Oil and Gas News Briefs
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November 9, 2023

Record number of supertankers coming to load up on U.S. oil

(Bloomberg; Nov. 6) - A record number of supertankers is steaming toward the U.S. to load oil as shipowners look to capitalize on an increase in the nation's crude exports. Forty-eight vessels are bound for the country in the coming three months, according to data gathered Nov. 3 by Bloomberg. That's the most in at least six years. The flow of vessels illustrates the changing landscape as the U.S. pumps more crude oil than ever before and the Organization of the Petroleum Exporting Countries and its allies seek to prop up the market with supply curbs. U.S. crude exports have surged this year.

U.S. producers are increasingly sending low-sulfur, light-sweet oil overseas, while many domestic refiners prefer to fill their tanks with heavier grades that yield more diesel-type fuels. The nation lifted its decades-old restrictions on crude exports in 2015. Shipments from the U.S. Gulf Coast — the main exporting region — are expected to rise by 100,000 barrels a day year-on-year next month to 4.1 million barrels a day, according to Richard Price, an oil markets analyst at Energy Aspects.

Meanwhile, the OPEC+ curbs are prompting tankers to leave the Mideast in search of better prospects in the Atlantic for the winter, Price added. The glut of vessels racing to the U.S. Gulf even includes ships heading to the region on a speculative basis without any cargo booking, a practice known as ballasting, according to EA Gibson, a London-based shipbroker. Stronger winter demand could mean higher earnings for the tankers when they reach the U.S., said Svetlana Lobaciova, a principal analyst at the same firm.

Oil prices fall to lowest since July

(Reuters; Nov. 8) - Oil prices continued their slide this week, with Brent, the global benchmark, dropping below $80 a barrel on Nov. 8 for the first time since July. Concern over waning oil demand in the United States and China is driving the market lower. "The market is clearly less concerned about the potential for Middle Eastern supply disruptions and is instead focused" on the supply-and-demand balance, ING analysts Warren Patterson and Ewa Manthey said in a note to clients.

U.S. benchmark West Texas Intermediate closed Nov. 8 around $75 a barrel. Crude oil production in the United States this year will rise by slightly less than previously expected but demand will fall, the U.S. Energy Information Administration said on Nov. 7. The EIA now expects total U.S. petroleum consumption to fall by 300,000 barrels per day this year, reversing its previous forecast of a 100,000 increase.

Adding to fears of weakening demand, data from China, the world's biggest crude oil importer, showed its total exports of goods and services contracted more quickly than expected. That reflects "a struggling domestic and global economy, which adversely affects the oil balance," said Tamas Varga of oil broker PVM. In Europe, data showing falling retail sales highlighted weak consumer demand and the prospect of recession.

New projects coming online next year will widen U.S. LNG lead

(Bloomberg; Nov. 6) - The U.S. is solidifying its position as the world's top supplier of liquefied natural gas in a market upended by wars. The nation slapped sanctions last week on a soon-to-start Russian LNG project. Traders are still dissecting the specifics, but the measures against the Arctic LNG-2 export operation could curb deliveries to its foreign owners, which include the Japanese government and France's TotalEnergies.

On top of that, a widening of the Israel-Hamas war threatens to disrupt shipments through the Strait of Hormuz, a key waterway for fuel transports. It has already affected Egyptian LNG exports to Europe, and another conflict in Mozambique has kept a massive project led by TotalEnergies in limbo. All that is increasing the significance of a slate of new U.S. LNG facilities set to come online next year, which will play an even larger role in serving in Europe and providing fuel for expanding economies in Asia.

The U.S. projects include Venture Global's Plaquemines in Louisiana, an expansion at Cheniere Energy's Corpus Christi facility in Texas and Qatar/ExxonMobil-backed Golden Pass in Texas. Unlike hiccups elsewhere in the world, they appear to be ahead of schedule and will make up more than 70% of the new global LNG supply that comes online in the next 12 months — and will cement the U.S. as the world's top supplier. The percentage will be even higher if sanctions delay the start of Russia's Arctic project.

