Oil and Gas News Briefs
Compiled by Larry Persily
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U.S. regulators struggle with latest decision on LNG project

(Reuters; Jan. 19) - The Biden administration faces mounting pressure over whether to approve a massive new Louisiana LNG export project, with environmentalists saying the facility would undermine U.S. climate goals, while business interests argue it is essential for global energy security. The Federal Energy Regulatory Commission is expected to vote in weeks or months on approval of Venture Global's Calcasieu Pass 2 LNG project. If constructed, CP2 will be twice the size of Venture Global's existing Calcasieu plant (CP), with an export capacity of 20 million tonnes per year at the new facility.

FERC gave CP2 final environmental approval last July. U.S. energy law requires FERC to approve LNG projects unless they are not in "the public interest." It does not require the commission to consider climate implications. FERC has only once turned down an LNG project, in 2016, a move it later reversed. CP2 would also need approval from the Department of Energy to export gas to countries lacking a free trade agreement with the U.S., which includes several large, potential customers in Europe and Asia.

The administration of President Joe Biden is mulling a plan to add a stringent review to LNG export permits, including criteria on how LNG affects climate change, said a source with direct knowledge of the administration's talks. One possibility is a moratorium on permits until the details of the environmental review are finalized, the source said. The White House did not respond to requests for comment. A Department of Energy spokesperson said the department had no update on its approval process.

Biden advisers divided over more LNG export approvals

(Bloomberg; Jan. 19) – President Joe Biden’s top advisers are divided over how much to ramp up environmental scrutiny of licenses to ship liquefied natural gas abroad as companies and industry groups warn it could slow development of new export terminals, according to people familiar with the matter. Administration officials who support taking a tougher approach argue it’s important on both climate and political grounds and are worried that the U.S. has already authorized too much natural gas to flow overseas.

Biden already alienated some climate-minded voters with his administration’s approval of ConocoPhillips’ $8 billion Willow oil development in Alaska last year, and he’s under increasing pressure to limit U.S. oil and gas exports before the November elections. The younger electorate, incensed over Willow, have come to view multibillion-dollar LNG export projects as a test of the president's commitment to fighting climate change. Even so, the issue is complex — cutting across geopolitical, domestic and other interests.

The U.S. is the world's largest LNG exporter, and any change in policy could have far-reaching consequences — advisers have raised concerns about economic risk. Among the administration officials leading the push for a more stringent climate test are Energy Secretary Jennifer Granholm. Increased climate scrutiny could imperil billions of dollars in new export projects awaiting Energy Department blessing. The prospect has ignited a flurry of lobbying, as gas and pipeline companies warn that a pause in approvals would diminish the climate benefits of using U.S. gas instead of coal in overseas power plants.

New LNG supply over next three years will help hold down prices

(S&P Global; Jan. 19) - Global LNG markets could start to loosen as early as 2024 as Asia and Europe emerge from a mild winter with healthy inventories and demand from big gas consumers is capped by slow economic recovery, analysts said. The easing of the supply-demand balance will help cap prices, and spot LNG prices have already eased below the $10 per million Btu, despite peak winter and Red Sea disruptions.

Analysts at Morgan Stanley now forecast a slightly oversupplied LNG market in 2024 with a roughly 4-million-tonne surplus, compared to a previous forecast of a roughly balanced marketplace. "While this is less tight than our prior outlook, it still leaves the market with limited buffer to manage potential disruptions. At the same time, upside risk from winter weather uncertainty is moderating as we move through the peak of the heating season," the bank said in a Jan. 9 note.

Since Russia attacked Ukraine in 2022, LNG supplies had tightened globally as Europe replaced lost Russian gas supply and LNG markets were not expected to normalize before 2026. But this could change. "The global gas squeeze will enter its third year in 2024. The good news for consumers is that it is coming to an end. A wave of new LNG supply will start from the end of this year with over 140 million tonnes per year of supply (more than 30% of current global LNG market) being added over the next three years," Neil Beveridge, managing director at Sanford C. Bernstein & Co. said in a Jan. 8 note.

