Oil and Gas News Briefs
Compiled by Larry Persily
April 7, 2022

White House wants more oil from Canada, but not Keystone pipeline

(The Wall Street Journal; April 5) - Biden administration officials are seeking ways to boost oil imports from Canada, people familiar with the situation say, but with one big caveat — they don't want to resurrect the Keystone XL pipeline that President Joe Biden effectively killed on his first day in office. The people said deliberations are in early stages and that no clear-cut solutions have emerged. Canada could export some more oil via rail, according to analysts, and it could also pump more oil by increasing pressure in existing pipelines or by installing larger pipelines along permitted routes.

Those options, however, offer limited potential because rail transport is expensive and existing pipelines are at or near capacity. Longer term, Canadian officials and oil industry analysts say expanding the existing Keystone pipeline network would offer a bigger, more efficient solution. The XL expansion was to carry 830,000 barrels a day of Canadian crude from Alberta to Nebraska, where the pipeline would meet up with the existing Keystone pipeline, and then on to refineries on the U.S. Gulf Coast.

Canada has ample reserves under its soil to meet U.S. demand, said Kevin Birn, an analyst with S&P Global Commodity Insights. It just doesn't have enough pipeline capacity to pump it here, he said. "There's not a limitation in terms of resource potential," Birn said. "There's a limitation of capacity." White House officials say Biden has no interest in reviving the Keystone XL pipeline project. They say that it couldn't be completed in time to address today's shortfall and that the president is still committed to reducing greenhouse gas emissions from fossil fuels over the long term.

Canada approves $12 billion offshore oil project

(CBC News; Canada; April 6) – Canada's Federal Environment Minister Steven Guilbeault approved the Bay du Nord offshore oil megaproject on April 6, making a decision that will infuriate environmentalists but boost the Newfoundland and Labrador economy. Guilbeault said he determined that the project would not cause "significant adverse environmental effects" with the implementation of mitigation measures. He said the decision was difficult to make, but pointed out that the C$12 billion project is subject to 137 conditions, including one that it would have to meet net-zero emissions by 2050.

Environmental activists and climate scientists have long panned the proposed Bay du Nord development, saying it flies in the face of the federal government's climate goals. The decision comes despite disagreement within Prime Minister Justin Trudeau's

Liberal party cabinet. In February, Radio-Canada reported that cabinet members from Quebec, Ontario and British Columbia were opposed to its approval.

The Newfoundland and Labrador government has fiercely championed the project, with Premier Andrew Furey lobbying for months. Norway’s Equinor and its partners plan to develop the oil field at Flemish Pass, more than 300 miles east of St. John's. Bay du Nord will be the first project to move the offshore oil industry into such deep waters, with drilling to go more than 3,000 feet underwater. The Equinor plan is to use a massive floating production, storage and offloading vessel, capable of producing up to 200,000 barrels a day. Bay du Nord could begin pumping oil as early as 2028.

China’s state refiners reluctant to sign new contracts for Russian oil

(Reuters; April 6) - China's state refiners are honoring existing Russian oil contracts but avoiding new ones despite steep discounts, heeding Beijing's call for caution as Western sanctions mount against Russia over its invasion of Ukraine, six people told Reuters. State-run Sinopec, Asia's largest refiner, CNOOC, PetroChina and Sinochem have stayed on the sidelines in trading fresh Russian cargoes for May loadings, said the people, who spoke on condition of anonymity given the sensitivity of the subject.

Chinese state-owned firms do not want to be seen as openly supporting Moscow by buying extra volumes of oil, said two of the people, after Washington banned Russian oil last month and the European Union slapped sanctions on top Russian exporter Rosneft and Gazprom Neft. State-owned companies “are cautious as their actions could be seen as representing the Chinese government and none of them wants to be singled out as a buyer of Russian oil,” said one of the people.

China and Russia have developed increasingly close ties, and as recently as February announced a "no-limits" partnership. China has refused to condemn Russia's action in Ukraine or call it an invasion. China, the world's largest oil importer, is the top buyer of Russian crude at 1.6 million barrels per day, half of which is supplied via pipelines under government-to-government contracts. Sources expect China's state firms to honor long-term and existing contracts for Russian oil but steer clear of new spot deals.

