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Compiled by Larry Persily
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U.S. tariffs will give European and Asian refiners a cost advantage

(Reuters; Feb. 1) - President Donald Trump's trade tariffs on Canadian and Mexican oil imports will offer European and Asian refineries a competitive advantage against their U.S. rivals, analysts and market participants told Reuters. Trump on Feb. 1 ordered 25% tariffs on Canadian and Mexican imports and 10% on goods from China starting on Feb. 4 to address what he calls a national emergency over fentanyl and illegal aliens entering the U.S. Energy products from Canada will have only a 10% duty, but Mexican energy imports will be charged the full 25%.

The tariffs on the two biggest sources of U.S. crude imports will raise costs for the heavier grades of crude that U.S. refineries need for optimum production, industry sources said, cutting their profitability and potentially forcing cuts in their output. That will provide refiners in other markets an opportunity to make up the difference in supply. The U.S. is currently an exporter of diesel and an importer of gasoline.

“Overall a positive for European refiners, but likely not for European consumers," consultancy Vortexa's chief economist David Wech said. "European (refinery) margins may improve because the U.S. Northeast will have to import more gasoline," said a brokerage executive. "I think European and Asian refiners are the big winners." Tariffs would likely force impacted crude sellers to discount prices to find buyers, said Matias Togni, founder of analytics firm Next Barrel. Asian refiners are well poised to soak up discounted Mexican and Canadian oil, something that could buoy their profit margins.

Tariffs will push up prices at the pump for U.S. consumers

(Reuters; Feb. 1) - U.S. consumers will see higher prices at the gas pump from President Donald Trump's decision on Feb. 1 to apply tariffs on Canadian and Mexican oil, according to analysts and fuel traders. The likely hike in fuel prices reflects the double-edged nature of Trump's trade protections which are designed to bolster domestic business and pressure U.S. neighbors to curb illegal immigration and drug smuggling, but which will also run counter to his promises to tackle inflation.

The U.S. imports some 4 million barrels per day of Canadian oil, 70% of which is processed by refiners in the Midwest. It also imports over 450,000 barrels per day of Mexican oil, mainly for refiners concentrated around the U.S. Gulf Coast. Tariffs mean higher costs for making finished fuels like gasoline, much of which is likely to be passed along to U.S. consumers. GasBuddy analyst Patrick De Haan told Reuters in an interview that the hit to consumers will get worse the longer the tariffs drag on.

Trump ordered 10% tariffs on Canadian energy imports and 25% tariffs on Mexican energy imports to the U.S., effective Feb. 4. The developments are set to upend a symbiotic oil trade between the U.S. and its neighbors. "Someone is going to get kind of hurt here," Wells Fargo Investment Institute's John LaForge told Reuters. “Canadian oil tariffs would risk unpopular, if temporary, gasoline price increases in the U.S. Midwest,” Goldman Sachs analysts said in a recent note.

Even with tariffs, oil prices could fall longer term

(CNBC; Feb. 3) - Oil prices are likely to fall in the longer run after the initial jump following President Donald Trump’s implementation of hefty tariffs on imports from Canada, Mexico and China, said industry watchers. According to the U.S. Energy Information Administration, America’s imports of Canadian crude oil reached a record 4.3 million barrels per day in July 2024. Canada made up about 62% of all U.S. crude imports in the first 10 months of last year, while Mexico accounted for about 7%.

While crude markets will see higher prices and consumers will be forking out more for gasoline and diesel costs in the near term, the spike is temporary, oil watchers said. “While the initial move on crude oil is upward, a cycle of tariffs and retaliatory actions by Canada, Mexico, China and perhaps others in the future could lead to a worldwide recession, causing oil prices to plummet,” Andy Lipow, president of Lipow Oil Associates told CNBC. The tariffs have not resulted in any oil being taken off the market and will result in a redistribution as Mexico and Canada look to divert their volumes, he added.

The tariffs will likely push oil producers in both countries into steep price discounts, said Saul Kavonic, head of energy research at MST Marquee. Canadian oil producers will eventually bear the brunt of the tariffs’ burden with an additional $3 to $4 per barrel discount on Canadian crude given the limited alternative export markets, Goldman Sachs analysts wrote. Additionally, global prices could drop further after the next quarter as tariffs worsen the demand picture and OPEC+ faces increasing pressure from Trump to reverse production cuts and send more oil into the market, said Kavonic.

