Oil and Gas News Briefs
Compiled by Larry Persily
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Tokyo Gas considers investment in U.S. Gulf Coast LNG

(S&P Global; Dec. 14) - Tokyo Gas is considering investing in a U.S. Gulf Coast LNG project while also weighing additional U.S. LNG purchases, CEO Shinichi Sasayama told Platts, part of S&P Global Energy. "We are considering several projects in that area," Sasayama said. "Investing in a liquefaction plant is one of the options, and, as in a recent case, entering into an LNG purchase contract is also an option."

"If there are favorable conditions among these, we may participate in a project. Even if we don't participate directly, we can build a portfolio through LNG purchase contracts and achieve similar effects, so we might approach it that way as well. It will depend on the situation," he said. Consideration of contracting for more U.S. LNG follows Tokyo Gas' recent signing of a long-term sale and purchase agreement with Venture Global to buy 1 million tonnes a year of LNG from the U.S. producer for 20 years, starting in 2030.

Tokyo Gas has also earmarked 350 billion yen ($2.25 billion) for overseas investments in its mid-term business plan for the next three years. "The majority of this (investment) will be in (U.S.) shale. We have already acquired interests, and our main focus will be on investments that ensure steady profits from those assets," Sasayama said. Separate from shale assets, Tokyo Gas has signed a non-binding letter of intent for 1 million tonnes of LNG per year from the Alaska LNG project being developed by Glenfarne.

"The LNG project in Alaska is geographically advantageous for Japan, as Alaska is relatively close and does not require passing through so-called 'choke points' that pose risks," Sasayama said. "However, at this stage, the price and terms remain completely unclear, so it is difficult to say either yes or no," he said. "Excluding price and terms, it is not a bad project. By expressing interest, we can proceed with further consideration and, after confirming the price and terms, make a final decision."

Japan will give companies more control over their LNG investments

(Reuters; Dec. 16) - Japanese companies will get more control over liquefied natural gas joint ventures with state-backed JOGMEC and be able to recover their investments faster under measures aimed at strengthening the nation's energy security, the industry ministry said on Dec. 16. The Ministry of Economy, Trade and Industry (METI) told a committee on resource and fuel policy that it would take steps to encourage Japanese companies to invest in LNG projects.

METI aims to introduce a mechanism prioritizing dividend payments to companies from joint-investment vehicles with the Japan Organization for Metals and Energy Security (JOGMEC), enabling earlier recovery of investments in LNG projects that are deemed critical to energy security. The framework will also allow companies to potentially buy JOGMEC's stakes, giving them greater scope to engage in management. The measures aim to spur corporate investment in LNG projects to secure mid- to long-term supplies of the fuel as geopolitical risks rise.

Japan, the world's second-biggest LNG buyer after China, has returned to the spotlight for producers as a boom in artificial intelligence, rising renewable energy costs and a new national energy plan drive appetite for long-term LNG deals. METI also flagged the need to reduce risks in LNG transportation as long-term contracts increasingly shift to free-on-board terms, under which buyers handle shipping and bear the costs and risks.

U.S. extends exemption allowing Japan to buy Russian LNG

(Japan Today; Dec. 18) - The U.S. Treasury Department said Dec. 17 it will extend an exemption allowing companies to process transactions related to the Sakhalin 2 oil and natural gas project in Russia's Far East, in which Japanese companies are participants, until June 18. With the six-month extension, Japan, a key U.S. ally, can continue receiving oil and liquefied natural gas from the project, which is not completely subject to sanctions imposed on Russia since it launched its invasion of Ukraine in 2022.

The department's decision came despite U.S. Treasury Secretary Scott Bessent's request two months earlier that Japan do more to erode Russia's war chest. In mid-October, Bessent held a meeting with then Japanese Finance Minister Katsunobu Kato in Washington, at a time when the Trump administration was stepping up pressure on its allies. Following the meeting, Bessent wrote on social media he had conveyed to Kato the Trump administration's hope that Japan would no longer buy Russian energy.

