Oil and Gas News Briefs
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May 20, 2024

UAE oil company buys stake in Texas LNG project

(Bloomberg; May 20) - The main oil company of the United Arab Emirates has bought a stake in NextDecade's liquefied natural gas export project in Texas, its first acquisition in the U.S. that will also give it supply from the plant for 20 years. Abu Dhabi National Oil Co. will take an 11.7% stake in Phase 1 of the Rio Grande LNG project, according to a statement May 20. Phase 1 is 17.6 million tonnes annual production capacity, and is covered by $18.4 billion in project financing. The deal also gives ADNOC 1.9 million tonnes a year of additional LNG supply from the project's future fourth production unit.

ADNOC has been looking for assets across the world as it seeks to expand its reach and access new markets. The company is in talks to buy a chemical company in Europe and is looking to combine two units to create a $30 billion petrochemical giant. The UAE company's push coincides with Saudi Aramco also seeking to boost its global presence after agreeing to buy an LNG producer in Australia.

ADNOC's stake in the first phase of Rio Grande LNG will give it access to the first three liquefaction trains of the project, which is under construction with commissioning start-up planned for 2027. NextDecade plans to make the final investment decision on building Train 4 in the second half of 2024. The UAE, of which Abu Dhabi is the capital, is using its oil wealth to turn ADNOC into a global energy business. The country, and its Mideast neighbors including Saudi Arabia and Qatar, are investing billions of dollars on gas — seen as an important bridge fuel in the energy transition.

Oil and gas producers sue to stop higher U.S. royalties, lease fees

(S&P Global; May 17) - A coalition of oil and gas groups representing the industry's interests in western states is taking the Interior Department to court over a rule that raises the costs of producing oil and gas on federal lands. At issue is a Bureau of Land Management rule released in April that codifies aspects of the Inflation Reduction Act calling for changes in fossil fuel production on nearly 700 million acres of federal lands.

The rule raised the royalty rates companies must pay to produce on federal lands to 16.67%, from the 12.5% that had been in place since the 1920s. Auction bid minimums were increased for the first time since 1988, to $10 per acre, up from $2. Bonding requirements, the money companies must front to pay for cleanup of old projects, were reworked from the $10,000 lease bond amount set in 1960. The new minimum lease bonds are $150,000, with the minimum statewide bond rising to $500,000.

The rule also includes provisions designed to concentrate leasing in areas that are most likely to be developed or feature existing infrastructure, and away from areas with sensitive wildlife, recreational uses or other conservation designations. The BLM has touted the rule as a balanced approach to lands management that ensures a fair return for American taxpayers and cuts down on speculation.

Independent oil and gas producers said in a May 15 filing with the U.S. District Court in Wyoming that the rule "represents a sea change to BLM's oil and gas leasing program" that will "deter development of federal oil and gas, disproportionately affect small companies, effectively close eligible and available lands to new leasing, and violate BLM's duty to promote oil and gas development as a multiple use of federal lands."

Chevron says it wants to sell the last of its North Sea assets

(Forbes; May 17) - Chevron has decided to call time on its operations in the North Sea, potentially ending more than five decades of oil and gas production in the aging basin. The company confirmed May 16 it will offer up its remaining assets in the North Sea. However, the process may take "multiple months" and "may or may not result in a sale," it added. The assets on offer include Chevron's 19.4% non-operating working interest in the Clair field, the largest in the British sector of the North Sea. The field is currently operated by BP and produces 120,000 barrels per day.

Associated U.K. North Sea assets being marketed by Chevron also include working interests in the Sullom Voe oil terminal and pipelines. Before its latest decision, Chevron had already ended its own North Sea exploration and production back in 2019 as part of an earlier divestment drive. The U.S. supermajor was among the first oil and gas companies to drill in the North Sea in the 1960s. Should the latest sale go through, it would signal the end of a major chapter in the basin's hydrocarbon production history.

It makes Chevron the latest oil major to exit the North Sea in favor of newer, more cost-effective oil and gas fields around the world. ExxonMobil exited the North Sea in 2021, while BP and Shell have both wound down their respective portfolios in the region. Chevron's decision also comes in the wake of a heavy taxation regime in the U.K., instituted after an energy price spike that followed Russia's invasion of Ukraine in 2022. Under current tax legislation, energy companies pay 75% tax on profits.

