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Supreme Court Case Looms Over Biden Energy Agenda

Policy watchers are anticipating a forthcoming Supreme Court ruling, likely this week, that could potentially hamstring much of the Biden administration's regulatory agenda for energy policy.

The US Supreme Court is weighing a case centered around the scope of the federal government's authority to write greenhouse gas (GHG) regulations that could reshape the power sector. That in and of itself carries broad implications for energy regulations, but the court heard the case under a fairly nascent doctrine concerning whether legal questions involving "major" political and economic outcomes can be addressed by federal agencies or must be put to Congress.

That case, [West Virginia v. Environmental Protection Agency](#) (EPA), could potentially make it more difficult for the administration to regulate emissions from the energy sector as well as reshape the contours of the administrative state.

Only four cases from the Supreme Court's current term remain undecided as of Monday afternoon, with the remaining spate of opinions slated for release on Wednesday. Legal experts still expect a ruling in West Virginia v. EPA this week, given that the court is soon scheduled to break for the three-month summer recess before the new term begins on Sep. 28.

There is a very slim possibility of a wild card scenario, in which the court majority decides to use the case as a vehicle to reverse Massachusetts v. EPA, the landmark 2007 Supreme Court ruling that determined the EPA has authority to regulate GHGs. In that scenario, the court would hold off ruling on the West Virginia case until the fall for fresh briefings, but that is seen as unlikely.

Precedent for Change

Some court watchers viewed last week's 6-3 ruling in Dobbs v. Jackson Women's Health Organization, in which the court's conservative majority overturned the 1973 decision that established abortion as a constitutional right on a 6-3 vote.

That ruling "shows that a radically conservative five-Justice majority is willing to upend long-established precedents," which does not "bode well" for the Biden administration in the West Virginia case, given that some of the court's majority are vocal EPA critics, said Robert Percival, a law professor at the University of Maryland's Francis King Carey School of Law.

The West Virginia suit involves the extent to which the EPA can reach beyond individual power plants to set wider grid-level policy in curbing carbon emissions from the power sector. But the legal questions behind the suit look to tackle whether Congress has the ability to give the EPA the type of authority it has used in crafting power sector regulations, which could be disastrous for pending and future climate rules.

Bridget DiCosmo, Washington

Petro Describes Transition Vision for Colombia

Colombia's President-elect Gustavo Petro spelled out his vision for the country's energy sector in the clearest terms yet, including halting the issuance of new oil exploration contracts and reducing exports.

In an interview with *Cambio* magazine, Petro reiterated that "there will be no new [oil] exploration contracts" once he assumes power in August, noting that he favors a "gradual" transition away from fossil fuels.

Petro also said that Colombia would have to "manage" its proven oil reserves. "If we export a lot of oil, the reserves won't last," he said. "If we export less oil, the reserves will last longer."

Colombia at present has around 1.8 billion barrels in proved crude oil reserves, good for less than seven years of consumption, according to government estimates. The country's oil production was hit by both the Covid-19 pandemic and political unrest in recent years and fell from about 880,000 barrels per day in full-year 2019 to 780,000 b/d in 2020 and under 740,000 b/d in 2021.

Citing the ongoing war in Ukraine, Petro also noted that in the near term his government would seek to export more coal, but that he would seek to stop coal production during his four-year tenure as president.

"I have to prepare the country for what I know is going to come, and that is that those mines are going to close," he said.

Bright Aspirations

Petro expressed his hope that Colombia will become "one of the great producers of solar energy in the world," and that the growth of state oil company Ecopetrol – whose first-quarter 2022 revenue was a robust \$8.3 billion – would "be built not on oil, but on energy." Petro also took a slightly defensive stance on the topic, saying that "the forces trying to stop me on this issue have taken over Ecopetrol."

During his [election campaign](#), Petro vowed to unlink Colombia's economy from its dependence on oil and coal and pledged to set up a national institute for clean energies. He pledged to turn the impoverished, largely indigenous northern department of La Guajira into a hub for the country's solar energy projects.

Colombia's oil sector currently accounts for some 30% of the nation's export revenues and around 3% of its GDP.

Following Petro's election, the Asociacion Colombiana del Petroleo (ACP) – an association of public and private oil and natural gas companies – released a statement congratulating the president-elect, noting that "we reiterate our willingness and commitment to work for Colombia" and to be "a pioneer in the management of climate change and in decarbonization projects in the country."

