Oil and Gas News Briefs
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U.S. pouring billions into low-carbon ammonia

(Wall Street Journal; Sept. 16) - Most people think of ammonia as a household cleaner. To big oil companies, climate investors and the U.S. government, it is a hot commodity attracting billions of dollars for its use in fertilizer and low-carbon energy. The latest bet is a $1.5 billion Energy Department loan commitment for an ammonia project in Indiana. That comes on top of a $2.35 billion deal for a Gulf Coast project by an Australia-based energy company, a large effort in Mississippi from ammonia giant CF Industries and a big investment by Abu Dhabi's national oil company in an ExxonMobil project in Texas.

Ammonia, which is a mixture of hydrogen and nitrogen, has long been a critical ingredient in fertilizer, but it is also a big emitter of greenhouse gases because it is typically made using fossil fuels. Projects like the one in Indiana are considered low carbon because they trap the carbon dioxide emissions from the process and bury them underground. Ammonia itself doesn't produce carbon emissions when burned as fuel, driving a new wave of activity from companies angling to ship it all over the world.

Increasing domestic supply is a priority after Russia's invasion of Ukraine in 2022 roiled the market and drove up prices. Russia is one of the world's top ammonia producers. The Energy Department's Loan Programs Office is working to get deals done and has agreed to terms with Wabash Valley Resources, a producer backed by oil companies and hydrogen-vehicle start-up Nikola. Wabash Valley aims to repurpose a facility that was part of a decades-old coal plant in Indiana for low-carbon ammonia production.

Once it starts up in 2027, Wabash expects about $140 million in carbon sequestration tax credits a year — on top of the loan. Wabash still needs to raise about $800 million in equity and meet other project milestones before it starts receiving the loan. Subsidies are critical for such projects because rising costs are derailing many climate efforts.

LNG industry big in Louisiana parish, but pays little property taxes

(Wall Street Journal; Sept. 14) - As hurricane after hurricane has battered this marshy patch of Cameron Parish, Louisiana, businesses and residents have all but deserted it, with one big exception: multibillion-dollar plants that export liquefied natural gas. Since 2005, four major hurricanes and a handful of smaller ones have hit the parish, halving its population to under 5,000 people. The parish seat has no hospital or grocery stores. Windows are boarded up and "For Sale" signs are ubiquitous. No seniors will graduate from school next year. Yet, about two-thirds of U.S. LNG exports depart from the parish.

From her kitchen window, Tammy Peshoff can see the 26½-foot-high wall shielding Venture Global's $4.5 billion plant from hurricanes. It is one of three terminals in the parish that churn out liquefied natural gas for shipborne export. Since 2016, the plants have transformed one of the most vulnerable parts of the country to hurricanes into the global epicenter of the LNG trade. More plants are planned. Venture Global recently got federal approval to build a second, $10 billion facility right in Peshoff's backyard.

Cameron Parish is known as a hunting and fishing paradise, but it also has features gas exporters crave. Pipelines bring cheap gas from northern Louisiana and West Texas; nearby coastal waters are deep enough to accommodate large LNG tankers; and the parish welcomes oil-and-gas companies with open arms. Thanks to one of the nation's most generous tax-exemption programs, LNG companies thus far have paid little to no property taxes in Cameron Parish, saving them hundreds of millions of dollars.

In 2020, Cameron Parish collected $62 million in property taxes — while forgoing $519 million in tax breaks, mostly to LNG terminal owners, according to estimates by the Cameron Parish assessor's office. The tax breaks were granted at the state level, leaving the parish little wiggle room. Because it collects no sales tax, the parish so far has derived relatively little revenue from some of the priciest energy projects ever built.

Operating hours at U.K. gas power plants lowest since 2017

(Bloomberg; Sept. 18) - Running hours of gas-fired power plants in the U.K. are at the lowest since at least 2017 as wind and solar — and electricity imports from Norway and France — flood the grid. In 2024, even during the most profitable hours, less than half of combined-cycle gas turbines capacity was online, according to Kilowatt.io, a U.K.-based solar data company. "Over half of the time this year, only around 20% of the CCGT capacity has been in operation," Ben Watts, a developer at Kilowatt.io, said in a post.

