Oil and Gas News Briefs
Compiled by Larry Persily
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Energy economics institute report casts doubts on Alaska LNG

(Institute for Energy Economics and Financial Analysis; Feb. 27) - Following the first summit between Japanese Prime Minister Ishiba Shigeru and U.S. President Donald Trump in early February, both leaders announced an intention to increase “exports of U.S. liquefied natural gas to Japan in a mutually beneficial manner.” Trump claimed that Japan would start importing U.S. LNG “immediately” and in “record numbers.”

However, these announcements mask important realities about the U.S.-Japan LNG trade that are cause for skepticism. First, recent political announcements have not been accompanied by commercial deals between buyers and sellers. Second, the economics of U.S. projects like Alaska LNG are questionable, and Asian buyers have resisted signing onto the project for years. Third, Japan’s LNG demand has fallen sharply over the past decade, and the country is now reselling more LNG overseas than ever before.

Trump said Japan would form a “joint venture” with the U.S. to support the proposed Alaska LNG project — estimated to cost at least $44 billion, which involves construction of an 800-mile pipeline and a liquefaction plant. However, the Japan Gas Association notes that private companies, not political leaders, procure LNG. Japan’s investment in the project depends on whether private companies see a viable business case.

The Alaska LNG project has remained in the nascent stages of development for nearly two decades. To date, no buyers have finalized purchase deals. LNG projects typically need 80% or more of their capacity under contract to secure financing. Japan’s Mitsui is reportedly evaluating the project due to its proximity to Asia, but will only consider cost-competitive proposals. The project’s remote location and expensive construction make this unlikely; potential buyers have expressed strong doubts about its economic viability.

When asked recently about the project, Mitsui’s Chief Financial Officer Tetsuya Shigeta replied, “We have nothing we can talk about now, including our policy.” Japan Petroleum Exploration recently described Alaska LNG as an unrealistic investment proposition.

Japan’s JERA looks to new supplies for long-term LNG contracts

(S&P Global; Feb. 25) - JERA will secure "a certain volume of long-term contracts" from a portfolio of flexible and reliable suppliers beyond 2030, buoyed by the fuel's reassured position under Japan's new Strategic Energy Plan, CEO Hisahide Okuda told Platts, part of S&P Global Commodity Insights. "We believe we must have a certain volume of long-term contracts (for energy security and price stability)," Okuda, president of the largest Japanese power generation company, said Feb. 21 in an interview as he was commenting on the country's bulk of long-term LNG contracts expiring around 2030.

"Basically, I believe that an increase in U.S. supply is positive, considering energy security," he said. "Taking into account the current portfolio, we think that the proportion of U.S. (supply) is relatively low from a balanced perspective, so we believe it would be good to increase this." Japan imported 6.34 million tonnes of U.S. LNG in 2024, accounting for 9.6% of the country's total imports of 65.89 million tonnes, according to Ministry of Finance data.

In its pursuit of a balanced LNG supply portfolio, Okuda said it was also "very important" to combine flexible supplies with supplies from "other projects that, while not very flexible, have vast reserves and are competitive." He added, "In the case of Qatar, it has an overwhelmingly large production volume and abundant reserves, and it also has a very high capacity to provide emergency support when needed. This becomes extremely important for energy security," he said.

Japan’s Inpex targets 2027 investment decision for Indonesia LNG

(Reuters; Feb. 26) - Inpex Corp., Japan's biggest oil and gas explorer, says it has received interest to buy liquefied natural gas from its $20 billion Abadi LNG project in Indonesia that exceeds planned output, its chief executive said. The long-delayed project, set to produce up to 9.5 million tonnes of LNG annually, is expected to be a key growth driver for Inpex, which aims for a final investment decision in 2027.

"Non-binding inquiries from (potential buyers in) Indonesia, China, Taiwan and other Asian countries have already exceeded Abadi's production volume," CEO Takayuki Ueda told Reuters in an interview on Feb. 25. "We are getting sufficient interest to start detailed design," he said, adding that Inpex will proceed with marketing and financing talks. Inpex owns a 65% stake in the Abadi project in eastern Indonesia, with Indonesia's Pertamina and Malaysia's Petronas purchasing Shell's 35% holding in 2023.

For its flagship Ichthys LNG project in Australia, 90% of the long-term contracts were with Japanese buyers, but that share will likely decline for Abadi due to strong demand from other countries, Ueda said. Aiming to increase its net LNG handling volume from 7.5 million tonnes now to 8.5 million by 2027, Inpex also is interested in buying U.S. LNG to diversify its portfolio, he said, though it will decide after evaluating prices. He declined comment on the proposed Alaska LNG project, but stressed any investment must be economically viable, citing past exits from unprofitable U.S. shale oil projects.

