Oil and Gas News Briefs
Compiled by Larry Persily
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Contractor on Golden Pass LNG project in Texas files for bankruptcy

(Reuters; May 21) - The lead contractor building a Texas liquefied natural gas plant for QatarEnergy and ExxonMobil filed for Chapter 11 bankruptcy protection May 21, citing financial challenges at the project. Zachry Holdings, which held the lion's share of the $10 billion Golden Pass LNG construction project, said it was pursuing a "structured exit." Exxon said it would review construction timing and provide an update in the future.

Golden Pass LNG is being built at the site of a former gas import terminal that is being converted to liquefy gas for export. "We, along with the other stakeholders, are considering all available options to implement a smooth transition and minimize any impacts," an Exxon spokesperson said. "We plan to continue to fully support Golden Pass LNG through completion." Exxon, which owns a 30% stake, said earlier this year that it expected LNG production to start in the first half of 2025. QatarEnergy holds 70%.

Texas-based Zachry faced cost challenges over a change order and billings schedule, and engaged in negotiations with Golden Pass LNG for additional funding without success, according to its filing in U.S. Bankruptcy Court. Zachry's share of the work was valued at $5.8 billion. Before April, Zachry said it was incurring weekly expenses of $30 million to $40 million for payroll, vendors, equipment and other costs, but was receiving far less — approximately $70 million per month from Golden Pass LNG.

On May 8, Golden Pass notified Zachry of default of its engineering, procurement and construction contract, citing, among other issues, Zachry’s inability to promptly pay subcontractors and vendors, the court filing showed. Golden Pass LNG had warned earlier this month of possible impacts on the construction schedule of the project’s first three trains, which are designed to produce up to 18 million tonnes per year of LNG.

China holds strong position in negotiations for more Russian gas

(Bloomberg; May 20) - Vladimir Putin’s visit to China has been an opportunity for the Russian president and counterpart Xi Jinping to showcase their “no limits” friendship, with plentiful handshakes and an expansive joint statement. Just don’t mention the small matter of a stalled, 2,000-mile gas pipeline project. Again, the two leaders parted ways last week without a deal on Power of Siberia 2, a massive, proposed link that would allow Russia to ship close to 5 billion cubic feet of gas a day to China — redirecting some of the flows it used to export to Europe before the invasion of Ukraine.

Russian authorities repeated that both sides remain interested and promised an agreement “in the near future.” China’s official readouts of the meeting didn’t even mention the project. China clearly has the upper hand here. The nation’s gas demand is growing at a manageable level, and it now has so much capacity to handle seaborne liquefied natural gas imports that its energy firms are reselling cargoes abroad. The green transition is proceeding apace, too.

The Kremlin, meanwhile, hasn’t been able to replace piped gas sales to Europe, and energy giant Gazprom posted its first annual net loss in 24 years. Russia’s economy could also use the infrastructure boost. China is playing on that growing leverage. According to Erica Downs at Columbia University’s Center on Global Energy Policy, Beijing is looking to pay a lower price for gas from the proposed link than it pays for fuel via Power of Siberia 1 — already forecast at as much as 28% below what Russia charges its remaining clients in Europe. There’s a whiff of desperation from Moscow.

Sanctioned tankers sit idle instead of moving Russian oil

(Bloomberg; May 19) - Dozens of tankers remain stuck doing nothing months after being sanctioned by the Treasury Department — a signal of U.S. efforts to disrupt Moscow’s petroleum supply chain. Since October, 40 ships involved in Russia’s oil trade have been added to the Treasury’s list of designated entities, mostly for breaching a price cap meant to restrict the Kremlin’s access to petrodollars. Only one of them, the Primorye, collected a cargo since being designated. It is heading to Asia. If it’s able to offload without any problems, it might encourage Russia to use more of the ships again.