In 2024, Japan imported 8.6% of its LNG from Russia, all of it from Sakhalin 2, in which Japanese trading houses Mitsui and Mitsubishi are stakeholders. A industry ministry official in Tokyo said Japan's policy "to reduce imports of Russian LNG in the future remains unchanged, but alternative suppliers cannot be found immediately." Some Japanese officials and companies had been concerned about whether the exemption, which was set to expire Dec. 19, would be extended.

Russia deploys nuclear-powered icebreakers to assist Arctic shipping

(gCaptain; Dec. 16) - Russia has, for the first time, deployed its entire fleet of eight nuclear-powered icebreakers simultaneously to maintain winter shipping lanes in the Gulf of Ob and the Yenisei Gulf, underscoring the strategic importance of Arctic energy exports. The unprecedented deployment is focused on ensuring the flow of oil, liquefied natural gas and mineral cargoes from Russia’s Arctic production regions, including the Arctic Gate oil terminal, Yamal LNG and Norilsk Nickel.

Nuclear icebreakers Taymyr, Yamal, Arktika, Yakutiya, Sibir and 50 Let Pobedy are currently operating in the Gulf of Ob, while Ural and Vaygach are assigned to the Yenisei Gulf and the Yenisei River, supporting traffic serving ports and terminals deep inside Siberia. Russia’s nuclear icebreaker fleet includes two unique shallow-draft vessels, Taymyr and Vaygach, which were specifically designed to operate in Arctic river estuaries. Their ability to break ice in restricted waters makes them essential for keeping export routes open from inland terminals during winter.

For the first time, all four of Russia’s new Project 22220 Arktika-class nuclear icebreakers are deployed simultaneously. Arktika, Ural, Sibir and Yakutiya represent the future of Russia’s nuclear icebreaking capability, offering greater power, improved efficiency and the ability to operate both in deep Arctic seas and, with adjustable draft, in shallower coastal waters. Looking ahead, Russia has three additional nuclear icebreakers of the new Arktika class under construction. Chukotka, Leningrad and Stalingrad are expected to enter service in 2026, 2028 and 2030, respectively.

First Nation-led Canadian LNG project signs up another customer

(Bloomberg; Dec. 16) - Ovintiv has signed on as a long-term customer for the Cedar LNG project that Pembina Pipeline Corp. and the Haisla Nation are constructing on British Columbia’s West Coast. A 12-year agreement will see enough gas shipped by pipeline from Ovintiv’s natural gas fields across British Columbia to the floating liquefied natural gas facility in Kitimat, B.C., where it will be turned into 500,000 tonnes of LNG per year for loading aboard specialized tankers for export overseas.

Last month, Pembina announced a 20-year deal with Malaysia’s Petronas, which also holds Canadian natural gas assets, for one million tonnes per year of capacity at Cedar LNG. Ovintiv changed its name from Encana and moved its headquarters to Denver from Calgary in 2020. It has been building up its position in the Montney formation, which stretches through parts of northeastern British Columbia and northwestern Alberta, most recently through its planned $3.8 billion acquisition of NuVista Energy.

Cedar LNG is scheduled to start production in late 2028, at 3.3 million tonnes per year at full capacity. The project is reported to cost about C$4 billion. Pembina holds a 49.9% stake in the venture, with the Haisla Nation owning 50.1%.

India moving away from gas-fired power to increase reliance on coal

(Bloomberg; Dec. 16) - India could become the latest nation to abandon natural gas as a transition fuel for its coal-heavy power sector. A new proposal to expand electricity generation leaves little space for an energy source that — in other countries — is sometimes seen as a bridge between dirtier coal and intermittent renewables. If such a program is approved, gas-fired power capacity will roughly halve by 2047, the year targeted by India for energy self-reliance and its emergence as a developed nation. And that's from an already low base. It all comes down to cost and energy security.

Production from India's affordable domestic gas fields has been on the decline, leaving gas-fueled plants to depend on costlier imports of liquefied natural gas. Utilities have been losing money when they run on LNG, so many decide not to run at all. As a result, gas has made few inroads into India's electricity mix during the past decade. It contributed less than 2% last fiscal year. India has phased out almost 5 gigawatts of gas-fired capacity that had been idle for years. Some plants had sold their machinery.