Tariffs on oil could affect Colorado more than many other states

(Colorado Newsline; Jan. 31) - Price hikes from President Donald Trump’s imposition of wide-ranging tariffs on imports from Canada and Mexico could be felt more acutely in Colorado than in many other states. Colorado’s only oil refinery, located in Commerce City and operated by Suncor Energy, based in Alberta, Canada, accounts for about 40%

of the state's market for refined petroleum products, and processes crude oil from several regions, including northern Alberta's controversial oil sands.

Canadian crude oil made up nearly a quarter of the total processed by U.S. oil refineries in 2023, and the majority of those imports flow to states in the upper Midwest and Rocky Mountains that supply nearly all of the rest of the gasoline, diesel and other fuel products consumed in Colorado. "Folks in Texas probably won't see an increase due to tightened Canadian supply," said Skyler McKinley, regional public affairs director for AAA, the travel information nonprofit. "(But) the Rockies, the Midwest and the Great Lakes region are disproportionately reliant on Canadian exports."

Alberta sets ambitious target to boost its sovereign wealth fund

(Bloomberg; Jan. 29) - Canada's top oil-producing province of Alberta plans to boost its wealth fund roughly tenfold to C$250 billion ($173 billion) by 2050 in a bid to wean itself off volatile natural resources revenue. The government formed a corporation to oversee the C$24.3 billion Heritage Savings Trust Fund and seek opportunities to raise returns to 9% annually from about 7% now, it announced Jan. 29. It also passed legislation that requires the fund to reinvest its returns rather than distribute them to the province.

Provincial pension fund manager Alberta Investment Management Corp. will continue investing the money currently in the Heritage Fund, while the new Heritage Fund Opportunities Corp. will set guidelines for managing that money. The new entity will also directly oversee a C$2 billion injection to the Heritage Fund this year, focusing on partnerships with other global investors and investing in "areas that matter to Albertans, such as technology, energy and infrastructure," a news release said.

The goal is to reduce Alberta's reliance on resource revenue, which makes the province "susceptible to the highs and lows of global energy markets, which can change rapidly and unpredictably," the government said. Alberta projects it will collect C$20 billion in non-renewable resource revenue this budget year — largely driven by higher royalties for oil sands bitumen — which accounts for more than a quarter of its total inflows.

"When the royalties dry up or start to become significantly smaller, the only tool a government has is to seek more revenue through the tax base," Alberta Finance Minister Nate Horner said. "By being diligent and allowing this to grow, by the time we get to C$250 billion, we'll have the ability to use this in an annual way to help offset revenue needs within government." The projected 9% annual returns would outperform the 6.3% annualized return generated by Norway's sovereign wealth fund since 1998.

Japan may take a look at Alaska LNG to keep trade peace with Trump

(Reuters; Jan. 31) - Japan is considering offering support for a proposed $44 billion liquefied natural gas project in Alaska as it seeks to court President Donald Trump and forestall potential trade friction, according to three officials familiar with the matter. Officials in Tokyo expect Trump may raise the project, which he has said is key for U.S. prosperity and security, when he meets Japanese Prime Minister Shigeru Ishiba for the first time in Washington as soon as next week, the sources said.

Japan has doubts about the viability of the proposed 800-mile pipeline — intended to link fields in Alaska's north to a port in the south, where gas would be liquefied and shipped to buyers — because of the overall costs of the gas relative to other sources. But it is prepared to offer to explore a deal if asked, the officials said. Tokyo may include such a commitment among other concessions, such as buying more U.S. gas and increasing defense spending and manufacturing investment in the U.S. to reduce the $56 billion bilateral trade deficit and stave off the threat of tariffs, one of the people said.

Trump has framed the project as a win for Alaska and U.S. allies seeking a stable source of energy. But Japan’s LNG consumption has been in steady decline for years, and it already has plentiful access to other sources of the fuel. Its companies last year traded some 38 million tonnes on the global market, more than half its domestic consumption. Still, Alaska LNG could help Japan diversify away from riskier sources like Russia, which accounts for about one-tenth of its gas imports, and the Middle East.

The officials cautioned that Ishiba will not be able to make firm commitments, including investing in the Alaska project, when he meets Trump. Any deal would have to offer reasonable pricing and flexibility, an official said.