Britain, like other nations in Europe, needs a supply of ready-to-use power for days when renewable output is low. Gas plant owners receive a capacity payment in the U.K. for keeping facilities available even if they don't generate, and this is topped up by selling power to the market. The less the stations run, the more money they require from the government to stay profitable. In short, gas-fueled power stations are needed less but are crucial when they do run. That highlights the challenge faced by grid operators around the world of how to compensate plants for keeping the lights on.

In Germany, gas-fired power plants are loss-making throughout the year. Even in January and February, typically the coldest months, gas plants are unprofitable, according to spark-spread calculations. Germany's goal is to get 80% of its electricity from green sources by 2030. Last year the share of power generated by renewables rose to 56% — 10% more than the year before. Germany is also phasing out coal.

Oil prices will depend a lot on China's demand, market watchers say

(CNBC; Sept. 17) - As the world's oil traders and analysts gathered at the annual Asia Pacific Petroleum Conference in Singapore last week, the slump in oil prices and where they are headed was foremost in everybody's mind. China, the main engine driving the world's oil demand, has been sputtering. In the International Energy Agency's most recent September report, year-on-year global oil demand grew 800,000 barrels per day in the first half of 2024, decelerating to its slowest growth since 2020.

The main reason for the downturn is a "rapidly slowing China," where consumption contracted for the fourth consecutive month in July, year on year. China is the world's largest importer of oil as well as the second-largest consumer, making up 15% of global oil consumption. This tepid demand, coupled with oversupply, drove U.S. crude prices to their lowest in over a year earlier this month. Meanwhile, Iraq and Kazakhstan, key OPEC+ members, have produced above their monthly quotas.

Given the situation, lower oil prices were the dominant theme in Asia's largest oil conference. The question was not whether oil will go lower, but mostly by how much will it decline in the coming years. Goldman Sachs' co-head of global commodities research Daan Struyven estimated that crude prices could fall to the low $60s within the next two years if China's demand remains tepid. He did not rule out an even steeper decline.

Trading Giant Trafigura also raised concerns. "It's hard to look beyond China when thinking about the supply and demand balance for next year," Ben Luckock, Trafigura's global head of oil, said on the sidelines of the conference. Luckock, however, warned about becoming too bearish. "It's dangerous because there's so many events out there that can ruin your day. … I wouldn't put all your chips on the table being short."

China boosts crude inventories, stocking up at lower prices

(Reuters; Sept. 15) - China boosted its crude oil inventories in August by the biggest amount in 14 months, confirming that the rebound in imports was driven by stockpiling and not by any recovery in fuel consumption. A total of 1.85 million barrels per day were added to either commercial or strategic storages, according to calculations based on official data. This was the biggest flow to inventories since June 2023, when 2.1 million barrels a day were added to stockpiles, and was a sharp increase from 280,000 in July.

China doesn't disclose the volumes of oil flowing into or out of strategic and commercial stockpiles, but an estimate can be made by deducting the amount of crude processed from the total of crude available from imports and domestic output. The world's biggest oil buyer saw imports of 11.56 million barrels a day in August, while domestic production was 4.20 million barrels, for a total of 15.76 million barrels a day available to refineries. Subtracting the volume processed of 13.91 million leaves a surplus of 1.85 million.

With refinery processing remaining soft, the question is why did China's refiners buy excess volumes of crude oil for August delivery? The answer is most likely the declining price trend that prevailed when August-arriving cargoes were arranged. The past buying pattern of China's refiners suggest that they have become price-sensitive in recent years, buying excess crude when they deem oil to be cheap, but turning to inventories when they believe prices have risen too high or too quickly.

Two smaller Chinese oil refineries declare bankruptcy

(Bloomberg; Sept. 17) - Two oil refiners in China run by chemical conglomerate Sinochem were declared bankrupt, highlighting the headwinds older units face as margins plummet. The creditors of Zhenghe and Shandong Huaxing Petrochemical, both based in the eastern province of Shandong, failed to agree on restructuring plans for the indebted plants and the businesses were declared bankrupt, according to separate statements from a local court.

China’s so-called teapot refineries — small and simple processing facilities that are mostly privately owned — are facing lackluster demand for fuels as the nation’s economic recovery fails to gather pace and electric vehicle usage grows. That has led to plummeting operating rates at the teapots clustered in Shandong. The two plants, which applied for restructuring last year, used to be part of China National Chemical Corp., or ChemChina, and were taken over by Sinochem when the two groups merged.

