Oil and Gas News Briefs
Compiled by Larry Persily
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Analysts see more risk of oil-price collapse than a price spike

(MarketWatch; Dec. 19) - Oil prices look set to end the year lower as demand weakness, particularly from China, prevails — but 2025 may bring an even steeper loss, with the possibility of a drop below $50 a barrel if the market sees a "perfect storm" of factors, including sharp economic declines in China and Europe. "There's much more risk of a price collapse next year than a price spike for crude," said Tom Kloza, global head of energy analysis at OPIS, a subsidiary of MarketWatch publisher Dow Jones.

Proposed U.S. tariffs "might elevate crude oil benchmarks short term but lead to lower prices as companies become used to the impact, with Canada and Mexico perhaps forced to be aggressive to move their (oil) exports," Kloza said. Tariffs might impede GDP growth in the U.S. and abroad, he said, while there could be considerably more U.S. oil output, particularly shale oil in the U.S. and Canada. In addition, unused production capacity among the members of the Organization of the Petroleum Exporting Countries can be viewed as a "coiled spring that will, eventually, spring," said Kloza.

An oil supply surplus is "almost a certainty," he noted, though it will be "lumpy, and the most at-risk time is September through December." A collapse in oil would mean a drop below $50 a barrel, and the driver of that would have to be a "dramatic drop in demand globally," said Brian Mulberry, client portfolio manager at Zacks Investment Management. And when it comes to oil demand, China seems to have mattered the most, with its economic data releases and stimulus plans feeding volatility in prices.

Tariffs could hit Canadian crude; source of 50% of U.S. imports

(Associated Press; Dec. 19) - The U.S. increasingly relies on Canadian crude oil to meet domestic demand. That relationship faces potential strain amid the threat of tariffs from President-elect Donald Trump. More than 50% of crude oil imported to the U.S. comes from Canada, up from 33% in 2013. The increase follows a jump in production from Canada's western provinces and growing pipeline capacity to the U.S.

Trump has threatened blanket tariffs of up to 25% on products from both Canada and Mexico. That has raised concerns about higher energy costs trickling through the entire U.S. economy, making gasoline and other petroleum products more expensive and reigniting inflation. "All three countries remain heavily reliant on each other economically, and hefty taxes on key U.S. imports like crude oil or softwood lumber risk exacerbating U.S. consumer inflation," said a report led by Solita Marcelli, chief investment officer of the Americas for UBS Financial Services.

Canadian officials say they're studying how they would respond if Trump follows through on his threat. The U.S. produces mostly light, sweet crude, which is easier to refine than heavier crude oil, like the kind that Canada mostly produces. But refining infrastructure in the U.S. is geared toward heavier crude oil because of a history of having to import that type. Heavier crude is less expensive to purchase because it is tougher to refine.

China's state refiner Sinopec forecasts peak oil consumption in 2027

(Reuters; Dec. 19) - China's oil consumption is set to peak by 2027, state refining giant Sinopec said on Dec. 19, as diesel and gasoline demand weaken in the world's biggest oil importer, a slowdown that has rattled global oil markets this year. The 2027 peak will top out at no more than 800 million tonnes, or 16 million barrels per day of crude oil, Sinopec said. That's about 16% of global supplies. Last year, Sinopec forecast peak China oil demand, also at 800 million tonnes, for around the middle of 2026-2030.

China's energy sector faces fresh uncertainty in 2025 with President-elect Donald Trump's return to the White House raising the prospect of heightened trade tensions and potential disruption to Iranian oil exports, said Wang Pei, deputy general manager of the Sinopec Economics and Development Research Institute. Trump is expected to tighten sanctions enforcement on Iran, which exports roughly 1.5 million barrels of oil a day, mostly to China and its independent refiners.

Driven by the shift toward electric vehicles and the rise of trucks fueled by liquefied natural gas, the speed of China's move toward peak oil has taken the industry by surprise, with crude imports on track to peak as soon as 2025, analysts have said. The 800-million-tonne consumption peak compares with the 750 million to be consumed in 2024, with demand on track to drop about 10 million tonnes from last year for just the second decline in two decades, Sinopec said.

