Oil and Gas News Briefs
Compiled by Larry Persily
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Britain shutting down its last coal-fired power plant

(Washington Post; Sept. 29) - If you are looking for an event to mark humanity's journey to slow climate change, this is it. On Sept. 30, Britain's last coal-powered electricity plant is closing. The coal age is over in the country that sparked the industrial revolution 200 years ago. The boilers at the Ratcliffe-on-Soar power station — each the height of a 12-story building — will cool to the touch. The fireballs of pulverized coal that created the steam will go dark. The four 500-megawatt turbines will cease their ceaseless spinning.

Chris Bennett, 64, is a senior electrical engineer at Ratcliffe. He's spent his life at coal plants. "I'll be sad to see the end of it, to be honest," he said. "This was the industrial revolution, right here, when coal ruled everything." He was quick to add, "But I am glad for the environment." The plant will be decommissioned over the next two years. And then demolished. The leftover brownfield will be turned into something else. Possibly a "zero-carbon technology and energy hub." Plans are still being hammered out.

The plant is owned by Uniper, one of the largest multinational energy companies in the world, headquartered in Germany. That Britain would give up coal would have been unimaginable to previous generations. This was a country powered by coal — dug by a million miners, used to make cheap energy to generate heat, steam and electricity. Coal heated the homes, ran trains and made steel and cement. The first coal-fired electric plant in the world was built in England in 1882. The term "smog" was coined here.

Now Britain is the first in the global club of wealthy countries to quit coal — relying instead on gas, nuclear power and renewable energy sources. Others in the Group of 7 will follow: Italy (2025), Canada (2030) and Germany (2038). Three-quarters of the 38 OECD countries, too, are expected to eliminate coal power by 2030. The U.S. is also moving away from coal, though slower than climate advocates want. A quarter century ago, coal generated more than half the electricity in America. Today it is about 18%.

OPEC+ may focus on members that do not adhere to output pledges

(CNBC; Sept. 27) - The OPEC+ alliance is once more cracking down on group compliance with oil output cuts, as it presses ahead with a three-pronged plan of formal and voluntary production trims. Two OPEC+ delegates, who could only comment anonymously because of the sensitivity of the talks, told CNBC that the coalition has sharpened its focus on the conformity of its members with their output pledges, amid repeat overproduction from heavyweight members such as Iraq and Kazakhstan. Russia, whose barrels are sanctioned in the West and transported with lower visibility across a shadow fleet, has also at times exceeded its assigned quota under the alliance's formal policy, one of the sources said. Eight OPEC+ members, including kingpin Saudi Arabia, were due to begin returning 2.2 million barrels per day of voluntary cuts to the market starting in October, but earlier this month they postponed this phaseout to start in December instead.

Undercompliance has been a repeat bane of the OPEC+ alliance, casting a shadow over the credibility of its intentions to cut output — at a time of market uncertainty exacerbated by war in the hydrocarbon-rich Middle East, recent stock sell-offs and a fragile post-COVID recovery in the world's top crude importer, China. OPEC+ receives monthly production figures — which assist it to calculate member compliance — from seven independent sources. The coalition's Joint Ministerial Monitoring Committee, a technical group that oversees OPEC+ conformity, is due to next meet on Oct. 2.

OPEC and IEA differ by 1.1 million barrels a day in demand forecasts

(Wall Street Journal; Sept. 25) - What's 1.1 million barrels between adversaries? The Organization of the Petroleum Exporting Countries and the International Energy Agency don't see eye to eye on much. The IEA was basically founded as an anti-OPEC 50 years ago to represent energy consumers a year after the cartel's oil embargo quadrupled global crude prices. But now the gulf between their forecasts of how much oil the world will need in 2024 is oddly wide, especially for this late in the year.

The IEA thinks an additional 900,000 barrels of oil a day will be needed by consumers in 2024. OPEC is far more bullish and expects 2 million extra barrels will be required. It isn't unusual for there to be a gap between the two organizations' annual demand estimates when they are first released. But as economic data rolls in throughout the year, their forecasts have tended to converge as one side or the other concedes it has been too optimistic or pessimistic.

The main sticking point now seems to be how demand will evolve in China over the next three months. OPEC thinks China will need 650,000 extra barrels a day in 2024, while the IEA has penciled in less than a third as much. China's demand has been shrinking year-over-year for four consecutive months. This suggests it will take an extraordinary economic boom for the last few months of the year to hit OPEC's punchy target. The two organizations are also more than 60,000 barrels apart on what India will need and over 100,000 barrels apart on demand estimates for the Middle East.