Meanwhile, coal — the fuel behind about three-quarters of India's power — remains relatively cheap and plentiful, with reserves to last another century or more. For a country that struggles to meet soaring electricity demand during the hot summer months, ensuring adequate fuel supply is crucial to preventing blackouts and heat-related deaths. Instead of relying on gas, India is considering boosting coal-power capacity by nearly 90% through 2047. China is taking a similar approach, seemingly skipping over gas by focusing on coal-fired plants and renewables.

Global coal shipments for power plants down; first decline since 2020

(Reuters commentary; Dec. 16) - Global shipments of coal burned in power stations have posted their first annual decline since 2020 on the back of lower coal-fired power generation in key Asian markets. Total seaborne exports of so-called steam coal are set to come in at about 945 million metric tons in 2025, marking a 5% or roughly 50-million-ton drop from 2024, data from commodities intelligence firm Kpler shows.

A 7% drop in imports by countries in Asia — the top coal-consuming region — was the main driver of the decline. It raises the possibility that global coal export volumes have peaked and may continue to contract going forward. Countries in Asia accounted for 89% of all thermal coal imports for the year to date, which underscores how concentrated coal shipments have become. They imported 841 million tons of thermal coal, marking a 7% or 60-million-ton drop from 2024 totals.

China was the top overall coal importer this year, followed by India, Japan, South Korea and Vietnam. However, only two of the five largest coal markets — South Korea and Vietnam — posted annual rises in imports this year, which highlights the downbeat tone of coal demand even in the top coal-consuming region. The two largest importers —

China and India — accounted for 48% of all thermal coal imports, and both registered import contractions this year due to a combination of higher domestic coal production and greater power supplies from other sources including renewables.

Canada's emissions deadline extension dismays climate activists

(The Canadian Press; Dec. 14) - The prospect of building a new bitumen pipeline to Canada's West Coast has garnered most of the attention since Ottawa and Alberta announced their sweeping energy accord late last month, but another item has left environmentalists dismayed and energy industry players pleasantly surprised. The federal and provincial governments have agreed to extend by five years the timeline for the oil and gas sector to reduce its methane emissions.

Draft federal regulations had called for a cut of 75% from 2012 levels by 2030. "The existing draft methane proposed laws put down by the federal government are completely unworkable. They're not even close to being practical or realistic," said Tristan Goodman, president of the Explorers and Producers Association of Canada, which represents conventional producers. The latest joint memorandum of understanding would see the two governments enter into an equivalency agreement before April 1 with a 2035 target date to reduce emissions by 75% over 2014 levels.

Alison Bailie, a senior research associate with the Canadian Climate Institute's 440 Megatonnes policy progress tracker, said she was "puzzled" by the change. She has previously written that finalizing the federal government's regulations released in draft form in 2023 would be an "easy win for climate progress." The oil and gas sector is Canada's biggest emitter of methane. The gas can escape into the atmosphere through intentional venting, leaks and inefficient burning. Bailie said the "technology is there" to manage methane and there's a growing industry to support those efforts.

Texas may allow release of Permian drilling wastewater into river

(Bloomberg; Dec. 13) - Texas is about to deploy a potential solution to the oil industry's toxic wastewater problem — but it's a move that carries environmental risks of its own. State regulators are working to issue permits that would let four companies, including major landowner Texas Pacific Land Corp. and pipeline operator NGL Energy Partners, to release treated wastewater from the Permian Basin into the Pecos River near New Mexico, regulatory filings show. At least one could be granted as soon as the first quarter of 2026, according to Texas Pacific.

Oil and gas wells in the Permian, the largest U.S. shale basin, generate 21 million barrels per day of water laden with salt, chemicals and heavy metals. Drillers have been disposing of most of that fluid by pumping it back underground, a practice that has triggered earthquakes and leaks. The proposed projects would be the first in a new generation of Permian treatment plants that would clean the wastewater, allowing it to be jettisoned above — rather than below — the ground. If successful, it could reduce underground disposal and provide water to irrigate crops and cool data centers.