Woodside may decide Louisiana LNG project before finding partners

(Wall Street Journal; Feb. 24) – Australia-based Woodside Energy is prepared to make a final decision on its Louisiana LNG export project without a binding agreement to bring in investors first, but only if it has high confidence that a deal will happen. CEO Meg O'Neill said Woodside continues to talk to potential partners in Louisiana LNG and aims to be in a position from the end of March to decide whether to proceed with construction. "The objective is to have high confidence in a sell-down, either signed agreements or a pathway to binding agreements," O'Neill said in an interview.

Woodside acquired Louisiana LNG through its $900 million takeover of U.S. developer Tellurian last year, stating then that it didn't intend to own all of the equity in a project that represents a major bet on global gas demand and the U.S. energy sector. O'Neill said Woodside is negotiating with high-quality partners and that the sales process is well progressed. If a binding deal isn't in place by the time the board meets to make a final investment decision on Louisiana LNG, then it needs to be very close, she said.

Analysts have speculated that Woodside wants to sell around a 50% stake in Louisiana LNG to reduce its share of development costs and risks. Louisiana LNG's first phase would produce 11 million tonnes of liquefied natural gas, although Woodside holds permits to produce as much as 27.6 million tonnes of LNG annually.

Shell forecasts 60% growth in LNG demand by 2040

(Reuters; Feb. 25) - Global demand for liquefied natural gas is estimated to rise by around 60% by 2040, driven largely by economic growth in Asia, the impacts of artificial intelligence and efforts to cut emissions in heavy industries and transportation, Shell said in its annual report Feb. 25. Demand for gas continues to rise globally as the world transitions to cleaner fuels. Industry forecasts LNG demand to reach between 630 million and 718 million tonnes a year by 2040, up from 407 million in 2024, Shell said.

The latest view from the world's largest LNG trader is higher than last year's forecast, which pegged global LNG demand in 2040 at 625 million to 685 million tons per year. "Upgraded forecasts show that the world will need more gas for power generation, heating and cooling, industry and transport to meet development and decarbonization goals," said Tom Summers, Shell's senior vice president for LNG marketing and trading.

China, the world's top LNG importer, and India are increasing LNG import capacity and gas-related infrastructure to meet rising demand, Shell added. Natural gas imports into China are forecast to rise this year as economic stimulus plans lift industrial demand, although trade tensions with the U.S. may cap growth. China saw total natural gas imports, including pipeline supply, of 131.69 million tonnes last year, the highest since at least 2013. Of that volume, 76.65 million tonnes was LNG, according to customs data.

Qatar runs into resistance on its LNG contract terms

(Bloomberg; Feb. 24) - Qatar's effort to sell liquefied natural gas from a massive expansion project is being complicated by Chinese and Indian buyers demanding lower prices and more favorable terms. Officials from state-owned QatarEnergy met Chinese companies earlier this month and offered supply deals spanning at least a decade, with prices near a 13% link to the Brent crude benchmark, according to people with knowledge of the matter. The buyers have instead pushed for pacts in the low- to mid-12% Brent, said the people, who asked not to be identified.

Qatar's insistence on strict contract terms, such as dictating delivery ports, have also made deals more onerous. An absence of long-term contracts could result in an oversupply of unsold LNG, which may force the country to offload the fuel in the spot market, potentially at a discount. While that is good news for consumers struggling with high prices, it would risk squeezing profits from Qatar's flagship project.
Unlike most U.S. LNG exporters, which sell at a markup to a domestic gas price benchmark plus a liquefaction fee, Qatar mainly pegs long-term deals to a percentage of the price of a barrel of oil, an industry practice from the 1970s. The country has sold about 60% of the volume from the first phase of its multibillion-dollar expansion project via long-term contracts, and 44% of the second phase, according to Bloomberg. None of the third phase, which aims to start by the end of this decade, has been sold yet.

LNG export projects in Mexico dependent on U.S. gas and approvals

(The Maritime Executive; Feb. 23) - Last September, just off the Gulf Coast of the Mexican city of Altamira, the country's first shipment of liquefied natural gas left a floating facility run by U.S. company New Fortress Energy, bound for Europe. The new venture is part of a wave of gas exports investment that has arrived in recent years, targeting markets in Europe and Southeast Asia with U.S.-produced, Mexico-processed natural gas that is liquefied for shipment overseas.