China's years of oil-demand growth at a turning point in the road

(Wall Street Journal; Dec. 23) - China's oil demand is nearing a turning point as electric vehicles take a growing share of its vehicle market, the world's largest. The country has long been the thirstiest consumer of crude. China accounted for 16% of global demand in 2023, or 16.4 million barrels a day, up from around 9% in 2008. During that span, it contributed to more than half the growth in global oil demand. But demand has slowed.

China's oil consumption is projected to rise a mere 0.8% year on year in 2024 and by 1.3% in 2025, according to the International Energy Agency. While China's overall oil demand still appears stable, its composition is shifting gears rapidly. Gasoline and diesel demand seems to have peaked: China's total demand for these transportation fuels in 2024 will be 3.6% lower than in 2021, according to IEA estimates.

The housing bust is partly to blame, with weaker demand for diesel used in machinery. But a bigger story comes from China's rapid shift in personal transportation — more than half of the passenger cars sold in the country in recent months were new-energy vehicles, which includes plug-in hybrids. Largely because of that trend, China's gasoline demand in 2025 is expected 6.4% lower than the peak in 2021, according to the IEA.

More new heavy-duty trucks are using liquefied natural gas instead of diesel. Diesel and gasoline accounted for 44% of China's oil demand in 2024, down from 51% in 2018. China's growing petrochemical sector has been gobbling up oil products. Consumption of naphtha, ethane and liquefied petroleum gas, all feedstocks for petrochemicals, has risen 59% from 2019 to 2024. But this may no longer be enough to compensate for the continued decline in diesel and gasoline demand as EVs keep gaining ground in China.

Trump tells EU: Buy more U.S. oil and gas or face new tariffs

(Financial Times; London; Dec. 20) - President-elect Donald Trump has warned the European Union that it must commit to buying "large-scale" amounts of U.S. oil and gas or face new tariffs, in his first trade salvo against Brussels since his election victory. The EU is desperate to avoid a trade war with Trump and has spent the past month racing to draw up potential ways to avoid tariffs by increasing purchases of U.S. goods such as liquefied natural gas and agricultural products.

"I told the European Union that they must make up their tremendous deficit with the United States by the large-scale purchase of our oil and gas. Otherwise, it is TARIFFS all the way!!!" Trump wrote on his Truth Social platform on Dec. 20. Trump's threat follows overtures already made by Brussels suggesting member states could buy more U.S. LNG, which has been a lifeline for the bloc after Russia squeezed supplies of fossil fuels following its full-scale invasion of Ukraine in 2022.

EU officials have also begun work on potential trade reprisals should Trump move to impose tariffs, but capitals are keen to avoid a spiraling economic conflict with the White House given other areas of reliance on the U.S., such as defense. The U.S. is already the biggest supplier of LNG and oil to the EU. In the first half of 2024, the U.S. provided 48% of the bloc's LNG imports, compared with 16% from Russia. It supplied 15% of the EU's oil imports in the third quarter, according to Eurostat, the EU's statistical agency.

California state carbon credits pay to produce dirty oil

(Bloomberg; Dec. 19) - In California's San Joaquin Valley, old-fashioned pump jacks eke out a trickle of crude that's among the dirtiest in America. Powering the oil field equipment are solar panels that generate state carbon credits potentially worth nearly $2 million. E&B Natural Resources Management, the local oil producer that built the solar plant, is among a handful of little-known companies that produce the most emissions-intensive crude in the U.S., according to an analysis by Bloomberg News.

Yet the solar array offers an incentive to keep pumping at a time when California is aggressively trying to phase out fossil fuels. The situation exposes a paradox in the state's carbon-trading system: By offering oil producers credits for their renewable energy use, California effectively is subsidizing drillers that produce as few as five barrels of oil and gas for every tonne of greenhouse gases they emit, according to Bloomberg's analysis. That compares to a U.S. average of 165 barrels of oil per tonne.

