NEWS

Suncor Invests in Svante to Quash CO2, Build Out Blue Hydrogen

Suncor Energy Inc., one of Canada’s largest oilsands independents, has agreed to join a group of oil and gas heavyweights to back Svante Inc. as it works to accelerate commercializing more carbon capture technologies.

The latest $25 million infusion is designed to fund technology to reduce greenhouse gas (GHG) emissions in industrial applications and to advance hydrogen manufacturing.

Calgary-based Suncor, Carbon Direct SPV I LLC and a group of family office investors were involved in the latest investment. Family office investors are private wealth management advisory firms.
OUTLOOK

Global CEOs See ‘Normal’ Returning in 2022, with ESG, Climate Gains ‘Locked in’

Executives across the world point to next year for a return to a level of normality in their businesses, according to KPMG’s 2021 CEO Outlook Pulse Survey.

Overall, business leaders across industries including energy “anticipate a speedy return to normal,” but their workforces’ lack of access to a coronavirus vaccine is forcing them to “rethink their strategies,” according to the survey. Nearly half of those surveyed expect normality to resume in 2022, and 24% of CEOs said their business has changed forever.

“Before any major decisions are made, CEOs want to be confident that their workforce is protected against this virus,” said KPMG CEO Bill Thomas. “The Covid-19 vaccine rollout is providing leaders with a dose of optimism as they prepare for a new reality. CEOs are scenario planning for certain key markets that may experience vaccine shortages that could impact their operations, supply chains and people, leading to uneven economic recovery.”

Five hundred CEOs from 11 markets, including energy, from Australia, Canada, China, France, Germany, India, Italy, Japan, Spain, the United Kingdom and the United States were surveyed by KPMG from Jan. 29 to March 4, 2021.

Of all the CEOs surveyed across industries, 49% plan to put in place more stringent environmental, social and governance, or ESG, practices.

Almost 90% of those surveyed are focused on locking in the sustainability and climate change gains their companies have made as a result of the pandemic, and 96% are looking to “upweight their focus towards the social component of their ESG programs.”

While CEOs are slightly more confident about their company, sector and country over the upcoming three-year horizon than they were last year, KPMG said that the survey showed overall CEO confidence in the global economy is at its lowest since 2017.

Thirty of the CEOs surveyed were in the energy sector, with a vast majority from major organizations with revenue of $1 billion or more, a KPMG spokesperson told NGI.

Some 90% of energy CEOs said they want to lock in the sustainability and climate change gains that they have made as a result of the pandemic. Additionally, environmental and climate risk was identified as the top risk to their organization’s growth over the next three years.

All of the energy CEOs were confident or very confident in the sector’s growth prospects in the next three years, and 80% said that in a matter of months the pandemic accelerated the creation of new digital business models and revenue streams. Another 10%...
said progress accelerated sharply, putting them years in advance of where they expected to be.

In a similar KPMG survey at the end of 2021 that focused entirely on the energy sector, CEOs from across the world said recruiting and retaining talent was the greatest threat to their growth.

Prior to the coronavirus pandemic, this risk “was barely on the risk radar,” according to KPMG.

Energy CEOs said the workplace “could become a perk rather than a required daily destination,” with nearly 70% of energy CEOs surveyed saying they expect to downsize their office space. ■

Industry Urges DOI to Preserve Federal Oil, Natural Gas Leasing as Haaland Calls for Overhaul

Continued from Page 1

decarbonize the economy.

However, a ban of this type could have the opposite effect, API’s Frank Macchiarola said Thursday during a DOI public forum on the program.

Citing analysis by energy consulting firm OnLocation Inc., Macchiarola said a long-term ban or ...

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substantial curtailment of federal leasing and development could cause coal use to increase 15% and carbon dioxide (CO2) emissions from the power sector to rise 5.5% by 2030.

A separate Obama-era study by the Bureau of Ocean Energy and Management found that U.S. greenhouse gas (GHG) emissions “would be little affected and could actually increase slightly in the absence of new offshore leasing due to increased foreign imports transported from overseas,” Macchiarella said, according to a transcript of his prepared remarks. “Such a result would directly conflict with our shared goal of reducing GHG emissions.”

He said the United States “is now the global leader in both energy production and emissions reductions, due in large measure to the innovation and vitality of the U.S. oil and natural gas industry.”

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**Total Oil and Gas Production from Federal Leases, Barrels of Oil Equivalent (Millions)**

![Graph showing total oil and gas production from federal leases.]