But ambitions of a boom in Mexico may be running up against mixed weather in the global gas market, as well as political developments on both sides of the border. This includes the prospect of tensions between President Donald Trump and his Mexican counterpart Claudia Sheinbaum over trade and tariffs, migration and a host of issues. Environmental campaigners, meanwhile, have continued to voice concerns over a buildup in LNG infrastructure that could make Mexico a large exporter.

The U.S. and Mexico have a long-standing relationship in the gas sector. Mexico imports more than half of its gas supply, almost all of it via pipelines from the U.S. The prospect of accessing this network has seen at least half a dozen LNG export projects pitched in Mexico. In addition to the Altamira terminal, construction is underway at the Costa Azul hub on the West Coast, with startup expected in 2026. Elsewhere on the coast, the Vista Pacífico, Saguaro and Amigo terminals have been proposed. However, LNG projects in Mexico are contingent on acquiring U.S. permits for the reexport of gas.

BP’s offshore West Africa LNG project close to first shipment

(Bloomberg; Feb. 24) - BP’s Greater Tortue Ahmeyim project is set to export its first liquefied natural gas cargo from offshore fields in Senegal and Mauritania. Preparations for the shipment from the $4.8 billion GTA project are underway, BP’s partner Kosmos Energy said in an earnings statement. The LNG tanker British Sponsor signaled GTA as its destination on Feb. 24 and remained near the terminal, ship tracking data compiled by Bloomberg showed.

“The first LNG cargo is expected later this quarter, with an LNG tanker currently standing by the hub terminal ready for loading,” Kosmos said. First exports from the project will add supply to the global market that’s seeing greater competition for LNG following a halt in Russian pipeline gas transit via Ukraine. It will also boost economic growth in the two West African nations. The project’s initial phase will have an annual production capacity of 2.3 million tons per year of LNG.

The GTA project reached a series of milestones in recent weeks, including first gas output, following a period of delays. Kosmos said on Feb. 10 that the floating facility produced its first LNG and gave notice to the offtaker, BP’s gas marketing arm, for a ship to arrive later this quarter to export the cargo.

LNG producer says project delays could create shortage

(Argus commodity news service; Feb. 25) - Australian independent Woodside sees LNG demand exceeding supply into the 2030s as project delays push timelines for nearly 30 million tonnes per year of new capacity into the next decade, CEO Meg O'Neill said after releasing the firm's 2024 results on Feb. 25. Headwinds affecting some projects and "ongoing, robust demand" within Asia-Pacific will prevent any LNG supply glut, despite easing regulatory hurdles under the Trump administration, O'Neill told investors.

Such headwinds could also impact Woodside. The company's Australia North West Shelf LNG terminal, at 14.4 million tonnes per year capacity, is still waiting for federal consent to continue operations past 2030, after passing state government scrutiny last year following six years of assessments. And the planned Browse project, at 11.4 million tonnes per year, also in Australia, hinges on state approvals being granted, with Woodside preferring a decision is made before Australia's elections in May, in which Green and other climate-conscious lawmakers may win a balance of power.

Partners in offshore Israel gas project plan to boost production

(Reuters; Feb. 23) - Partners in the Israeli Leviathan offshore natural gas project have submitted a multibillion-dollar plan with the government to significantly expand the field and boost production, one of the partners in the group said Feb. 23. NewMed Energy said its plan that it filed with the Energy Minister's Petroleum Commissioner calls for the drilling of three additional production wells, more undersea systems and expansion of processing facilities on the platform that will increase total gas production capacity to almost 750 billion cubic feet of gas per year and cost an estimated $2.4 billion.

Leviathan, a deep-sea field with huge deposits, came online at the end of 2019 and produces 420 bcf of gas per year for sale to Israel, Egypt and Jordan. That will rise to some 500 bcf in 2026 with the completion of a third pipeline. A second stage, NewMed said, would see the drilling of additional production wells and possibly a fourth pipeline between the field and platform and further raise production capacity.

The partners are seeking to sign new supply deals with customers in Israel and abroad. NewMed noted that the partners have already approved a budget of $505 million that includes the purchase of equipment. Leviathan partners also include Chevron and Israel-based Ratio Energies.

BP pivots away from renewables, back to oil and gas

(Financial Times; London; Feb. 26) - BP has returned to its oil and gas roots, pledging to slash spending on renewable energy as it tries to catch up with rivals, end years of lackluster shareholder returns and fend off pressure from activist investor Elliott Management. The changes announced by CEO Murray Auchincloss on Feb. 26 killed off a radical five-year-old plan by the oil major to pivot to greener projects.

