Oil and Gas News Briefs
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Sempra partners with Japanese companies on synthetic gas project

(Houston Chronicle; Aug. 31) - Sempra said Aug. 30 that its Houston-based subsidiary would partner with a consortium of Japanese companies evaluating whether to build a synthetic natural gas project along the U.S. Gulf Coast. The facility would combine renewable hydrogen and carbon dioxide captured from the air to make 130 million tons per year of synthetic gas, or e-gas, the companies said. Sempra Infrastructure agreed to partner with Mitsubishi and Japanese utilities Tokyo Gas, Osaka Gas and Toho Gas.

E-gas and other synthetic fuels made from carbon dioxide could provide a commercial pathway for the growing volumes of carbon dioxide that companies plan to capture from the air along the Gulf Coast as climate solutions advance. Such an e-gas facility could also use the region's network of gas pipelines and processing facilities, as well as an emerging hub of hydrogen facilities.

The e-gas made at the facility would be transported to Sempra's existing liquefied natural gas facility in Louisiana, supercooled into a liquid and exported to Japan, the companies said. Mitsubishi already owns a 16.6% stake in Sempra's Cameron LNG terminal through a joint venture with Nippon Yusen Kabushiki Kaisha.

Japanese companies partner on possible synthetic gas plant in Peru

(Wind Power Monthly; Aug. 31) - Japan's Marubeni Corp. and Osaka Gas have signed an agreement with liquefied natural gas producer Peru LNG to explore a project to produce e-methane using renewable energy. The companies have signed an agreement to commence a preliminary front-end engineering and design study for the synthetic natural gas project, which is meant to produce e-methane from green hydrogen and carbon dioxide, using Peru's abundant renewable energy potential.

Because e-methane has the same composition as natural gas, the companies said, it can use existing infrastructure such as natural gas pipelines. Carbon emissions from the combustion of synthetic methane are to be offset by the carbon dioxide separated and recovered as part of the methanation process. The e-methanol would be sold in markets including Peru and Japan.

In an initial study begun last year, Marubeni, Peru LNG and Osaka Gas investigated the potential for procuring the renewable energy and the carbon dioxide required to produce 60,000 tonnes of e-methane per year. They have confirmed that Peru's abundant wind, solar and hydropower, plus the CO_2 produced at Peru LNG's liquefaction terminal, will allow the project to produce e-methane at a competitive price. Marubeni, Osaka Gas and Peru LNG will assess the results of the pre-FEED and evaluate an investment decision in 2025, with the aim of starting production and sales of e-methane by 2030.

California company plans to turn W. Virginia coal plant to hydrogen

(Associated Press; Aug. 30) - A West Virginia coal-fired power plant that had been targeted for deactivation was restarted Aug. 30 under a new owner that plans to retrofit the facility to use hydrogen to generate electricity, Gov. Jim Justice announced. California-based Omnis Fuel Technologies intends to invest $800 million at the Pleasants Power Station on the Ohio River near Belmont, Justice said. In July, the Federal Energy Regulatory Commission authorized the transfer of the 160-worker plant from Texas-based Energy Transition and Environmental Management.

The plant was first scheduled to be shut down in 2018. State lawmakers approved a tax break in 2019 that had kept the facility active. Omnis will require up to 600 workers in total after its hydrogen facility is built next door, Justice said. One of the byproducts of the facility will be graphite, a key material in lithium-ion battery production.

Reuters poll of analysts sees tight oil supply ahead

(Reuters; Aug. 31) - Analysts have raised their 2023 oil price forecasts for the first time in four months as OPEC+ production cuts are expected to keep supply tight, offsetting risks to demand from a stalling economic recovery in China, a Reuters poll showed on Aug. 31. A survey of 37 economists and analysts forecast Brent crude would average $82.45 a barrel in 2023, up from July's $81.95 consensus. Brent has averaged around $80.6 a barrel so far this year. West Texas Intermediate U.S. crude is seen averaging $77.83 a barrel this year, above the previous month's $77.20 forecast.

"Though chances of a deep recession in the West have taken a backseat, the China demand boost expected in the second half of 2023 is probably off the table as well," Suvro Sarkar, energy sector team lead at DBS Bank, said. Maintaining oil prices at current levels will require a significant level of supply discipline from the Organization of the Petroleum Exporting Countries and allies led by Russia (OPEC+), Sarkar added.

Most analysts polled by Reuters expect top exporter Saudi Arabia to extend its 1 million barrel-per-day voluntary supply cut, which is in addition to the cuts put in place by the wider OPEC+ group. That could see global benchmark Brent prices climbing to an average of $85.65 a barrel in the fourth quarter, the poll showed. "We forecast that the market will fall into significant deficit in the third and fourth quarters of 2023," said Matt

Sherwood, Lead Commodities Editor at the Economist Intelligence Unit. "China is key for oil demand growth projections," said Julius Baer analyst Norbert Rücker.