Since his election, Petro has succeeded in building a broad coalition of political parties in the country's congress to support his agenda. The most recent addition, the Partido de la U of former President Alvaro Uribe – which for many years was a bitter foe of Petro – puts around 70% of Colombia's elected legislators, at least theoretically, in the president's corner, meaning there potentially won't be much standing in the way of implementing his energy agenda.

Michael Deibert, Washington

Marcellus Gas Pipeline Seeks Four-Year Extension

The sponsor of the Mountain Valley Pipeline (MVP) is seeking a four-year extension to complete the natural gas transportation project, which is already years behind schedule and billions of dollars over budget.

Equitrans Midstream asked the US Federal Energy Regulatory Commission (FERC) on Jun. 24 to approve a start-up date of Oct. 13, 2026 for the pipeline, citing a host of federal permits tied up in litigation.

The US Court of Appeals for the Fourth Circuit in 2018 [vacated several permits](#) issued by the US Fish and Wildlife Service, the US Army Corps of Engineers, the US Forest Service and the Bureau of Land Management, requiring Equitrans to revise and resubmit the applications.

Marcellus Shale producers are counting on the 303-mile, 2 billion cubic foot per day pipeline, which would traverse parts of West Virginia and Virginia, to provide a major takeaway option as gas output continues to grow in Appalachia.

Still On Track?

As recently as May, Equitrans was targeting a 2023 opening of the line, which is currently 94% complete. Spokesman Natalie Cox told Energy Intelligence on Monday that the company still hopes to meet that target.

“Despite a continual barrage of attacks from project opponents, Mountain Valley remains committed to completing this critical infrastructure project,” the company told FERC. “Granting this extension of time will enable [us] to continue to work cooperatively with all affected stakeholders and permit agencies to complete construction.”

There's no guarantee that the Democrat-controlled FERC, which previously granted a two-year extension to the project, will approve Equitrans' request. ClearView Energy Managing Director Christi Tezak said that an approval is likely given that the vast majority of the \$6.6 billion project has already been built.

She also believes that Sen. Joe Manchin's "overt support for moving MVP forward contributes to a political environment that bodes favorably for approval of an extension request." Manchin, a West Virginia Democrat, chairs the Senate Energy and Natural Resources Committee.

That said, "the pipeline's opponents have already begun to voice their objections to media, and we think that MVP seeking the extension now instead of closer to the October expiration of the certificate could provide additional time for FERC to solicit and consider public input," said Tezak.

Mark Davidson, Washington

Crude Prices Rise Amid Shifting Sentiment

The push and pull between oil supply and demand continues, but there is “not much conviction” behind higher crude prices, as one US broker put it on Monday.

The European short-haul crude market seems pretty tight given high spot premiums. At the same time, however, Russian crude exports continue at high rates and US crude is widening its discount versus global benchmark Brent.

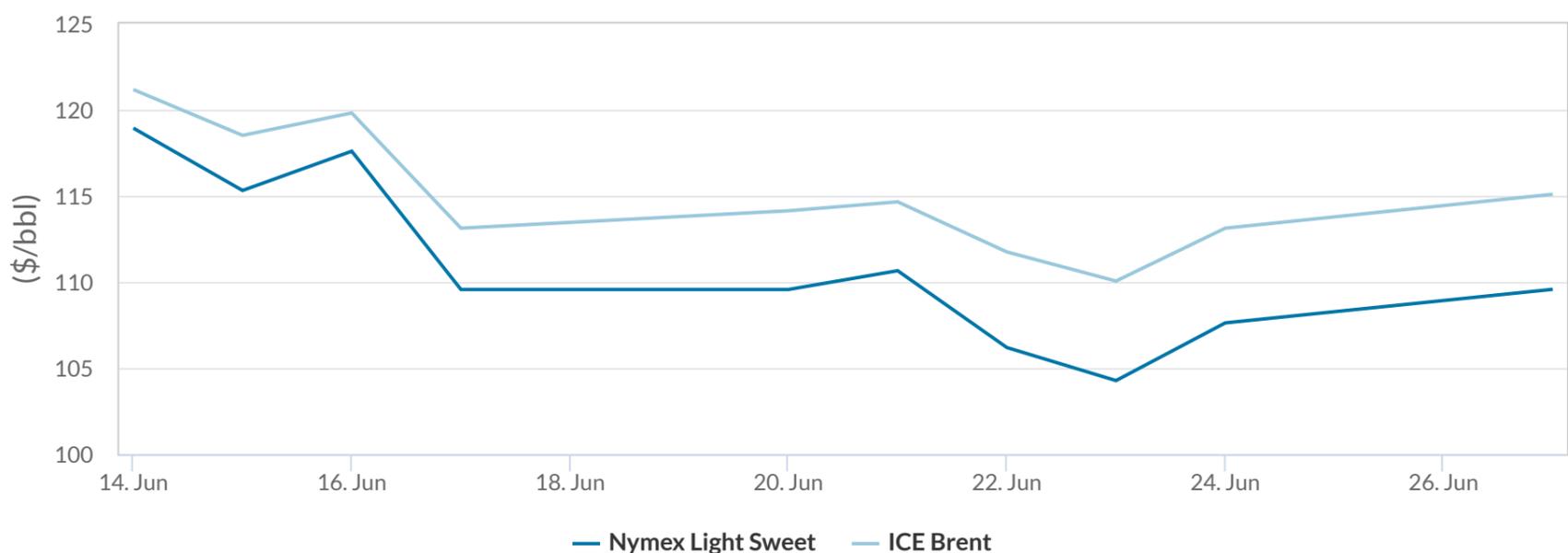
On ICE Futures, Brent for August loading added \$1.97 to close at \$115.09 per barrel on Monday, while Nymex West Texas Intermediate (WTI) gained \$1.95 to close at \$109.57/bbl.