Yet cleaning up the water would raise costs for producers grappling with low oil prices. And the prospect of the oil and gas industry discharging wastewater into Texas rivers, even after treatment, is alarming environmentalists. Regulators have yet to prove such releases are safe, amid growing concern about their effects on human health and ecosystems. “It’s really dangerous,” said Virginia Palacios, executive director at the Texas government watchdog Commission Shift. She doubts whether oil companies and regulators can be trusted to fix an environmental liability they created in the first place.

U.S. oil market signals oversupply

(Bloomberg; Dec. 15) - A corner of the U.S. crude market closely watched by physical traders is signaling oversupply in the latest indication that a global glut has reached domestic shores. Light, sweet West Texas Intermediate at the Magellan East Houston terminal is trading 12 cents a barrel cheaper than later-delivery-dated oil in a structure known as contango. What’s more, the Gulf Coast barrels have been in contango — lower prices for today’s oil — almost every day since October and show no signs of flipping even as suppliers try to drain inventories to avoid year-end taxes.

Oil traders see the Gulf Coast price structure as the new canary in the coal mine for the oil market, as the region houses the nation’s largest tank farm, refining hub and crude-exporting area. The signal of oversupply is particularly important for traders as WTI and Brent oil future prices remain in a stubbornly bullish, backwardated structure indicating oversupplied market conditions ahead.

The regional glut is also showing up in floating storage: Oil loaded onto ships that haven’t moved in at least seven days is near the highest since the throes of the pandemic, according to Vortexa. The International Energy Agency is now forecasting a record supply overhang of 3.8 million barrels a day next year.

China continues adding crude oil to storage

(Reuters commentary; Dec. 16) - China's flows of crude oil into storage looks to have jumped in November to the highest in six months, as a surge in imports overwhelmed steady refinery processing rates. China's surplus of crude was about 1.88 million barrels per day in November, almost three times the 690,000 in October and the most since April's 1.89 million barrels per day, according to calculations based on official data.

The rate at which China has been adding to inventories is increasingly being seen as a key factor in crude oil demand in the world's biggest importer, as well as adding a layer of uncertainty into price forecasts. China does not disclose the volumes of crude flowing into or out of its strategic and commercial stockpiles, but an estimate can be made by deducting the amount of oil processed from the total crude available from imports and domestic output. It is worth noting that not all the surplus crude was likely to have been added to storage, with some being processed in plants not captured by the official data.

But even allowing for those gaps, it is clear that from March onward, China was importing crude at a far higher rate than necessary to meet domestic fuel demand. For the first 11 months of the year, the surplus crude amounts to 980,000 barrels per day, given combined imports and domestic production of 15.8 million and refinery throughput of 14.82 million. The lower trend in oil prices is encouraging China's refiners to increase imports and boost flows into inventories. It is reasonable to expect that if crude prices remain soft, Beijing will continue to lift imports in order to build inventories.

Market can handle drop in Venezuelan oil exports

(Reuters commentary; Dec. 15) - The United States' tightening grip on Venezuela’s oil exports could strangle the country's crude output and cut off President Nicolas Maduro's main economic lifeline, but it will have limited impact on the global market. The U.S. Coast Guard last week seized in mid-ocean a supertanker carrying Venezuelan crude to Cuba, marking a step-up in Washington's campaign as the U.S. military continues to build up its biggest presence in the Caribbean since the Cuban missile crisis.

The U.S. is preparing to intercept more ships transporting Venezuelan oil, Reuters reported Dec. 11, while Washington has imposed new sanctions on Maduro's family, six tankers and shipping companies linked to them. The military chokehold on Venezuela is intended to deter shipment of Venezuelan oil via the expanding "dark fleet" of unregulated, sanctioned and uninsured ships also used extensively by Russia and Iran.

The pressure is having an impact on Venezuela's oil industry. Crude exports spiked in September to over 1 million barrels per day, the highest since February 2019, likely because the state-run oil company was depleting inventories in anticipation of tightening restrictions. Venezuelan exports are now set to drop in December to 702,000 barrels per day, the lowest since May, according to data from analytics firm Kpler. Meanwhile, there are signs that Asian buyers are asking for deeper discounts for Venezuelan crude.