Bank says oil could reach $90 if Saudis continue production cut

(Wall Street Journal; Aug. 31) - Brent crude oil could move closer to $90 a barrel if Saudi Arabia continues its production cuts for another month, further tightening the global market, according to Commonwealth Bank of Australia. The Saudis are expected within days to announce their intentions for October production. The country's production cut of one million barrels per day has been in force for the past two months and Riyadh has already said it will extend it into September.

The cuts have thus far been taken in concert with Russia, the other leading member of OPEC+, and an extension of Saudi Arabia's cutback into October "would likely be accompanied by some oil export cut commitment by Russia," the bank said. Collectively, that would push Brent prices closer to $90 a barrel, the bank said in a note. Brent, the global pricing benchmark, last topped $90 in November 2022, though it has been in the mid- to high-$80s range several times, including this week.

Russian media reports further curbs to oil exports likely

(S&P Global; Aug. 31) - Russia has agreed on further curbs to its oil exports with OPEC+ partners and full details of the deal will be announced next week, Deputy Prime Minister Alexander Novak was quoted by Russian media on Aug. 31. Responding to a question from President Vladimir Putin on whether agreement had been reached with OPEC+ partners on limiting exports, Novak said: "Yes, we agreed. But we will announce the basic parameters next week, publicly," Interfax and other Russian outlets reported.

However, the announcement has raised questions among some OPEC+ delegates. One official who declined to be identified told S&P Global Commodity Insights he was unaware of any new deal, adding that any adjustment would require a formal meeting to be convened. The next meeting of the OPEC+ Joint Ministerial Monitoring Committee — which scrutinizes market management measures — is not scheduled until Oct. 4.

Russia has been curbing its crude exports as part of efforts by OPEC+ to support prices in the face of global economic weakness in recent months. The country is set to taper its export reduction to 300,000 barrels per day in September from 500,000 b/ in August. Novak, who has overseen Russian coordination with OPEC+, previously said an extension of the curbs into October was being considered. The suggested Russian export cut comes alongside a production cut by OPEC+ partner Saudi Arabia of 1 million barrels per day, which the Saudis are likely to continue for October.

India cuts back on Russian oil as Saudis offer attractive terms

(Bloomberg; Sept. 1) - India's splurge on cheap Russian crude may be over as New Delhi's traditional suppliers in the Middle East step back in with attractive conditions. "Our dependence on Russian oil is going to decrease sharply," Oil Minister Hardeep Puri said in an interview. "The cost viability from the Gulf is much more attractive now." India's consumption of Russian crude has soared since President Vladimir Putin's war on Ukraine in February last year, ousting Saudi Arabia and Iraq from the top spots. From negligible levels, it soared to account for nearly half of India's supplies in May.

However, rising prices have squeezed the discount on Russian crude and limited the attractiveness of such spot purchases, making other sources, some with term contracts, appealing once again. In August, India's imports from Russia fell for the third month in a row to 1.57 million barrels a day, according to data-intelligence firm Kpler, down 24% on the month and at the lowest since January — though Russia remains the top supplier.

Refiners last month also cut shipments from Iraq, another top source of crude, by 10% to 848,000 barrels a day. Cargoes from Saudi Arabia jumped 63% on month to 852,000 barrels a day, the data showed. "I am very clear. We are in the market today, and we will buy from whomever," Puri said. India's purchases of Russian oil have been an important lifeline for the producer after flows to Europe dwindled to a trickle last year. India meets over 86% of its demand via imports, making its economy highly vulnerable to oil prices.

Chevron's Australia LNG workers plan strike to begin Sept. 14

(Reuters; Sept. 5) - Workers at Chevron's Gorgon and Wheatstone liquefied natural gas projects in Australia plan a total strike for two weeks starting Sept. 14, a union alliance said on Sept. 5, in a significant escalation on disputes over pay and conditions. Australia is one of the world's three biggest LNG exporters, and the ongoing dispute has stoked volatility in natural gas markets as traders worry about the risk of long-term disruption.

The strike decision comes amid mediation talks hosted by the Fair Work Commission, Australia's industrial arbitrator, which began on Sept. 4 and are scheduled to run every day this week, ahead of brief stoppages called by the union starting Sept. 7. "The Offshore Alliance is escalating protected industrial action to demonstrate that our bargaining negotiations are far from 'intractable'," the union said in a Facebook post.

Freeman Shaheen, head of global gas at Chevron, told reporters at the Gastech conference in Singapore that the discussions are continuing. "There are mediated negotiations going on, which I think is positive," he said. Prolonged industrial action could disrupt LNG exports and likely increase competition for the fuel, forcing Asian buyers to outbid European buyers to attract LNG cargoes. Wheatstone and Gorgon have the capacity to provide up to half Western Australia's total gas production.

Low water slows traffic through Panama Canal, including U.S. LNG

(Al Jazeera; Sept. 1) - Bananas from Ecuador to Florida. Poultry from Chile to northern Europe. Liquefied natural gas from the United States to Asia. And virtually anything under the sun out of China. The traffic jam that has been piling up on the doorstep of the Panama Canal is a snapshot of how goods move across the globalized world and the collateral damage that is at stake. For months now, the queue for passage through one of the most iconic shipping routes on the planet has been getting worse.

