Oil and Gas News Briefs
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China's oil production booming, hits record 4.6 million barrels a day

(Bloomberg columnist; April 21) - "Drill, baby, drill" is a capitalist rallying cry to pump more oil no matter what. Ironically, communist China is, with little fanfare, following exactly that playbook with impressive results: creating an oil gusher that sent domestic production to an all-time high last month, further exacerbating a global glut of crude. The surge reflects the high priority that Beijing places on sustaining — and increasing — fossil fuel output for energy security despite booming domestic electric-vehicle sales.

Spending billions of dollars via state-owned China National Petroleum Corp., China Petroleum & Chemical Corp. (Sinopec) and CNOOC, Beijing has reversed a decline in domestic production that started in 2015. By 2020, output had stabilized, and by around 2023 it was clear that Chinese output was surging; I called it the most overlooked oil boom. The final confirmation came last week with the publication of official data for early 2025, which showed output approaching a record 4.6 million barrels a day in March.

China is now neck-and-neck with Iraq for the top-five spot in the global ranking of oil-producing nations. The more China produces, the less it needs to import, reducing its dependence not only on the OPEC+ but also on American crude. In 2023, China was the second-largest importer from the U.S., behind only the Netherlands, which typically acts as a refining hub for European imports. China's three state-owned behemoths are ploughing about $80 billion a year into new wells and production facilities.

Despite the boom, China's domestic supplies remain a fraction of its total consumption, requiring imports about 10 million barrels a day of crude and refined products. Still, for Beijing, every barrel counts. And, as the world's largest oil-importing nation, the amount that Beijing buys in the international market can have an outsize effect on global prices.

Trade fight pushes China away from buying U.S. LPG and NGLs

(Reuters; April 21) - The global liquefied petroleum gas market is facing an upheaval as high tariffs on U.S. imports force Chinese buyers to swap American cargoes for alternatives from the Middle East, while U.S. shipments divert to Europe and elsewhere in Asia. The shakeup is expected to depress prices and demand for the shale gas byproducts, hurt the bottom lines of U.S. shale producers and Chinese petrochemical companies, and boost the appetite for alternatives such as naphtha.

It is also expected to benefit Middle East suppliers, who are being tapped by the Chinese importers as replacements, and opportunistic LPG buyers in Asia in markets such as Japan and India, who are taking advantage of the product's price declines. Natural gas liquids (NGLs) — propane, ethane and butane — are the latest energy products ensnared in the escalating trade war between the world's two largest economies. China has already halted U.S. crude and liquefied natural gas imports.

Chinese petrochemical firms are reliant on U.S. LPG and ethane as feedstock, while U.S. oil and gas producers need China to buy their NGLs as domestic supply exceeds demand. U.S. exporters were able to reroute LPG cargoes away from China at the time of trade frictions during President Donald Trump's first term, the doubling of trade volumes since then makes it difficult for either country to replace the other, said Julian Renton, an NGL analyst at East Daley Analytics. Last year, China bought a record 550,000 barrels per day of U.S. propane, 60% of its total imports of the gas liquid.

Chinese companies sign deals to buy LNG from Abu Dhabi

(Reuters; April 20) - China's privately controlled ENN Natural Gas and state-run Zhenhua Oil have each signed a term deal to buy liquefied natural gas from Abu Dhabi National Oil Co. (ADNOC). ENN Natural Gas said on its official WeChat account on April 19 that the deal covers annual supplies of about one million tonnes for 15 years, marking ADNOC's largest LNG contract with a Chinese buyer.

Separately, state oil and gas trader Zhenhua Oil agreed to a 5-year deal with ADNOC starting in 2026 for up to 12 cargoes a year, said a Chinese industry source with direct knowledge of the agreement. Under Zhenhua's first long-term LNG contract, pricing is on a delivered basis into Rudong in eastern China's Jiangsu province, with some shipments price benchmarked to the Japan Korea Marker for LNG deliveries to Asia and others linked to the price of crude oil, said the source, who declined to be named.

Zhenhua Oil, which already partners with ADNOC in Abu Dhabi, is building its first LNG import terminal in Rudong, with commissioning expected in the first quarter of 2026.

Trade war could disrupt U.S. LNG exports to China longer term

(South China Morning Post; April 23) - Chinese state-backed energy firms and privately controlled gas distributors may have to renegotiate long-term liquefied natural gas procurement contracts they signed with U.S. providers if the trade war drags on, according to analysts. Trade flows of U.S. LNG to China have stopped since Feb. 10 when Beijing retaliated against a 10% U.S. tariff on Chinese goods by slapping a 15% duty on LNG, S&P Global Commodity Insights principal research analyst Li Lunjia said on April 22. The tariff on U.S. LNG was raised to at least 140% on April 12.