Another Sinochem teapot, Shandong Changyi Petrochemical, was scheduled to host a meeting with creditors in late September, according to a separate statement. The three plants, formed to process crude from a local field in the past century, have a combined nameplate processing capacity of more than 300,000 barrels a day, although most of their units have been idled for months.

Court appears skeptical of Trump-era LNG-by-rail authorization

(Energy Wire; Sept. 16) - A federal appeals court on Sept. 13 appeared highly skeptical that the Trump administration had adequately weighed safety and environmental risks of a rule authorizing rail transport of liquefied natural gas — even as judges questioned if they should issue a decision on the suspended regulation. During oral arguments, two U.S. Court of Appeals for the D.C. Circuit judges expressed dismay about the potential danger of LNG by rail and questioned why the Pipeline and Hazardous Materials Safety Administration had opted out of a rigorous National Environmental Policy Act review.

The PHMSA rule is temporarily blocked by the Biden administration, as it considers amending the Trump-era standards. The regulation is set to go into effect next summer. “This seems like an unprecedented amount of hazardous material being moved by rail,”

said Judge Florence Pan. The judge, a Biden appointee, referred to claims brought by 14 states and the District of Columbia that PHMSA's environmental impact statement failed to grapple with what would happen if a train carrying 50 to 100 tank cars derailed.

"It seems there is this risk of cascading consequences," the judge said. "It just seems extraordinarily dangerous." Judge Patricia Millett also grilled the Justice Department attorney on what measures PHMSA had taken at the local level to ensure that rural — often volunteer — fire departments are prepared to handle an LNG train derailment. At the same time, the court appeared to wrestle with whether it could address its concerns with the rule just yet, as the agency plans to make changes to the suspended rules.

Oil and gas companies abandon record number of wells in Colorado

(Colorado Public Radio; Sept. 17) - Individual oil and gas operators deserted a record number of oil and gas wells in Colorado last year, according to a new report from state regulators. Omimex Petroleum surrendered 339 wells in Phillips and Yuma counties, while WME Yates offloaded 212 in Phillips and Sedgwick counties. Both companies are defunct and the wells are considered "orphaned," a classification that means they're effectively controlled by Colorado's Energy and Carbon Management Commission.

During the fiscal year that ended June 30, the state added 576 wells to its Orphaned Well Program, which tracks and cleans up oil and gas operations. A well site can pose an environmental and public health danger due to contaminated equipment and buried pipelines and is deemed orphaned if its owner or operator is unable to plug the well or clean up the site. Once regulators declare a well or site orphaned, it becomes state property, and regulators use state and federal dollars to plug it and restore the site.

The number of wells considered orphaned doubled last year, state data show. Colorado now has 1,725 orphaned sites with 912 oil and gas wells that still need to be properly plugged on state and private land. Once a well site is declared orphaned, it's often a slow process to clean it up. Last year, the state and its contractors plugged 132 orphaned wells, a record, but still far short of the backlog. Regulators spent nearly $15 million in fiscal year 2024 to decommission old oil field equipment, plug wells, take samples for environmental testing and clean up sites — the most in state history.

U.K. may name operators that miss decommissioning deadlines

(Financial Times; London; Sept. 17) - Oil and gas companies face the threat of being named and shamed in the U.K. for failing to meet decommissioning deadlines for empty wells, Britain's North Sea regulator has warned. The North Sea Transition Authority has opened a consultation over plans to impose more transparency on an industry that has

fallen behind targets for “plugging and abandonment” as reserves run dry. Many North Sea operators have put off plugging wells in the hope of passing on the cost to others.

“Not only do missed deadlines knacker the credibility of the industry — and they do — they cause a huge problem for the supply chain,” Stuart Payne, chief executive of the NSTA, told an industry conference. Investigations have been opened on two companies for failing to meet deadlines, Payne said, but their identities have not been disclosed. The consultation will decide whether to name those under investigation, to publicize those behind schedule on decommissioning, and issue a table of performance.

