

Oil and Gas News Briefs

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Expensive gas drives U.S. to burn more coal to meet power demand

(Energywire; Dec. 4) - Electricity markets used to be predictable. In 2025, they're anything but. Coal is enjoying a revival, natural gas generation is down, and renewables are forging ahead despite political headwinds. Some of that is driven by weather, which increased electricity demand this year, and by President Donald Trump's dismantling of environmental regulations and the Inflation Reduction Act. But most of the upheaval is due to wider economic trends that burst into full view this year — namely, the growth in U.S. exports of liquefied natural gas and rising electricity demand from data centers.

"I feel like we're at the edge of the storm," said Ric O'Connell, executive director of the consulting firm GridLab. "The storm is the load growth that is showing up in the next couple of years. The IRA is going away, and gas prices are potentially going to spike. The next couple of years could be messy." The trends mark a shift from the previous decade, which was defined by stagnant power demand, low gas prices, coal plant retirements and a wave of renewable installations. Coal generation was up 13% through the end of September compared with the same time last year, according to U.S. data.

Part of the increase is due to a cold winter and hot summer, said Andy Blumenfeld, an analyst who tracks coal markets at the consulting company McCloskey by OPIS. But high natural gas prices and growing demand for electricity are playing a bigger role in stoking demand for coal. Last year, natural gas prices averaged \$2.20 per million Btu, while this year they are on track to average \$3.50. Next year, gas prices are expected to increase to an average \$4, according to U.S. Energy Information Administration. When utilities see gas prices like that, they tend to fire up coal.

Rising U.S. natural gas prices squeeze profits for LNG producers

(Reuters commentary; Dec. 4) - Soaring U.S. natural gas prices are eroding profit margins for the nation's LNG producers, a trend that could deepen in the coming years, forcing exports to drop as global competition heats up. U.S. benchmark Henry Hub gas prices spiked on Dec. 3 to their highest level in three years at over \$5 per million Btu for January delivery thanks to the combination of cold weather across the U.S. Northeast and a sharp rise in feedstock demand from liquefied natural gas export plants.

At the same time, an abundance of global LNG, mostly due to new U.S. supply additions, has pushed prices lower in big demand centers in Asia and Europe. Europe has felt the biggest impact of the low prices, as it takes 65% of U.S. LNG exports.

Benchmark European gas prices fell to their lowest since April 2024. The effect was magnified by weaker Chinese imports, which are set to fall to around 65 million tonnes this year, their lowest since 2022, according to data from commodity analysts Kpler.

As a result, the spread between Henry Hub and European prices has shrunk to around \$4.70 per million Btu, the slimmest since April 2021, according to LSEG data. This is squeezing the profit margins for U.S. LNG exporters. "U.S. LNG has made outstanding margins since late 2021, but those margins have come back to more normal levels now as the market has stabilized and new LNG capacity starts coming online," said Saul Kavonic, head of energy research at MST Marquee.

Many U.S. LNG export contracts will be out of the money if the spread drops below \$4. And if margins fall below \$2, representing LNG production costs, operators will almost certainly have to reduce production, according to Kavonic. Production is unlikely to be curtailed next year as spreads are unlikely to breach the \$2 level. But that could change in 2027 and 2028 when more supply comes onstream, mostly from the U.S. and Qatar.

Indonesia cancels plan to close down coal-fired power plant

(Bloomberg; Dec. 5) - A coal-fired power plant in Indonesia scheduled to close down early and act as a flagship for efforts to shift Asia's economies away from the fossil fuel has scrapped proposals to shutter ahead of schedule. Cirebon-1 in West Java, a few hours' drive east of Jakarta, had been due to be retired almost seven years early under an agreement between Indonesia's government, the Asian Development Bank and other partners, struck on the sidelines of the COP28 U.N. climate conference in 2023.

The proposal has been canceled by the government because of the power plant's long remaining operational life, Coordinating Minister for Economic Affairs Airlangga Hartarto said Dec. 5 in Jakarta. Indonesia will search for other coal plants to retire, he said. "One of the considerations is that Cirebon still has a long lifespan and uses super critical technology, which is relatively better, so we are looking for an alternative," Hartarto said.