“During the first 2018-19 U.S.-China trade war, tariffs on U.S. LNG lasted for 18 months,” she said during a webinar. “Similar to last time, we can expect to see the suspension of U.S. LNG imports and contracting activities for as long as the current tariffs remain in place.” However, Chinese buyers now hold much more contracted U.S. LNG than during the past conflict, when nearly all of it was traded on a short-term basis on the spot market, Li said.

Although the U.S. supplied only 4.4% of China’s total LNG imports in the past three years, the volumes were expected to grow rapidly in coming years, Li said. Chinese buyers hold 21 long-term contracts with U.S. producers covering 25.6 million tonnes of annual volume, she said. In the short term, most of the 5.7 million tonnes expected to be delivered this year could easily be resold to buyers in other markets. If the trade war drags on beyond this year, it could spell trouble for the Chinese buyers, because the volume they contracted from U.S. LNG projects will rise to 14 million tonnes in 2027.

Industry warns against proposal to require U.S.-built LNG tankers

(S&P Global; April 23) - The U.S. LNG industry warned that new Trump administration protectionist measures targeting Chinese ships could threaten the U.S.'s future status as the world's top LNG supplier by requiring that a share of exports be transported on U.S. ships starting in three years. The final plan, which the U.S. Trade Representative (USTR) released April 17, will subject Chinese ship operators and Chinese-built ships to fees when they enter a U.S. port— albeit lower fees than were first proposed.

LNG tankers will not be subject to the fees, but the USTR declined to exempt LNG shipping and LNG ships from the new policy entirely. Instead, the USTR adopted plans to phase in a requirement that LNG exports be transported on U.S.-built, U.S.-flagged and U.S.-operated ships. The Center for Liquefied Natural Gas, the leading trade group, said the measures would risk destabilizing long-term LNG contracts, raise costs for global buyers, and threaten the position of the U.S. as the world's top LNG supplier.

"The proposed maritime restrictions — particularly the requirement to transport U.S. LNG on U.S.-built and flagged vessels — are simply not feasible," Charlie Riedl, executive director of the Center for LNG, said in a statement. "There are no such vessels in existence today, and building them would take decades, making compliance impossible for the industry," Riedl added. "A whole new shipbuilding sector needs to develop essentially overnight," said Andres Rojas, LNG analyst with S&P Global Commodity Insights.

China may be ready to buy more Russian LNG

(High North News; April 21) - China may be looking to buy more Russian liquefied natural gas in 2025 as the European Union readies plans to phase out all energy imports from Russia by 2027. In comments made earlier this week, China's ambassador to Russia Zhang Hanhui indicated that importers in his country are looking to buy more LNG. Currently, China receives the fuel from two Russian plants: Yamal LNG in the Arctic and Sakhalin-2 in the Far East. There is limited spare capacity at either facility.

A third plant, Arctic LNG 2, remains partially completed and in limbo as U.S. sanctions have slowed down construction and shuttered initial deliveries last year. Originally intended to export primarily to the Asian market, buyers in China were reluctant to touch sanctioned cargoes from Arctic LNG 2 for fear of secondary sanctions by the U.S. Officials under the former Biden administration targeted the expansion of Russian LNG production with rapid-fire sanctions, including technology suppliers in China.

With no new sanctions against Russian Arctic energy projects since Jan. 10, those fears on the part of Chinese buyers may now be subsiding, sources familiar with the industry report. China may be welcoming deliveries from Arctic LNG 2 in the months to come as winter sea ice retreats along the northern shipping route. Direct shipments from Arctic LNG 2 to China remain unlikely, but deliveries via ship-to-ship transfers may now have the backing of Beijing. Such transfers are common to avoid U.S. sanctions.

Some OPEC+ members want to boost oil production in June

(Reuters; April 23) - Several OPEC+ members will suggest that the group accelerate oil output hikes in June for a second consecutive month, three sources familiar with OPEC+ talks told Reuters, as a dispute worsens between members over compliance with production quotas. Oil prices hit a four-year low in April, dragged down by a U.S.-China trade war and an unexpected decision by OPEC+ to increase output by 411,000 barrels per day of oil in May — three times more than the group originally planned.

Without specifying how many countries, the three sources said some wanted to increase output by a similar volume to the May increase. Eight OPEC+ countries will meet on May 5 to decide the June output plan. The Organization of the Petroleum Exporting Countries and Saudi Arabia authorities did not immediately respond to Reuters' requests for comment.