While an average of 120 wells a year were decommissioned between 2018 and 2023, there are still 940 inactive wells and more than 500 have slipped behind their original deadline, the NSTA said. The regulator warned that a lack of work will disrupt supply chain stability and cause specialist decommissioning vessels “to literally sail away” from U.K. waters. North Sea decommissioning is estimated to cost £10 billion (US$13 billion) between 2023 and 2032. Supply chain disruption could boost costs, the NSTA warned.

Mozambique candidates call for better LNG project contract terms

(Bloomberg; Sept. 18) - Mozambique’s presidential candidates are advocating for the nation to renegotiate contracts for its mega-projects with developers, a stance that may risk delays to the construction of liquefied natural gas facilities by TotalEnergies and ExxonMobil. Daniel Chapo, the nominee from the ruling Liberation Front of Mozambique known as Frelimo, said last month that revisions should be on a contract-by-contract basis. The country’s three opposition party candidates have also called for changes, sparking a national debate ahead of presidential elections scheduled for Oct. 9.

A common thread is that the African nation doesn’t benefit enough from its deals with multinational investors. World Bank data showed almost three in four Mozambicans lived on $2.15 or less per day last year, worse than a decade earlier. Joaquim Chissano, Mozambique’s longest-serving president who led the country for almost two decades as it rebuilt after a devastating 16-year civil war, welcomed the debate and said the country needs to be better prepared to handle negotiations with multinational corporations.

Project developers have raised concerns about potential policy changes. “For us, it’s important to have the confirmation that the new president will follow the same policy regarding these large projects,” TotalEnergies CEO Patrick Pouyanne told investors on a July 25 call. “By end of the year, we should clarify how we should be able to move forward.” The French oil and gas major is leading a $20 billion LNG export project in the northeastern Cabo Delgado province that’s been on hold since 2021 because of nearby attacks by an Islamic State-backed insurgency. Exxon’s investment is also delayed.

Colombia judge halts offshore drilling over Indigenous challenge

(Bloomberg; Sept. 15) - A Colombian judge ordered Ecopetrol and Petroleo Brasileiro to halt the drilling of an offshore gas well in the nation's Caribbean waters after an Indigenous community sought legal protection. The community in the area of Taganga, near the city of Santa Marta, claimed their consent should have been requested before the companies were allowed to drill the Uchuva-2 well, according to a copy of the document published Sept. 13 by Caracol Radio. Brazil's Petrobras is the operator of the Tayrona block with a 44.4% stake and Colombia's Ecopetrol has the remaining 55.6%.

Set to face a shortfall of natural gas at the start of next year, Colombia's hopes are riding on the future potential of its deepwater wells. Ecopetrol's offshore chief, Elsa Jaimes, said in an interview last month that production from Caribbean waters could come online as early as 2029, depending on approvals from local communities and securing environmental licenses. The judge's ruling to halt the drilling of Uchuva-2, which began in June, isn't the only setback Ecopetrol is facing.

Last month, Colombia's environmental licensing authority suspended the process to allow drilling of an offshore oil well that would set a new world drilling record. The state energy company and Occidental Petroleum had said they plan to start drilling the Komodo-1 well later this year at a depth of nearly 13,000 feet. The Uchuva-2 ruling also represents another major offshore exploration setback for Petrobras. In Brazil, it has been blocked from drilling at a key prospect due to so-called "environmental concerns."

Australia's Woodside looks for partners in Louisiana LNG project

(Reuters; Sept. 16) – Woodside Energy is in discussions with U.S. gas producers, pipeline companies and companies that share its outlook and view of the liquefied natural gas market to partner on its Driftwood LNG project, company CEO Meg O'Neill said Sept. 16. Speaking at an investor conference in New York, O'Neill said there was a lot of frustration from U.S. producers earning lower Henry Hub prices for gas that is then turned into LNG and sold at higher global prices. Partnering with gas producers would increase their revenue and allow Woodside access to a gas supply, O'Neill said.

Woodside wants to have clarity on the partnering approach before it takes a final investment decision on the Louisiana project, although it is unlikely to have signed all the agreements by the first quarter of 2025, she said. Woodside agreed in July to buy U.S. LNG developer Tellurian, including its U.S. Gulf Coast Driftwood LNG export project, for $1.2 billion including debt. The agreement could strengthen the position of the U.S. as the world's largest LNG producer by securing the completion of Tellurian's proposed export terminal, planned for 27.6 million tonnes annual capacity.