Venezuela looking for tankers in hopes of expanding oil exports

(Reuters; April 4) - Venezuela’s state-run energy firm PDVSA is in talks to buy and lease several oil tankers amid a possible expansion in exports, according to three sources and a document seen by Reuters, a sign that the country expects U.S. sanctions on its petroleum sector to be eased. Russia’s invasion of Ukraine has set off a global hunt for new oil supplies, especially the heavy oil produced by Venezuela.

A high-level meeting between U.S. and Venezuelan officials in Caracas last month opened the door for talks over sanctions imposed on PDVSA in 2019, which were later reinforced by former President Donald Trump as part of his “maximum pressure” campaign to oust Venezuelan President Nicolas Maduro. In possible preparation for expanding exports, executives from PDVSA’s maritime arm, PDV Marina, and the company’s trade and division recently met with several firms offering tankers.

All were willing to take crude or refined products as payment for the vessels, according to the document and sources who spoke on condition of anonymity. PDVSA’s aging fleet of about 30 tankers has been forced to mostly remain in Venezuelan waters after underinvestment and lack of repairs for more than a decade, according to sources and Refinitiv Eikon data. The country’s crude and petroleum exports have fallen under U.S. sanctions, to about 650,000 barrels per day last year from more than 1.5 million in 2018.

China’s big producers raise capital spending to boost oil production

(Nikkei Asia; April 6) - China's big three state-owned oil and gas companies are raising their capital budgets this year to the highest level since 2014 amid an energy security push from Beijing to boost domestic production. PetroChina, Sinopec and CNOOC — the core units of conglomerates China National Petroleum Corp., China Petroleum and Chemical and China National Offshore Oil Corp. — are set to spend 530 billion to 540 billion yuan ($83 billion to $85 billion) on capital, an increase of up to 6.3% from 2021.

In his annual address to the National People's Congress last month, Premier Li Keqiang put "enhancing domestic resource production capabilities and expediting exploration and production of oil, gas, and minerals" as a key element of the government's "stability" agenda for the year. He barely mentioned the sector in his 2021 speech. "Sinopec will strictly execute in accordance with the Chinese government's demand," the company chairman said at the annual results briefing last week.

The National Energy Agency followed up last week by releasing guidance it had sent earlier to local governments and state companies, directing them to set "safeguarding secure and stable energy supply as the top mission by strengthening domestic energy production capabilities and conscientiously holding the rice bowl of energy firmly in our own hands." The agency set a domestic target for the year of at least 200 million tons of crude oil (almost 1.5 billion barrels). This would be the highest output since 2015.

Chinese buyer signs 20-year deal for more U.S. LNG

(S&P Global Platts; April 6) - China's ENN has agreed to buy 1.5 million tonnes of LNG per year from NextDecade's proposed Rio Grande export terminal in Texas, the companies said April 6. The 20-year agreement is indexed to the U.S. Henry Hub natural gas benchmark price. It follows a similar long-term deal ENN and affiliates signed in late March to buy 2.7 million tonnes per year of supply from Energy Transfer's proposed Lake Charles LNG facility in Louisiana.

NextDecade is building momentum for its project after a recent preliminary agreement with a Chinese utility, Guangdong Energy, and a 2019 firm off-take agreement with Shell. The three transactions combine for 5 million tonnes per year, out of the project's first phase that is expected to provide 11 million tonnes per year of output capacity. NextDecade expects the first liquefaction train to start commercial operations as early as 2026, pending a final investment decision targeted for the second half of this year.

In 2021 and during the first months of 2022, there has been a flurry of commercial activity tied to current and proposed U.S. export terminals. Other beneficiaries have been Cheniere Energy and Venture Global LNG. Chinese buyers have been especially active, as high spot prices have spurred new term deals that carry a lower fixed price.

Shell looking at feasibility of expanding LNG Canada project

(The Globe and Mail; Toronto; April 5) – Shell is studying the feasibility of a major expansion for the LNG Canada joint venture in British Columbia, citing a surge in global demand for liquefied natural gas and the need for reliable new supplies. Europe has been scrambling to reduce its dependence on gas from Russia since the invasion of Ukraine nearly six weeks ago, and countries in Asia want cleaner alternatives to coal.

“It raises the urgency for more LNG supply because Europe and the world desperately needs it,” Wael Sawan, the head of Shell’s integrated gas and renewables division, said in an interview. “There is a lot of capacity that has to be built up to be able to meet the growing LNG demand.” LNG Canada is conducting a cost-benefit analysis for Phase 2, including using hydroelectricity from BC Hydro to power the plant’s liquefaction units.