Japan’s top LNG buyer says U.S. gas could increase energy security

(Reuters; Jan. 31) - Japan's energy security will benefit from President Donald Trump's push to increase liquefied natural gas production, an executive at JERA, Japan's top LNG buyer, said on Jan. 31, while allowing the company to diversify its suppliers. LNG imports by Japan, the world's second-biggest buyer after China, continued to fall last year, decreasing by 0.4% to 65.9 million tonnes. Shipments from the United States, Japan's key ally, rose, while supplies from Russia declined.

"For Japan, which cannot supply its own energy resources, from the prospects of security, the fact that a large amount of U.S.-produced gas would be exported is a positive factor," Naohiro Maekawa, an executive officer with JERA, told reporters. More U.S. LNG provides a good option to diversify its supply portfolio, Maekawa said. JERA handles 30 million to 35 million tonnes of LNG annually, with nearly half coming from the Asia Pacific region, including Australia, Malaysia and Indonesia, as well as from Russia.

"U.S. LNG is relatively easy to trade in terms of contracts. ... So of course we see it as a strong candidate for procurement," said Taku Minami, chief financial officer of Tokyo Gas, Japan's top city gas provider. While its own domestic gas consumption is declining due to a weaker economy, increasing use of renewable energy and nuclear power plant restarts, Japan is increasing its global trade in LNG: It grew 21% to 38.25 million tonnes in the fiscal year ended last March. More LNG coming from the U.S. would drive prices down, benefiting LNG procurement, said Tokio Ishii, an executive with Kyushu Electric.

Japan’s draft energy plan highlights uncertain gas demand by 2040

(S&P Global; Jan. 30) - Japan's draft seventh Strategic Energy Plan, the country's principal energy policy, has signaled a need for the major liquefied natural gas importer to be better prepared for a potential gas supply-demand gap of around 20 million tonnes per year in fiscal year 2040-2041 amid technological uncertainty over the pace and effectiveness of decarbonization, the former head of the country's Agency for Natural Resources and Energy told S&P Global Commodity Insights.

Japan is in the midst of finalizing the draft plan, under which it signals the country's gas supply could either fall or rise, depending on scenarios meeting a 73% greenhouse gas reduction target and a scenario with the slow introduction of decarbonization technologies. Experts surveyed by Commodity Insights estimate that Japan's gas demand will be in the range of 54 million to 74 million tonnes per year by 2040-2041, depending on the multiple variables.

The numbers could send mixed signals to gas importers as the country's proposed share of thermal power in Japan's power generation mix will plunge to 30% to 40% in 2040-2041 from 68.6% in 2023-2024. A former government official said there also could be a risk in securing bank financing for future gas supply costs if demand is uncertain.

Korea interested in U.S. LNG if West Coast export terminal is built

(Business Korea; Jan. 31) - South Korea is set to significantly alter its energy import strategy by planning to import up to 7 million tonnes of U.S. liquefied natural gas a year. This strategic move aims to gradually replace its LNG imports from Qatar, driven by the expiration of long-term contracts and the desire to diversify its energy sources. The plan includes possibly constructing a new terminal on the U.S. West Coast to facilitate these imports, marking a pivotal shift in South Korea's energy procurement landscape.

The decision comes in the wake of Korea Gas ending a long-term contract with Qatar for 4.92 million tonnes of gas last year, with an additional 2.1-million-tonne contract set to expire next year. "Replacing these volumes with U.S. LNG would be beneficial for national interests in many ways," a senior government official said. The official further noted that LNG currently imported from the U.S. Gulf Coast involves long transportation routes and high logistics costs. The construction of a terminal on the West Coast or in Alaska could significantly reduce these costs, making U.S. LNG a more viable option.

The shift toward U.S. LNG also aligns with geopolitical and economic strategies. During Donald Trump's first term, the U.S. expanded its energy exports, including LNG and oil. By the end of Trump's first term in 2021, U.S. LNG imports to South Korea had risen to 18.5% and oil imports to 12.1% of supply. This increase reflects a strategic alignment with U.S. economic policies and a response to trade pressures, as South Korea seeks to balance its trade surplus with the U.S., which reached $55.7 billion last year.

The potential construction of a terminal on the U.S. West Coast is a key component of this plan. A senior government official emphasized the importance of this infrastructure: "If the U.S. government builds a terminal on the West Coast or in Alaska, South Korea could import large volumes of U.S. LNG." Korea Gas is one of five partners in the LNG Canada project on that nation’s West Coast, scheduled to start production this summer.