In late August, about 135 ships were waiting to cross the 51-mile waterway that links the Atlantic and Pacific oceans, 50% more than would normally be there. The cause is a protracted drought that has driven water levels down and forced canal operators to reduce the number of ships that can pass through its locks. As a result, giant container ships and tankers carrying dry goods, perishables and energy are sitting idle in the sea.

"Since the U.S. shale energy revolution with fracking, this has become the main way energy is moved from the East Coast of the United States to China, India, Korea and Japan," said Andrew Thomas, an international business professor at Akron University, Ohio. "It's really an obstacle, especially for the North American gas exporters into the Asian markets," said Peter Sand, chief analyst for Xeneta, the ocean freight rate benchmarking and market intelligence platform. There are alternate routes, through the Suez Canal for example, but it takes longer and will cost more.

Regulators put on hold Trump-era rule that allowed LNG by rail

(Associated Press; Aug. 31) – A Trump-era rule allowing railroads to haul highly flammable liquefied natural gas will now be formally put on hold to allow more time to study the safety concerns related to transporting that fuel and other substances like hydrogen that must be kept at extremely low temperatures when they are shipped, regulators announced on Aug. 31. Right after it was announced in the summer of 2020, the rule was challenged in court by several environmental groups and by 14 states.

The uncertainty about the rule on LNG kept railroads from hauling it. The U.S. Pipelines and Hazardous Materials Safety Administration says no one has ever even ordered one of the specially fortified rail cars that would have been required to ship LNG. "We need to do more safety investigative work," said Tristan Brown, deputy administrator at the agency. "Until we do that work, we don't want someone to … make investments and deploy something where we haven't fully done the process we normally need to do."

Brown said the rule was rushed under a directive from then-President Donald Trump, and it needs to be refined. This latest action ensures the rule that was backed by the freight rail and natural gas industries will remain on hold at least until regulators finalize changes to the rule that the Biden administration wants to make, or the end of June 2025 — whichever comes first.

Gulf Coast LNG projects don’t want to lose workers to tech jobs

(Bloomberg; Sept. 1) - Jose De Hoyos is recruiting in the oil patch. He got his start meeting workers in Pennsylvania’s Marcellus shale basin. This month, you’ll find him in Odessa, Texas. But De Hoyos isn’t in the Permian to hire engineers for gas rigs or roughnecks to join drilling crews. Instead, the founder of the cryptocurrency consulting firm LFG Mining is pitching a career pivot to data centers, the unsexy backbone of all things tech. He touts better pay and work conditions, and a career with growth potential.

“We are going to cross-train them and make them proficient in the Bitcoin mining and traditional data center setup,” said De Hoyos, who is seeking to hire as many as 12 people for operations in Pecos and Odessa. While it’s hardly new for energy workers to migrate toward tech — President Joe Biden infamously encouraged coal miners to “learn to code” — the current push from De Hoyos and other recruiters to poach them comes at a precarious moment for the natural gas industry.

Developers are racing to build a series of massive projects in Texas to liquefy and export U.S. gas to make up for reduced Russian pipeline flows to Europe in the wake of the Ukraine invasion. Companies need every skilled worker they can get. Executives and analysts warn the increasing competition from tech threatens to drive up project costs and slow construction as the clock is ticking to bring the fuel to the global market.

NextDecade will need as many as 5,000 workers as it starts construction of an $18.4 billion LNG export plant in Brownsville, Texas, dubbed Rio Grande LNG. Golden Pass, a joint venture between QatarEnergy and ExxonMobil, will have as many as 7,700 workers at its Texas project before it opens next year. In Port Arthur, Texas, Sempra’s project needs as many as 1,500 workers over the 4½ years it will take to construct.

Santos sells small share in Papua New Guinea LNG for $576 million

(Argus Media; Sept. 1) - Australian oil and gas independent Santos has agreed to sell a 2.6% stake in the Papua New Guinea LNG project to PNG state-owned firm Kumul in a deal worth $576 million in cash. Kumul also will assume $160 million of the project’s debt. Santos agreed to an option to allow Kumul to acquire a further 2.4% stake in PNG LNG for $524 million plus a "proportionate share of project finance debt." The call must be exercised by June 2024, Santos said.

Kumul's stake in will rise to 19.4% following the initial purchase, while Santos remains the largest shareholder at 39.9%. Santos had been expected to sell down its stake in the ExxonMobil-operated project by 5% after a 2021 merger with Australian firm Oil Search. That merger increased Santos’ holding to 42.5% from the previous 13.5%. Santos said on Aug. 23 that PNG LNG produced 4.2 million tonnes of LNG during January-June. The project’s nameplate capacity is 8.9 million tonnes per year.

The Papua New Guinea terminal shipped its first export cargo in 2014. Santos also holds stakes in three other LNG projects. The two in Australia are producing — Darwin LNG, at 3.7 million tonnes per year capacity, and Gladstone LNG, at 7.8 million tonnes — and the proposed Papua LNG project, led by TotalEnergies, which is presently in an initial engineering phase of development. The project's shareholders are targeting a final investment decision in early 2024.