Saudi Arabia pushed for the speedier output increase in May after Kazakhstan and Iraq angered the kingdom by producing well above their quotas, OPEC+ sources have said. A meeting of senior OPEC+ ministers on April 5 said compliance had to improve. Kazakhstan, however, said it would prioritize national interests over those of OPEC+ when deciding on output levels. The Kazakh energy minister told Reuters on April 23 that the country was unable to curtail the output of independent oil majors on its territory and would not shut down its own oil fields as that would damage their future production.

Falling prices threaten North Dakota's oil patch

(Financial Times; London; April 21) – President Donald Trump's global trade war is threatening a corner of America that voted in droves for the Republican president last year: oil-producing North Dakota. It might also upend Trump's plans to boost fossil fuel production in the state that launched America's shale revolution. His tariff rhetoric triggered an oil price sell-off, with U.S. prices plunging below $60 a barrel (West Texas crude settled at $63.08 a barrel on April 21). The escalation raises concerns across the shale patch, some of the reddest parts of America, about an impending slowdown.

"It's just scary," Tracey Dolezal, a commissioner of Dunn County, one of the top oil-producing areas in North Dakota's Bakken Basin, told the Financial Times. The county received nearly $40 million in oil and gas taxes last year, more than half of its total revenue. "There'll be some job losses. Some businesses are really going to feel the effect if prices keep dropping," Dolezal said, adding that the county, which voted overwhelmingly for Trump in the past three presidential elections, may have to reduce infrastructure upgrades if prices fall further.

Matthew Bernstein, Rystad Energy's manager of upstream shale solutions, said Trump's tariff policy is "one of the biggest headwinds that's faced industry in a long time." He added, "If it's sustained and if it's recessionary, then you're looking at potentially no growth from U.S. oil this year." North Dakota — the third-largest oil-producing state — is especially vulnerable to falling crude prices and slowing production, more so than peers such as Texas and Louisiana, which have more diversified economies.

Permian oil producers look for water disposal solutions

(Wall Street Journal; April 21) - Two dozen cone-shaped, floating evaporators hum on a huge saltwater pond in the middle of the biggest oil field in the U.S., just north of Midland, Texas. They are part of an experiment by ExxonMobil to address one of the challenges facing frackers in the Permian Basin of West Texas and New Mexico: What to do with the gargantuan amounts of noxious water they produce alongside crude.

As oil output has jumped to records in recent years, so has water. Permian producers on average pump about four barrels of water for each barrel of crude. They have long reinjected it underground, which has caused the ground to buckle, triggered earth tremors and made drilling more onerous. Last year, Permian drillers discarded roughly

5.5 billion barrels of water that way, according to water analytics firm B3 Insight, roughly equivalent to the amount of water that New York City consumes in about eight months. Now, companies are investing millions of dollars testing technologies to evaporate the water faster and strip it of salt so it can be reused outside the oil patch. They are crafting plans to release scrubbed water into rivers — and hope to one day provide it to farmers and municipalities. “We need a Manhattan Project to deal with the produced water,” said Kirk Edwards, an oil executive and former chairman of the Permian Basin Petroleum Association, referring to the U.S. effort to produce the first atomic bomb.

Companies in recent years have made strides in treating the brine and recycling it for their operations, but more water flows to the surface than they can use. Meanwhile, the volumes they can pump into the ground have shrunk as companies have started to run out of underground space and regulators have imposed limits on disposal. Rich Dealy, who oversees ExxonMobil’s Permian operations, said the evaporation pilot project is just one of several options the company is studying to address the water issue.

Chevron starts production at new Gulf of Mexico project

(Reuters; April 21) - Chevron has started oil and gas production from a project in the U.S. Gulf of Mexico, the oil major said on April 21, bringing the company a step closer toward its goal of growing production from the ocean basin by 50% this year. The $1.6 billion project called Ballymore, located about 160 miles southeast of New Orleans, is comprised of three wells and is expected to produce up to 75,000 barrels of oil per day.

Chevron aims to grow oil and gas production from the Gulf to 300,000 barrels of oil equivalent per day in 2026, and at the same time it is working to cut up to $3 billion in costs across the business. Instead of building a new production platform for Ballymore, the wells will send oil and gas back to an existing platform, which the company said will allow it to increase production at less expense.

"Ballymore is interesting in that it's a tie-back to an existing facility, which has allowed us to bring production to market more quickly," said Bruce Niemeyer, president of Americas exploration and production. The project is also Chevron's first in a geological formation of the Gulf called Norphlet, where the oil and gas industry has historically had fewer discoveries than in other parts of the ocean basin, he added. Chevron is the operator of Ballymore with a 60% interest, while co-owner TotalEnergies has 40%. Ballymore holds an estimated 150 million barrels of oil equivalent in potentially recoverable resources.

