Oil and Gas News Briefs
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TotalEnergies pays $100 million for U.S. timber carbon offsets

(Wall Street Journal; Aug. 30) - A French oil giant is paying $100 million to keep American trees standing. TotalEnergies is purchasing carbon credits that cover timberland in 10 states ranging from the Louisiana lowlands to the Great Lakes, the Adirondack Mountains in New York and the Appalachian Mountains in West Virginia and Kentucky. The outlay is likely the largest ever in the opaque market designed to forestall tree harvesting in the U.S. The idea behind the offsets is that rather than cut down trees for wood, leave them standing and absorbing carbon dioxide as they grow.

Companies often voluntarily purchase offsets to satisfy their own emissions targets rather than to meet regulatory mandates. Those sold by major U.S. timberland owners have been a fairly resilient pocket in a carbon-credit market otherwise plagued by allegations of fraud and overstated environmental benefits. TotalEnergies said it is amassing offsets to make up for its greenhouse gas emissions that it can't eliminate by 2030. Before this year, it had committed $725 million to offsets generated by preserving or restoring natural carbon sinks around the world, including wetlands and forests.

The seller in its latest purchase is Aurora Sustainable Lands, which was created two years ago to carry out Wall Street's biggest wager yet on forest offsets. Investors led by T. Rowe Price Group subsidiary Oak Hill Advisors paid about $1.8 billion for nearly 1.7 million acres of hardwood forests across 17 Eastern states. The sale to TotalEnergies will involve about 740,000 acres. Aurora has since reduced harvest volumes by more than 50% on the properties, said Aurora Chief Executive Jamie Houston.

"Historically, harvests were based on creating the highest timber revenue," Houston said. "Now harvests are based on creating a multidecade carbon sink on all of these properties." In some cases, that means cutting down trees, such as planted pine, and letting the plots reseed naturally from nearby hardwoods. In others it means leaving alone trees that live long and grow large. TotalEnergies declined to say how many offsets the $100 million will buy and the exact time frame for the deal.

OPEC+ faces two options to help boost oil demand and prices

(Reuters columnist; Sept. 2) - OPEC+ has two problems and two solutions. The first problem is that oil prices are too low for the comfort of most of its members. The second issue is that crude demand has so far disappointed OPEC's optimistic forecasts for 2024 growth. The first solution is for OPEC+ to surprise the market and change its mind on increasing output starting in October. The second solution is to increase output as planned, allow further price weakness and trust that over time the lower cost of the key commodity that fuels the global economy will result in faster growth and rising demand.

So far, it appears that the first solution is off the table, with sources within OPEC+ telling Reuters that they still intend to go ahead with easing production curbs. When the group announced the decision to start increasing output, it was against a backdrop of forecasts of strong demand growth for the rest of 2024, largely led by a recovery in China, the world's top crude-importing nation. But since then, the price has trended down, with Brent sliding to $78.80 a barrel on Aug. 30. The weakness continued on the first trading day of September, with the price dropping as low as $76.23 in Asian trading.

What has changed is that there is no real sign of any acceleration in demand in China, or even more broadly in Asia, while concerns have increased about slowing economies across Europe and North America. For the first seven months of the year, China’s crude imports were 10.90 million barrels per day, down 2.9% over the same period in 2023. It seems unlikely that China will meet OPEC expectations, and it also seems improbable that the rest of the world will see demand growth in line with the group's forecasts.

If demand does disappoint OPEC, where does that leave the group and its allies within OPEC+. It could abandon the commitment to ease production curbs, but any price boost will likely be short-lived before the focus returns to demand. It may be the better option for OPEC+ to take a slightly longer-term view and put up with lower prices in the interim. This may end up being a good thing insofar as lower prices will help inflation rates to ease, which in turn will encourage more central banks to ease monetary policy. This will help economic growth to recover, which will result in stronger oil demand growth.