That strategy had established BP as a leader in the energy transition but ultimately failed to win shareholder support. In what Auchincloss described as a “fundamental reset of BP’s strategy,” the company abandoned its targets to cut fossil fuel production and develop 50 gigawatts of renewable power. Under the new plan, it will increase oil and gas spending by a fifth to $10 billion a year and cut spending on renewables 70%. It also plans to raise at least $20 billion by 2027 through the sale of assets, potentially including its lubricants arm Castrol and a share of its solar business Lightsource.

Auchincloss justified the reversal by saying the “optimism of a rapid transition” to renewable energy had faded and that the world’s demand for crude oil is stronger than the company had predicted. “We adapt to how society moves,” he told the Financial Times. Auchincloss said he expected a “pretty high growth rate” for BP’s oil and gas business and planned to launch as many as 27 new projects in the next five years as the company rebuilds oil production capacity after years of trimming its output.

Report says U.S. tariffs on Canadian energy would cost consumers

(Calgary Herald columnist; Feb. 25) - In a business world that strives for the win-win, President Donald Trump may achieve the rare lose-lose for consumers and producers with proposed tariffs on Canadian energy, but a windfall for U.S. government revenues. A report by Goldman Sachs estimates just how large the losses would be for companies and consumers in both countries. For Canadian oil producers, a 10% U.S. tariff on energy would represent a nearly $7 billion hit to their profit margins, the study finds.

For American consumers, the potential wallop to their pocketbooks is even larger: $22 billion per year. However, oil tariffs would generate an estimated $20 billion of revenue for the U.S. government annually, and potential gains for traders, marketers and some American refiners. “A modest 10% tariff on oil would mostly transfer revenues from (non) U.S. producers and U.S. consumers to the government and refiners-marketers,” states the report by analysts at Goldman Sachs.

U.S. levies on imports are expected to start as early as next week. While the political rhetoric continues, many Canadian industry leaders and analysts are trying to determine exactly how a U.S. tariff on energy would affect the cross-border flow of oil and gas. “How it is shared with refiners versus producers, we don’t know,” Whitecap Resources CEO Grant Fagerheim said last week. Canada exports about 4 million barrels per day of oil into the U.S., mainly by pipeline, supplying more than 60% of imports to the country.

Russia continues to struggle to deliver its crude oil

(Bloomberg; Feb. 25) - As Russia’s invasion of Ukraine enters its fourth year, Moscow is increasingly resorting to clandestine cargo transfers as it wrestles with sanctions and tries to keep its oil exports flowing. Cargo switches from specialized shuttle tankers and sanctioned ships are helping to maintain flows out of Russia’s ports in the Pacific and Arctic, vessel-tracking data compiled by Bloomberg show. Still, shipments fell sharply in the latest week, and delivering the cargoes to China and India is proving challenging.

About 51 million barrels of crude has been shipped from Russia’s Pacific ports since the latest round of U.S. sanctions on Jan. 10, the tracking data show. But fewer than 39 million barrels have been delivered in the same period and almost one-quarter of those were lifted before the sanctions came into effect. About 9 million barrels remain on tankers that have been idle for at least a week. With much longer delivery times, the impact on flows from western ports is less clear.

None of the nine tankers to have left the Russian port of Murmansk after being sanctioned by the U.S. last month has yet discharged its cargo. The first ships to load at Murmansk after being blacklisted by the U.S. on Jan. 10 should have arrived at their Indian destinations by now. But some have been diverted to China, while another has offloaded its barrels onto another ship. A third is idling at anchor far from its destination.

The same is true in the Pacific, where cargoes are being switched from shuttle takers to other vessels to maintain flows of crude from Russia's two Sakhalin Island projects.

Trump plans to revoke Chevron's license to export oil from Venezuela

(Bloomberg; Feb. 26) – President Donald Trump said he plans to revoke Chevron's oil license to operate in Venezuela, threatening to torpedo the nation's slow economic recovery. The U.S. president referred to a concession agreement from November 2022, which would match the date that Chevron was granted a license to produce and sell oil in Venezuela despite sanctions against the government of President Nicolás Maduro. Under the license, Chevron would have a six-month wind-down to exit Venezuela.

Trump cited the electoral conditions in Venezuela and the country's failure to take back migrants from the U.S. as quickly as it promised. The move represents an intensification of U.S. restrictions on the South American nation after Maduro's contested reelection and a sweeping crackdown on his opponents. Trump is promising to hit where it hurts most: the economy, at a time when almost 80% of citizens say they feel frustrated and disappointed following Maduro's inauguration last month, according to polls.