While crude was up nearly 2%, structurally short diesel in both Europe and the US fell by about 3% and US gasoline dropped by 1% — a sign that [fears of an imminent recession](#) are building, the broker noted.

It seems spread trades between crude and products were reversed on Monday, with traders closing positions betting on higher product prices by selling their products contracts and buying crude futures.

ICE BRENT VS. NYMEX WTI FUTURES

Front Month Contracts



Watch For the Fall

Traders note that sentiment seems to be slowly shifting as the market looks beyond high summer demand and expect oil demand to slide once people have done their seasonal driving and flying.

In the fall, high fuel prices will become more of a brake on demand growth, and just when the global economy starts to feel the impact of higher interest rates to curb inflation, forecasters warn.

"The IMF [International Monetary Fund] and other forecasters have been issuing warnings together with central banks that interest rate hikes will have a profound negative impact on economic activity, and consequently oil consumption will need to be adjusted accordingly," said brokerage PVM in a note on Monday. "Further cuts in demand projections are plausible and almost unavoidable for [the second half of] 2022. It will lead to a looser oil balance."

The shift in sentiment can also be seen in the financial holdings of banks and funds in the oil market — the numbers of contracts betting on higher or lower prices from speculators.

In the US, speculators sold their bets on higher prices for both crude and products in the week ended Jun. 21 and increased their positions that benefit from lower prices, data from the Commodity Futures Trading Commission show.

Winter Is Coming

Whether this sentiment can gain strength depends on the developing view for oil demand in the fall, but also for the Northern Hemisphere winter.

The ongoing natural gas crisis could again increase demand for diesel and fuel oil, and by the end of the year the impact of the EU ban on Russian crude and refined product imports will also be clearer.

Refiners could still struggle to meet fuel demand even if consumption growth erodes. One thing is for sure, the broker noted: "You don't want Brent to fall below \$100 because prices can then collapse" from the large volumes of so-called stop-loss orders that automatically trigger sales.

No Straight Line

The market remains utterly confused about the near future, which shows in crude oil price spreads that continue to signal tightness in both crude and refined product supply.

In Europe, prompt Brent cargoes trade by \$4.75 over the front-month Brent futures contracts, which in turn trade \$4 over the September contract.

European refiners continue to favor close-to-market cargoes given high market insecurity and can afford high prompt crude prices as refinery margins remain majestic.

US crude, which takes up to three weeks to sail to European refiners, is losing its pricing power versus Brent and has seen its discount widen to \$5.50/bbl. That is in part a reaction to higher freight costs from the US Gulf Coast to Europe, which have moved to just below \$3/bbl on an Aframax tanker and just over \$3/bbl on a Suezmax, a shipping broker argued.

The wider WTI discount is also the result of steepening prompt premiums in Europe. While sailing to Europe, crude loses value, which needs to be reflected in the price.

The US continues its 1 million barrel per day sale of crude oil from its [strategic petroleum reserves](#), alongside similar sales from countries in Europe and Asia.