Suriname's offshore reserves climb to 2.4 billion barrels

(Bloomberg; May 19) - Suriname's discovered oil resources now total more than 2.4 barrels of crude and liquids, and the nation has more than 12.5 trillion cubic feet of gas, according to Wood Mackenzie. Petronas' discovery in the Roystonea and Fusaea blocks are approaching 400 million barrels, Wood Mac analysts said in a report May 16.

The finds could supply a floating production, storage and offloading vessel with about 100,000 barrels a day of capacity as the country nears its first oil and gas development.

Suriname “plays to Petronas’ existing competencies in LNG development while providing oil to offset its LNG-weighted portfolio,” Julie Wilson, Wood Mac exploration research director, said in the note about the Malaysian company. Nine deepwater fields have been discovered in Suriname since 2019, the report said. The South American country is next door to Guyana, where an ExxonMobil-led venture has discovered billions of barrels of oil and is now producing more than 650,000 barrels per day.

French major TotalEnergies and U.S.-based Apache are getting close to sanctioning a cluster of floating production units two blocks north of Roystonea, which could lead to a wider development along with Petronas’ finds, the Wood Mac report said.

Report says Japan over-contracted for LNG; reselling excess

(Institute for Energy Economics and Financial Analysis; May 17) - Released last week, the Australian government’s Future Gas Strategy states that “our trade partners … are relying on Australian gas to transition their economies to net zero,” but falling demand and over-contracting from Japan, Australia’s largest LNG export customer, raise questions over this claim. Research by the Institute for Energy Economics and Financial Analysis suggests that Japan does not actually need Australian LNG.

Japanese LNG demand has already dropped by 25% between 2014 and 2023, and is expected to drop by a further 25% by 2030 to about 50 million tonnes per year. IEEFA’s recent Global LNG Outlook 2024-2028 explains the factors behind the recent decline and why it is projected to continue. The decline is “primarily due to lower demand in the power sector, where rising nuclear availability, declining power demand and higher generation from renewable resources reduced the call on gas-fired generation.”

Nuclear generation in Japan has been steadily increasing as reactors are brought back online. The report goes on to state: “In 2023, gas generation fell 9% and city gas sales fell 4.4%. Renewables generation increased 5%. The (Japanese) government’s Sixth Strategic Energy Plan calls for a reduction in LNG-fired generation from 394 terawatt-hours in 2019 to 187 TWh (down 53%) by 2030. IEEFA estimates that realizing this plan could decrease LNG imports by between 25.7 million tonnes per year and 31.6 million from 2019 levels.” The resultant fall in LNG demand means that Japanese buyers have found themselves over-contracted and are increasingly reselling the gas overseas.

JERA plans big investment in renewables and LNG for coal phase-out

(Reuters; May 16) – Japan’s top power generator, JERA, plans to invest ¥5 trillion ($32.4 billion) over the coming decade into renewable energy, new fuels like hydrogen and ammonia, and liquefied natural gas, global CEO Yukio Kani told reporters on May 16. By fiscal year 2035, JERA is targeting over 35 million tonnes in annual LNG transaction volumes, 20 gigawatts of renewable energy capacity and 7 million tonnes of handling volume for hydrogen and ammonia, the company said in a separate statement.

Each of those areas would receive 1 trillion to ¥2 trillion in investment over the decade, JERA said, with emissions falling by at least 60% from 2013 and then reaching zero in 2050, in line with the national target. JERA is co-owned by Tokyo Electric Power and Chubu Electric Power. It plans to phase out inefficient coal-fired thermal power by fiscal year 2030 and to convert all other coal-fired power generation to ammonia by the 2040s to eliminate coal completely, the statement said. "In Asia, expanding the use of LNG is key to promoting a low-carbon society," JERA's strategy statement said.

LNG leaders talk of gas as part of green transition

(Bloomberg; May 16) - Qatar’s energy minister May 15 shared a stage with the bosses of ExxonMobil and TotalEnergies — the second time in three weeks he joined Big Oil to discuss the green transition. But the main takeaway from the forum in Doha? Polluting natural gas is here to stay. The outlook of the two supermajors and the Gulf state — all large producers of LNG — clashes with that of the International Energy Agency, which sees a peak in gas demand by the end of this decade.