U.S. CO2 emissions increase as more LNG export projects are built

(Reuters; Nov. 8) - Carbon dioxide emissions from U.S. liquefied natural gas production facilities have jumped to 18 million tons per year, up 81% since 2019, adding a volume of greenhouse gas to the atmosphere equivalent to several big coal plants, according to federal government data. They could more than double to 45 million tons per year by the end of the decade as new facilities, encouraged by soaring overseas demand for the fuel, come online, according to company projections provided to the Environmental Protection Agency and the Federal Energy Regulatory Commission tallied by Reuters.

The emissions figures and projections reflect a troublesome trade-off for the Biden administration, which wants to boost fuel shipments to European allies while also cutting greenhouse gas output at home to fight climate change. The Biden White House has said U.S. LNG can help Europe reduce its dependence on gas supplies from Russia.

The Energy Department approved five U.S. LNG export licenses to serve the European market following Russia's invasion, having approved none in the year prior.

U.S. special climate envoy John Kerry told Reuters last year that greenhouse gas emissions were an inevitable "downside" to increasing LNG exports to European allies. Carbon dioxide emissions from all seven operating U.S. LNG export facilities totaled 17.6 million tons in 2022, up 81% since 2019 when the sector had six facilities, according to EPA data. By 2028, five projects now under construction are due to come online, producing an additional 27 million tons a year of emissions, according to company projections provided to the EPA and FERC.

Europe continues to import a lot of Russian LNG

(Reuters; Nov. 7) - While Europe has slashed its imports of piped Russian natural gas, it has bought some 13 million tonnes of liquefied natural gas so far in 2023, little changed from a year ago, LSEG data showed on Nov. 7. Belgium, Spain and France have been the top buyers, the data showed, as Russia’s sales to Europe were little changed from 13.3 million tonnes a year earlier. LNG is not subject to European sanctions imposed on Russian over its war on Ukraine, and Europe has no short-term plan to include it.

However, Russia’s plans to expand its global LNG exports could be hampered by U.S.-imposed sanctions against its Arctic LNG-2 plant, which is scheduled to start production later this year. The $20 billion project, led by Russian gas producer Novatek, with Chinese, Japanese and French partners, is designed for almost 20 million tonnes per year of output capacity. The majority of Russian LNG to Europe is coming from Novatek’s Yamal Arctic plant. The Gazprom-controlled Sakhalin-2 plant in the Far East is Russia’s biggest LNG supplier to Asia, which has bought less of the fuel this year.

Closure of LNG import terminal could put New England at risk

(Reuters; Nov. 6) - A possible loss of the Everett Marine LNG import terminal could jeopardize the reliability of New England's energy supply during extreme cold weather, the Federal Energy Regulatory Commission and the North American Electric Reliability Corp. said on Nov. 6. Constellation Energy owns the 1,413-megawatt Mystic gas-fired power plant and the Everett liquefied natural gas import facility on the Mystic River in Everett, Massachusetts. The Mystic power facility is scheduled to retire after May 2024, and the LNG import terminal could follow after losing its biggest customer.

The retirement plan could change if the grid operator or another regulator determines the terminal is required to preserve reliability or for other reasons. The regulators have cited evidence indicating that the LNG terminal’s retirement would be "manageable" for the electric system, at least in the near-term. Regional utilities, however, want the import facility to remain open to help meet their peak demand needs. There is insufficient pipeline capacity to move U.S. natural gas into New England, forcing the region to import gas to keep the essential fuel flowing during winter months.