PT PLN, the state-owned utility which buys the plant's electricity, has previously pointed to the huge costs associated with installing sufficient renewable energy capacity to replace lost coal generation, and the complicated economics of retiring a facility with years left of operational life. The decision to drop the Cirebon-1 closure plan — intended as a blueprint for the wider region — underlines the scale of the challenge to accelerate a shift to cleaner power sources in Asia's large and resource-rich developing economies, where coal generation capacity has risen in recent years.

Argentina oil and gas company expects FID on LNG project next year

(Reuters; Dec. 4) - The chief executive of Argentina's state-controlled energy company YPF expects a final investment decision on a \$20 billion, 12-million-tonne-per-year liquefied natural gas project around the middle of next year, he told Reuters on Dec. 4. Horacio Marin added that he expected YPF and its partners in the project, Eni and Abu Dhabi National Oil Co.'s investment arm XRG, to each have about one-third equity.

Shell told Reuters it stepped away from a separate phase of the Argentina LNG project. It cited a significant change in the project scope as its reason for exiting. Marin said the Shell-related phase had halved to 6 million tonnes from 12 million, adding that the venture involving Eni and XRG is the priority and YPF would seek another partner to replace Shell. Exports from the project involving Eni and XRG will likely start in 2030 or 2031, or four years from the potential final investment decision in mid-2026, Marin said.

YPF will use JPMorgan to seek project financing in early 2026 for the 12-million-tonne project, Marin said. Financing typically covers 70% to 80% of such a project, he added. Assumptions for the project are based on current LNG prices to Asia, Marin said. Argentine LNG exports to Asia are more competitive than U.S. exports to Asia, but less competitive than U.S. exports to Europe, he said.

Europe looks to be OK this winter with gas supply

(Bloomberg; Dec. 4) - In a chic hotel by the Bosphorus Strait in Turkey, a feeling of optimism was in the air as gas market participants from around the world gathered this week to ink new supply deals. The message from this year's World LNG Summit in Istanbul was clear: Europe, one of the top global gas consumers, is probably going to be OK this winter, even after a rough start to 2025.

Supply worries have dominated the region's cold season every year since the 2022 energy crisis, when it lost the bulk of its gas flows from former top supplier Russia. When gas inventories ended last winter nearly fully depleted, buyers fretted they wouldn't be able to build up sufficient stockpiles for the next heating period. Now, the sense from the Istanbul conference is that a recent surge in liquefied natural gas imports, mainly from the U.S., will be enough to carry it through.

More big projects will follow and help to satisfy the "massive appetite for LNG," said Steve Hill, executive vice president for gas and LNG trading at Mercuria Energy. While that's come as a relief to a market that was previously dominated by volatility, some participants are cautioning that Europe isn't completely out of the woods just yet. The global LNG market won't shift into real supply abundance until the second half of next year, so a severe cold spell could still cause prices to spike this winter.

Turkey in talks with U.S. oil and gas majors to buy upstream assets

(Bloomberg; Dec. 4) - Turkey is exploring investments in U.S. oil and gas fields as it accelerates a sweeping overhaul of its energy portfolio that's so far been built around U.S. LNG imports. Turkish Petroleum Corp. is in talks with Chevron, Exxon Mobil and other U.S. majors to take positions in upstream assets, as part of Turkey's plan to expand from its growing exposure to liquefied natural gas, the country's Energy Minister Alparslan Bayraktar said Dec. 3 on the sidelines of the World LNG summit in Istanbul.

Announcements might come as early as next month, he said. The plan adds a new layer to Turkey's expanding relationship with the U.S., which has become a major source of long-term gas supply to Ankara. While Turkey is looking to secure access to fuels that are key to power its energy-hungry \$1.4 trillion economy and diversify sources away from Russia and Azerbaijan, it's also a way for President Recep Tayyip Erdogan to boost influence and build economic relationships.

Turkey has done LNG deals with companies including Mercuria Energy and Woodside Energy, mainly from plants in the U.S. This week, it agreed to 10-year contracts with Eni and Germany's SEFE for gas. Turkey has signed long-term LNG deals for 5.3 trillion cubic feet of gas since late 2024, with much of the supply starting between 2027 and 2030. Bayraktar said U.S. LNG has become "more competitive" than pipeline gas from Russia and Iran. Turkey has imported 5.2 million tonnes of LNG this year, according to data compiled by BloombergNEF. That's the equivalent of 250 billion cubic feet of gas.