U.S. utilities look to on-site LNG storage as backup gas supply

(South Dakota Searchlight; Jan. 17) - As the U.S. electric power system has become more reliant on natural gas plants, it's also become more vulnerable to gas system failures. During Winter Storm Elliott in 2022, about 18% of the anticipated power supply in the portion of the grid that serves the entire eastern half of the U.S. was offline. Of the power plants that failed to perform, 47% were gas fired, according to an inquiry by the Federal Energy Regulatory Commission and North American Electric Reliability Corp.

Gas supply problems accounted for 20% of all generation outages, the report noted. However, in an era when building new gas pipelines, along with other infrastructure, has proven increasingly fraught, some utilities see a solution to gas shortages: adding liquified natural gas storage on-site. Virginia utility giant Dominion Energy is proposing to add LNG storage to serve two large power plants it operates in southern Virginia.

And in South Dakota, Otter Tail Power Co. is planning to add gas storage at its Astoria power plant in Deuel County. Bill Swanson, manager of supply operations and planning for Otter Tail, which has about 133,000 customers in Minnesota, North Dakota and South Dakota, said adding LNG at the company's 245-megawatt Astoria plant makes the most economic sense. Companies could produce and store LNG, then regasify the fuel and burn it in their power plants when pipeline gas deliveries are disrupted.

Some pro-renewable energy analysts, though, are wary about the costs and impacts of adding gas infrastructure at a time when cutting emissions to lessen climate change is becoming ever more pressing. There are also safety and environmental concerns.

Forest Service reverses 2022 decision allowing new rail line for oil

(Colorado Public Radio; Jan. 17) - The U.S. Forest Service on Jan. 17 withdrew a federal permit for a section of the Uinta Basin Railway Project, a key part of a proposed rail network that would pass through western Colorado to connect Utah oil fields with refineries along the Gulf Coast. If completed, the 88-mile rail route would link with freight lines that run alongside the Colorado River and cross delicate ecosystems. It has drawn lawsuits and vocal pushback from environmental groups and elected officials.

The Forest Service's decision follows an August 2023 ruling from the U.S. Court of Appeals that struck down the U.S. Surface Transportation Board's approval of the project. The Washington, D.C.-based appeals court decided that a 2021 environmental impact statement and opinion from the Surface Transportation Board were rushed and violated federal laws. It sided with environmental groups and Colorado's Eagle County, which had sued to challenge the project approval.

The Forest Service decision only voids a 2022 permit to build a 12-mile section of rail through the Ashley National Forest in Utah. Still, opponents see the move as a win that protects Colorado's environment and communities from potential derailments and oil spills from as many as five 2-mile-long oil trains per day — and a victory in the climate movement's bigger goal of stymying fossil fuel projects. The tracks would let producers, currently limited to tanker trucks, ship an additional 350,000 barrels of oil daily by rail.

U.S. power and gas systems handle peak demand amid winter cold

(Reuters; Jan. 17) - Freezing temperatures in several U.S. regions triggered peak power demand in parts of the country on Jan. 17 as homes and businesses consumed a record amount of natural gas for heating and power generation. The severe winter storm dumped snow across a broad part of the country, shutting a Gulf Coast refinery in Texas, triggering malfunctions at others, and halving North Dakota's oil production.

U.S. government-owned power utility Tennessee Valley Authority saw a peak demand record on Jan. 17 when demand hit 34,526 megawatts, beating out the previous all-time high set in August 2007, the agency said. PJM Interconnection, the largest U.S. power grid operator, covering more than a dozen states from Illinois to New Jersey, extended its cold weather advisory by a day until Jan. 22 for its western region.

Despite isolated outages and well freezes, the country's power and gas systems have broadly kept the lights on and the gas flowing, avoiding the consequences of a deadly storm three years ago. A February freeze in 2021 left millions in Texas and other central states without power, water and heat for days and caused more than 200 deaths. The Electric Reliability Council of Texas, which operates most of the state's power grid, was forced at the time to impose rotating power outages to prevent a grid collapse after an unusually large amount of gas-fired generation shut due in part to a lack of fuel.

