A different roadmap, provinces seek oil and gas growth, frustration over Bay du Nord, renewable molecules for decarbonisation, rising refined products demand, and new interest in Cuba

Brazil’s Petrobras and Angola’s Sonangol have no plans to follow the roadmap set out by the International Energy Agency (IEA), which sees no need for investment in new fossil fuel developments if the world is to meet its climate goals and limit global warming.

Back in May 2021, the IEA issued a bombshell report seeing no more need for approving investment in new fossil fuel supply projects. It stated that even if governments' current climate pledges are achieved, the world would still fall short of bringing energy-related carbon dioxide emissions to net zero by 2050.

Speaking Tuesday at the 24th World Petroleum Congress in Calgary, state-controlled oil and gas companies Petrobras and Sonangol said “no” to the Paris-based agency’s guideline.

“The energy transition must be from a different stage for each country. It is a different situation for countries that are opening new oil frontiers such as Brazil, Guyana and Suriname,” said Petrobras Engineering, Technology and Innovation Director Carlos Travassos.

“So frankly speaking, we do not intend to follow that kind of direction from the IEA, not because of the economic aspects, but mainly because of the social aspects,” he said.
When asked the same question, if Sonangol was to follow the recommendation laid out by the IEA report, Sonangol Board Member Osvaldo Inacio replied: “No.”

“If we were to stop sanctioning additional upstream projects or activities, that means literally we would not have any oil to go through our refineries. So stopping would mean almost like a big suicide,” Inacio said.

In Canada, provincial governments in the oil and gas regions fully support the growth of their hydrocarbon sectors, while aiming to leverage their decades of oil and gas expertise to develop carbon capture and new energies.

Canada is one of the largest oil and gas producers in the world. The Canadian Association of Petroleum Producers estimates 2022 production was about 4.6 million barrels per day of oil and 17 billion cubic feet per day of gas.

The energy ministers of Alberta, Saskatchewan and Newfoundland and Labrador spoke at the WPC event in Calgary and were unified in promoting growth for their oil and gas sectors.
They were also unified in sending a clear message to the Canadian federal government that, as Saskatchewan's Minister of Energy and Resources Jim Reiter said, "what the world needs right now is... more clean Canadian oil and gas".

Reiter criticised a speech made this week by Canada's Minister of Energy & Natural Resources, Jonathan Wilkinson, saying it was a speech "that was designed to try to drive investment away from the oil and gas industry".

**Growth in Canada's offshore exploration and production play off the nation's east coast is fully supported by the Newfoundland and Labrador provincial government**, which is excited about the large Bay du Nord oil project and ongoing expansion of existing fields.

The province hosts four large producing offshore fields — Hibernia and Hebron, both operated by ExxonMobil; Terra Nova, operated by Suncor Energy; and the White Rose field, operated by Cenovus Energy.
In addition, the new Bay du Nord project has received the necessary regulatory approvals to proceed, but the Equinor-led joint venture last May suspended the project when inflationary pressures were peaking.

Newfoundland and Labrador’s Minister of Industry, Energy and Technology, Andrew Parsons, paid tribute in Calgary to the “great industrial partners that want to develop” the field but expressed frustration about the federal government’s approach to the environmental assessment.

Equinor has said repeatedly since Bay du Nord was postponed that the project will return to the development fold once it has been redesigned and the cost environment improves.

In another WPC session, Repsol’s chief executive said on Tuesday that the complexity of the energy transition requires investment in renewable molecules as well as renewable power, as electrification will not achieve full decarbonisation.
Repsol Chief Executive Josu Jon Imaz said addressing the energy trilemma will require ensuring the “affordability of energy while pursuing the decarbonisation of our processes”.

Imaz said that while Repsol is transforming from a conventional oil producer into a multi-energy company, ramping up its renewable portfolio and low-carbon businesses other than fossil fuels, it will maintain a core focus on molecules, through investments in renewable fuels.

“People say decarbonising means electrifying, and that’s not true,” Imaz said in a panel discussion.

“When it comes to maritime, or heavy trucks, steelmakers, paper mills, fertilisers and chemicals plants – these [sectors] are not going to electrify. But we can decarbonise liquids through renewable fuels.”
And WPC speakers told delegates that global demand for refined petroleum products including fuels and chemicals is expected to increase this year and stay elevated on bullish fundamentals.

As the global economies bounced back from the Covid-19 pandemic of the early 2020s, demand for refinery-based products started growing again. Almost all subsegments of petrochemicals and fuels, aside from jet fuel, are showing a strong performance this year, the speakers said.

According to Mohamed A Al-Brahim, Assistant to the Minister of Energy of Saudi Arabia, demand for refined products globally will be higher in 2023 than it was in 2020, before the pandemic.

Growth in the sector is expected to continue in the medium term, with demand for petroleum-based chemicals, in particular, forecast to increase by up to 60% in the coming decade and beyond, he said.

To meet the growth in demand, Al-Brahim said that some 5 million barrels per day of new refining capacity is slated to be installed globally, the majority of which will be located in the Middle East, China and India.
Meanwhile, international oil companies operating in Cuba could be looking for additional hydrocarbon resources soon, on the heels of a potentially transformative onshore discovery made on the island.

Australian independent Melbana Energy in partnership with Angola state-owned company Sonangol have successfully unlocked oil in Block 9 with the Alameda-1 and Alameda-2 wells, suggesting a production development could be on the cards.

The finds have sparked new interest in Cuba, and the country’s state-run company Cupet outlined potential plays that soon could be explored.

Cupet general manager Juan Ballestero said Cuba currently has 41 onshore and shallow-water blocks, including eight areas under contract, five under evaluation and two under negotiation.

Upstream will keep you informed throughout the week during the 24th World Petroleum Congress. Check back regularly online at our Live Centre “News studio” channel for news and insight gathered at the event.
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