Federal Reserve Bank survey shows pessimism in oil & gas industry

(S&P Global; Sept. 25) - A curtain of pessimism appears to have settled over the U.S. oil and gas industry in the third quarter as presidential election uncertainties loom and operators weather a challenging commodity price environment, according to the Dallas Federal Reserve Bank's latest energy-sector survey released Sept. 25. The results show executives at exploration and production and oil services provider companies are being cautious until they get more clarity on longer-term conditions.

The outlook for upstream conditions "turned negative" during the third quarter, with the data suggesting "modest" pessimism, according to a summary statement. "Overall, the key point from the survey is that oil and gas activity edged lower in the third quarter as outlooks dim and uncertainty grows," Senior Dallas Fed Business Economist Kunal Patel said during the organization's quarterly webcast press conference.

The organization's data was collected Sept. 11-19, with 136 energy companies responding, 91 of them exploration and production companies and 45 oil field services providers. A number of survey respondents cited persistently low natural gas prices as a particular challenge. Soon-to-be prompt NYMEX Henry Hub November gas futures settled at $2.79 per million Btu on Sept. 24, CME Group data showed.

Development of Falkland Islands oil field conflicts with U.K. policy

(The Express; U.K.; Sept. 28) - The Falkland Islands look to be on a major collision course with the U.K. government over islanders' plans to exploit a huge oil field that could earn the Falklands billions of pounds in revenue. Some 800 million barrels of oil are believed to be contained in the Sea Lion Basin, which lies 150 miles north of the South Atlantic archipelago. A public consultation on the Sea Lion oil field was held in the summer, with a majority of islanders reported to have backed the project.

Rockhopper Exploration, the company licensed to drill for the oil, believes the basin could eventually yield as much as 1.2 billion barrels after another field was discovered nearby. However, a decision to go ahead with drilling would bring the Falklands into direct conflict with the U.K. government's policies on fossil fuels. Energy Secretary Ed Miliband placed a block on all new oil and gas licenses in July, days after the Labour party came to power. Labour said the climate and nature crisis was the greatest long-term global challenge the country faces.

Labour is set on reducing carbon emissions and transitioning the country toward clean energy. Although the U.K. is responsible for foreign affairs and defense in the Falklands, the island's government rules day-to-day operations of the British territory. The Sea Lion field is predicted to generate £4 billion ($US5.3 billion) for the 3,700 Falklanders over the next 35 years. "The matter of development of the natural resources of the Falkland Islands is a devolved matter and is for the people of the Falkland Islands to decide," a Falklands government spokesperson said.

Nigeria says Exxon ready to spend $10 billion on offshore oil project

(Reuters; Sept. 26) - ExxonMobil has proposed a $10 billion investment in offshore oil operations in a new investment push in Nigeria, a presidential spokesperson said on Sept. 26, citing company executives. The investment was announced during talks between Nigeria's Vice President Kashim Shettima and the CEO of Exxon's Nigeria operations Shane Harris on the sidelines of the U.N. General Assembly in New York on Sept. 25, presidential spokesperson Stanley Nkwocha said in a statement.

Exxon plans to focus on developing its Owo project, a large deepwater field estimated to cost $10 billion. The producer also plans to spend $2.5 billion annually to boost oil output by 50,000 barrels per day over the next few years and maintain its Nigerian offshore operations, despite agreeing to sell its onshore assets to Seplat Energy for $1.3 billion. Exxon said it is working closely with the office of Nigeria's president "to secure favorable fiscal arrangements that will make this significant investment possible."

Production of oil, which accounts for the bulk of Nigerian government revenue and foreign exchange, increased by 10.15% in the second quarter, averaging 1.41 million barrels per day, up from 1.22 million a year earlier. But Africa's largest oil producer is still grappling with challenges, including large-scale theft and sabotage, despite passing a law three years ago to ease regulatory uncertainties and attract investments.

Exxon-led joint venture issues design contract for Mozambique LNG

(Oil & Gas Journal; Sept. 25) - The Mozambique Rovuma Venture, a joint venture of ExxonMobil, Italy's Eni and China National Petroleum Corp., has issued a front-end engineering design contract to Technip Energies and JGC Corp. for the LNG project in Mozambique. The project will consist of an onshore gas liquefaction plant with a total production capacity of 18 million tonnes per year, comprising 12 fully modularized liquefaction trains.

The plant design will feature electric-driven liquefaction trains instead of gas turbines, reducing greenhouse gas emissions, and will include prefabricated and standardized modules to be assembled at the project site. In August, ExxonMobil noted the official beginning of the FEED phase of Rovuma, which it said is expected to take around 16 months to complete. It is the last step before a final investment decision is taken on the project, which has been estimated at around $25 billion.