Shell is the lead partner in the LNG Canada project under construction in Kitimat, British Columbia. It’s the only LNG export terminal in the country under construction. The first phase of the terminal is expected to start shipping LNG to Asia in 2025. The terminal will be equipped with turbines powered by natural gas in the liquefaction process, and the initial goal is to export 14 million tonnes a year of LNG. If the second phase is built, the export capacity would double to 28 million tonnes a year.

“We always wanted to be able to have that option to go into Phase 2,” said Sawan. “Now we need to be able to make sure that it makes sense on paper before we make that investment commitment.” Canadian exports to Asia would indirectly help Europe by freeing supplies of the fuel in Qatar and elsewhere in the world for delivery to Europe.

Sempra moves closer to expansion at Louisiana LNG terminal

(Reuters; April 4) - Sempra Energy said on April 4 that its liquefied natural gas unit has entered into an agreement with affiliates of TotalEnergies, Mitsui and Japan LNG Investment to increase the capacity of its Cameron LNG Phase 2 export project in Hackberry, Louisiana. U.S. LNG exporters are boosting their production capacities as Europe looks for alternative energy sources following sanctions on Moscow after Russia invaded Ukraine. Sempra said the agreement, a preliminary non-binding arrangement, provides a commercial framework to expand the facility by adding a fourth LNG train.

The proposed Phase 2 project would include a single LNG train with a maximum production capacity of 6.75 million tonnes per year and removal of bottlenecks for the existing three LNG trains, which have a combined output capacity of 12 million tonnes a year. The terminal's first liquefaction train started commercial operations in 2019. Japan LNG Investment is jointly owned by Mitsubishi and Nippon Yusen Kabushiki Kaisha.

Growth in Asia's LNG import capacity could slow down renewables

(Bloomberg; April 5) - Asia is pumping billions of dollars into new gas infrastructure, making the region pivotal in a debate over the role of the fossil fuel as the world aims to curb emissions. The region has more than $350 billion of projects under way to expand liquefied natural gas terminals, gas-burning power plants and pipelines — triple the estimated investment for Europe — according to data from Global Energy Monitor.

That boom is aimed at allowing economies including China, the Philippines and Vietnam to avoid burning more coal, although it still risks locking in fossil fuels for decades and could slow some deployments of renewable energy. Asian governments are seeking the same benefits the U.S. and Europe have enjoyed from gas for decades. The fuel can heat homes, cook food and power factories at all hours of the day, while also cleaning up urban smog — and while it produces half the carbon emissions of coal.

But the potential for massive growth of gas infrastructure in Asia is concerning, said Robert Rozansky, a research analyst at Global Energy Monitor. If all the projects identified by the nonprofit's research are built, global LNG importing capacity would jump by 50%. China is slated to invest more than any nation in gas infrastructure as Beijing seeks to reduce its dependence on coal and peak emissions this decade. The world's top LNG buyer has 30 import projects currently under construction, with tentative plans for another three dozen, according to data compiled by BloombergNEF.

Europe’s move away from Russian energy will be expensive

(Bloomberg; April 3) - Europe’s ambitious timetable for building its way out of depending on Russian energy faces potential delays and billions of dollars in extra costs as the war in Ukraine makes steel, copper and aluminum expensive. A rush to replace Russian fuels is prompting the continent to focus on shoring up imports of liquefied natural gas in the near term and increasing generation from renewables by 2030. Germany pledges to build two LNG terminals, France wants to resume talks with Spain about a connecting pipeline, and the U.K. seeks more homegrown wind, solar and nuclear power.

Yet prices for the necessary materials keep heading in one direction. Steel, copper and aluminum each touched records in the past 12 months, and the Bloomberg Commodity Spot Index jumped 46% during the same period. The spikes threaten to slow such undertakings as the European Union’s blueprint to almost triple wind and solar capacity this decade — a colossal investment that could require about 52 million tons of steel.

For the EU, the sticker price for the infrastructure may be as much as 20% higher than before the war started. “The build-out is going to be more expensive than governments intended,” said Grant Sporre, an analyst at Bloomberg Intelligence. “We may see some projects being delayed as prices stay elevated.” The European Commission’s transition plan involves installing 290 gigawatts of wind and 250 gigawatts of solar. The bill just for the steel amounts to 65 billion euros ($72 billion) at current market prices.