Japan ready to buy more U.S. LNG, but will scrutinize Alaska costs

(The Japan Times; April 23) - The Japanese government has begun full-scale discussions on expanding imports of U.S. liquefied natural gas, believing the move will serve as a powerful bargaining chip in tariff negotiations. The U.S., with a share of 8.7%, was the fourth-biggest LNG exporter to Japan last year after Australia, Malaysia and Russia. At a meeting between President Donald Trump and Prime Minister Shigeru Ishiba in February, the two governments agreed to boost Japan's imports of U.S. LNG.

The Japanese side is expected to work out details based on LNG prices and other conditions, informed sources said. In private-sector contracts, it is "important that stable procurement is ensured for the long term," an official of a major energy company said. Still, it will be difficult for Japan to significantly reduce its trade surplus with the U.S., which totaled as much as $60 billion in 2024, solely by expanding LNG imports.

Trump has sounded eager about the U.S. and Japan jointly undertaking an LNG project in Alaska. However, the project would involve laying an 800-mile pipeline north to south through Alaska. "I have no idea at all how much it would cost," Kingo Hayashi, head of the Federation of Electric Power Companies of Japan, said, citing a need to examine the project's details. The Japanese side is expected to carefully assess whether and how the country should be involved in the project. "The feasibility of the project should be scrutinized," a senior official of a Japanese government agency said.

Latest proposal would require U.S.-built tankers for LNG exports

(Bloomberg; April 21) - A South Korean shipbuilder plans to construct the first U.S.-built liquefied natural gas tanker in decades, following sweeping recommendations from a U.S. trade agency that would tax ships made in China and aim to combat the Asian nation’s dominance in the industry. Hanwha Shipping’s expansion comes after the U.S Trade Representative on April 17 unveiled a proposal that would impose fees on Chinese-built vessels at U.S. ports after a six-month grace period. The plan also would require LNG carriers exporting U.S. fuel to be flagged and built in the country.

Under the proposal, as many as five to seven U.S.-flagged, U.S.-operated LNG carriers would be required before 2030, said Ryan Lynch, vice president of commercial shipping at the company. Hanwha Ocean acquired a Philadelphia shipyard in June 2024. The new requirement would create enormous challenges, given there is no existing capability to build LNG carriers in the U.S., and the majority of the vessels are built in South Korea and Japan, with some in China. Less than 1% of global LNG carriers is currently U.S.-flagged, according to an international group of LNG importers.

A trade group representing U.S. LNG companies is urging the agency to exempt the fuel carriers entirely, saying the action puts long-term LNG sales contracts at risk, would raise costs for global buyers and threatens the country’s position as the leading exporter of the fuel. “The proposed maritime restrictions — particularly the requirement to transport U.S. LNG on U.S.-built and flagged vessels — are simply not feasible,” Charlie Riedl, executive director at the trade organization Center for LNG, said in a statement. “There are no such vessels in existence today and building them would take decades.”

Taiwan says trade talks will focus on buying more U.S. energy

(Reuters; April 22) - Increasing purchases of U.S. natural gas and oil is a focus of Taiwan's tariff talks with the United States, President Lai Ching-te said on April 22. Lai has pledged to seek a zero-tariff regime with the United States and buy more from and invest more in the country as he seeks to head off President Donald Trump's wide-ranging import tariffs, most of which are on hold. Speaking to environmental groups in the presidential office, Lai called for support for the import of more energy from the U.S.

"Increasing purchases from the United States, including gas, oil and other essential national energy sources, is not only the next focus of the tariff negotiations between Taiwan and the U.S., but also an important part of Taiwan's efforts to strengthen its energy autonomy and resilience," his office quoted him as saying. Taiwan's economy minister said earlier this month that the island could increase the percentage of liquefied natural gas it gets from the U.S. by one-third to help narrow the trade deficit.

Taiwan currently only gets around 10% of its LNG from the United States, with most coming from Australia and Qatar.

Louisiana LNG project benefits from location in free-trade zone

(Australian Financial Review; April 23) - Woodside Energy, Australia's largest gas producer, is assessing the impact that U.S. tariffs will have on its Louisiana liquefied natural gas project and whether the site's location in a free-trade zone could give it an edge over its U.S. rivals. Half of the materials needed to build the Louisiana plant will be sourced from outside the U.S., which would ordinarily make the project vulnerable to at least the baseline 10% import tariffs imposed by President Donald Trump on April 5.