The sale is expected to be completed by the end of the year, after which Woodside said it will be able to give contractor Bechtel notice to proceed. One of the most attractive

features is that the Driftwood project is not affected by the Biden administration's decision to pause the approval of applications to export LNG, and it gives Woodside a year's advantage over other projects, O'Neill said. Driftwood has its export authorization but has struggled at lining up customers and investors.

U.S. LNG producer signs regasification deal for Greek terminal

(Reuters; Sept. 17) - U.S. liquefied natural gas developer Venture Global LNG signed a five-year deal with Gastrade to regasify up to 1 million tonnes of LNG in Greece for a five-year period beginning next year, supplied by its two Louisiana export facilities, the company said on Sept. 17. Regasification is the process of turning liquefied natural gas back to its gaseous state. The deal will allow Venture Global access to regasification capacity at the Alexandroupolis LNG receiving terminal on the Thracian Sea, increasing its ability to reach central and eastern European markets, the company said.

The Virginia-headquartered company will gain access to 25% of the terminal's total capacity, or approximately 12 cargoes annually, Venture Global LNG said. The company is set to become the second-largest U.S. exporter of the gas once its Plaquemines LNG export terminal is fully constructed and producing. “This move further integrates our business by growing our assets across the LNG supply chain including LNG production, shipping and regasification,” said Venture Global CEO Mike Sabel.

Turkey signs another deal in quest to establish LNG supply hub

(Bloomberg; Sept. 18) - Turkey signed a 10-year liquefied natural gas supply agreement with France’s TotalEnergies with the option to redirect cargoes to Europe, the second such deal this month as the country accelerates its bid to become a regional gas hub. The deal for over 56 billion cubic feet of gas, almost 1.2 million tonnes of LNG per year, starts in 2027, with state-run gas company Botas able to receive some cargoes directly at U.S. ports and others at terminals in Turkey and Europe, according to a statement.

Some of the gas also could be redirected to Egypt, according to people familiar with the matter, who asked not to be identified because the discussions aren’t public. Ankara and Cairo are holding talks on LNG cooperation following their political rapprochement, they said. Botas has signed a string of new LNG deals this year, diversifying a supply mix that’s historically been dominated by pipeline gas from Azerbaijan, Russia and Iran. The LNG deals strengthen Ankara’s hand in negotiations to renew long-term supply contracts with both Moscow and Tehran due to expire in 2025 and 2026.

The option for delivery to Europe also adds to Botas’s gas trading portfolio beyond its borders. The deal signed with Shell earlier this month included a similar clause, and last year the firm clinched small export deals with Bulgaria, Romania, Hungary and

Moldova. Turkey wants to leverage its location to become a gas hub on the European Union's doorstep. It has already invested heavily in new storage and liquefied natural gas facilities as well as exploration and production in the Black Sea.

Renewable energy firm wants to build green jet fuel plant in Canada

(CBC Canada; Sept. 13) - Irish renewable energy firm Simply Blue is gearing up for a multibillion-dollar project on Nova Scotia's Eastern Shore that's meant to convert wind, solar and biomass energy into jet fuel. The company has been working on the project for three years and shared details publicly for the first time on Sept. 13. The project would include two sites in Guysborough County. A joint wind and solar farm in St. Mary's would connect through a dedicated transmission line to a production plant in Goldboro.

The plant would use wind and solar energy, as well as wood chips, to power hydrogen production. The hydrogen, in turn, would power the production of what Simply Blue calls sustainable aviation fuel. Simply Blue said sustainable aviation fuel offers a 90% reduction in greenhouse gas emissions relative to conventional jet fuel. The fuel would be shipped from the plant by tanker to distributors and airlines.

The project could be a boost for the forestry industry, which has been in need of new markets for biomass, including wood chips, since the 2020 closure of the Northern Pulp mill. Simply Blue has a deal with Wagner Forest to buy 700,000 tonnes of biomass annually. It said it would start stockpiling a couple of years before starting production. Michael Galvin, Simply Blue's chief operating officer of hydrogen and sustainable fuels, said it will cost several billion dollars to get the project off the ground. If the company raises the funds and gets its permits, Galvin said production could begin in 2029.