Companies such as TotalEnergies contend that gas is part of the solution to a warming world. They say it emits less carbon than coal or oil and is a more reliable source of power than intermittent wind and solar. Alternatives such as hydrogen — seen by many as a key fuel of the future — are weighed down by steep costs, while meeting ambitious renewables targets requires a vast expansion of power grids across the world. That creates space for gas, the speakers said.

But such talk has raised alarm in some quarters as climate change gathers pace. With mounting global calls to move away from all fossil energy, even resource-rich states are making attempts to diversify. Saudi Arabia is adding renewables and carbon capture, and Qatari Finance Minister Ali Al Kuwari said his country is on the same path. Yet Qatar’s expansion of its LNG production and export capacity is making those efforts more difficult, he conceded. It’s an admission that encapsulates the growing acceptance that gas will play a core role for many years to come.

Canadian LNG project developer plans FID in June

(Reuters; May 16) - Pembina Pipeline said on May 16 that progress on its proposed C$4 billion Cedar LNG project remains on track and a final investment decision is expected in June on what would be one of Canada's few liquefied natural gas export terminals. Cedar, a joint venture between Indigenous community Haisla First Nation and Pembina, would produce 3.3 million tonnes of LNG per year after completion in 2028.

"We do have all key regulatory permits. Cedar financing has been launched and is on target for that FID timing. … We have very well-defined plans that have been completed and the successful execution of Cedar LNG is well on its way," Stuart Taylor, senior vice president and corporate development officer, said. Reuters reported earlier this month that Pembina was in discussions with China's Sinopec about an offtake agreement with the Cedar LNG project, proposed as a floating facility in Kitimat, British Columbia.

Canada is the world's sixth-largest gas producer but has been slow in building a strong LNG export industry compared to other major gas-producing nations. The country’s first export terminal, the Shell-led LNG Canada project, is expected to ship its first cargo next year. A second, smaller project is under development north of Vancouver, British Columbia, with another floating operation proposed for the British Columbia coast.

Rerouting LNG carriers to avoid attacks creates fragmented market

(Bloomberg; May 16) - It’s been four months since an LNG tanker has passed through the strait separating the Arabian Peninsula and Africa, testament to how violent attacks there have upended energy trade. While dozens of such ships used to transit the Bab al-Mandab Strait each month before the escalation of the Israel-Gaza war, attacks by Yemen’s Houthi rebels have brought that number down to zero since mid-January.

Vessels have been forced to reroute around Africa to move fuel between the Atlantic and Pacific basins, leaving buyers with a limited pool of suppliers unless they’re willing to pay higher shipping costs. The result is that the global LNG market is growing more fragmented. “At the moment, more than ever, you have cargo segmentation of the two basins, and it will be more challenging economically to move a cargo from one basin to another,” said Patrick Dugas, head of LNG trading at TotalEnergies, last month.

Traders have had to find homes for cargoes closer to where they are produced to save on shipping. Those efforts will likely intensify when fuel demand ramps up ahead of next winter, when transport costs usually also rise. Solutions involve swapping cargoes, for example by channeling U.S. LNG to Europe and finding equivalent supplies in Asia to meet contractual obligations to a buyer there. In the first quarter of 2024, Qatari LNG volumes that ended up in Asia reached the highest level since at least 2017, while Russia poured even more of LNG into Europe, according to ship-tracking data.

Chinese state-owned company expanding fleet of LNG carriers

(Bloomberg; May 16) - China National Offshore Oil Corp., the country's state-owned oil and gas giant, is expanding its fleet of LNG carriers to increase its trading power on the global market. CNOOC Gas and Power Group Co., a company unit and the country's biggest LNG importer, is more than doubling the fleet to increase its flexibility to move cargoes around the world and boost profit potential, it said in a statement.

The firm placed contracts for 12 ships worth 16 billion yuan ($2.2 billion) with China State Shipbuilding Corp. in 2022. The first of those vessels, Greenergy Ocean, was delivered on May 15. "More ships under our command will help us gain leverage in global trade and price negotiations," said Zhu Yanyan, a senior official with CNOOC Gas and Power. The new vessels add to the company's existing 10 tankers and will raise its import capacity to 16 million tonnes a year, according to the statement.