U.S. Export-Import Bank focuses on energy projects in Africa

(Bloomberg; Nov. 6) - The U.S. Export-Import Bank is increasing its focus on Africa and clean energy, approving its biggest renewable investment on the continent while the earlier financing of a Mozambique gas project remains under review. The bank in June approved a direct loan for more than $900 million for two solar plants in Angola, an unprecedented clean-energy project for Ex-Im that will also create thousands of jobs in the U.S., the agency's chair Reta Jo Lewis said in Johannesburg on Nov. 3.

The agency added about $1.6 billion of lending in Africa this year to reach an overall exposure of $7 billion to the region, according to Lewis. Its interest in energy projects the continent includes a wide swath of investments from solar power to natural gas. She also traveled to a U.S.-Africa nuclear summit in Ghana last week to promote domestic companies that export the technology. "Our goal is to look at bankable projects," Lewis said. "Don't automatically think that a deal is too little or a deal is too large for us."

Ex-Im has granted other loans globally that have drawn scrutiny for being out of step with President Joe Biden's pledge to curb public funding support of fossil fuels. The lender provided a $4.7 billion loan in 2020, during the Trump administration, to take up the largest share of financing for a Mozambique liquefied natural gas project led by TotalEnergies. The project was halted the following year due to the security threat posed by an insurgency. Total now plans to return to work. Mozambique expects export credit agencies to reaffirm their lending commitments by the end of the year.

Sale of government-owned oil line in Canada draws interest

(The Canadian Press; Nov. 5) - The CEO of Pembina Pipeline said the company needs more certainty over timing, regulations and costs related to the Trans Mountain oil pipeline expansion project before deciding whether to make an offer for an equity stake. The Calgary-based company formed a partnership in 2021 with the Western Indigenous Pipeline Group for the purpose of pursuing an Indigenous-led stake in Trans Mountain.

That partnership, called Chinook Pathways, has publicly expressed commercial interest in the federal government's pipeline divestment process. Ottawa bought the Trans Mountain pipeline, Canada's only pipeline system that moves oil from Alberta to the West Coast, in 2018 to ensure a planned expansion to triple its capacity would be completed after previous owner Kinder Morgan threatened to scrap the project.

The federal government has said it does not want to be the line's long-term owner, and has launched the first phase of what is expected to be a two-part divestment process. Phase 1 is limited to 120 Indigenous nations located along the Trans Mountain route to see if any are interested in an equity stake. The second phase will expand the pool to consider commercial offers. Plans are to start filling the line during the first quarter 2024.

Trans Mountain's sale is expected to be one of the largest commercial transactions in Canadian history. Yet the present value of the line is uncertain. Bought by the federal government for C$4.5 billion, the cost of the expansion project has ballooned to over C$30 billion. Trans Mountain is still negotiating with oil companies for pipeline tariffs.

Russia earning more money as it evades sanctions on oil sales

(Wall Street Journal; Nov. 6) - A Western price cap on Russian oil meant to curb Moscow's war spending is increasingly losing its punch. The latest evidence: Oil and gas tax revenue flowing into Russia's treasury in October more than doubled from September and rose by more than a quarter from the same month last year, according to data released Nov. 3. It's a stark turnaround from the beginning of the year when energy revenues tumbled as Russia had to offer steep discounts to sell its oil.

The price cap, imposed last December, was supposed to achieve twin goals: Ensure the flow of Russia's crude on world markets, thus keeping gasoline prices low, while reducing Moscow's revenue for each barrel it sells. But after the sanctions initially worked largely as expected, Moscow has found ways to circumvent them, moving oil on a fleet of aging tankers on which the restrictions have limited traction. The discount at which Russia sells its oil relative to global prices has shrunk, boosting its war chest.

The U.S. is scrambling to shore up their experimental intervention in global oil markets. The Treasury Department last month levied penalties against two tankers for violating the rules, and the U.S. is preparing additional ways to ensure traders comply, people familiar with the deliberations said. The U.S. and its allies are also discussing ways to make it more expensive for Russia to expand and operate the flotilla of ships it uses to skirt the sanctions, the people said. "The price cap worked as designed, but now is obsolete," said Natasha Kaneva, head of commodities strategy at JPMorgan Chase.