"You can get as much crude as you like," the broker noted.

John van Schaik, New York

IN BRIEF

Petrobras Board Approves Latest CEO

The board of directors of Petrobras on Monday approved former Ministry of Economy official Caio Paes de Andrade as the organization's new CEO, the culmination of yet another turbulent period for the state oil giant.

Paes de Andrade will replace Fernando Assumpcao Borges, who held the position on [an interim basis](#) for a total of seven days after now former CEO Jose Mauro Coelho resigned under pressure from Brazilian President Jair Bolsonaro. Paes de Andrade becomes the fourth CEO of the company since Bolsonaro took office in 2019 and the third so far this year.

Faced with an election in October and badly trailing in the polls, Bolsonaro has railed against high fuel prices and what he charges is the lack of transparency at Petrobras. He also repeatedly vowed to [privatize the company](#) and make other changes.

Minutes from Paes de Andrade's testimony before the board on Saturday showed that he said he had "no specific or general guidance" from the president or anyone else on fuel pricing policy.

Michael Deibert, Washington

Protests Threaten to Halt Ecuador Output

Ecuador could suspend oil production completely within 48 hours over "acts of vandalism, taking over wells and closing roads," the country's energy ministry warned on Sunday amid antigovernment protests in which at least six people have died.

The former Opec country, which was pumping around 520,000 b/d before the protests began, may halt oil operations altogether as "it has not been possible to transport the supplies and diesel necessary to maintain operations," the ministry said in a statement.

Ecuador has been [embroiled in mass antigovernment protests](#) since Jun. 13, with calls for lower prices for fuel, food and other basics, which have led to its oil production falling by more than half.

President Guillermo Lasso said on Sunday he would cut prices for gasoline and diesel by 10¢/gallon, a day after the government and indigenous leaders held their first formal talks since the protests began. (Reuters)

Exxon's Hibernia Field Gets Reserves Boost

Exxon Mobil's offshore Hibernia field off the coast of eastern Canada got a reserve boost on Monday.

According to the Canada-Newfoundland and Labrador Offshore Petroleum Board, Hibernia's estimated proven and probable reserves (2P) increased by 168 million bbl of oil to just over 1.8 billion bbl.

The reserves increase was based on data acquired from drilling and production activities along with an updated long-term drilling schedule. Hibernia's reserves were previously pegged at 1.64 billion bbl back in 2014.

Hibernia's resource upgrade comes as Exxon has restarted operations off eastern Canada after a lengthy shuttering during the pandemic. The company is carrying out major work at the Hebron field and drilling new wells at Hibernia.

Exxon officials [said last year](#) that the Hibernia drilling could unlock resources that could extend the life of the mature field by a decade or more.

Jeffrey Cavanaugh, New Orleans

Oxy Subsidiary Inks Louisiana CCS Deal

Occidental Petroleum's Low Carbon Ventures unit has signed a deal with Manulife Investment Management to lease 27,000 acres of western Louisiana timberland for carbon sequestration projects.

The agreement gives Oxy Low-Carbon Ventures subsidiary 1PointFive the right to develop and operate a carbon sequestration hub at the site. The plan will also require two Class VI injection permits from the Environmental Protection Agency, which have already been applied for, 1PointFive said.

Exactly how much carbon might be stored at the site was not specified.

The deal announced Monday follows 1PointFive's agreement with Weyerhaeuser in March to develop a similar hub on 30,000 acres managed by the forest and paper-products company in Livingston Parish, Louisiana.

Like the Manulife deal, no figures on how much carbon might be stored at Weyerhaeuser's Louisiana site were provided, nor was any information on whether an EPA permit is being sought.

1PointFive is a specialist in large-scale direct air capture (DAC) and has laid out plans for the deployment of up to 70 DAC facilities by 2035. If mandatory carbon market participation rules are instituted, 1PointFive estimates that could double to around 135 such facilities and 2 million tons/yr of CO2 storage.

That would require a lot of land, which both Manulife and Weyerhaeuser have in abundance, and both firms are exploring further carbon sequestration opportunities with 1PointFive.

Manulife manages 6.4 million acres of Western Hemisphere timber and agricultural land, while Weyerhaeuser has access to over 7 million acres in the US south alone.

Jeffrey Cavanaugh, New Orleans

DATA SNAPSHOT

Oil and Gas Prices, Jun. 27, 2022

All data are produced by Energy Intelligence in cooperation with Refinitiv.