U.K. to focus on wind and nuclear power to help replace Russian gas

(Bloomberg; April 3) - The U.K. will detail plans to broaden its energy sources this week as the war in Ukraine, sanctions on Russia and a cost-of-living crisis forces countries across Europe to urgently revamp how they generate electricity and heat homes. The main focus will be on nuclear and wind power, two industries that haven’t been short of controversy. Government minister Grant Shapps said April 3 that he expects to see proposals for more nuclear reactors, including smaller-capacity ones, and for scaling up offshore wind farms. He doesn’t advocate putting up more turbines onshore, though.

“I don’t favor a vast increase in onshore wind farms — they can create something of an eyesore for communities as well as noise problems,” Shapps, the U.K.’s transport secretary, said. “For reasons of environmental protections, the way to go with this is largely on-sea.” The war in Ukraine has put the spotlight on energy needs, and the European Union is redoubling efforts to reduce dependency on Russian gas.

The immediate challenge is to spread the mix of production. U.K. Business Secretary Kwasi Kwarteng is due to announce details of the new energy security plan within days. As well as wind and nuclear, there will also be an effort to increase solar electricity generation. Britain could construct as many as seven new nuclear power stations by

2050 as part of the expansion, Kwarteng said. Ministers have agreed to set up a development program to identify sites and speed up the planning process.

Lithuania first EU nation to halt all Russian gas imports

(Bloomberg; April 4) - Lithuania has become the first member of the European Union to end its dependence on natural gas from Russia, the bloc's biggest supplier of the fuel, according to the Baltic country's energy minister. Lithuanian companies cut their gas flows via Russian pipelines to zero over the weekend, turning to liquefied natural gas imports, Energy Minister Dainius Kreivys said.

Last year, Russia directly supplied about 26% of Lithuania's gas needs and 12% came from storage in Latvia, according to Lithuania's pipeline operator. The country, which is studying options to expand its LNG receiving terminal on the Baltic sea, will now rely on LNG imports from the U.S. and Norway, according to Kreivys. Just eight years ago, Lithuania fully relied on Russia's Gazprom for its gas supplies.

"From this month on, no more Russian gas," Lithuanian President Gitanas Nauseda tweeted on April 2, saying the country is breaking "energy ties with the aggressor," adding, "if we can do it, the rest of Europe can do it too." The floating LNG terminal, called Independence, was inaugurated in 2014 to end a Russian gas supply monopoly which then-president Dalia Grybauskaite called an "existential threat" to the country.

Poland will take longer to cut down on coal consumption

(Bloomberg; April 5) - Poland's plan to quickly cut down on coal as its main electricity fuel may take longer than expected as the country seeks to limit its investments in gas-fired power units. The European Union's most coal-reliant nation intends to increase the use of power plants fired by the dirty fuel "in short- and mid-term," the State Assets Ministry said in an emailed response to questions from Bloomberg News on April 5. The government has reiterated it will not be using coal beyond 2049.

Gas, which was supposed to be the transition fuel on the country's path to nuclear and renewable energy, will make way for more goal. Natural gas prices in Europe jumped and fluctuated wildly in the past few months as the EU seeks to reduce its dependence on supplies from Russia after it attacked Ukraine. "It's unjustified to build that many gas-fired units at a time when high and unstable gas price affect the Polish economy," the ministry said. "It doesn't mean there won't be any new gas units — there will just be fewer of them than planned before the Russian invasion of Ukraine."

The EU's biggest economy outside the euro area, which uses coal for about 70% of its electricity generation, had earlier sought to cut the share of coal to as little as 37% in

2030 and 11% in 2040. Gas was to fill the void. Poland's government, which views the EU's climate strategy as too ambitious and too costly, has retained its plan to switch to cleaner energy as it aims to build offshore wind farms and construct its first nuclear plant in the next decade. It's just that scaling back coal will take longer.

Newcomer wants to become a U.S. LNG exporter

(Bloomberg; April 6) - New Fortress Energy is new to the LNG-export game, but its billionaire chief has big plans. Within a couple of years, he aims to supply as much as 11 million tonnes of the fuel annually — the equivalent of almost 16% of current U.S. exports. For a company that's mostly a buyer of the fuel, the plan sounds like a pipe dream. Wes Edens, the private-equity investor who founded the company, says he will use fast-track permits, recycled jack-up rigs and deep-water drill ships to get there.