It's an irony with implications beyond the Golden State. California, with its ambitious climate goals, has long been a model for slashing emissions. But it's also a state disconnected from the main oil-refining and oil-producing regions of the U.S., largely reliant on imports by tankers and local production. That's given drillers a foothold in a state that is, at times, openly hostile to the oil industry. And it underscores a challenge the rest of the U.S. is facing: How to combat global warming when rising oil demand continues to keep even the dirtiest crude flowing from the ground.

Slight dip in U.S. LNG exports; strong growth to resume through 2028

(Reuters; Dec. 20) - Demand for U.S. natural gas to produce liquefied natural gas for export this year is headed for its first decline since the country started exporting the fuel from the Lower 48 states eight years ago. The U.S. is the world's largest exporter of LNG and a key provider of gas to Europe in the wake of Russia's invasion of Ukraine. Natural gas prices have remained relatively high in Europe as the expected U.S. growth in LNG output in 2024 has not materialized due to project delays, and the continent is bracing for a new gas price shock as colder winter weather depletes stocks.

U.S. natural gas drillers have profited from robust demand from LNG export plants since sanctions on Russian gas boosted European demand for U.S. LNG. Since 2016, when Cheniere Energy's Sabine Pass export plant in Louisiana shipped its first cargo, feed gas to the plants increased every year, even in 2020 when lockdowns during the COVID-19 pandemic slashed global demand for energy. LNG plant outages and delays in construction of new plants have reduced demand this year, LSEG data showed.

With just 11 days left in 2024, the amount of gas flowing to the eight big U.S. LNG export plants eased to an average of 13 billion cubic feet per day from an average of 13.1 bcf per day in 2023, LSEG data showed. But the industry expects this year's decline to be just a blip, with U.S. LNG capacity seen more than doubling over the next four years. New plants coming online should lift capacity from around 13.8 bcf per day now to 17.8 bcf next year, 20.3 bcf in 2026, 22 bcf in 2027, and 24.2 bcf per day in 2028.

Trump administration could unleash new wave of U.S. LNG exports

(Houston Chronicle; Dec. 20) - A wave of new LNG export terminals is expected to be constructed along the Texas-Louisiana Gulf Coast if President-elect Donald Trump carries through on his pledge to end the Biden administration's nearly year-long pause on permitting LNG projects. A long list of new projects would substantially increase the flow of natural gas out of the U.S., providing an economic stimulus to communities like Port Arthur and Brownsville, Texas.

But the rush to build comes at a time of increasing concern around the risk the terminals pose to the climate and the health of surrounding residents, as outlined in a study released by the Biden administration this week. There are 11 LNG projects awaiting export permits from the Department of Energy, almost all of which are between New Orleans and Corpus Christi, Texas, in addition to a project near Brownsville that had its export permit vacated by a federal judge after it had already started construction.

Six of those projects are expected to begin construction once they receive their permits, increasing the country's LNG exports, already the largest in the world, by more than 40%, according to analysis by research firm S&P Global. Drillers in Texas oil and gas fields are eager to gain increased access to natural gas markets overseas. With the ongoing oil and gas boom in West Texas, the natural gas they could sell for a pittance in Midland, Texas, could be sold for a large profit in Amsterdam or Singapore.

Chevron signs up to take LNG from proposed Louisiana terminal

(Rigzone; Dec. 20) - Energy Transfer has signed an agreement to supply Chevron with 2 million tonnes per year of liquefied natural gas over 20 years from the planned Lake Charles LNG project in Louisiana. Midstream oil and gas player Energy Transfer announced the deal Dec. 19, after the Department of Energy launched a review of LNG export permits by releasing a new study and opening a public comment period.

“The LNG will be supplied on a free-on-board basis and the purchase price will consist of a fixed liquefaction charge and a gas supply component indexed to the Henry Hub benchmark,” Texas-based Energy Transfer said in an online statement. Energy Transfer LNG president Tom Mason said, “We are pleased that one of the most prominent LNG industry participants has selected Lake Charles LNG as a supplier.”