CRUDE OIL FUTURES

(\$/bbl)	Chg.	1st Mth.	2nd Mth.
ICE Brent	+1.97	115.09	110.98
Nymex Light Sweet	+1.95	109.57	106.38
DME Oman	+1.66	110.89	106.96
ICE Murban	+2.13	119.95	110.58

INTERNATIONAL SPOT CRUDES

(\$/bbl)	Chg.	Price	Prior Close
Brent (Dated)	+2.34	119.69	117.35
Dubai	+3.40	110.05	106.65
Forties	+1.42	123.82	122.40
Bonny Light	+1.42	126.57	125.15
Urals	+1.42	90.62	89.20
Opec Basket*			112.35

*Opec price assessed.

NORTH AMERICAN SPOT CRUDES

(\$/bbl)	Chg.	Price	Prior Close
WTI (Cushing)	+2.37	111.44	109.07
WTS (Midland)	+0.15	111.44	111.29
LLS	+2.87	112.74	109.87
Mars	+3.57	106.04	102.47
Bakken	+2.37	115.44	113.07

ICE BRENT CRUDE FUTURES



NYMEX LIGHT CRUDE FUTURES



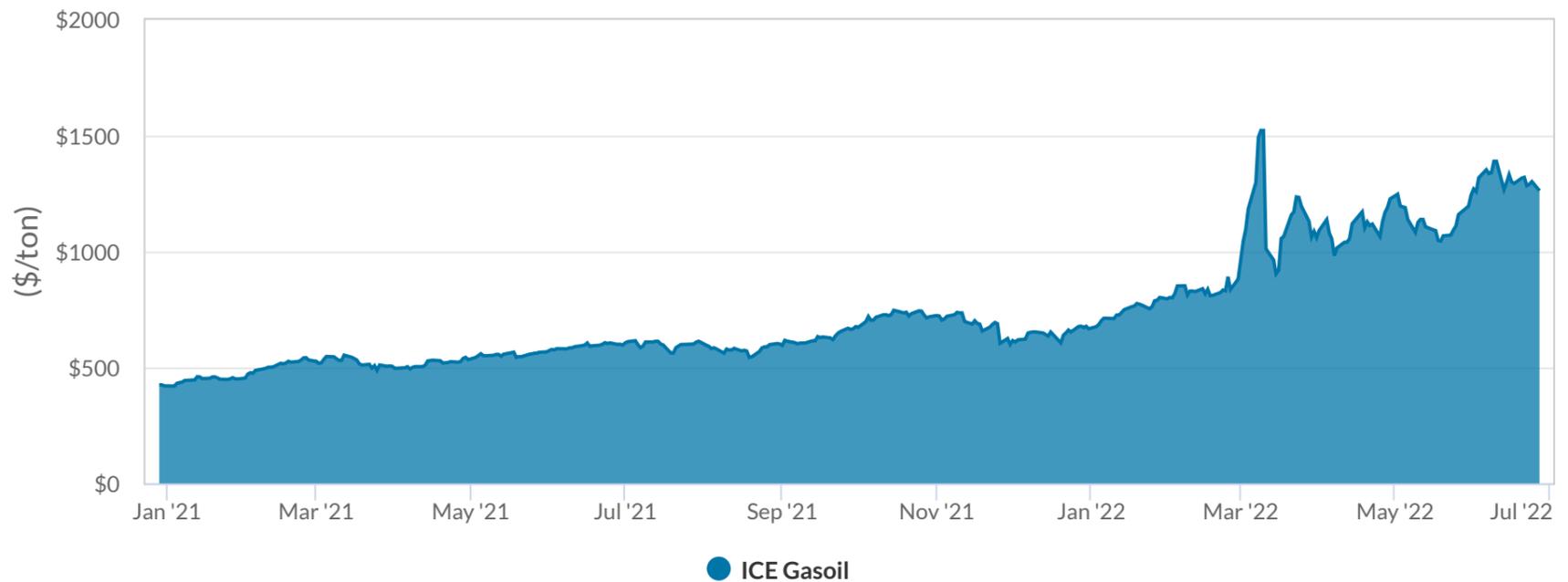
● Nymex Light crude Futures

Energy Intelligence

REFINED PRODUCT FUTURES

Nymex	Chg.	1st Mth.	2nd Mth.
Gasoline (¢/gal)	-4.76	383.72	373.99
ULSD Diesel (¢/gal)	-13.27	423.02	411.92
ICE			
Gasoil (\$/ton)	-39.50	1262.50	1224.50
Gasoil (¢/gal)	-12.61	402.94	390.81