The sanctions and price cap that have been imposed on Russia have been criticized for being too easy for Moscow to work around, given how large the country’s crude flows have remained. However, the inactivity of the fleet shows that when measures are taken against individual vessels, they can be effective. Twenty-one of the 40 tankers belong to Russia’s state-controlled shipping company Sovcomflot. Most of the other 19 are controlled by United Arab Emirates-based Hennesea Holdings.

The sanctioned ships are sitting idle and empty, dotted around the world, according to vessel tracking data compiled by Bloomberg. Eight of the Sovcomflot tankers are off Russia’s Pacific Ocean ports of Vladivostok and Nakhodka, where some have been for as many as five months. One that was anchored there has headed empty back toward the Suez Canal and another has been taken to a maintenance dock in China. There’s a second congregation of idle, sanctioned Sovcomflot tankers in the Black Sea.

Government tells Gazprom not to pay dividends to shareholders

(Newsweek; May 21) - The Russian government has instructed Gazprom, once Russia's biggest company by revenue, not to pay out dividends, following record losses and a plummeting share price. Earlier this month, Gazprom Group, which also includes oil and power businesses, announced a net loss of 629 billion rubles (US$6.9 billion) for last year — the first net loss since 1999. A decree on the government website, dated May 18, ordered Gazprom not "to provide for the payment of dividends on ordinary registered shares" for 2023.

As a majority state-owned multinational and one of the world's largest publicly listed gas companies, Gazprom is a major revenue generator for the Russian economy, but Putin's invasion of Ukraine has cost it dearly. Europe was Gazprom's largest sales market until 2022, but the firm restricted flows to the continent as the Kremlin retaliated against Western support of Ukraine. Revenues have also been hit by sanctions, decreasing gas prices due to mild weather, sluggish demand and full inventories.

The no-dividends decree had been agreed by Russia's energy and finance ministries, as well as the Federal Property Management Agency. On May 20, shares in the energy corporation headquartered in Vladimir Putin's home city of St. Petersburg fell by over 5.5% in the biggest slump since Oct. 10, 2022, when blasts ruptured three of four Nord Stream undersea pipelines to Germany. Year-on-year, the share price is down 34%.

Opponents will use new EPA rules to press case against LNG projects

(Financial Times; London; May 20) - Environmental groups plan to exploit new air pollution rules by the Biden administration to step up their campaign against the development of multibillion-dollar liquefied natural gas export terminals in the U.S. New air quality standards will require the Federal Energy Regulatory Commission to more closely examine the impact of LNG projects on the surrounding air quality, raising the bar for which projects will be authorized to proceed to construction.

“FERC is going to have to take this issue seriously and is going to have to analyze whether these projects are in the public interest given this new reality,” said Tom Gosselin, staff attorney at the Sierra Club. “We plan to hold FERC’s feet to the fire to ensure that it follows through and satisfies its legal obligations.” The pollution crackdown is the latest obstacle faced by U.S. LNG developers after the Department of Energy in January indefinitely paused the granting of new export licenses for terminals while it carries out a review of the project approval process.

The tighter rules on permitting stem from a move by the Environmental Protection Agency to lower the threshold for how much fine particulate matter — tiny droplets found in the air — is allowable in a community in an effort to improve air quality in areas affected by heavy industry. A spotlight was put on the new rules last week when Venture

Global, whose proposed $10 billion CP2 project in Louisiana would add to existing LNG plants in the area, was asked by FERC to provide additional details to prove its pollution impact remained below the new threshold, following a submission by the Sierra Club.

Young Alaskans sue to block proposed LNG project

(Reuters; May 22) - Eight young Alaskans sued the state on May 22, seeking to block a proposed liquefied natural gas project, the latest in a string of climate-change related lawsuits by youths arguing that government policies promoting fossil fuels violate their rights. The plaintiffs, ranging in age from 11 to 22, allege that an Alaska law mandating the development infringes on their due process rights and constitutional protections by causing the release of greenhouse gases that harm their health and livelihood.