Planned for an export capacity of 16.45 million tonnes per year, Lake Charles LNG is fully permitted and would be built as a conversion from an existing brownfield LNG import site with four existing LNG storage tanks, according to Energy Transfer. The developer, though, has yet to reach a final investment decision and has faced other delays. Energy Transfer faces a 2025 deadline to start production and exports from the terminal and is seeking an extension to 2028 from the Department of Energy.

U.S. LNG developer plans initial public offering to raise billions

(Bloomberg; Dec. 20) - Venture Global, one of the biggest suppliers of liquefied natural gas in the U.S., filed for what could be one of the largest initial public offerings of 2025. The company won't make public the proposed size and price for the share sale until a later filing. Bloomberg News reported in November that the company will seek to raise more than $3 billion in an IPO. Venture Global is turning to Wall Street as demand around the world is surging for LNG as a cleaner-burning alternative to oil and coal.

Founders Mike Sabel and Bob Pender launched Venture Global in 2013. They were initially viewed as outsiders to the Houston energy industry and a longshot bet to the growing ranks of U.S. LNG project developers. Yet the pair managed to convince some of the world's biggest energy companies including Shell and BP to sign long-term agreements to buy LNG from the terminal they planned to build.

With those contracts in hand, Venture Global managed to raise $7.1 billion in financing to build its initial facility in southwestern Louisiana. The export terminal, named Calcasieu Pass, began shipping fuel in 2022, though it is embroiled in a dispute with its long-term customers who are upset that Venture Global has been retaining ownership of the output and selling it for top dollar on the spot market rather than fulfill its contracts.

Venture Global is in the midst of starting up its second plant, Plaquemines LNG, just south of New Orleans. Two more projects, CP2 and Delta LNG, are also planned in Louisiana and are in the permitting stage. Plaquemines LNG is estimated at $22 billion to $23 billion, according to the filing. The company is set to become the second-largest LNG producer in the U.S, behind Cheniere Energy, once Plaquemines is fully online.

European nations imported record volume of Russian LNG in 2024

(Bloomberg; Dec. 20) - The European Union has boosted imports of Russian liquefied natural gas against the backdrop of deepening tensions over pipeline supplies that flow through Ukraine. The bloc purchased a record amount of Russian LNG this year, according to ship-tracking data compiled by Bloomberg. Among top buyers, France has already hit its highest-ever volumes and Spain is closing in on records seen last year.

The numbers show that Europe is still hooked on energy from Russia, which remains one of the continent's top gas providers despite severe cuts in supplies in 2022. While officials in the EU and Kyiv have called for a halt in purchases, there's still no region-wide ban on Russian LNG and it remains a cheaper option for many buyers. Countries such as the U.K., Germany and the Baltic states have stopped taking Russian gas altogether. But once Russian LNG is regasified in France, Belgium or the Netherlands, and enters the grid, molecules mix and can flow freely to other nations.

Earlier this year, the bloc for the first time agreed to impose curbs on Russian LNG, targeting the country's shadow fleet of tankers and transshipments to third countries. France and Belgium have both called for tougher monitoring. Russia's share in the continent's total gas imports — about 15% now — may drop next year as a gas pipeline transit deal with Ukraine expires on Dec. 31. Chances of a new accord are slipping away. In LNG, Russia remains the second largest supplier after the U.S. for now.

Korea Gas speeds up efforts to import more U.S. LNG

(Business Korea; Dec. 19) - Ahead of the second Trump administration, Korea Gas is accelerating its efforts to import U.S. liquefied natural gas. According to the Ministry of Trade, Industry and Energy on Dec. 18, KOGAS has selected multiple U.S. companies as preferred bidders for LNG imports this month. The corporation plans to sign a memorandum of understanding covering key terms by June next year. Once negotiations on these terms conclude, the process for final contracts will begin.

Expanding U.S. energy imports has been under serious consideration by trade authorities since Trump's election victory. The ministry believes that the second Trump administration may impose trade pressures on South Korea due to its trade surplus and sees increasing U.S. energy imports as an effective means to alleviate such pressure. Recently, Trade Minister Ahn Duk-geun indicated that U.S. energy imports are more cost effective than Mideast sources, suggesting room to increase imports. Last year South Korea imported 13.5% of its crude and 11.6% of its gas from the U.S.