South Korean company signs strategic partnership for Alaska LNG

(Yonhap News Agency; South Korea; Dec. 5) - POSCO International has finalized a strategic partnership agreement with Glenfarne Alaska LNG for the development of an Alaska liquefied natural gas project, becoming the first South Korean company to officially participate in the project backed by President Donald Trump, the American company said Dec. 5. POSCO, a major gas importer in Korea, signed agreements with Glenfarne, the project's lead developer, in Washington Dec. 1, according to Glenfarne.

Glenfarne said the agreement includes terms for POSCO Group, a major steel producer, to supply a significant portion of the steel required for Alaska's 800-mile gas pipeline. The Korean company also signed a 20-year heads of agreement to purchase 1 million tonnes of LNG per year, which marks the first HOA for Alaska LNG, Glenfarne said. The developer, which is working to line up customers and investors, has said it plans to make a final investment decision on the export project next year.

POSCO also agreed to make a capital investment in the Alaska project before there is a final investment decision. The value of the investment was not disclosed. The Trump administration has been pushing South Korea, Japan and other Asian countries to invest in the Alaska project. The Korean government agreed to purchase \$100 billion

worth of U.S. energy products as part of a trade deal with the U.S., under which the Trump administration lowered the reciprocal tariff rate on South Korea goods to 15% from 25%. The administration also cut tariffs on Korean cars to 15% from 25%.

Louisiana agency approves LNG project a month after judge said no

(Louisiana Illuminator; Dec. 4) - Environmentalist groups and some local residents are disgruntled after Louisiana officials recently gave the go-ahead for construction of a liquefied natural gas export facility soon after a state judge suspended the project. Judge Penelope Richard of the 38th Judicial District Court suspended Commonwealth LNG's permit in October in response to a lawsuit from the Sierra Club. She ruled that the Louisiana Department of Conservation and Energy had not considered the effects of climate change and the high density of LNG export facilities already in the area.

She also ruled that the state failed to consider the disproportionate impact of pollution on nearby communities when it approved the permit. The state agency issued updated reasons Nov. 18 for approving Commonwealth's permit a second time, allowing the project to move forward. Officials determined the benefits of the project "outweigh the costs" of its environmental impact on Southwest Louisiana's coast and communities.

"Economic benefit outweighing all of these things is frustrating to me," said John Allaire, who lives within 30 miles of three existing LNG facilities and six more planned or under construction. The new state permit approval was based on an "independent analysis" of documents from state and federal agencies that had considered the effects of climate change, environmental justice and the cumulative impacts of multiple LNG facilities. Department of Conservation and Energy officials concluded it was in the best interest of the state to grant the permit.

Partners in Australia LNG will spend \$2 billion to develop more gas

(Reuters; Dec. 5) - The Australian unit of U.S. oil giant Chevron said on Dec. 5 that the partners of the Gorgon LNG joint venture have approved the A\$3 billion (US\$1.98 billion) Stage 3 development off Western Australia's northwest coast. The gas fields development will be used as backfill for the exiting liquefaction plant and will link the offshore Geryon and Eurytion fields to Gorgon's existing infrastructure on Barrow Island.

The project proposal was accepted in November by the offshore environmental regulator after being submitted for public comment by Chevron in August 2024. The Chevron-operated Gorgon project is a joint venture among the Australian units of Chevron, Exxon Mobil and Shell, which collectively own roughly 97.3%, with Japan's Osaka Gas, JERA and U.S.-based firm MidOcean holding the remaining stake.

In addition to LNG exports, the Stage 3 project will enable the long-term supply of domestic gas for Western Australia households and industry, Chevron Australia president Balaji Krishnamurthy said. The state has a mandated 15% gas reservation policy for domestic use for all LNG projects. Gorgon has the capacity to produce 15.6 million tons of LNG per year. Chevron will drill a maximum of 40 wells across seven fields, with a field life extending to 2070, according to documents filed with the regulator.