Japan is central to entire supply chain for LNG industry

(Bloomberg; Aug. 29) - Every six hours, somewhere in the world, a shipment of liquefied natural gas controlled by a Japanese company leaves port. The ships cross the globe, destined for energy-hungry countries in every hemisphere. These tankers, which handle 25% of all LNG cargoes, are only the tip of Japan’s increasingly dominant gas empire. With enthusiastic government backing, corporate Japan now offers a complete package for countries looking to replace aging, and near-unfinanceable, coal power with gas.

Japan’s engineering firms will provide technology and parts, its utilities some fuel, and banks will offer financing. Japan’s support for the gas industry has fueled the rapid expansion of the $250 billion global LNG market over the past half-century. And while the U.S. and other exporters continue to benefit from that growth, Japan, with few gas reserves of its own, has made itself indispensable at every link in the supply chain.

“The industry just simply couldn’t be where it is without Japan,” said Peter Coleman, who led Australia’s top LNG exporter Woodside Energy until 2021. Like other proponents of natural gas, Japan's political and corporate leaders say the fuel has a critical role to play in the fight against climate change: It can supplant coal while renewable energy sources are still being expanded. But environmentalists warn there are long-term consequences, and rather than serving as a temporary bridge to clean energy, gas will become as entrenched as coal once was.

Japan's current enthusiasm for LNG dates to the 2011 Fukushima disaster, which shut down 54 nuclear reactors. Its utilities hastily signed decades-long LNG contracts and invested in facilities from the U.S. to Australia. But Japan began to restart reactors and rapidly roll out renewables, while power demand languished, leaving the country with a surplus of gas. Utilities and trading houses began looking to sell their oversupply abroad. They were joined by Japanese manufacturers and utilities looking for new markets to sell turbines or build pipeline networks where power demand was rising.

Exxon/Qatar joint venture asks more time to finish Texas LNG project

(Reuters; Aug. 29) - The developer of a Texas liquefied natural gas export project on asked U.S. regulators on Aug. 28 for a three-year extension to complete construction of the $10 billion Golden Pass LNG project, citing scheduling uncertainties. Golden Pass LNG, a joint venture of QatarEnergy and ExxonMobil for an 18-million-tonnes-per-year export project on the Texas coast, wrote that a change in primary contractors requires an extension until November 2029.

Exxon and QatarEnergy this month said project start-up would be delayed to late 2025. The current authorization expires in November 2026; the request signals a later start-up. QatarEnergy owns 70% of the venture and Exxon 30%. "The additional time will allow for the rehiring and remobilization of over 4,000 skilled workers and provide for potential uncertainties such as severe weather or hurricane delays when it may not be safe for crews on site," Golden Pass wrote the Federal Energy Regulatory Commission.

In May, Zachry Industrial, which was the primary contractor, filed for bankruptcy after a dispute over $2.4 billion in cost overruns. Golden Pass LNG subsequently named CB&I as lead contractor. Golden Pass is seeking the additional three years under a FERC provision that allows an extension if a company can show it made good faith efforts to complete a project on time. Golden Pass said construction of the first liquefaction unit is about 83% complete; the second and third units are at 46% and 31%, respectively.

Woodside says it has potential partners for Louisiana LNG project

(Upstream; Aug. 28) - Australia's Woodside Energy says it is in talks with a myriad of potential partners to invest and come onboard the Driftwood LNG project in Louisiana, which it is aiming to have ready for a final investment decision on the first phase by the first quarter of 2025. Woodside is buying the development from Houston-based Tellurian in a $1.2 billion deal. “We've had more inbounds than we can shake a stick at. So, we've got the luxury of being able to really pick the partners we want to work with,” Woodside CEO Meg O’Neill, said during the company’s first-half 2024 analysts call on Aug. 27.