China regained its crown as the world's largest LNG importer last year, with purchases rising 13% to 71.3 million tonnes, after a dip because of the pandemic. Other firms, including PetroChina, are also expanding their LNG shipping capacity to compete with the world's biggest energy traders.

Aging U.S. refineries face costly maintenance

(Bloomberg; May 15) - The explosion that rocked Marathon Petroleum's Galveston Bay oil refinery in Texas one year ago trapped Rigoberto Guillen 75 feet in the air. Stranded on a metal platform, he and a colleague crouched low as black smoke engulfed them. "I couldn't see my coworker," Guillen said. "I couldn't even see the sun." When they were able to scramble down three flights of cage ladders — the soles of their boots liquefying on the hot metal — they emerged with burns on their wrists, hands, faces and ears.

They were relatively lucky. Scott Higgins, a 55-year-old machinist, burned to death. It was the Texas refinery's worst tragedy since 2005, when an explosion killed 15 and injured scores more. The source of the blast was a leaking pump that the company had identified as needing maintenance, according to an internal Marathon investigation shown to refinery workers and described to Bloomberg. But the work, along with other vital upkeep, got pushed back amid the company's drive to maximize production.

Marathon, the largest fuel producer in the U.S., had for two years been deferring maintenance at its plants, in part to take advantage of historically high refining margins. They weren't alone. When gasoline consumption rebounded after the worst of the pandemic, many refiners postponed maintenance as profits to turn oil into fuel shot to a record high. "When margins are high, there's a lot of financial pressure not to shut the refinery down for maintenance," said Daniel Horowitz, a former managing director at the U.S. Chemical Safety and Hazard Investigation Board. "That can lead to accidents."

What happened at Galveston Bay highlights a challenge faced by refiners across the country. U.S. refineries — already stretched to the limit after the pandemic shuttered more than 1 million barrels a day of capacity — is scrambling to meet ever-higher fuel demand with an aging fleet of plants that require costly and regular overhauls.

U.S. licenses for operations in Venezuela will be limited

(Reuters; May 16) - The U.S. is preparing to prioritize issuing limited licenses to operate in Venezuela to companies with existing oil production and assets over those seeking to enter the sanctioned OPEC nation for the first time, two people close to the discussions said. The move appears designed to encourage companies that have projects frozen because of U.S. sanctions, such as Italy's Eni and Spain's Repsol, to expand operations, recoup pending debt and add oil to global markets.

The U.S. will, however, avoid licensing firms with no prior investments in the country, putting a cap on how much revenue Venezuela could collect from its oil industry. Some companies with long-standing energy projects in Venezuela, including U.S.-based Chevron and France's Maurel & Prom, have authorizations to expand oil and gas production in the OPEC-member nation. Trinidad & Tobago and Shell also last year received a U.S. license to develop a gas field with Venezuela.

The U.S. Treasury last month said it would offer some individual authorizations to companies to operate in the South American nation after it did not renew a broad license that had eased oil and gas trade restrictions. The sanctions resumption came after the U.S. decided Venezuela had not fully met its promises to secure a competitive presidential election. A Treasury spokesperson said the department would not comment on specific licenses as its evaluation process and criteria are not public.

Fire risk lessens, residents allowed back home in Canada’s oil sands

(Reuters; May 18) - Residents of the Canadian oil town threatened by an out-of-control wildfire can return home, authorities said May 18, even as they warned the community will have to contend with the blaze for the foreseeable future. Thousands of residents of Fort McMurray, in northern Alberta, had been ordered to leave their homes earlier this month. But favorable weather made a return home possible.

"With the current and forecast weather conditions, specifically the amount of rain that has fallen on the fire, combined with continued fire suppression and community protection efforts, I am pleased to announce it is now safe for us to end the current evacuation and allow people to return to their homes," said Sandy Bowman, mayor of the Regional Municipality of Wood Buffalo, which includes Fort McMurray.

Fort McMurray is the hub for most of Canada's oil output. The growth of the oil sands industry has enabled Canada to become the world’s fourth-largest oil producer, at 6% of global supply. An early start to wildfire season a year after a historically fiery 2023 left some recalling the devastating 2016 fire dubbed "The Beast" that forced the evacuation of 90,000 residents, burned down 2,400 buildings and idled more than 1 million barrels per day of production. But while conditions are now favorable and the community is not presently under threat, authorities warned they were not yet out of the woods.