Cold weather causes multiple small spills in North Dakota fields

(The Associated Press; Jan. 18) - Bitter cold weather is causing a rash of spills in the oil fields of North Dakota as well as a slowdown in production, regulators say. North Dakota has seen multiple days of frigid weather, with windchills at times reaching as low as minus 70 degrees Fahrenheit in its Bakken oil fields. Regulators say that strains workers and equipment, which can result in mishaps that lead to spills.

More than 60 spills and other gas or oil environmental problems have been reported in the past week, according to the state's spill dashboard. “This is probably the worst little stretch that I’ve seen since I took over the spill program” a decade ago, North Dakota Department of Environmental Quality Spill Investigation Program Manager Bill Suess said. Public health is not at risk due to the remoteness of the spills, Suess said.

The spills most commonly have involved crude oil and produced water — wastewater that is a byproduct of oil and gas production, containing oil, drilling chemicals and salts. Produced water spills can cause long-term damage to impacted land. Some companies are already engaged in cleanup despite the extreme cold, while others wait for the weather to warm. Suess said that given the extreme circumstances, the agency is giving companies some breathing room, but still expects the work to begin soon.

Extreme cold takes out oil production in Permian and North Dakota

(Bloomberg; Jan. 19) - The wintry weather that blanketed parts of Texas in snow and hammered North Dakota with extreme cold has knocked out millions of barrels of U.S. oil production, and the industry is expected to need weeks to restore output to normal levels. Production across the U.S. was curtailed by about 10 million barrels this week, according to market participants. Losses in the Permian Basin of Texas and New Mexico are estimated at around 6 million barrels, and shut-in output in North Dakota's Bakken is seen at close to 3.5 million barrels.

In Midland, in the heart of the Texas Permian, temperatures dipped below freezing in 11 out of the 19 days this month. Extremely low temperatures freeze water at the wellhead, shutting in production. Icy roads make it difficult for vacuum trucks — used to haul away wastewater — to reach drill pads, causing drillers to either halt pumping or curtail rates. The losses currently amount to less than 1% of U.S. crude production, which is about 13 million barrels a day, but are expected to linger or even rise in North Dakota.

Below-freezing temperatures are expected throughout the end of the month in North Dakota, posing continued challenges. Oil producers there may need at least a month to restore output to normal levels after more than half of the state's flows were cut off this week, state officials said. Natural gas gathering systems that are connected to oil wells fill up with liquids during extreme cold, disrupting compressor operations, said Lynn Helms, the state's mineral resources director. Wells are then shut in to avoid flaring. "It will be a long, slow recovery," Helms said. "January will be a very, very bad month."

Russia displaces Saudi Arabia as top oil supplier to China

(Reuters; Jan. 20) - Russia leapfrogged Saudi Arabia to become China's top crude oil supplier in 2023, data showed on Jan. 20, as the world's biggest crude importer defied Western sanctions to purchase vast quantities of discounted oil for its processing plants. Russia shipped a record 107.02 million tonnes of crude oil to China last year, equivalent to 2.14 million barrels per day, the Chinese customs data showed, far more than other major oil exporters such as Saudi Arabia and Iraq.

Imports from Saudi Arabia, previously China's largest supplier, fell 1.8% to 85.96 million tonnes, as the Middle East oil giant lost market share to cheaper Russian crude. Shunned by many international buyers following Western sanctions over the Kremlin's 2022 invasion of Ukraine, Russian crude oil traded at significant discounts to international benchmarks for much of last year amid a Western-imposed price cap.

Accelerating demand from Chinese and Indian refiners for the discounted oil boosted the price of Russian crude through 2023, pushing past the Group of Seven's $60-a-barrel price cap imposed in December 2022, driving alternative shipping and insurance options to circumvent the sanctions. Chinese refiners use intermediaries to handle the shipping and insurance of Russian crude to avoid violating the sanctions. Buyers also use the waters off Malaysia as a trans-shipment point for sanctioned cargoes from Iran and Venezuela. Imports tagged as originating from Malaysia climbed 53.7% last year.

OPEC leader says oil demand will continue to grow

(Bloomberg; Jan. 17) - OPEC's top official said forecasts that oil demand is heading toward a peak will prove just as misguided as earlier predictions that supply was reaching its zenith. "Ultimately, peak oil supply has never come to pass, and predictions of peak oil demand are following a similar trend," Secretary-General Haitham Al Ghais said in a statement on the group's website. "Peak oil demand is not showing up in any reliable and robust short- and medium-term forecasts."