ICE GASOIL FUTURES



NYMEX GASOLINE FUTURES



US SPOT REFINED PRODUCTS

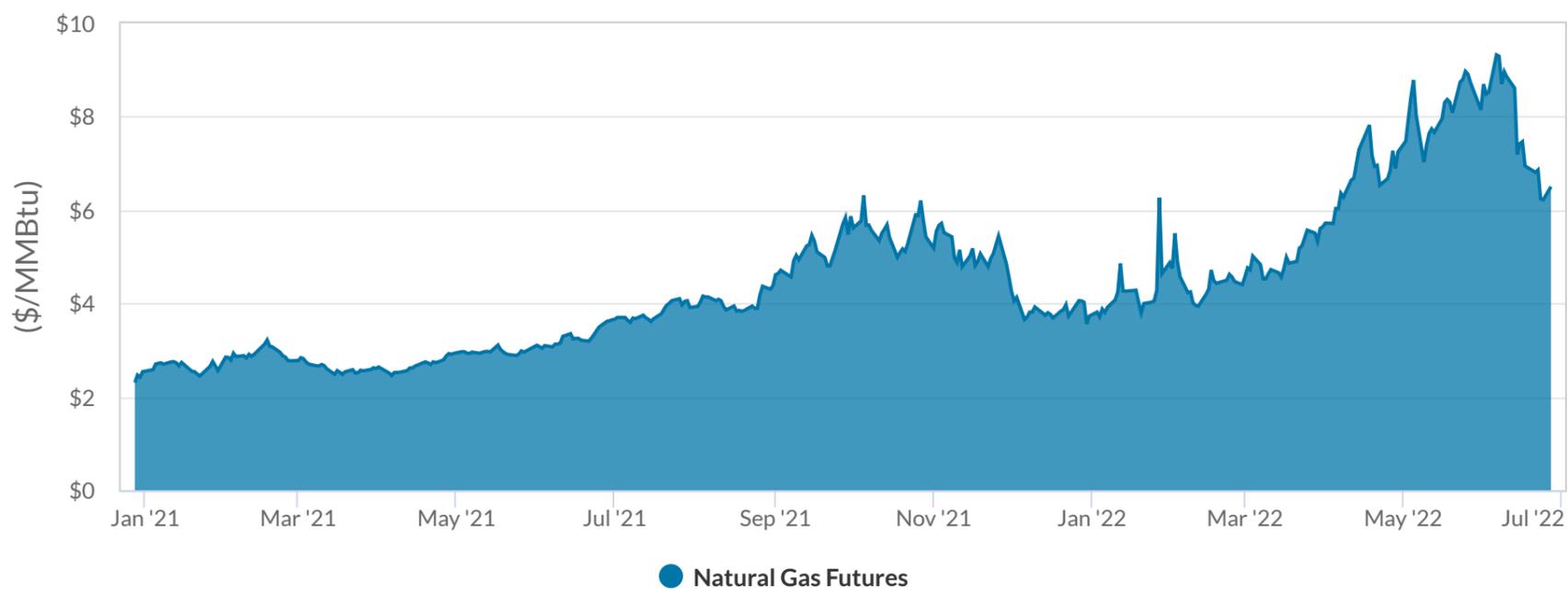
	Chg.	Price	Prior Close
New York (¢/gal)			
Regular Gasoline	-3.90	392.65	396.55
No.2 Heating Oil	-11.75	417.80	429.55
No.2 ULSD Diesel	-10.50	426.05	436.55
No.6 Oil 0.3% *			106.05
No.6 Oil 1% *			104.63
No.6 Oil 3% *			99.54
Gulf Coast (¢/gal)			
Regular Gasoline	-6.65	395.40	402.05
No.2 ULSD Diesel	-11.00	418.80	429.80
No.6 Oil 0.7% *			107.45
No.6 Oil 1% *			107.45
No.6 Oil 3% *			95.02

*Price in \$/bbl. Percentages refer to sulfur content.