Gulf Coast Republicans see a fuel future in hydrogen

(Wall Street Journal; Nov. 5) - The Biden administration's climate push has gotten little love from the other side of the political aisle. Many Republicans have railed against government subsidies for wind and solar, excoriated the administration's support for electric vehicles and decried moves to curb oil and gas demand. But one clean-energy candidate has broad support from some of the reddest parts of the U.S.: hydrogen.

Take the Gulf Coast of Texas and Louisiana, a largely Republican-controlled region that is home to many of the oil and gas refineries in the U.S. Backers of hydrogen in that area include Republican Reps. Randy Weber of Texas and Clay Higgins of Louisiana, a Freedom Caucus member who describes fossil fuels as “the lifeblood of our modern society.” Both support a Houston-based hydrogen program vying for a piece of $7 billion in federal grants, though they voted against the legislation that funded the grants.

In a polarized energy debate that often pits renewables and their Democratic backers against fossil fuels and Republican interests, hydrogen is emerging as a big-tent fuel. Hydrogen, which can be separated from natural gas or water, doesn’t produce carbon emissions when burned. Companies are looking at it for use in cars, power generation and steel manufacturing. “People in Texas see this as a way to continue Texas’s role as an energy leader,” said Brett Perlman, CEO of the Center for Houston’s Future, a nonprofit that helped develop the proposal for the Houston-based hydrogen program.

Oil tankers victim of low water levels in Panama Canal

(Bloomberg; Nov. 6) - Dry weather is set to force large oil tankers to completely stop using the Panama Canal, requiring the vessels to extend their voyages by thousands of miles, a shipping researcher said. The Panama Canal Authority last week announced increasingly drastic cuts to how many ships it will allow through each day. It did so because Gatun Lake, which feeds the locks, has historically low water levels. By February, daily transit slots could drop to about half the waterway’s normal capacity.

That will make life especially difficult for what are known as tramp ships — vessels that don’t tend to have fixed schedules but instead rely on when cargoes load, such as large oil tankers — energy and ship brokerage Poten & Partners said in a note on Nov. 3. The Panama Canal is a shortcut between the Atlantic and Pacific oceans and avoiding it means sailing around Africa or the bottom of the Americas instead. “Large oil tankers will not feature in this trade anymore,” Poten said.

The fact that container ships have more scheduled loading dates will allow them to snap up the canal’s booking slots before tankers can do so, according to Poten & Partners. Tankers are also unlikely to get many additional transits via auctions that the canal holds for some slots, it added, citing a $2.85 million fee recently paid by a very large carrier of liquefied petroleum gas.

Liquefied petroleum tankers take U-turn just short of Panama Canal

(Bloomberg; Nov. 7) - Two giant liquefied petroleum gas tankers performed U-turns just miles from the Panama Canal, where months of low rainfall is snarling traffic and bringing chaos to the vital waterway. The Pyxis Pioneer and the Sunny Bright both got to within about 10 miles of the canal in recent days before sailing away, according to ship-tracking data compiled by Bloomberg. It's not certain where they were headed, but the biggest LPG exporters in the region are producers in the U.S. Gulf.

The canal doesn't have enough water. A lack of rainfall, blamed on climate change, is leading to a steady decline in levels in the lake that feeds the conduit. The problem is so bad that increasingly stringent quotas are being imposed on how many ships can pass through. That's threatening trade in energy, consumer goods and food as ships are forced to sail thousands of extra miles to make deliveries. LPG has become a boom trade for the canal in recent times, helping U.S. producers speed up deliveries to Asia.

The Pyxis Pioneer and the Sunny Bright were empty, having delivered cargoes to customers in Asia. While it's not unheard of for gas carriers to avoid the canal, the two ships went all the way across the Pacific Ocean before turning away only when they had reached the mouth of the waterway, the tracking data show. Vessels can go around South America to reach the U.S. Gulf Coast, adding miles and time to their voyages.