However, U.S. energy imports have higher logistics costs and longer transport times compared to Middle Eastern sources. To address this, KOGAS plans to diversify its supply chain by including U.S. LNG in new long-term contracts. The corporation's long-term contracts with Qatar and Oman, covering 8.98 million tonnes annually since the 1990s, are set to expire at the end of this year. "Importing U.S. LNG can also increase our negotiating power with existing suppliers," a KOGAS official said.

Shell signs on to develop Argentina LNG project

(Reuters; Dec. 19) - Argentina's state-run oil company YPF and oil major Shell signed an agreement to develop the country's flagship liquefied natural gas project, the companies said on Dec. 19. The multi-stage $50 billion Argentina LNG project aims to export the gas to major global markets. The agreement, which was signed in the Netherlands, brings the Dutch oil giant on for the first phase of the project, which aims to produce 10 million tonnes of LNG per year.

The statement said the agreement means Malaysian state oil and gas company Petronas has ended its participation in the project. The statement added that Petronas and YPF would continue developing the La Amarga Chica area in Vaca Muerta, the second-largest unconventional gas reserves in the world and the fourth-largest oil reserves. Shell said in a separate statement that the LNG project "is aligned with Shell's plans to continue growing its LNG business."

Argentina LNG will extract gas from Vaca Muerta and transport it through pipelines to the coastal province of Rio Negro. The first phase of the project will use floating liquefaction facilities offshore, while future phases envision the construction of onshore gas liquefaction operations. The U.S. Energy Information Administration in a December report estimated Vaca Muerta holds more than 300 billion cubic feet of technically recoverable gas and more than 16 billion barrels of oil and gas condensates.

U.S. wants EU to accept EPA determination of methane emissions

(Reuters; Dec. 19) - U.S. officials doubled down on their appeal to the European Union to ensure liquefied natural gas shipments that meet U.S. methane regulations also automatically comply with Europe's new standards for gas imports, a letter seen by Reuters on Dec. 19 showed. President Joe Biden's administration on Dec. 17 sent a second letter to Ditte Juul Jørgensen, EU Director-General for Energy, to speed up support for its case that U.S. Environmental Protection Agency rules should be deemed "equivalent" to EU regulations, whose emission reporting requirements begin in 2025.

European Union countries approved a law in May to impose methane emissions limits on Europe's oil and gas imports from 2030, pressuring international suppliers to cut leaks of the potent greenhouse gas. Linking U.S. and EU methane standards would safeguard the United States' growing LNG trade with Europe while also cementing Biden's strict rules on methane, a powerful greenhouse gas, even if they are eventually repealed by President-elect Donald Trump's incoming administration.

"The letter is meant to emphasize in detail the full suite of substantive emissions standards, their robust implementation and compliance, and the reporting requirements' role in ensuring transparency and accountability," Joe Goffman, EPA assistant administrator for air and radiation, said. The EPA has finalized rules that crack down on releases of methane, the main component in natural gas, from existing and new oil and gas facilities, and set a fee targeting large methane leaks from energy infrastructure.

BP reaches technical deal to redevelop prolific oil fields in Iraq

(Bloomberg; Dec. 19) - BP reached an agreement with the Iraqi government on technical terms to redevelop the prolific Kirkuk oil and gas fields, the company said Dec. 19. “Today’s signing is an important step toward a fully termed contract,” BP Executive Vice President William Lin said in a statement. “We are grateful to the Iraqi government for its continued support of BP’s activities in the country, particularly around Rumaila, and for the dedicated engagement to progress negotiations on the potential future development of these critically important fields in and around Kirkuk.”

Negotiations are expected to be complete early in 2025, BP said. The oil giant has a long history with the second-largest producer in the Organization of the Petroleum Exporting Countries, which holds the world’s fifth-largest proved crude reserves. The company was part of the consortium that discovered oil in Kirkuk in the 1920s and now Kirkuk appears to be key to BP’s upstream strategy under CEO Murray Auchincloss. The field, now in its 90th year of production, still pumps about 300,000 barrels per day.