INTERNATIONAL SPOT REFINED PRODUCTS

Rotterdam (\$/ton)	Chg.	Price	Prior Close
Regular Gasoline	-1.20	1351.80	1353.00
ULSD Diesel	-31.00	1314.00	1345.00
Singapore (\$/bbl)			
Gasoil	-1.55	169.05	170.60
Jet/Kerosene	-3.93	163.41	167.34
VLSFO Fuel Oil (\$/ton)	+10.40	977.24	966.84
HSFO Fuel Oil 180 (\$/ton)	+9.57	612.04	602.47

NYMEX NATURAL GAS FUTURES



Refinitiv

NATURAL GAS PRICES

(\$/MMBtu)	Chg.	Price
Henry Hub, Nymex	+0.28	6.50
Henry Hub, Spot	+0.27	6.09
Transco Zone 6 - NY	N/A	5.66
Chicago Citygate	+0.14	6.04
Rockies (Opal)	+0.16	5.95
Southern Calif. Citygate	+1.37	7.93
AECO Hub (Canada)	-0.13	4.28
Dutch TTF (euro/MWh)	+1.50	129.50
UK NBP Spot (p/th)	-9.00	138.00

US/Canada spot prices from Natural Gas Week

Equity Markets, Jun. 27, 2022

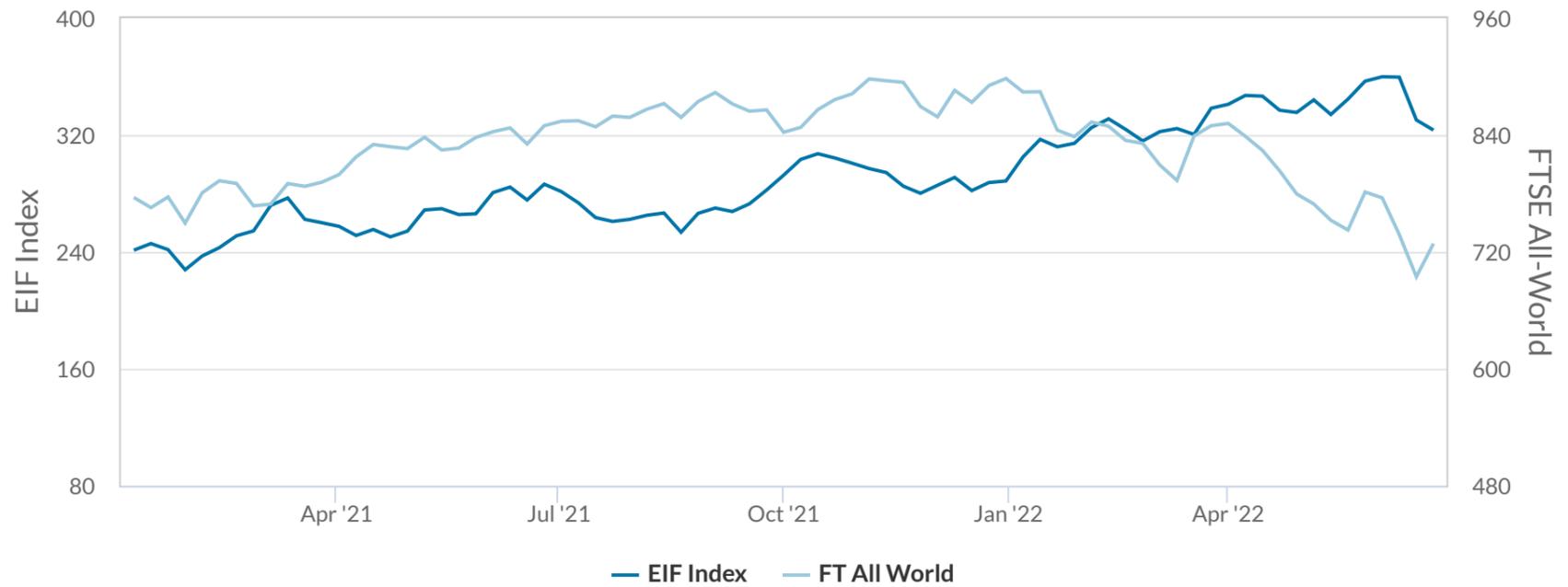
All data are produced by Energy Intelligence in cooperation with Refinitiv.

EQUITY MARKET INDEXES

	Chg.	Index	YTD %Chg.
EIF Global*	+3.69	323.35	+12.07
S&P 500	-11.63	3,900.11	-18.63
FTSE All-World*	+18.76	728.55	-19.16

*Index for previous day

EIF INDEX



EIF Global Oil and Gas Index of 21 traded equities

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