Several of the other youth climate-change lawsuits have recently been dismissed, including two lawsuits against the federal government and two previous cases in Alaska. A similar case involving young Hawaiian plaintiffs is expected to head to trial next month, and the plaintiffs have amended one of the dismissed federal cases as well. The Alaska Supreme Court said in the most recent case before it, which was dismissed in 2022, that courts cannot mandate broad policy changes.

The latest lawsuit is narrower than the earlier Alaska cases, which challenged broad state policies that support fossil fuels. By focusing on a specific project, the plaintiffs said their suit complies with the earlier court decisions. The state-sponsored $40 billion Alaska LNG project includes an 800-mile pipeline that would bisect the state, carrying up to 3.3 billion cubic feet of gas per day from the state's petroleum rich North Slope to a liquefaction and export terminal. Though the project has federal authorization, it lacks funding, investors, customers and even supply contracts for gas to fill the pipeline.

UAE oil company buys stake in Mozambique LNG project

(Bloomberg; May 21) - The United Arab Emirates' main oil company agreed to buy a 10% stake in a natural gas project in Mozambique, its second major deal this week as it seeks to expand its business globally. Abu Dhabi National Oil Co. will purchase the stake in the Area 4 concession from Galp Energia, it said in a statement May 22. Galp will receive $650 million and further contingent payments of as much as $500 million when two planned development phases go ahead for the liquefied natural gas export project, the Portuguese company said in a separate statement.

The agreement gives ADNOC a share of LNG supply, a fuel that it's betting on for future growth. The company is also scouring the world for other deals, including the takeover of German chemical company Covestro and the merger of one of its units with a subsidiary of Austria's OMV to create a $30 billion petrochemical giant. That push coincides with Saudi Aramco's efforts to boost its global presence, after agreeing to buy an LNG company in Australia.

In Mozambique, ADNOC will get a share in the 3.5 million-tonne-a-year Coral South LNG export project that is currently in operation. A proposed expansion called Coral North could produce the same amount of gas from a second floating operation. Another gas project planned for onshore, called Rovuma, led by ExxonMobil, is projected for a production capacity of 18 million tonnes of LNG a year. It follows ADNOC's first U.S. acquisition earlier this week when it picked up an 11.7% stake in NextDecade's LNG project in Texas, along with supply from a planned expansion of the plant.

Massachusetts utilities reach deal to keep LNG import terminal open

(The Boston Globe; May 20) - The Massachusetts Department of Public Utilities has approved contracts with the state's three main gas utilities to keep the liquefied natural gas import terminal in Everett open for at least the next six years. Constellation's Everett marine terminal was in danger of closing after its biggest customer, Constellation's Mystic power plant, shuts down for good at the end of the month. But the LNG terminal is a major source of gas for New England in the winter, particularly during cold snaps.

The three utilities — National Grid, Eversource and Until — reached six-year deals with Constellation to buy gas from the terminal to help ensure it stays in business, with the state regulator approving the utilities' plans to pass on costs to their heating customers. At National Grid, for example, the original contract that the utility filed in February would raise a typical residential heating bill by about 1% in the first year, just over $3 a month in the heating season. The regulator said it must balance the costs to consumers and businesses with the critical need for the utilities to have adequate gas supply.

Lacking sufficient pipeline capacity to move natural gas from prolific fields in the Appalachian Basin to New England, the region relies on imported LNG for peak needs.

Company continues looking for financing for Louisiana LNG project

(LNG Prime; May 21) – U.S. LNG terminal developer Tellurian released the latest construction update for the first phase of its Driftwood LNG terminal in Louisiana, while it still works on securing financing for the estimated $14.5 billion project. Tellurian issued a limited notice to proceed to engineering and construction giant Bechtel in March 2022. Under the first phase, Tellurian aims to build a liquefied natural gas production and export terminal near Lake Charles with capacity of up to 11 million tonnes per year.

According to the April construction report filed with the Federal Energy Regulatory Commission, the project has continued construction activities including site preparation, excavation and backfill, storm water management and pile-driving activities.