Many forecasters project that oil demand is set to max out in coming years, as countries switch to renewable energy and electric vehicles in an effort to avoid catastrophic climate change. The International Energy Agency in Paris anticipates a peak before the end of this decade. Al Ghais said that technological advances — which thwarted some geologists' fears in the past century that oil supplies would start to run out — will also extend fossil fuel demand.

The development of hydraulic fracturing helped drive the U.S. shale industry and reversed the country's declining oil output. Al Ghais said that innovations to improve fuel efficiency or capture and store carbon emissions will similarly buoy hydrocarbons. "Time and again, oil has defied expectations regarding peaks," Al Ghais said. "Logic and history suggest that it will continue to do so."

IEA raises 2024 oil demand growth, but less than OPEC forecasts

(Reuters; Jan. 18) - The International Energy Agency has again raised its 2024 global oil demand growth forecast, though its outlook remains below OPEC's expectations, adding that the market looks well supplied because of strong growth outside the producer group. The IEA and the Organization of the Petroleum Exporting Countries have clashed in recent years over issues such as future oil demand. The IEA expects oil demand to peak by 2030 as the world shifts to cleaner fuels, a view OPEC dismisses.

The IEA, which advises industrialized countries, on Jan. 18 predicted global consumption will rise by 1.24 million barrels per day in 2024. This was its third consecutive upward revision in as many months but still below OPEC's projection for demand growth at 2.25 million barrels per day.

With conflict in the Middle East raising concern over supply, the IEA said that — barring significant disruptions to flows — the market looked reasonably well supplied in 2024 and a surplus could emerge if OPEC and its allies unwind output cuts as scheduled in the second quarter. The IEA's latest upward demand growth revision, up 180,000 barrels from its previous projection, was linked to improving global economic growth and lower crude prices in the fourth quarter, plus China's expanding petrochemicals sector.

Alberta needs US$72 oil to balance its budget

(CBC Canada; Jan. 19) - Slumping oil prices are bringing some relief for drivers filling up their gas tanks this winter, but they're also delivering a financial hit to some Canadian provinces as they prepare their next budgets — notably Alberta. Oil prices have fallen by almost 40% since reaching a high of more than US$120 per barrel in 2022. Oil was trading at more than $90 in September, but this week prices have fluctuated in the low $70s (all figures in U.S. dollars).

The Alberta government wraps up public consultations on its next budget this week, and experts aren't sure whether the province will be able to balance its books when the budget is unveiled in February. Alberta is on a "knife's edge," said University of Calgary economics professor Trevor Tombe, as it's too hard to predict if the province will project a budget surplus or deficit for the next financial year.

"If we go into this coming fiscal year starting April 1 with $72 per barrel, that might put the government into a situation where they either have to revise their spending plans or face a modest deficit," he said in an interview. The price of $72 is likely the province's break-even point right now, Tombe said, considering the government's own financial projections. Every $1 change in North American oil prices brings a $630 million impact to Alberta's bottom line. "There's a big difference between the mid-70s and the low-70s, and that's got to be what's occupying the government's mind right now," he said.

Alberta’s oil and gas industry well cleanup cost $700 million in 2022

(The Canadian Press; Jan. 17) - Alberta’s oil and gas producers spent nearly C$700 million in 2022 on cleaning up some of the hundreds of thousands of old wells that dot the province, according to the Alberta Energy Regulator’s first report on the extent of the liabilities. That’s 65% more than they had to spend under provincial rules, taking 8,000 inactive wells off the books, the report says. “Industry is moving infrastructure toward closure,” said Chad Newton, the agency’s planning manager. “Industry did a good job.”

But the report acknowledges serious information gaps and suggests 2022’s closure totals may have been a one-off. It also repeats a figure of C$33 billion worth of environmental liability from the remaining wells — a figure critics say is far too low and based on old cost estimates the auditor general has already criticized. “They’re using a system that they’ve admitted underestimates liabilities,” said Martin Olszynski, a University of Calgary resource lawyer and critic of Alberta’s remediation policies.