Venezuela's oil production could decline by between 300,000 to 500,000 barrels per day because of lower exports and production restrictions, according to Reuters estimates. This figure, however, is unlikely to have much of an impact on today's well-supplied global oil market, which faces the prospect of a severe glut next year. Any shortfalls in the production of heavy crude would likely be offset by sharply increased output from Canada and the Gulf of Mexico, which also produce these types of grades.

Chevron continues moving Venezuelan oil, unaffected by sanctions

(Wall Street Journal; Dec. 16) - Chevron is one of the last big shippers of Venezuelan oil after the U.S. seized a sanctioned tanker last week allegedly carrying the country's crude to the black market. The threat of another U.S. seizure has disrupted the bustling traffic of dark-fleet vessels ferrying the Latin American country's oil to China and Cuba. Several tankers are idling at Venezuelan ports, and others are veering away from the region, vessel-tracking data show. President Donald Trump on Dec. 16 ordered a complete blockade of all sanctioned oil tankers going into and out of Venezuela.

For Chevron, though, it remains business as usual. The company is still sending oil tankers to the U.S. Gulf Coast, its operations unimpeded thus far by rising tension between Trump and Venezuelan President Nicolas Maduro. The day after U.S. forces captured the dark-fleet supertanker Skipper, two vessels carrying crude for Chevron departed from the Bajo Grande, a port on Venezuela's Lake Maracaibo, both bound for the U.S., according to data from TankerTrackers.com. A Chevron spokesman said its operations in Venezuela continue without disruption and in compliance with the law.

Chevron has long faced criticism for operating in Venezuela but has shown remarkable staying power in the country, where it has had a presence for more than 100 years. Its operations, according to its critics, benefit Maduro, whose regime runs on oil revenue. Under Chevron's license to work in Venezuela, about half the oil it and state-run PdVSA pump goes to Maduro's government, which can monetize it by selling to China or Cuba using a shadow fleet. The U.S. has sanctions in place that prohibit companies from trading Venezuelan oil; Chevron's license is an exception to the rule.

TotalEnergies CEO believes demand will grow, bolstering oil prices

(Bloomberg; Dec. 17) - TotalEnergies CEO Patrick Pouyanne said rising demand for oil will help to underpin prices, despite their recent slump on growing concerns about a global surplus. Oil prices are on track for a yearly loss, with supply set to exceed demand both this year and next thanks to growth in production from the Organization of the Petroleum Exporting Countries and a host of non-member nations in the Americas. On Dec 16, crude prices closed at their lowest levels in almost half a decade.

But Pouyanne expects the market to stabilize as U.S. and OPEC producers work to avoid worsening the glut and as consumption climbs. "Demand continues to grow," Pouyanne said in an interview with Bloomberg TV in Paris on Dec. 16. "I trust also OPEC countries to manage the situation" for output, he said, adding that U.S. shale producers will scale back on pumping if prices "are too low."

Pouyanne was more negative on the prospects for the liquefied natural gas market. He said prices will probably drop in 2027 as a wave of new LNG export projects in Qatar and the U.S. come online. Meanwhile, TotalEnergies is mobilizing workers and contractors at its LNG project in Mozambique after halting construction for four years because of attacks in the region. The company has a view to start production by the end of 2028 or beginning of 2029, he said.

Canadian oil sands producers plan to increase production next year

(Bloomberg; Dec. 17) - Canadian oil sands producers led by Cenovus Energy plan to expand production next year despite an impending global supply glut that threatens to deepen the slump in crude prices. All four of Canada's biggest oil companies including Cenovus, Canadian Natural Resources, Suncor Energy and Imperial Oil are forecasting higher output in 2026, according to guidance midpoints.

Canadian drillers are boosting crude production to take advantage of surplus pipeline capacity to the export terminal on Canada's Pacific Coast and to the U.S. Last year's expansion of the Trans Mountain pipeline system probably won't be filled to capacity until 2027, according to the pipeline operator. What's more, Enbridge has rolled out plans to expand a pipe network that feeds oil sands crude to U.S. Lower 48 markets.