However, the U.S. foreign-trade zone offers an important reprieve, Woodside CEO Meg O'Neill said on April 23 as she released the group's March-quarter results. "Louisiana LNG has a foreign-trade zone, enabling the project to defer payment of tariffs until completion of each (gas processing unit)," said O'Neill. Analysts expect the units to be completed by 2029. Woodside bought the Louisiana project for $1.2 billion last year and plans to develop it in four phases, with the first stage costing $16 billion. The purchase was part of the company's plan to shore up its gas production outside Australia.

"Around 25% of Louisiana LNG's estimated capital expenditure is equipment and materials, approximately half of which is currently expected to be sourced from the U.S.," O'Neill said. Saul Kavonic, a senior analyst at MST Marquee, said he expected the tariffs to have minimal effects and could even give Woodside a competitive advantage over U.S. rivals that largely do not enjoy trade-zone exemptions. "The ‘deferral’ of tariffs until 2029 under the foreign-trade zone is likely to mean no tariffs are payable on 90% or more of the Louisiana capex,” he said.

Santos wins federal approval for offshore Australia gas project

(Australian Broadcasting Corp., April 22) - Santos's Barossa gas project off the coast of Australia’s Northern Territory has won final approvals from the national offshore gas regulator. The $5.6 billion project involves drilling for gas under the Timor Sea, about 200 miles north of Darwin, to export as LNG to overseas buyers such as South Korea and Japan. Federal offshore gas regulator NOPSEMA on April 22 accepted Santos's final environment plan for its production operations, clearing the way for the project to go ahead following multiple legal challenges.

The project attracted national attention last year when a Federal Court judge slammed the conduct of the Environmental Defenders Office (EDO) in its failed legal bid against the undersea pipeline's construction, on behalf of Tiwi Islands elders. Separately, a successful legal case run by the EDO on behalf of Tiwi Islands traditional owners in 2022 led to a landmark Federal Court ruling, which prompted NOPSEMA to revise its guidelines for consulting with relevant stakeholders.

Santos's Barossa project is one of Australia's largest oil and gas investments in a decade — and is expected to be among the worst polluting in the world. Reports have previously estimated the reservoir's 18% carbon dioxide content could produce more carbon dioxide than LNG. Santos's own project documents suggest the Barossa project could produce 15.2 million tonnes of climate pollution per year — a total of 380 million tonnes during its 25-year life span. A Santos spokesperson said the Barossa project remains on track for first gas in the third quarter of 2025.

Weaker oil prices cut into Russia’s state revenues

(Reuters; April 22) - Russia has cut its forecast for 2025-2027 oil and gas export revenues, a key source of funding for the state budget, due to weaker oil prices, seeing the proceeds falling by 15% this year, according to an economy ministry document seen by Reuters. The revision puts additional strain on the budget, already saddled with high defense spending on the country’s war in Ukraine.

Russia expects to earn $200.3 billion this year from oil and gas export sales, 15% less than 2024's $235 billion and its previous estimates in September, the document of macroeconomic forecasts, on which the state budget is based, showed.

Proceeds from all oil and gas sales account for about a third of Russia's state budget revenues. The economy ministry has previously cut its 2025 oil price forecast by nearly 17%, and the Russian central bank warned earlier in April that oil prices could face a period of weakness for several years. Prices for Russia's Urals crude fell to their lowest levels since 2023 in April at around $53 per barrel, and traded below $60 last week.

Europe headed toward record year for solar power production

(Reuters; April 23) - Solar electricity production in Europe during the first quarter of 2025 was up by more than 30% from the same months in 2024, setting the stage for full-year record performance from the region's solar farms. Total solar electricity generation over the January to March period was nearly 68 terawatt hours, data from Ember shows, which was 32% more than the same period a year ago.

Solar assets accounted for 8.2% of Europe's utility-supplied electricity in March, up from 6% in the same month a year ago, which indicates that solar power is rapidly emerging as a key electricity source for regional utilities, even in winter. As Europe's peak solar production period occurs during the Northern Hemisphere summer, total solar output and electricity share will grow further in the coming months, ensuring continued strong momentum for regional energy-transition efforts.

The rise in European solar production is part of a broader push to reduce dependence on fossil fuels and increase electricity production from clean-energy sources, which accounted for a record 61.3% of Europe's electricity in 2024. As wind farms are Europe's third-largest source of clean power (after nuclear plants and hydro dams), utilities are forced to boost output from gas and coal plants to balance system needs when solar output is curtailed by weather.