, Japan aims to secure buffer LNG cargoes to be prepared for any supply contingency, starting with a minimum of one LNG cargo a month during the country's peak winter demand months over December 2023 to February 2024.

The framework is the first of its kind for Japan, where it has only had commercial stocks for LNG — unlike crude oil and refined product reserves held by the government and the private sector, as well as national LPG reserves. JERA is Japan's largest power generation company. It handles close to 40 million tonnes per year of LNG, with a controlled fleet of 20 LNG carriers held by JERA Global Markets, a joint venture between JERA at 67%, and France's EDF Trading at 33%.

Panama Canal congestion could divert U.S LNG to Europe

(Bloomberg; Nov. 24) – Traffic congestion due to low water levels at the Panama Canal could be to Europe's benefit as U.S. liquefied natural gas supplies will largely bypass Asia. Though the price gap between the Asian spot LNG price and the European gas benchmark for January has widened in recent weeks, it's not high enough to encourage shipping American gas to Asia via longer, costlier routes through the Suez Canal or the Cape of Good Hope, according to S&P Global Commodities Insights.

"The opportunity to sell more profitably to Asia over Europe from the U.S. depends on your access to Panama Canal slots," said Ciaran Roe, a global director for LNG at S&P. "If you have these, then your costs may be sufficiently low to send the cargo to Asia more profitably than to Europe for January arrivals, otherwise it's more profitable for cargoes to go to Europe."

A glut of LNG in the Atlantic that pushes prices lower at the height of the heating season would be an advantage for Europe. The premium paid for Asian spot LNG versus deliveries into northwest Europe is about $3 per million Btu, Roe added. A difference of $2.40 makes it more profitable to ship a U.S. cargo via the Panama Canal to northeast Asia over sending it to northwest Europe. But to make a shipment more profitable via Suez or the Cape, the price gap needs to be around $3.70 or above, he said.

Europe's natural gas stockpiles in strong shape coming into winter

(Reuters; Nov. 21) - Europe's gas inventories continued to accumulate much later than usual into the autumn as exceptionally mild weather delayed the onset of the winter heating season. It was the culmination of an unusually long refill season which has left the region’s storage sites brimming with gas and eliminated fears about supply security. Total natural gas inventories across the European Union and Britain hit a post-winter minimum on March 17 and continued to increase until Nov. 6.

It is still early in the winter heating season, so there is uncertainty about how much gas the region will consume and how much it will carry over to the summer 2024 refill. European Union policymakers will continue to stress potential risks to gas supplies and emphasize the need for continued conservation. But the crisis of 2022-2023 has passed and inventories are likely to be more than enough to cope with even the very coldest winter in 2023-2024. Europe has been importing record volumes of liquefied natural gas from the U.S., Qatar and other suppliers to replace Russian pipeline gas deliveries.

Alberta power generator accelerates transition to greener energy

(The Canadian Press; Nov. 21) - One of Alberta’s largest power generators said that more than two-thirds of its profits will come from renewable electricity production by 2028 — a major transformation for a company that once was one of the largest emitters of greenhouse gases in Canada. TransAlta announced an updated capital growth plan at its investor day on Nov. 21 which will see the company invest $3.5 billion in clean-electricity generating and storage capacity by the end of 2028.

The Calgary-based company, which has brought online more than 800 megawatts of wind and solar power since 2021 alone, said it will add an additional 1,750 MW of clean power within the next five years. Most of that new generation will come from developing wind and solar projects from scratch — though the company is also open to growth through mergers and acquisitions if the right opportunity comes along, said TransAlta CEO John Kousinioris in an interview.

The company is one of the largest producers of wind power in Canada, having grown its total renewable energy capacity from approximately 900 MW in 2000 to more than 2,900 MW in 2022. But just a decade ago, the company’s bread-and-butter was its large fleet of coal-fired power plants. TransAlta’s move to convert those coal-fired plants to natural gas, at a cost of close to $300 million, was completed in late 2021 and has been widely hailed as a significant environmental accomplishment.