Qatar's energy minister says more LNG needed to meet AI demand

(Bloomberg; Dec. 6) - Qatar's energy minister said he's "really worried" a lack of investment and a surge in energy use from artificial intelligence will create a shortage of LNG and natural gas supplies beyond 2035. Saad Sherida Al-Kaabi said global annual demand for liquefied natural gas will increase between 600 million tonnes and 700 million tonnes in 10 years time — compared to the latest yearly production level of 400 million — with much of it driven by growth in energy-intensive AI.

"There's underinvestment, and if that doesn't happen in the next five to six years we will have issues in 2035," Al-Kaabi told the Doha Forum in the Qatari capital on Dec. 6, adding that he's worried a lack of investment will cause a spike in gas prices. "Every country we talk to has 10% to 20% of their (power) demand coming from AI," he said.

Qatar, among the world's top three LNG exporters, is expected to start initial production next year from a massive expansion project of its North Field, which, at full build-out, will boost the country's annual LNG capacity from 77 million tonnes to 126 million tonnes. Qatar last year announced an additional expansion to 142 million tonnes, slated for completion in 2029-2030.

Analysts expect China and India to continue buying some Russian oil

(S&P Global; Dec. 3) - Asian importers of Russian crude are expected to maintain their purchases, albeit at a reduced pace, following the latest round of U.S. sanctions on Russian companies, according to speakers at the Financial Times Commodities Asia Summit on Dec. 3. India and China, the leading importers of Russian crude, have been scouting for alternatives to obtain Russian supplies from non-sanctioned entities, while simultaneously engaging with traditional suppliers in the Middle East, Africa and the Americas for additional volumes — a trend expected to persist into 2026, speakers said.

Saad Rahim, chief economist at commodities trader Trafigura, said the latest round of sanctions had a relatively smaller impact on China compared with India. "With India, it has been sort of up and down. With the latest round of sanctions, particularly on Rosneft and Lukoil, you have seen at least the Indian oil majors pull back a little bit from Russian oil," Rahim told the conference. "But, ultimately, while volumes are coming

down, they are not going to zero. Because you are still seeing some of the maybe smaller buyers who are buying from the non-sanctioned Russian entities."

Baldev Bhinder, managing director of Blackstone & Gold, an international trade and commodities law firm based in Singapore, told the conference that while China and India could face some sourcing challenges due to the sanctions, refiners have been rapidly developing alternative sourcing strategies. "I think India and China are prepared for it. There will be reduced Russian flows naturally because of sanctions on Lukoil and Rosneft, but there are others who would be supplying price-capped Russian oil."

Market watches to see how much Russian oil India imports

(Bloomberg; Dec. 5) - India's imports of Russian crude are expected to plunge to a near four-year low in early 2026 after months of U.S. pressure. But as workarounds emerge and the Kremlin cranks up its charm offensive, the question is how long that drop will last. India has until now been one of the great beneficiaries of restrictions on Russia's oil, becoming the No. 1 buyer of seaborne Russian crude as curbs resulted in deep discounts, taking a near-record 2.1 million barrels a day in June, or 45% of its imports.

By contrast, oil arriving in India from Russia next month could fall by as much as 600,000 barrels a day, according to people involved in the purchases — the weakest level since early 2022, when the Kremlin launched its invasion of Ukraine. That's down to Trump administration's aggressive campaign against purchases it has said are funding the Kremlin's war machine, and sanctions against top producers Rosneft and Lukoil. Still, even January's low is well above pre-war levels.

According to traders and refiners, volumes could rebound as unsanctioned suppliers move into the market and a number of new trading intermediaries appear. Russian President Vladimir Putin was in Delhi this week to press his case, promising to continue "uninterrupted shipments." U.S. sanctions add hurdles but are not enough to completely stop the trade, said Elisabeth Braw, senior fellow at the Atlantic Council. "If your position on Russian oil is that you buy it not out of ideological affinity with Russia, but because it's a product that suits you at a price that suits you, then you will keep doing it."