Nigeria tries to combat costly thefts out of oil pipelines

(Al Jazeera; Dec. 19) - At dawn, the Niger Delta is enveloped in silence, interrupted only by the intermittent chirping of Herons, a rare water bird found in this part of Nigeria. Suddenly, in a flash, the water bubbles and convulses, announcing the approach of speedboats. The boats usually carry heavily armed militiamen, often clad in work overalls, said Tonye Francis, who lives in the oil-producing Ogu-Bolo community in Rivers State that’s been in the shadow of an oil conflict for years.

Also in the boats are several dozen empty drums with hoses attached to the bases, which get connected to an oil pipeline after it has been professionally ruptured, he said. The drums get filled with oil and loaded into barges, which are escorted by speedboats out of the inlet — crisscrossing other dense creeks and swamps that dot the area — heading in the direction of a waiting foreign vessel, miles away.

“They (the oil thieves) operate unhindered,” Francis said. For years, incidents like this one have become common in Rivers State, which prides itself as Nigeria’s oil capital. But the scene is also a recurring one across the Niger Delta as thieves try to siphon crude from oil pipelines crisscrossing the region. “We can’t stop them without the support of the military men deployed to the area,” Francis said.

Nigeria is one of Africa's leading oil exporters. But the industrial-scale oil theft has posed a major threat to communities and the wider economy. Oil theft costs Nigeria millions of dollars each month; about $23 billion in oil revenue was lost in 2022 — one of the highest in recent years. As part of a plan to boost oil production, authorities last week unveiled a batch of military-grade gunboats to help crack down on oil theft.

Property owners worry and fight against abandoned oil and gas wells

(ABC News; Dec. 19) - Laura Briggs rises early to care for the livestock scattered across her homestead on the plains of West Texas. Briggs and her husband saved for years to purchase the land and build their home near the Pecos River. "It was a lifestyle choice to raise our kids rurally in the hopes that they would appreciate nature and where their food comes from and hard work and the other side of life that's not so easy," Briggs, a mother of four, said. "It could have been so much better without the fight."

The "fight" that Briggs says has come to dominate her life in recent years centers around the 30-plus abandoned oil and gas wells littered across her ranch and left to rot by their former operators. She knew the inactive wells were on the land when she bought it, but what she didn't expect to find was that some were leaking and no one was taking responsibility for the cleanup. "I thought the state regulated this stuff. I never thought that this would be allowed to go on," Briggs said.

As a result, her dream of has instead been marred by animals found covered in oil, concerns for her groundwater and air quality. "My biggest fear is that I have a catastrophe close to my house. We have some wells close to the house and we don't know what's going on underground," she said. More than 3.5 million abandoned oil and gas wells are littered across the U.S.; an estimated 14 million Americans live within a mile of one of the wells. Known as "zombie wells," they can contaminate groundwater and spew carcinogenic chemicals and potent greenhouse gases into the environment.

Germany drops levy on natural gas moving through the country

(Reuters; Dec. 20) - Germany's parliament on Dec. 20 agreed to exempt countries transiting gas through the country from a domestic gas levy, a move welcomed by eastern neighbors that argued the fee hampered their efforts to diversify away from Russian supplies. Germany agreed in May to scrap the tariff following heavy lobbying from Austria, the Czech Republic, and Slovakia, which said the extra cost made alternatives to Russian gas imports too expensive.

The levy, administered by operator Trading Hub Europe since 2022, was designed to help Germany recoup billions of euros it spent on filling its gas storage caverns to bolster Europe's gas supplies following Russia's invasion of Ukraine. It is charged to domestic gas consumers but as a side effect also applied to buyers of gas at German cross-border points. It has been a reason why private traders were buying cheaper gas from the east, Czech Industry Minister Lukas Vlcek told Reuters in a statement.

Germany's lower house passed a change to the relevant energy law, effective Jan. 1, that will exempt buyers transiting gas from paying the levy. The levy will still apply to domestic gas buyers.