Alberta premier pledges fight over Canada’s clean-electricity rules

(Reuters; Nov. 25) - The premier of Alberta, Canada's main oil-producing province, on Nov. 25 said her government will move to shield provincial power companies from proposed federal clean-electricity regulations. Speaking on a radio program, Premier Danielle Smith said the plans of the federal government to cut greenhouse gas emissions will wreck the energy industry. The federal rules would create a net-zero emissions power grid by 2035. It would put limits on when and how emitting power sources, such as Alberta's gas-burning plants, can be used.

Alberta has long been at odds with Prime Minister Justin Trudeau's government over energy policy. Last month, in a victory for Alberta, Canada's Supreme Court dealt a blow to Trudeau's government by ruling that federal law assessing how major projects such as coal mines and oil sands plants impact the environment is largely unconstitutional.

"We have been trying to work collaboratively with them on aligning their targets with our targets," Smith said. "We will not put our operators at risk of going to jail if they do not achieve the targets that have been set, which we believe are unachievable," she said. "We have to have a reliable grid. We have to have an affordable grid, and we're going to make sure that we defend our constitutional jurisdiction to do that." Her resolution will be brought forward for debate and approval in the legislature on Nov. 27, Smith said.

Greek shipping firms stop hauling Russian crude

(Reuters; Nov. 24) - Three major Greek shipping firms have stopped transporting Russian oil in recent weeks in order to avoid U.S. sanctions now being imposed on some shipping firms, four traders told Reuters and shipping data showed. The development is a blow to Russia as it narrows the number of shipping firms that are ready to transport Russian oil to consumers in Asia, Turkey, the Mideast, Africa and South America, although traders said Moscow still has enough shipping firms for now.

Greek shippers Minerva Marine, Thenamaris and TMS Tankers have stopped transporting Russia oil in recent weeks, the four traders said. All three firms were active shippers of Russian oil and fuels up until September-October when they started scaling down their involvement, according to the traders and data from shipping agents seen by Reuters. The Greek shippers' exit from the trade followed tighter U.S. sanctions imposed on Russian oil shipments.

In October, Washington imposed the first sanctions on owners of tankers in Turkey and the United Arab Emirates carrying Russian oil above the G7's price cap of $60 a barrel. Last week, it imposed sanctions on three more ships. The G7 countries introduced a price cap on Russian oil in late 2022 but had not previously enforced it. The routes have been lucrative. Russian oil trade has brought record revenues over the past year to shippers who took the risk and stayed in the business.

Indonesia announces construction start on carbon capture project

(Reuters; Nov. 24) - Indonesia's President Joko Widodo on Nov. 24 launched construction of a carbon capture, utilization and storage (CCUS) project in West Papua province operated by BP, the country's first carbon storage project. In September, an energy ministry official said BP will invest $2.6 billion in the project, with the first carbon injection expected in 2026. The project follows completion of BP's $4.83 billion Tangguh Train 3 liquefied natural gas project in West Papua, which was completed last month.

Indonesia is keen to develop CCUS and carbon capture and storage. It has an estimated carbon storage capacity of 8 gigatonnes in depleted oil and gas reservoirs and 400 gigatonnes in saline aquifers. Energy ministry data shows there are currently 15 CCS and CCUS projects in various stages of preparation in the country, with a combined investment of nearly $8 billion, which includes BP's project.

India wants to start blending biogas with natural gas by 2025

(The Telegraph; India; Nov. 26) - India will start blending compressed biogas with natural gas to boost domestic demand for biogas and cut reliance on natural gas imports, the government said in a statement on Nov. 25. The mandatory phased introduction will start at 1% for use in automobiles and households from April 2025, it said. The share of mandatory blending will then be increased to around 5% by 2028. India, which is one of the world's largest importers of oil and gas, ships in about half of its overall gas supply and wants to cut its import costs.

The government also aims to have sustainable fuel cover 1% of airline needs by 2027, doubling to 2% in 2028. The targets will initially apply to international flights, the statement said. The steps are aimed at helping India achieve net-zero emissions targets by 2070. "The key objectives are to stimulate demand for compressed biogas in the city gas distribution sector, import substitution for liquefied natural gas," saving on import costs, promoting the local economy and achieving net-zero emissions, it added.