The Rovuma project is expected to produce, liquefy and market gas from reservoirs of the Area 4 block of the offshore Rovuma basin. The deepwater block contains more than 85 trillion cubic feet of gas. Area 4 is operated by MRV, a joint venture owned by ExxonMobil, Eni and CNPC. The joint venture holds a 70% interest in the Area 4 exploration and production concession contract. Portugal’s Galp, Korea Gas and Empresa Nacional de Hidrocarbonetos (Mozambique) each hold a 10% interest.

Japan’s Mitsubishi will expand stake in Malaysian LNG facility

(Reuters; Sept. 26) - Japanese conglomerate Mitsubishi will acquire a 10% stake in a natural gas facility operated by Malaysian state energy giant Petroliam Nasional (Petronas) for a 10-year period, the Nikkei reported on Sept. 26. Mitsubishi had previously owned a 4% interest in the Tiga project but the facility's contract expired in 2022. Now the company will acquire 10% of the same plant by the end of fiscal 2024, the Japanese newspaper reported.

Mitsubishi also owns 10% of a different LNG plant located in Sarawak, called Dua. In fiscal 2025, the trading business plans to try to extend the contract for an additional 10 years, the Nikkei added. The Japanese company is expected to spend several hundred billion yen across the two projects, the report said. The investments will expand Mitsubishi's LNG equity production capacity in Malaysia to roughly 2.2 million tonnes a year from about 1.4 million tonnes, according to the Nikkei. Mitsubishi will expand its production capacity in Malaysian LNG projects by about 60%, the report added.

Malaysia LNG Dua and Tiga are part of a larger Petronas LNG complex, which has a total production capacity of 29.3 million tonnes per year. Japanese companies like Mitsubishi are strengthening their LNG portfolio as many see the fuel as critical in the energy transition. Mitsui announced in July that it will acquire a stake in an LNG project in the United Arab Emirates. Japan’s trade ministry has emphasized the importance of diversifying sources of LNG for energy security.

New LNG import terminal will open in China

(Reuters; Sept. 26) - China's Guangdong Energy Group is expected to start commercial operation of a new liquefied natural gas receiving terminal in southern China next week which ExxonMobil has signed up to use under a 20-year agreement, two industry sources told Reuters on Sept. 26. The $1 billion terminal in Huizhou in Guangdong province can handle 4 million tonnes a year of LNG. It received its first cargo from the United Arab Emirates last month in a trial operation, the sources said.

ExxonMobil agreed last December to use the terminal to handle 1.8 million tonnes of LNG per year under a 20-year deal with Guangdong Energy, a utility and gas importer backed by the provincial government, said one of the sources who has direct knowledge of the matter. An ExxonMobil China representative confirmed the agreement for terminal access, which the company had not previously announced.

Exxon will use the terminal partly to supply gas to its fully owned multibillion-dollar chemical complex in Huizhou which is now in an advanced stage of construction and expected to start operation in 2025, the sources ad. Guangdong Energy began building the gas import terminal around mid-2021. Guangdong, China's largest gas-consuming province, has built LNG receiving facilities with combined an annual capacity of 32.6 million tonnes, according to Chinese consultancy Sublime China Information.

Cheniere Energy says it should lead in setting LNG emissions rules

(Bloomberg; Sept. 27) - Cheniere Energy’s top executive Jack Fusco wants the biggest gas exporter in the U.S. to set the rules for measuring the environmental impact of liquefied natural gas, using a fleet of methane-tracking technologies and the company’s clout as the nation’s top consumer of natural gas. Cheniere amasses data using satellite imagery, helicopters, drones, fixed sensors and emissions tracking from lidar, or light detection and ranging, Fusco said in an interview last week at Gastech in Houston.

In 2022, the company began listing emissions data associated with each contractual loading from its two liquefied natural gas export plants in Louisiana and Texas. “Society wants a cleaner fuel source. And our challenge is to make sure not only that we keep up but that we lead,” Fusco said. Tracking emissions for the fuel from the U.S. is key to meeting demand from buyers and lawmakers in the European Union working on rules to curb methane — the main component of natural gas — from imported energy supplies.

Cheniere already adheres to a U.N.-led program to measure methane, which the European Commission has cited in its proposed regulations. Proponents of establishing methods for tracking LNG emissions say that determining how to standardize a system will have ripple effects on global buyers and sellers. But environmental organizations and researchers have pushed back on the tracking methods.

Texas regulators approve plan to expand power grid in Permian

(Reuters; Sept. 26) - A Texas commission unanimously approved Sept. 26 the Permian Basin Reliability Plan, designed to expand power grid infrastructure in the United States' largest oil field to accommodate rapidly growing demand from the oil and gas industry. The Public Utility Commission of Texas directed the Electric Reliability Council of Texas to compile the plan in December last year, two months after major producers submitted a report with financial information company S&P Global warning the commission of a significant increase in electric load demand in the Permian Basin in the coming years.