Alberta has 466,000 oil and gas wells. The report says only about a third of them are active and only about one-tenth produce more than 10 barrels a day. About a fifth have been reclaimed. The report says more than $1.2 billion was spent on well closures in 2022. That reduced the number of inactive wells in Alberta by 9% in a single year.

Norwegian court overturns North Sea oil and gas projects

(S&P Global; Jan. 19) - Norway's energy ministry said Jan. 19 it was considering its response after a district court overturned the ministry's approval for three recent North Sea oil and gas projects in a case brought by Greenpeace and the youth wing of Friends of the Earth. In a statement, the ministry said it disagreed with the ruling of the Oslo district court but it would have no immediate consequences for ongoing activity.

The court declared invalid approvals for the Breidablikk, Tyrving and Yggdrasil projects. Breidablikk, operated by state-controlled Equinor, started producing in October 2023, while the other two are being developed by Aker BP, Norway's second-largest upstream producer. The case centered on the emissions from consumption of the oil and gas produced from the fields, which the court found had not been specifically assessed. The energy ministry argued it was not obliged under Norwegian and European laws to make a field-by-field assessment, but only to consider the industry's overall impact.

The court also ruled the state could issue no further approvals in relation to the three projects and questioned some of the ministry's forecasts. Responding to the ruling, State Secretary Astrid Bergmal said the ministry was "working through" the 109-page judgment before deciding on a possible appeal. "We disagree with the judgment, and the ruling on the temporary injunction. The ruling ... does not entail immediate consequences for any ongoing activity."

India, Qatar close to signing long-term LNG deal

(Reuters; Jan. 19) - QatarEnergy within weeks could sign a long-term deal to provide liquefied natural gas to Indian buyers on cheaper and more flexible terms than existing contracts, trade sources said, as India seeks to meet a goal to increase the fuel's use. The Indian companies and QatarEnergy have agreed on terms and a contract could be signed by early in February, a source said, adding the contract offering destination-flexible cargoes and lower pricing would run until at least 2050, possibly longer.

It would extend contracts set to expire in 2028 for 8.5 million tonnes per year to Indian buyers and play a part in meeting Prime Minister Narendra Modi's aim to raise the share of gas in the country's energy mix to 15% by 2030 from 6.3% now. Qatar, which aims to expand its annual gas liquefaction capacity to 126 million tonnes by 2027 from 77 million, is keen to play a larger role in Asia and Europe as competition from U.S. supply increases. Last year, Qatar signed long-term deals with Shell, TotalEnergies and ENI.

Qatari LNG is often priced in relation to oil, using a formula based on a slope, or percentage of the price of a barrel of crude. One of the sources said the deal is likely to be finalized at a price per million Btu of LNG at around a 12% slope of Brent. If Brent, for example, were to average $80 a barrel under whatever period is specified in the contract, the LNG could cost Indian buyers $9.60 per million Btu. Under an existing deal, India's top gas importer Petronet LNG imports 7.5 million tonnes per year of LNG from Qatar on a delivered basis with slope of 12.67% and a fixed charge of 52 cents.

B.C. needs new transmission line to send hydropower to LNG plants

(Reuters analysis; Jan. 19) - British Columbia has boosted its C$36 billion (US$26.7 billion) plan to expand its power grid over the next decade, but the province will still fall short of supplying the biggest liquefied natural gas projects with hydropower needed to avoid generating high emissions. Long regulatory processes mean a critical northern transmission line expansion will be ready years after LNG plants start operating, while droughts are already curbing British Columbia's hydropower generation.

B.C. boosted its electricity grid spending plans on Jan. 16 by 50%, as demand soars from industry for renewable hydropower and as the province switches to electric vehicles and electric heating in buildings. "It's a huge challenge to meet all the potential demand for electricity — daunting," said Barry Penner, a former B.C. environment minister and now chair of Energy Futures Initiative, an advocacy group.