Chevron is the only U.S. oil major left in Venezuela. The company's production — operated through joint ventures with state-controlled Petroleos de Venezuela — totaled over 200,000 barrels a day as of mid-2024, about 20% of the nation's production. It has helped boost overall output above 1 million barrels a day. If Trump follows through — and isn't just using the threat as a negotiating tactic — it could cut Venezuela's overall production by 100,000 barrels per day, said Francisco Monaldi, director of the Latin American energy policy at Rice University's Baker Institute for Public Policy in Houston.

Trump's foreign policies deter oil traders from long-term charters

(Financial Times; London; Feb. 22) – President Donald Trump's erratic foreign policy has discouraged oil traders from signing long-term charter contracts for tankers, according to leading industry figures, heaping further uncertainty on vessel owners. Shipowners and one of the world's biggest commodity traders said a combination of the president's trade wars and interventions in international conflicts were putting traders off signing "time charters."

The vessel leasing agreements give shipowners and charterers long-term certainty — often over several years — about the cost of moving products and charter income. Trump's actions have added to uncertainty about future costs and risks in markets already facing multiple challenges. Those include issues around attacks by Yemen's Houthis on ships in the Red Sea, which have driven up shipping costs by forcing vessels to take longer routes, and the war in Ukraine.

Mikael Skov, CEO of Hafnia, one of the world's largest tanker operators, said that "every day" there are "new statements" from the U.S. administration. "Oil traders, other shipowners, everybody's kind of having the same view that it's probably more difficult now to do long-term deals," he said. The uncertainty has also hit the value at which shipowners can sell second-hand vessels, Skov added. "Not so many people are going to buy a ship unless they have the opportunity of leasing it out for three to five years."

U.S. expands sanctions to choke off Iran's oil exports

(Reuters; Feb. 24) - The U.S. imposed a fresh round of sanctions targeting Iran's oil industry on Feb. 24, hitting more than 30 brokers, tanker operators and shipping companies for their role in moving Iranian petroleum, the Treasury Department said. The announcement comes as President Donald Trump seeks to bring Iran's oil exports to zero to prevent the country from obtaining a nuclear weapon, and builds on the layers of sanctions already imposed in his previous term and under the Biden administration.

"Iran continues to rely on a shadowy network of vessels, shippers and brokers to facilitate its oil sales and fund its destabilizing activities," said Treasury Secretary Scott Bessent in a statement. The new sanctions target, oil brokers in the United Arab Emirates and Hong Kong, tanker operators and managers in India and China, the head of Iran's National Iranian Oil Co. and the Iranian Oil Terminals Co., Treasury said.

The Iranian Oil Terminals Co. oversees all operations at Iran's oil terminals, including Kharg Island Oil Terminal, through which a majority of Iranian oil flows, and South Pars Condensate Terminal, which accounts for 100% of Iran's gas condensate exports, according to Treasury. Oil is a top source of revenue for Iran, and targeting the country's exports is meant to deny the government funds for its nuclear and missile programs.

LNG traders win court fight for non-delivery of cargoes by Nigeria

(Reuters; Feb. 25) - Trading houses Vitol and Glencore will receive $380 million in compensation after their gas supplier, trading firm Taleveras, won a legal battle in a London court against Nigeria's liquefied natural gas producer for non-delivery of cargoes, court documents seen by Reuters showed. The case heard in London's High Court and Court of Appeal is the latest in a string of lawsuits brought by buyers against sellers and producers for non-delivery of cargoes after gas rallied from lows plumbed during the COVID pandemic after Russia invaded Ukraine in February 2022.

Taleveras sued Nigerian venture NLNG, and involving Shell, TotalEnergies and Eni as partners, four years ago. These three companies are minority shareholders in NLNG, along with the Nigerian state-owned oil company which has 49%. Court proceedings focused on 19 cargoes that NLNG had been due to deliver to Taleveras in 2020-2021.

Taleveras had pre-sold some of these cargoes to Vitol and Glencore. The two traders took legal action against Taleveras for non-delivery, leading to a chain of litigation.

The lost appeal means NLNG will need to pay Vitol around $260 million and about $120 million to Glencore, the documents said. When LNG prices soared after Russia’s invasion of Ukraine and a curtailment in Russian gas supplies to Europe, some LNG producers cut supply under long-term deals and sold those volumes at higher prices on the spot market instead, triggering a wave of complaints about legality of such actions.