Tellurian, however, reported a net loss of about $44 million for the quarter ended March 31, compared to a net loss of $27.5 million for the same period of 2023. Executive chairman Martin Houston said the company is “laser-focused” on bringing the project to a final investment decision. Driftwood LNG received an extension through 2029 to the FERC order authorizing construction. Tellurian claims it has invested over $1 billion in the project. In March, Tellurian confirmed it is exploring a potential sale of the company.

Tanker arrives to load first cargo from expanded Canadian oil line

(Reuters; May 20) – The oil tanker Dubai Angel on May 20 moored at the Westridge Marine Terminal in Vancouver, British Columbia, preparing to load the first cargo from the recently expanded Trans Mountain pipeline, ship tracking data showed. Chartered by Canadian producer Suncor Energy, the vessel was expected to load about 550,000 barrels of Access Western Blend for delivery to China, ship tracking data on Kpler showed. Trans Mountain said it expects to load the tanker later this month.

The expanded pipeline, which can move an additional 590,000 barrels per day to Canada's Pacific coast from Alberta, began commercial operations this month after years of regulatory delays and construction setbacks. Loadings from the marine terminal are being closely monitored by traders and shippers as the expansion gives Canadian producers more access to U.S. West Coast and Asian markets. Tightening global supplies of heavy crude has made Canadian oil more attractive to buyers.

However, logistical constraints at the Port of Vancouver could limit the number of shipments and the size of tankers, traders and shipping sources have said.

Guyana’s reserves now estimated at 11 billion barrels

(U.S. Energy Information Administration; May 21) - Guyana, situated on South America's northern coast neighboring Venezuela, Suriname and Brazil, has emerged as a significant contributor to growth in the global supply of crude oil. Since starting production in 2019, Guyana has increased its crude oil production to 645,000 barrels per day as of early 2024, all from the Stabroek block. Guyana was the third-fastest growing non-OPEC producing country from 2020 to 2023.

Crude oil production has been the largest contributor to Guyana’s economic growth in recent years. In 2022, Guyana’s GDP grew by 62.3%, the highest real GDP growth in the world that year, according to the International Monetary Fund. Guyana's most recent estimate of recoverable oil and gas resources is more than 11 billion oil-equivalent barrels, and developers are still exploring the country's offshore waters.

The first significant oil discovery in offshore Guyana was made by ExxonMobil in 2015 at what is now the Liza project in the Stabroek block. Since then, ExxonMobil and its partners, Hess and the China National Offshore Oil Corp., have made more than 30 additional offshore oil and gas discoveries within the Stabroek block. Currently, the block's partners plan for the combined production capacity to reach approximately 1.3 million barrels per day by the end of 2027.

India reportedly asks refiners to make long-term deal for Russian oil

(Bloomberg; May 21) - India has made a rare request to its state-run oil refiners and private processor Reliance Industries to jointly negotiate a long-term supply deal with Russia, according to people familiar with the matter. The government wants its refiners to lock in at least a third of their contracted supply from Russia at a fixed discount to help shield the nation's economy from volatile prices, the people said, asking not to be named due to the sensitivity of talks. The appeal was informal, they added.

However, Reliance is unlikely to share sensitive information with the state oil refiners, given that they are competitors in the domestic fuel market, stifling the government's efforts at collaboration, the sources said. India has been a major buyer of Russian crude since the invasion of Ukraine, but tighter enforcement of U.S. sanctions crimped the trade and led to refiners needing to buy more expensive oil. The South Asian nation wants state processors to work together and boost their bargaining power during supply negotiations, rather than competing, the people said.

There is precedent for collaboration. State refiners have held joint talks with suppliers in the Middle East and West Africa previously to secure more favorable terms, but it's unusual for India to request help from a private refiner. State refiners have been seeking oil at a discount of more than $5 a barrel to Dated Brent, but Moscow is offering crude at a discount of $3 and is showing an unwillingness to budge, according to the people.