His big ambitions speak to how much the market for the power plant and heating fuel has exploded on the back of an energy crisis in Europe and the war in Ukraine. "If you want to make a great fortune, solve a great problem," Edens, a billionaire, said. The threat of supply disruptions has driven prices for the fuel to record highs, improving the prospects for new export projects that didn't have the financing to get off the ground. New Fortress owns gas-to-power projects, for which it relies on LNG supplied by others.

Last week, the company announced plans to build its first LNG production facility off the coast of Louisiana with capacity to produce 2.8 million tonnes of LNG per year. Edens said the $1.4 billion project could be completed in less than a year by avoiding much of the permitting required of onshore terminals. The company has adequate capital to fund it, he said. Since making the decision to move into LNG production, New Fortress has acquired three jack-up rigs and two deep-water drill ships that will be recycled into LNG facilities with the installation of liquefaction equipment manufactured in Texas.

LNG project draft EIS declines to take position on greenhouse gases

(The Advocate; Louisiana; April 4) - The Federal Energy Regulatory Commission says a planned liquefied natural gas export terminal in Cameron Parish, Louisiana, would result in "some adverse environmental impacts," though the agency's initial assessment of the project says the effects could be mitigated if certain measures are put in place. "Most of these impacts on the environment would be reduced to less than significant levels," says FERC's draft environmental impact statement for Commonwealth LNG.

The 518-page report outlines initial research done by FERC, along with several other federal agencies, into the expected impacts of Commonwealth LNG, a $4 billion facility proposed for the west side of the Calcasieu Ship Channel near the Gulf of Mexico. The terminal would have the capacity to ship 8.4 million tonnes of LNG a year. Construction could begin in 2023, with commercial operations starting in 2026.

Some residents and environmentalists have pushed back, saying the facility will harm the area's ecosystem and emit far too many pollutants, particularly greenhouse gases. The report declined to take a position on projected greenhouse gas emissions, saying FERC is still studying the effect of those estimates. The report's primary criticism is the potential effect on the scenery of Cameron Parish. "The addition of the terminal … would represent a significant impact on the viewshed of boaters, beachgoers and local residents, including the RV residence adjacent to the site," the report says.

Canada's new emissions-reduction plan focuses on gas producers

(Bloomberg; April 1) - Canada's natural gas producers will face the greatest burden among energy companies under Prime Minister Justin Trudeau's new emissions-reduction plan, just as the industry faces renewed pressure to increase output. Gas drillers and processors are expected under the plan to cut emissions by 45% by 2030 from 2019 levels. That compares with a 35% reduction that's expected from larger-emitting oil sands producers, according to government documents.

Dozens of companies operate gas wells, pipelines and processing plants scattered across the country, often in remote regions, making it challenging to deploy technologies that control carbon emissions. Trudeau's climate plan comes as Canada faces demands to increase its gas output. Russia's invasion of Ukraine has focused attention on finding alternative supplies for Europe, giving impetus to long-delayed projects to ship Canadian liquefied natural gas abroad.

"I think we are kind of on a tightrope," said Mark Oberstoetter, lead analyst for upstream research at Wood Mackenzie in Calgary. "Those are ambitious numbers, there is no question," said Tristan Goodman, chief executive officer of the Explorers and Producers Association of Canada, a trade group representing gas explorers. Much of the target will have to be met through methane reduction and by switching to low- or zero-emitting electricity for running wells and other machinery, such as hydroelectricity, he said.

Developer pulls back from proposed LNG plant in Philadelphia

(Philadelphia Inquirer; April 5) - The developer of a controversial $60 million liquefied natural gas plant on a city-owned industrial site in South Philadelphia has pulled back from the project, saying the "opportunity has passed." Liberty Energy Trust, whose Passyunk Energy Center was approved by a divided city council in 2019 over community opposition, said the firm has moved on from its plan to build on land owned by Philadelphia Gas Works, the city's gas utility. The plan was first proposed in 2016.

“Over the past six years, this opportunity has passed, and the market is looking at new solutions to meet both environmental and economic goals of the city,” Matthew Taylor, a spokesman for Liberty Energy Trust, said. The plant would have produced up to 120,000 gallons of LNG a day for sale into commercial markets as fuel for heating or power generation. That represents more than 10 million cubic feet of natural gas per day. The plant would have produced LNG for domestic consumption, not for export.