Driftwood is a fully permitted project near Lake Charles, Louisiana. The plan envisages five trains through four development phases, with a total capacity of 27.6 million tonnes per year. As Woodside thinks about putting together its dream team for the project, O’Neill said, one of the capabilities it will be looking for in prospective partners is being able to bring a connection to the upstream gas world. “It will be incredibly important for us to understand the U.S. onshore gas market and to have ability to ensure we get the gas feeding into the plants… at a price that remains affordable,” she said.

Gas set to start flowing into LNG Canada facility this week

(Northern Sentinel; Kitimat, British Columbia; Aug. 29) - LNG Canada is set to introduce natural gas to its facility in Kitimat, British Columbia, this week, a pivotal milestone that will initiate pilot flaring and signal the start of hydrocarbon commissioning. This development moves the project closer to mechanical completion and toward the goal of shipping its first LNG cargoes by mid-2025.

LNG Canada, a Shell-led consortium with five international partners, is moving through a phased handover process as various parts of the facility are completed and commissioned. With the introduction of natural gas, attention now turns to the flaring and the inlet module, where the flare will be ignited. Once the flare is operational, the facility’s refrigerant system will be energized, initiating the cooling process.

The next steps include filling the LNG tank and powering up the first liquefaction train, paving the way for the first LNG production. While initial flaring will be low-level and minimally visible, major flaring, the subject of a prolific community outreach program this year, is expected to begin within the next few weeks. The project, at roughly US$30 billion, is designed to produce about 14 million tonnes per year of LNG.

Louisiana LNG developer seeks permission to start testing work

(Reuters; Aug. 29) - Liquefied natural gas company Venture Global LNG sought authorization on Aug. 29 from U.S. energy regulators to unload the first LNG commissioning cargo at the Plaquemines export plant under construction in Louisiana. About a week ago, a tanker full of LNG docked at Plaquemines, according to Venture Global and data from financial firm LSEG. The tanker came from Norway.

Energy analysts and traders said Venture Global would use that LNG to cool down components at the facility as part of the plant's testing and commissioning process. The company has filed with the Federal Energy Regulatory Commission for authorization to unload the commissioning cargo on or after Aug. 30. LNG plants under construction use commissioning cargoes to test and cool equipment in preparation for start-up.

Plaquemines started pulling in small amounts of natural gas from U.S. pipelines in late June, and analysts have said the plant could start turning gas into small amounts of LNG in test mode in the coming months. Venture Global has said that building the two phases at Plaquemines would entail an investment of about $21 billion. Analysts have said they expect Venture Global to complete work on the first phase, at about 13 million tonnes annual capacity of LNG, by 2026. The second phase would be slightly smaller.

Opponents of British Columbia gas line get ready for legal challenge

(Coast Mountain News; British Columbia; Aug. 30) - The British Columbia Energy Regulator is facing escalating legal challenges over its approval of the Prince Rupert Gas Transmission pipeline, with Indigenous groups and communities accusing the agency of bypassing crucial environmental assessments and dismissing local concerns. A coalition of community organizations, including the Skeena Watershed Conservation Coalition, Kispiox Valley Community Centre Association and the Kispiox Band, has initiated a judicial review against the provincial regulator and the project.

Represented by Ecojustice lawyers, the coalition argues that the regulator failed to adhere to its own rules by approving construction without conducting a new cumulative effects assessment, as required by the project's permits. The decade-old environmental assessment for the pipeline is set to expire in November. The coalition contends that significant changes over the past 10 years — including alterations to the project plan, pipeline route and affected communities — should have compelled the regulator to enforce its permit requirements and conduct a new cumulative effects assessment.

The pipeline is intended to transport gas across northern British Columbia to the West Coast for export as liquefied natural gas. The LNG project is a joint venture between the Nisga'a Nation and Western LNG. The line's environmental assessment certificate, initially issued in 2014 for a route connecting to the later-cancelled Petronas LNG export facility near Prince Rupert, was extended in 2019 for five years. The new project developers want to reroute the line to their LNG terminal site north of Prince Rupert.