Australia's gas producers support government call for new supply

(Reuters; May 20) - Australia's energy producers have endorsed a government strategy to boost natural gas development, but warned the country still faces supply shortfalls this decade while markets remain volatile due to global conflicts. Meg O'Neill, chair of the Australian Energy Producers, said the group welcomes the Future Gas Strategy released by the government earlier this month, which highlighted that new gas sources will be needed to meet domestic and export demand during the energy transition.

"This is a challenge Australia faces this decade. As the Future Gas Strategy points out, without action, the East Coast of Australia faces projected shortfalls by 2028 and the West Coast by 2030," O'Neill says in a speech she will give at a gas industry conference on May 21. "The best solution to a shortage is always supply, supply, supply. … And we welcome acknowledgment in the strategy that we'll need the right regulatory settings to do so."

The Future Gas Strategy came after the government faced criticism for its short-term measures to boost domestic gas supply and lower energy prices, such as price caps and export limits from the country's three East Coast LNG projects. The measures prompted industry concern that they would hurt long-term energy investments. Australia produces more gas than it needs for domestic demand, and most supply is contracted for export. Australia's energy market operator, however, said in March that the country's southeast faces the risk of gas shortages during next year's winter demand period.

Report says rising sea level threatens oil terminals

(Reuters; May 21) - Rising sea levels could severely disrupt crude oil shipments and erode energy security in import-dependent countries like China, South Korea and Japan, with many of the world's biggest terminals vulnerable to flooding, researchers said on May 21. Melting ice and swelling seas caused by rising temperatures could "unleash (an) unstoppable" rise in sea level, "which will not only sink key oil ports and disrupt global oil trade but also swamp coastal refineries and petrochemical facilities," the China Water Risk think tank warned in a report.

A 2021 report by the Intergovernmental Panel on Climate Change estimated that based on current trends, average sea levels could rise by more than three feet by the end of the century, adding that a six-foot rise could not be ruled out. Low-lying ports and fuel bunkering facilities would be especially vulnerable to higher sea levels, the Chinese think tank said after conducting a "stress test" of the maritime infrastructure used to export and import oil. It said 12 out of the top 15 tanker terminals were expected to be impacted by a three-foot rise in sea level, including five based in Asia, the report said.

Up to 42% of global crude oil exports from Saudi Arabia, Russia, the U.S. and the United Arab Emirates were at risk, affecting 45% of crude shipments to China, the United States, South Korea and the Netherlands, it said. With Asian countries likely to be hit the hardest, they should lead the way not only in the global transition from oil, but also in improving the resilience of port infrastructure.

EU energy ministers to discuss problems of banning all Russian gas

(Reuters; May 21) - European Union countries' energy ministers will discuss next week the barriers they face to end their reliance on Russian natural gas, and will consider asking Brussels for more help to do this, an EU document seen by Reuters showed. Since Moscow invaded Ukraine and slashed gas deliveries to Europe in 2022, the EU has rapidly replaced Russian fuel with renewable energy and more gas from other suppliers. Last year, 15% of EU gas came from Russia, down from 45% in 2021.

At a meeting in Brussels on May 30, EU countries' energy ministers will discuss progress toward ending their reliance on Russian fossil fuels by 2027, according to an EU document seen by Reuters. The document, prepared by Belgium which currently chairs EU countries' meetings, asks ministers to identify the obstacles they are facing in phasing out Russian energy imports. One such obstacle has been for land-locked countries to build or retool pipelines to import gas from non-Russian sources.

The EU has allocated nearly 300 billion euros in grants and loans to quit Russian fuel, but some countries — including Austria and Hungary — remain heavily reliant on Russian gas. Separately, EU countries will this week discuss potential sanctions on trans-shipments of Russian liquefied natural gas moving through European ports, but have not considered outright banning LNG imports, given some countries' heavy dependence. Coal and sea-borne oil imports from Russia are banned by EU sanctions.