Developer appeals denial of LNG import terminal in Ireland

(Irish Examiner; Nov. 7) - The company denied permission to build a €650m (US$700 million) liquefied natural gas import terminal near Ballylongford, County Kerry, Ireland, is seeking a judicial review of the decision. Shannon LNG, a subsidiary of U.S.-based New Fortress Energy, has filed in court to overturn the decision by the An Bord Pleanála, an independent, statutory, quasi-judicial body that decides on appeals from planning decisions made by local authorities in the Republic of Ireland.

Shannon LNG is seeking a 10-year agreement to develop a 600-megawatt gas-fueled power plant, battery energy storage system, floating storage and regasification unit, jetty, onshore receiving facilities and aboveground installations and all ancillary structures. The terminal would be able to regasify and pipe into the grid up to 800 million cubic feet of natural gas per day. The floating storage and regasification unit would be moored at the proposed terminal/jetty.

An Bord Pleanála issued a majority decision in September, denying the project. The decision was based on government policy as set out on the importation of fracked gas — that it would be inappropriate to permit or proceed with the development of any LNG terminals in Ireland pending the review of energy supply, An Bord Pleanála said. In its court filings this week, Shannon LNG said An Bord Pleanála has "misinterpreted and misapplied" the government's fracked gas policy.

Pemex, U.S. developer terminate deal to develop Gulf of Mexico field

(Reuters; Nov. 7) - Mexican state energy company Pemex and U.S. liquefied natural gas project developer New Fortress Energy have terminated a deal to possibly develop the country's first deepwater gas project that was signed a year ago, two sources said. Pemex wants to continue with development of the Lakach gas field in the Gulf of Mexico and is in talks with other companies, the sources said, without naming the companies.

One of the sources noted that the project, which was abandoned in 2016 for being too expensive, has already cost over a billion dollars. The field, 56 miles from Veracruz, holds an estimated 900 billion cubic feet of gas, but rising costs and disagreements over how to develop it impeded the venture. Pemex last month decided to halt the project after NFE wanted to impose conditions Mexican officials considered unacceptable, including NFE buying the gas too cheaply from Pemex, one of the sources said.

The other source said Lakach had become too expensive for NFE, and observed that it would be challenging for Pemex to move ahead alone with the project. Despite doubts from the national hydrocarbons regulator over whether Pemex could handle the massive project, Mexico's President Andres Manuel Lopez Obrador said it could be key for supplying much-needed gas to the country. Pemex had planned to sell 190 million cubic feet per day of gas to NFE and supply 110 million to the domestic market.

Australia producer says oil and gas demand will continue for decades

(Bloomberg; Nov. 8) - Demand for oil and gas will stay resilient for decades, driven by population growth and industrialization in developing economies across Asia, according to Australia-based Woodside Energy, a key supplier of fossil fuels to the region. "Growth in demand for LNG in particular is expected to continue as buyers seek to secure supplies to support renewables in the power mix as they decarbonize," CEO Meg O'Neill said Nov. 8 in a statement ahead of an investor briefing.

Woodside is advancing a slate of expansion projects and continues to target the first liquefied natural gas shipment from its Scarborough project off the coast of Western Australia in 2026. LNG consumers have been locking in a flurry of decades-long supply contracts amid intensifying global competition. Some European nations are relying more on seaborne gas after Russia cut most of its pipeline flows to the region, while the fuel is also seen as a less emissions-intensive alternative to coal.

But the outlook for growth in LNG is challenged by the International Energy Agency, which said last month it forecasts demand to be lower than anticipated through the 2040s as adoption of renewables accelerates, putting the long-term profitability of some projects into doubt. Global demand for oil will reach its peak this decade on rising popularity of electric cars and the cooling of China's economy, the agency said.