Opponents go to state court to block Louisiana LNG project

(Louisiana Record; Aug. 30) - Environmental and community groups are calling on a state court to reject the Louisiana Department of Energy and Natural Resources' permit allowing construction of a liquefied natural gas production and export facility along the coastline at Cameron. The Sierra Club, Louisiana Bucket Brigade and Turtle Island Restoration Network sued the department and its Office of Coastal Management on Aug. 21, arguing that the permit for Commonwealth LNG was issued without adequate environmental assessments of adverse impacts on public health and safety.

Production capacity is planned for 9.5 million tonnes of LNG per year. “Commonwealth LNG has a valid coastal-use permit issued by the Louisiana Department of Energy and Natural Resources following an extensive review process that included ample opportunity for input from all parties, including the petitioners in this lawsuit,” Lyle Hanna, Commonwealth’s vice president for corporate communications, said in an email.

In July, the U.S. Court of Appeals for the D.C. Circuit ruled that the Federal Energy Regulatory Commission had failed to fully assess environmental and health effects caused by air pollution from the Commonwealth project. The court did not scrap FERC’s 2022 approval, but rather directed the commission to reassess the plant’s environmental impact on climate change. In addition to the legal issues, the project developer lacks an export authorization from the U.S. Department of Energy.

Mexico LNG developer signs sales agreement with Korean buyer

(gasworld; Aug. 29) - Mexico Pacific has signed a 20-year liquefied natural gas sales and purchase agreement with Korea’s largest energy trading company, POSCO. The agreement is to supply POSCO with 700,000 tonnes per year from its Saguaro Energía LNG facility. Located in Puerto Libertad, on the inside of the Gulf of California off the coast of Mexico, Saguaro Energía would be a 15-million-tonnes-per-year facility. A final investment decision on the development is expected late this year or next year. The gas for the liquefaction and export plant would come from U.S. Permian Basin production.

Russian LNG producer appears to be using floating storage unit

(Reuters; Aug. 30) - Russia's largest liquefied natural gas producer Novatek appears to be preparing a floating storage unit (FSU) to receive gas as part of its Arctic LNG 2 project, in defiance of Western sanctions, LSEG ship-tracking data showed on Aug. 30. The U.S. has imposed restrictions on the Saam FSU and other entities as it increases its efforts to constrain Russia's energy revenue in response to the country’s war on Ukraine. The Saam FSU provides large-volume storage for gas from the Arctic LNG 2 project to facilitate reloading aboard LNG carriers for delivery to the final destinations.

The data showed that the Everest Energy gas carrier, also under the U.S. sanctions over Russia's war with Ukraine, was located near the Saam FSU in the Arctic port of Murmansk. Another blacklisted tanker, Asya Energy, was also spotted in the area. The data does not prove the tankers received cargoes from Arctic LNG 2. The operations, however, imply Russia is moving ahead with gas cargoes to serve buyers.

French and Danish shipyards service Russian LNG fleet

(High North News; Aug. 29) - Russian LNG continues to flow into Europe at record levels while two shipyards in France and Denmark provide key dry dock services to maintain the Yamal LNG fleet. Since February 2022, 14 out of 15 ice-class LNG vessels in service of the project have traveled to either Damen Shiprepair in France or Fayard in Denmark. Russia's Yamal project relies on the fleet of special ice-class LNG carriers.

While the yards' activities do not violate Western sanctions placed on a multitude of Russian energy projects, they serve as an example of how Europe continues to play an integral part in supporting Russia's highly profitable LNG sector. European countries, especially Belgium, France and Spain, continue to purchase record-level quantities of liquefied gas from Russia. The vessels transporting the product are owned by a mix of companies, including Dynasgas out of Greece and Seapeak Maritime out of Bermuda.