*Sources: Moody’s Investors Service, U.S. Department of Interior, U.S. Energy Information Administration*

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**Breakout of REX Zn 3 Receipt Operating Capacity**

<table>
<thead>
<tr>
<th>Receipt Point</th>
<th>Upper Capacity</th>
<th>Lower Capacity</th>
<th>% Cap Util</th>
<th>% Total Receipts</th>
</tr>
</thead>
<tbody>
<tr>
<td>EOH GAS/REX CLAR MONROE</td>
<td>348,000</td>
<td>236,200</td>
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<tr>
<td>MARKETREX SENE CANOBLE</td>
<td>725,000</td>
<td>145,310</td>
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<tr>
<td>EUREKASHIFT/REX CAMERON MONROE</td>
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<tr>
<td>REX CLAR/CLAR BOSS MONROE</td>
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<tr>
<td>OHIO RIVER SYSTEM/REX BEARY/ALLOW MON</td>
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<tr>
<td>EOT OVHE/REX KISALY MONROE</td>
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<tr>
<td>DOMINION/REX CLAR MONROE</td>
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<td>Total Zone 3 Receipt Operating Cap Util</td>
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<td>2,968,694</td>
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<td>100.0%</td>
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</tbody>
</table>

*Source: Tallgrass Energy LP, NGI calculations. For more info and daily 10am ET updates of this chart, go to natgasintel.com/rextracker.*
Macchiarola noted that API supports the ambitions of the United Nations (UN) Global Climate Agreement of 2015, aka the Paris Agreement, and that the United States can help other countries achieve those ambitions with policies that support liquefied natural gas exports.

Citing figures from the U.S. Energy Information Administration, he said energy-related CO2 emissions fell by 14.2% from 2005 to 2019, largely because of the displacement of coal-fired power generation with natural gas.

The hearing coincided with the publication of a climate action plan by API in which the group endorsed an economy-wide carbon price, direct regulation of methane emissions and other policies to promote industry-led solutions to climate change.

Macchiarola also rejected the common criticism that exploration and production (E&P) companies have been “stockpiling” federal leases and permits, saying this interpretation “is inaccurate and reflects a misunderstanding of the nature of oil and natural gas leasing.”

He explained that nonproducing leases are not inactive, and that companies acquire leases understanding that they won’t all be productive immediately, if ever. In the meantime, the government “receives large amounts from lease sale bonuses and annual rentals in return for providing the opportunity to explore for oil and natural gas.”

Federal lands and waters, he noted, accounted for 22% of U.S. oil production and 12.1% of natural gas output in 2019. “Continued access to these critical resources and the billions of dollars in revenues derived from them are essential to maintaining America’s energy security.”

Macchiarola said in 2019 alone, DOI disbursed nearly $12 billion from energy production on federal lands and waters to U.S. and state governments.

Citing the OnLocation study, he said that a long-term leasing and development ban would result in an increase of about 2 million b/d of oil imports and the elimination of nearly 1 million American jobs.

In related news, Alaska joined a multistate lawsuit challenging the EO on federal lease sales.

“This overreaching executive order has delayed a long-planned federal oil and gas lease sale in Alaska’s Cook Inlet,” said Alaska Attorney General Treg Taylor on Wednesday. “This case allows us to stand opposed to the wholesale prohibition on new federal leasing sought by the president, and serves as a statement to the new... cont’ pg. 6
administration about the importance of the oil and gas industry to the state of Alaska.”

‘A Frank Conversation’

The hearing kicked off with remarks from Interior Secretary Deb Haaland. She is the first Native American Cabinet secretary in U.S. history and a former congresswoman from New Mexico, among the states most vulnerable to curbs on federal leasing and drilling.

About half of oil production from the New Mexico portion of the Permian Basin occurs on federal acreage, according to recent analysis by the Federal Reserve Bank of Dallas.

“We recognize oil, gas and coal energy from our public lands and ocean has helped to build our economy and power our nation,” Haaland said, according to a transcript. “Likewise, we, as a nation recognize the workers who have made sacrifices to ensure our country is powered.”

She added, “Fossil fuels will continue to play a major role in America for years to come, but too often, the extraction of resources has been rushed to meet the false urgency of political timetables, rather than with careful consideration of the impacts to the environment and future generations of Americans.

“During the past four years, the Trump administration offered vast swaths of our public lands and waters for drilling, prioritizing fossil fuel development above all other uses on public lands and waters.”