Liberty Energy Trust, which is building a similar $120 million plant called the Northeast Energy Center in Massachusetts, was circumspect about how the Philadelphia project derailed. The firm suggested that the city’s recent exploration of a strategy to reduce reliance on fossil fuels and reduce greenhouse gas emissions played a role in its decision to pull back. Opponents have said the plant would generate pollution and that its operation would enable production of more gas from Pennsylvania’s Marcellus Shale at a time when the city and the nation should be investing in renewable energy.

Exxon making a lot of money, other than its write-down in Russia

(CNN Business; April 4) - It's a tale of two oil trends for ExxonMobil: The company will post a massive profit increase for the first quarter thanks to the oil price spike, but it's bracing to lose money on its planned exit from Russia. Exxon disclosed the news April 4 ahead of its official quarterly earnings report on April 29, saying high oil prices significantly padded its bottom line during the quarter. But it could also take a $4 billion loss on an oil project in Russia that is owned in part by the Russian government.

Exxon said it is "proceeding with efforts to discontinue operations" at the Sakhalin-1 project in the Far East — which the company promised last month to shut down due to Russia's invasion of Ukraine and sanctions from the West — and is developing steps to exit the venture. "Depending on the terms of its exit," the company said, it may be forced to take a write-down on its investment in the project up to full value of $4 billion. Sakhalin-1 production has recently averaged 220,000 barrels per day. In addition to Exxon, the partners include Rosneft and Indian and Japanese businesses.

Meanwhile, Exxon's core business is booming. The spike in oil prices alone will boost Exxon's profit by up to $2.3 billion compared with the fourth quarter, according to the company's filing. U.S. oil prices increased by one-third during that timeframe. Higher natural gas prices could add another $400 million, Exxon said.

Saudi Aramco boosts its price for crude next month

(Bloomberg; April 4) - Saudi Arabia raised oil prices for customers in all regions as Russia’s invasion of Ukraine continues to reverberate through markets. State producer Saudi Aramco increased its Arab Light crude for next month’s shipments to Asia to

$9.35 a barrel above the benchmark it uses. That's a jump of $4.40 a barrel from April, when the key grade was already at a record. The move was roughly in line with a Bloomberg survey of traders and refiners last week.

Oil has soared to more than $100 a barrel in the wake of Moscow's attack, which has roiled financial markets across the world. Many buyers are avoiding cargoes from Russia, despite them being offered a steep discounts. Flows from Russia may be down by between 1 million and 3 million barrels a day through the third quarter, according to Vitol Group, the world's biggest independent crude trader.

Aramco made its decision to boost prices after OPEC+ on March 31 opted to continue raising output only gradually. The group, led by Saudi Arabia and Russia, has resisted calls from importers including the U.S. to boost output to bring down fuel prices. "It's a massive increase," Giovanni Staunovo, a commodity analyst at UBS Group, said of the Saudi price hike. "Extra volumes from Saudi Arabia will only come at a high price."

There is profit in diesel, if European refiners can produce more

(Bloomberg; April 4) - There's a simple way Europe's oil refiners can make more money right now: Produce more diesel. Profits from making the fuel have soared since Russia — a key supplier to the continent — invaded Ukraine. The ensuing supply-chain chaos led to a massive price surge that means diesel is far more expensive than crude. How refineries respond will help shape global petroleum flows, and could even influence the economic impact of the war, given diesel's importance as an industrial fuel.

"There is a clear financial incentive to increase crude runs," said Jonathan Leitch, an oil analyst at Turner, Mason & Co. "Diesel is leading the way in terms of products that are in short supply." It's hard to be sure that European refineries really are ramping up their collective diesel output. Many of them are now shunning Urals crude, Russia's flagship grade, which in normal times makes up a significant chunk of Europe's purchases.

"European refiners are sucking in West Texas Intermediate and drawing on short-haul North Sea crudes to replace Urals spot barrels," said Mark Williams, an oil products and refining analyst at Wood Mackenzie. "More Middle East crudes will need to clear to Europe as EU refiners back out of Urals." But running more crude isn't the only way refiners can make more diesel. Output can be adjusted to boost one fuel at the expense of others, though non-Russian crudes may not have the same diesel yield as Urals.