Russia encounters shortage of tankers available to carry its oil

(S&P Global; Dec. 5) - Tightening sanctions on Russia are driving more Western oil tankers away from the country, resulting in a growing logistics bottleneck due to slow deliveries by other tankers, according to ship-tracking data and some tanker industry participants. Tankers flagged, owned or operated by companies based in G7 countries and their allies, or covered by Western insurers, lifted 24.4% of Russia's exports of 3.4

million barrels per day in November, according to data from S&P Global Commodities at Sea (CAS) and Maritime Intelligence Risk Suite. The share was at a three-month low.

In October, the G7 ships were responsible for 27.5% of Russia's 4.1 million barrels per day of overseas shipments. The grace period for U.S. sanctions on Rosneft and Lukoil was over on Nov. 21, significantly increasing compliance risks for tanker companies transporting the top Russian oil producers' cargoes. The seaborne exports of the two companies combined fell to just 1 million barrels per day in the final week of November, compared with an average of 1.9 million during the year, according to CAS data.

The non-G7-fleet, mainly comprising shadow tankers transporting oil outside of the price cap, lifted 103 million barrels in November based on CAS and MIRS data. This was much lower than 128 million barrels in October, a record high. Despite the shadow fleet comprising nearly 1,000 ships, their operational efficiency has fallen sharply amid tightening U.S. sanctions, with a growing number of them becoming idle and unable to find trading routes, according to Anoop Singh, global head of shipping at Oil Brokerage.

Canadian crude prices trade at widest discount to U.S. since March

(Bloomberg; Dec. 3) - Canadian crude prices have fallen to their weakest relative to the U.S. benchmark since March as surging production from Alberta meets an already well-supplied world market. Heavy Western Canadian Select in Alberta for January traded at \$13 below West Texas Intermediate on Dec. 3, according to data from brokerage firm Modern Commodities. The heavy crude grade is trading at its biggest discount since March, when the Trump administration briefly imposed 10% tariffs on Canadian oil.

On the U.S. Gulf Coast, Canadian heavy crude for January is trading \$4.75 shy of WTI, the widest discount in almost a year, according to Link Data Services. The slide in Canadian prices comes as the return of rationing on the country's biggest crude export pipeline system signals output is soaring after seasonal oil sands mine maintenance in October. Canada's production is adding further bearish pressure to the global market as the first major glut since 2020 emerges, with U.S. futures trading below \$60 a barrel.

Demand growth is faltering as President Donald Trump's tariffs weigh on economies around the world, and while China struggles with a property market downturn and lackluster consumer spending. Volumes on the expanded Trans Mountain Pipeline, Western Canadian producers' sole conduit for shipping crude to Asia and the U.S. West Coast, are poised to dip in December due to the buildup of stored volumes of oil on tankers around the world, Trans Mountain CEO Mark Maki said in an interview.

Deal to reopen key Iraqi oil pipeline expires at end of the month

(Reuters; Dec. 4) - Iranian drones swept through the mountain air of northern Iraq's Kurdistan region in mid-July, homing in on their targets: oil fields run by Americans. Fired by an Iranian-backed militia group within Iraq, likely in retaliation for U.S. strikes on Iran's nuclear sites weeks earlier, one struck the Sarsang field operated by HKN Energy, a company owned by the son of Texas billionaire Ross Perot. Another hit a nearby field run by Dallas-based Hunt Oil.

By the end of the four-day assault, which also disrupted operations at other companies, nearly half of the Kurdistan region's oil production had been halted. The direct attack on U.S. interests enraged Washington, which had long felt Iraq was not doing enough to tackle pro-Iranian militias, and spurred it to ramp up a pressure campaign on Baghdad, according to nine sources familiar with the matter. That campaign ultimately led to Iraq reopening a key export pipeline for Kurdistan's oil — a major concession that points to a tilt in the balance of influence within Iraq away from Tehran and toward Washington.

"It's safe to say Secretary (of State Marco) Rubio delivered some tough messages to Baghdad to make it clear that a moment of choosing was at hand," said a source within the Trump administration about the U.S. response to the drone strikes. Washington had been pressing for the pipeline to Turkey's Ceyhan port to be reopened ever since it was closed in 2023 in a dispute between Baghdad and the Kurdistan Regional Government over oil sales that cut out the federal government. The pipeline resumption agreement is temporary, however, and up for review in Iraq at the end of December.