Additional Canadian barrels threaten to worsen what the International Energy Agency projects will be an unprecedented global crude surplus. That forecast has already bumped U.S. benchmark prices down 22% this year, putting them on track for the worst annual performance since 2018. Western Canadian crude is trading almost $13-a-barrel below the U.S. benchmark. Although OPEC+ tends to dominate oil market headlines, Canada wields considerable weight in overall supply fundamentals given its status as the world's No. 4 crude producer behind only the U.S., Saudi Arabia and Russia.

Prices for Russian oil drop to average of just over $40 a barrel

(Bloomberg; Dec. 16) - Russian crude prices are at their lowest since the war in Ukraine began, as sanctions deepen the discounts the nation's oil industry needs to offer and benchmark futures tumble. On average, Russian oil exporters are receiving just over $40 a barrel for cargoes shipped from the Baltic, Black Sea and the eastern port of Kozmino, according to data from Argus Media. That's down 28% over the past three months, with recent restrictions targeting Rosneft and Lukoil widening the markdowns.

Mounting Western pressure on Russia's oil trade has made it increasingly difficult to sell and deliver the barrels, with measures also targeting refiners at top buyers like India. In addition, global benchmark oil prices are sliding, trading below $60 a barrel for the first time since May on Dec. 16. The revenues Russia receives for its oil — which combined with natural gas account for about a quarter of the nation's state budget — are critical to fund its war. Lower income strains the finances of the nation's oil companies and reduces the amount of tax they pay into the Kremlin's coffers.

Indian officials said they expect imports from Russia to be about 800,000 barrels a day this month, sharply lower than in November, though still a significant volume of supplies. A Chinese refiner recently bought a shipment of crude from Russia's eastern ports at the steepest discount this year. The two nations are the main buyers of Russian oil.

European Parliament approves phase-out of Russian gas by 2027

(S&P Global; Dec. 17) - The European Parliament on Dec. 17 approved phasing out Russian gas and LNG imports into the EU by late 2027. Members of parliament voted to support a provisional deal struck earlier in December in negotiations with the European Council. The parliament's vote brings the Russian gas and LNG ban to the cusp of becoming law; the European Council is expected to vote on the deal early next year.

Under the proposed law, a series of staggered restrictions would be implemented. Spot imports of Russian gas and LNG would be prohibited six weeks after the law takes effect. Pipeline imports of Russian gas brought in under short-term contracts concluded before June 17, 2025, will be banned from June 17, 2026. Pipeline gas imports under long-term contracts will be banned from Sept. 30, 2027, if member states are on track to meet gas storage filling targets, and from Nov. 1, 2027, if they are not on track.

Russian LNG imports under short-term contracts concluded before June 17, 2025, will be banned from April 25, 2026. Imports under long-term contracts will be outlawed from Jan. 1, 2027, in line with the restrictions in the EU's 19th sanctions package approved in October. The EU legislation would be more durable than sanctions, which require unanimous council renewal every six months.

EU plans to expand climate policy levy on imported goods

(Bloomberg; Dec. 16) - The European Union plans to expand an incoming emissions charge on imported goods as part of efforts to strengthen a flagship climate policy that's aimed at protecting the bloc's industries during the green shift. The EU has pressed ahead with its Carbon Border Adjustment Mechanism — which covers six emissions-intensive sectors — despite criticism from trading partners including the U.S. and China. It plans to propose measures to extend the levy to some assembled goods such as cars and washing machines to help close loopholes, according to a draft seen by Bloomberg.

The EU introduced the mechanism to safeguard its industries during an ambitious shift to net-zero by 2050 and to prompt other parts of the world to make their output greener. The idea is that Europe's carbon-intensive sectors forced to comply with the bloc's world-leading climate laws won't face unfair competition from manufacturers operating in nations with weaker rules. It comes amid concerns that Europe is deindustrializing under the strain of high energy prices and the green transition.

“The overall objective of the legislative proposal is to strengthen the effectiveness of CBAM,” the EU said in the draft proposal, which is subject to change. “This proposal will extend the scope of CBAM to selected steel and aluminum-intensive downstream products.” Under rules, the fee that importers pay could be at least partially waived if a carbon levy has already been paid in the country where the goods were produced.