The location of the Damen and Fayard facilities along the trade route to European markets is key to operating the fleet of purpose-built ice-class vessels efficiently. Any detour away from the main travel lanes would quickly become costly for the operators. "Companies choose the dry docks closest to their transit lines to avoid operating losses. At an average of €100,000 a day, it is important to optimize dock passage time," said Hervé Baudu, chief professor of maritime education at the French Maritime Academy.

U.K. says it will not object if court orders new offshore drilling review

(BBC; Aug. 29) - The U.K. government will not fight a legal challenge if the courts rule against drilling of untapped oil and gas fields off Shetland and Aberdeen. Greenpeace and Uplift jointly brought judicial reviews to stop the development of the Rosebank and Jackdaw fields. It comes after the Supreme Court ruled that a U.K. council should have considered the climate impact of new oil wells — setting a precedent for all regulators.

The government's decision does not mean the licenses for Jackdaw and Rosebank have been withdrawn. But if the judicial review backs the environmental groups, operators would need to resubmit environmental assessments. This would create more delay and additional costs for Rosebank's owners, Equinor and Ithaca Energy, and Jackdaw's owner, Shell. Environmental groups welcomed the government's decision.

The government has pledged that oil and gas will play an important role in the economy "for decades to come" as the U.K. transitions to clean energy. As such, it is planning to consult later this year on its election position not to issue new oil and gas licenses to explore new fields. “We will consult at pace on new guidance that takes into account the Supreme Court’s ruling on environmental impact assessments, to enable the industry to plan, secure jobs and invest in our economy,” said Energy Minister Michael Shanks.

Political standoff shuts down over half of Libya’s oil production

(Reuters; Aug. 29) - More than half of Libya's oil production, or about 700,000 barrels per day, was offline on Aug. 29 and exports were halted at several ports as a standoff between rival political factions over the central bank and oil revenue threatens to end a four-year period of relative peace. Libya's National Oil Corp, which controls the country's oil resources, said Aug. 29 that the average oil output stood at 591,024 barrels on Aug. 28. Libya pumped about 1.18 million barrels per day in July.

Losses in the past three days following the closure of oil fields totaled 1.5 million barrels, worth about $120 million. The crisis over control of Libya’s Central Bank threatens a new bout of instability in the country, a major producer that is split between eastern and western factions that have drawn backing from Turkey and Russia.

Ports in Libya's hydrocarbon-rich Oil Crescent halted export operations on Aug. 29, two engineers at the ports told Reuters. Output at oil fields controlled by Waha Oil Co., a subsidiary of the National Oil Corp., has dropped to 150,000 barrels per day from 280,000 and is expected to fall further, engineers told Reuters. Production has also been halted or reduced at several other fields, engineers said.

Shell plans to cut back oil and gas exploration workforce 20%

(Reuters; Aug. 29) - Shell plans to scale back its oil and gas exploration and development workforce by 20% as CEO Wael Sawan widens his cost-saving drive to the highly profitable division after deep cuts in renewables and low-carbon businesses, company sources said. The restructuring in the exploration and wells development and subsurface units will see hundreds of job cuts around the world, particularly in its offices in Houston, The Hague and to a lesser degree in Britain, the sources told Reuters.

Shell's oil and gas production division, known as upstream, which includes the exploration and well development units, accounted for over one third of the company's $28.25 billion in adjusted earnings in 2023. Exploration is vital for oil and gas companies in order to replenish depleting reserves and discover new resources that, if developed, can be highly profitable. Shell in recent years made significant discoveries in Namibia and is now studying potential development in that African nation.

A Shell spokesman would not comment on the job reduction figures. Sawan, who took office in January 2023, has vowed to improve Shell's performance to boost profitability and narrow a wide gap in its stock valuation compared with larger U.S. rivals. As part of the strategy, Shell plans to grow its liquefied natural gas division, steady its oil production and focus on its most profitable businesses. Shell in recent months scaled back operations in offshore wind, solar and hydrogen, sold retail power businesses, refineries and some oil and gas production, including in Nigeria.