Haaland highlighted that the pause on federal lease sales does not impact permitting and development on valid existing leases. “Further, oil and gas companies have amassed thousands of permits to drill on 38 million acres of public lands and oceans – an area larger than the state of Iowa.”

The time has come, she said, for “a frank conversation” about how to overhaul management of public lands and waters in a sustainable way, and taking into account the interests of stakeholders such as indigenous tribes, and “coal and oil workers whose jobs and benefits are being cut…”

Over the coming days, she said, “We will explore ideas from leaders of both parties to rethink how we manage energy and minerals on our public lands.”

Following the hearing, analysts at ClearView Energy Partners LLC said they continued “to anticipate significant future constraints on federal oil and gas production.”

Haaland and her agency heads “appeared skeptical — and in some cases critical — of current leasing, permitting and production activities.

“Other than Tribal stakeholders, who presented broadly mixed perspectives, most of the panelists who spoke… seemed to be either decisively for, or decisively against, the status quo.”

The ClearView team distinguished Thursday’s “mostly…political event” from likely upcoming formal proceedings, namely the revisions of resource management plans that govern onshore federal leasing and five-year plans that govern offshore leasing on the Outer Continental Shelf.

Devon’s 1Q Oil, Gas Production Down 8% on February’s Winter Blast

Continued from Page 1

The severe winter weather sent production down, but per-unit expenses up by around 5%.

Total production in 1Q2021 now is forecast at 485,000-499,000 boe/d, with oil output averaging 261,000-265,000 b/d. Full-year volumes in 2021 were reduced by 16,000 boe/d to 529,000-559,000 boe/d.

Oil output for 2021 is expected to average 280,000-290,000 b/d. Devon in February had boosted its full-year 2021 oil production forecast to 280,000-300,000 b/d. During 4Q2020, total output averaged 333,000 boe/d.

The updated guidance excludes the acquisition of WPX Energy Inc. prior to completing the takeover in early January, which limited production by an incremental 3%. Devon also sold its Wind River assets in Wyoming as of early March, which has trimmed another 2,000 b/d from 2021 production.

About 80% of this year’s capital budget of $1.6-1.8 billion is being directed to the Permian.
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Continued from Page 1

“Carbon capture is a strategic technology area for Suncor to reduce GHG emissions in our base business and produce blue hydrogen as an energy product,” CEO Mark Little said. “An investment in Svante is expected to support the acceleration of commercial scale deployment of a technology that has the potential to dramatically reduce the cost associated with carbon capture.”

Combined, the total proceeds raised under Svante’s Series D financing recently was at $100 million, “the largest single private investment into point source carbon capture technology globally to date,” Svante and Suncor said.

Since it was founded in 2007, Svante has attracted more than $175 million to develop and commercialize solid sorbent technology to capture carbon dioxide (CO2) emissions at what could be about half of the capital cost for traditional engineered solutions.

“Svante has generated a pipeline of potential new project opportunities,” said Svante CEO Claude Letourneau. The projects could capture more than 40 million metric tons/year of CO2 “before 2030.” Svante is looking at projects for natural gas industrial boilers, cement and lime, and blue hydrogen industrial facilities. Blue hydrogen is manufactured using natural gas, with the emissions captured and sequestered.

Svante’s investments mainly target North American facilities, “spurred by both U.S. and Canada federal CO2 tax credits and prices on CO2 emissions,” management said.

“The net-zero pledges of major countries and large corporations is also a key driver for the interest and rapid growth of the carbon capture and storage new industry,” Letourneau said. “We strive to create world-changing solutions that address climate change and accelerate the global transition to carbon neutrality, reversing human impact on the climate and building a commercially viable CO2 marketplace.”

Chart Industries Inc. in February invested $15 million in Svante’s Series D offering. It also secured a binding commercial memorandum of understanding (MOU). The MOU defines how the partners may collaborate to develop an integrated carbon capture solution using Svante’s rapid adsorption technology and Chart’s cryogenic carbon capture technology.

The partners are looking to manufacture high-purity CO2 products from industrial flue gas streams. ...cont’pg. 8
Investors in Vancouver, British Columbia-based Svante also include Chevron Corp.’s Chevron Technology Ventures, Oil and Gas Climate Initiative and Temasek Holdings Ltd. Last year Svante also was working with Occidental Petroleum Corp., Total SE and LafargeHolcim regarding the viability of capturing and storing carbon emissions at a cement plant in Colorado.