Electrifying oil field operations can reduce emissions and eliminate pollution and noise associated with diesel-powered rigs and fracking equipment. The Texas power grid has come under significant strain, with the state home to some of the most energy-intensive industries, including data centers, cryptocurrency mining and oil field operations. Surging population growth and sweltering heat have also increased stress on Texas' vulnerable electrical grid, last month driving demand to a record high.

Around 29% of surveyed respondents who participated in the latest Dallas Fed Energy Survey said uncertainty about grid access was a top challenge to electrifying their operations. Another quarter of those polled primarily cited grid infrastructure challenges as a hurdle to electrification.

Low rainfall cuts hydropower, pushes Colombia into gas shortage

(Bloomberg; Sept. 26) - Colombia's energy system is in crisis as drought cripples hydropower supplies and the capacity to import natural gas has reached its limit, according to the nation's largest pipeline operator. The country, which normally generates two-thirds of its electricity from hydropower, is now relying heavily on gas-fired plants as the lowest rainfall in more than half a century saps reservoirs.

To fuel its power plants, Colombia's only liquefied natural gas terminal is operating at maximum capacity, handling 450 million cubic feet of a day, Promigas CEO Juan Manuel Rojas told reporters Sept. 26. It comes as the nation is bracing for a gas shortfall that's forecast to hit next year. Rojas, whose company owns a stake in the LNG terminal and ships 56% of Colombia's gas through its lines, said the problems have already begun. "We're already in a crisis," Rojas said. "We're operating at our limit."

Naturgas, an energy trade group, is projecting Colombia will face a gas shortfall starting next year, equal to about 12% of the nation's average daily demand. The shortfall in 2026 is forecast to rise to about 30% of demand. Colombia's state energy company, Ecopetrol, said it is working to ensure the nation has enough gas. Ecopetrol said it's urging government officials to give producers more flexibility to negotiate for shorter-term contracts for the fuel. Companies have also fired up decades-old coal and diesel plants to supply power to make up for losses from hydroelectric plants, Rojas said.

Europe wants off Russian oil and gas, but still needs the supplies

(Bloomberg; Sept. 27) - Three years ago, Russia was the world's biggest exporter of natural gas and Europe was its top customer. For the continent's leaders, access to all that cheap Russian energy outweighed any misgivings over doing business with President Vladimir Putin. Then Russia launched its full-scale invasion of Ukraine, and this overwhelming reliance on a single supplier suddenly looked like a threat to the region's economic and political security.

Fear that Putin would cut off deliveries of gas, coal and oil to punish European nations for supporting Ukraine prompted a frantic scramble in search of alternative energy sources. Today, European leaders are hailing an energy supply revolution. Many gas, oil and coal importers dropped Russia in favor of other sources. Consumers found ways to use less energy, reducing demand. In the end, the lights stayed on and most factories kept humming — even if many Europeans are now paying more for their energy.

But Russia remains one of the continent's most important suppliers, and the European Union's goal to end its dependence on Russian fuels by 2027 will be hard to achieve. Russia still accounted for 15% of the EU's total gas imports in 2023, behind Norway and the U.S. at 30% and 19%, respectively, according to the European Commission. Much of that arrives in pipelines crossing Ukraine and Turkey, and much comes to shore as liquefied natural gas. It's likely that some Russian oil finds its way to Europe after being bought by middlemen in other countries and mixed with supplies from other origins.

Growing volume of U.S. oil exports boosts Houston as pricing hub

(Reuters; Sept. 27) - Rising U.S. oil exports are boosting the prominence of Gulf Coast price benchmarks and buoying trading volumes on Houston contracts, eroding the significance of the Cushing, Oklahoma, storage hub. Since U.S. WTI Midland crude oil transactions joined the dated Brent price assessment a year ago, U.S. oil exports have overshadowed the role of Cushing as a pricing hub, traders and analysts said.

Cushing has been the delivery and pricing point for West Texas Intermediate crude futures on the New York Mercantile Exchange since 1983. The benchmark is currently used to price major U.S. crude grades for physical delivery, trading at a differential to WTI. However, not long after the U.S. lifted its ban on crude exports in 2015 amid a shale boom that turned the country into the world's top producer, both the Intercontinental Exchange and CME Group, which owns NYMEX, launched contracts to trade and deliver crude from Midland, Texas, to terminals around Houston.

Average daily volumes on CME's WTI Houston contract more than doubled so far in September to a record high year-on-year, the exchange said. Increasing liquidity in these contracts will create opportunities for hedging and arbitrage trades, leading to more deliveries in storage terminals in the Houston region and fewer into Cushing, oil market experts said.