Supplying hydropower to LNG projects is critical to the goals of the province and Canada to cut emissions sharply by 2030. The Shell-led LNG Canada project, which is 90% complete, will run on high-emissions natural gas, complicating Canada's net-zero goals. The company is considering a second phase that may use grid power once it's available. The key part of B.C.'s grid plan for LNG Canada is the C$3 billion expansion of a transmission line. Building it would take up to 10 years because of the need for agreement with First Nations and permitting, BC Hydro CEO Chris O'Riley said.

Norwegian company will invest in Indian LNG import terminal

(Bloomberg; Jan. 15) – Norway’s Crown LNG will invest more than $1 billion in an Indian liquefied natural gas import terminal that it aims to open in 2028, the Norwegian company’s chief executive officer said. Indian gas demand is strong and likely to keep growing, but it is currently limited by the need for affordable supplies, Swapan Kataria said in an interview in New Delhi. LNG is likely to become cheaper due to increases in global production capacity through the end of the decade, he said.

Prime Minister Narendra Modi has set a goal of raising the share of gas in India’s energy mix to 15% by 2030 from 6%, which has led to a frenzy of investments in infrastructure. Six of the seven operational LNG import terminals currently are running at less than half capacity, however, casting doubts on the viability of future projects.

Crown’s planned LNG terminal to be built in Kakinada, in the state of Andhra Pradesh, will be India’s second-largest, according to government data, with a capacity of 7.2 million tonnes a year. India’s LNG demand will hit 72.9 million tonnes a year by the end of the decade from an estimated 20 million in 2023, according to Bernstein analysts.

Japanese developer wants to speed up Indonesia LNG project

(Reuters; Jan. 18) - Inpex Corp., Japan's top oil and gas explorer, is set to accelerate development of its $20 billion Abadi Indonesian liquefied natural gas project, with the aim of starting operations as soon as late this decade, its CEO said on Jan. 18. The launch timing would be slightly ahead of its previous target to make a final investment decision in the latter half of this decade and start production in the early 2030s.

"The Indonesian government has expressed a very strong hope for accelerating the project," Inpex CEO Takayuki Ueda told Reuters. Inpex, which owns a 65% stake in the project, could start the front-end engineering design at the end of this year or the beginning of next, Ueda said. "From there, it will be two years plus four years for engineering, procurement and construction," he said, adding that production could start in the late 2020s or early 2030s. "Nothing has been finalized ... but we want to do this on an accelerated schedule as much as possible," he said.

Abadi LNG, led by Inpex, will use gas from the Masela block to produce 9.5 million tonnes per year of LNG at its peak, selling to Indonesian and overseas customers. The project has faced years of delay after various changes in planning and, more recently, Shell's withdrawal. Last year, Indonesia's Pertamina and Malaysia's Petronas became Inpex's new partners after taking over Shell's 35% interest. As it begins initial design work, Inpex, which is around 20% owned by Japan's industry ministry, plans to start signing binding contracts with Asian buyers of the fuel, including Japanese buyers.

Oil pipeline still closed amid Kurdistan and Iraq payments dispute

(Bloomberg; Jan. 17) - A crucial oil pipeline that’s been shut for almost 10 months is being held up further by disagreements with producers over payments, Iraqi Prime Minister Mohammed Shia Al-Sudani said. Renumeration for costs is the latest issue to have hit the northern-Iraq-to-Turkey pipeline, whose closure has resulted in almost $1 billion of lost revenue each month for the semi-autonomous Kurdistan Regional Government and companies operating in the area.

The shutdown has kept almost half a million barrels of crude daily from global markets. The oil companies “have an issue with the cost of producing barrels,” Al-Sudani said in an interview Jan. 16 in Davos at the World Economic Forum. It’s under discussion but there’s no specific solution yet, he said. Oil companies in Kurdistan said in December they were ready to discuss the return of supplies through the pipeline. They currently have production contracts with Kurdistan, which Baghdad doesn’t recognize because it argues the Kurdistan Regional Government doesn’t have the rights to the oil.

Turkey shut the pipeline in March after an arbitration court ordered it to pay Iraq $1.5 billion in compensation for transporting Kurdistan oil through the link without Baghdad’s approval. Turkey, which had claimed the pipe was closed because it needed repairs after two massive earthquakes in February, said in October that it was ready for operations and it was up to Iraq to resume flows. But progress has been slow.