Trump’s push for U.S. LNG exports gains traction, but has its risks

(Bloomberg; Jan. 30) - President Donald Trump’s high-stakes bid to use natural gas exports as leverage to expand U.S. influence in Europe and Asia appears to be gaining early traction. Government officials and energy executives from countries such as India, Kuwait and Japan have been holding talks about procuring more U.S. gas, according to people with knowledge of the matter. The strategy, however, carries a significant risk. If Trump levies tariffs against China or other nations that balk against buying more LNG, he could drive them away from buying from U.S. producers altogether.

The move to lock in U.S. supply contracts began shortly after Trump’s election victory, more than two months ahead of his actual swearing in, said the people, who requested anonymity discussing private matters. He has threatened the European Union with tariffs multiple times if the bloc doesn’t purchase more from the U.S. Buyers from South Korea to Vietnam are considering buying more U.S. gas to avoid crippling trade levies.

“His threat to link EU tariffs to LNG purchases marks a stark departure from market-based principles,” said Claudio Steuer, a veteran energy consultant. The potential levies shift the U.S. position on LNG from competitive pricing to “politically driven trade that could undermine long-term market confidence,” he Steuer. Trump’s tactics are pushing away some other buyers, like those in China, the world’s top importer, said other people aware of ongoing negotiations with U.S. exporters.

[Federal workforce cutbacks could affect permit reviews at FERC]

(S&P Global; Jan. 29) - The Trump administration has offered full salaries and benefits for Federal Energy Regulatory Commission staff for eight months if they agree to resign by Feb. 6, the Office of Personnel Management has said. All federal employees who agree to resign will be placed on administrative leave with full pay until Sept. 30, the Jan. 28 memo said. The action raised questions in some quarters about whether FERC could risk losing staff needed to review energy infrastructure, including gas pipeline and liquefied natural gas export projects that are a priority for the Trump administration.

"If we have a significant reduction in force, without other improvements in the process or other changes that make the (permitting) process work, then all this is doing is adding delay," said Rob Gramlich, president of consulting firm Grid Strategies. Gas pipeline developers anticipate there will be an upswing in project applications at FERC, given the support from the administration for expansion. Processing the applications will require adequate staffing at the agency.

During Trump's first term, FERC took extra steps to attract technically skilled personnel, who are highly sought after in the job market, in order to help process a boom in LNG project developments along the U.S. Gulf Coast. Compared with other offices within FERC, the limited engineering staff that review and authorize work for LNG projects is small and specialized, meaning the loss of one or two staffers could be critical and lead to project delays, said an industry source who asked not to be named.

[Producers have good reasons not to drill more offshore U.S. leases]

(Louisiana Illuminator; Jan. 30) - Despite President Donald Trump’s calls to “drill, baby, drill,” many oil companies operating in the Gulf of Mexico will likely do what they’ve done for years: sit on hundreds of untapped leases across millions of acres. Trump has repeatedly said eliminating barriers to drilling will unlock vast reserves and ignite a new era of national prosperity. But most of the leases already granted to companies in the oil-rich Gulf are idle and unused, and they’ll stay that way until the U.S.’s record-breaking production rates wane and the high costs of drilling offshore drop precipitously.

Of the 2,206 active leases in the Gulf, only a fifth are producing oil, according to records from the Bureau of Ocean Energy Management, which regulates offshore drilling. Oil industry executives and analysts say the current number of 448 oil-producing leases is unlikely to grow significantly even if Trump makes good on promises to expand leasing and expedite permits. The market is saturated with oil, making companies reluctant to spend more money drilling because the oil will likely push down prices, cutting profits.

“It’s not the regulations that are getting in the way, it’s the economics,” said Hugh Daigle, a petroleum engineering professor at the University of Texas in Austin. “It’s true that there are a bunch of undeveloped leases in the Gulf, and it’ll stay that way if we continue to see low or stagnant oil prices." Global oil production is expected to grow more than demand over the next two years, likely forcing the price of crude to drop 8% in 2025 and 11% next year, according to a forecast from the U.S. Energy Information Administration. The Gulf accounts for 97% of all U.S. offshore oil and gas production.

Hawaii's governor moves up deadline for 100% renewable power

(Hawaii Public Radio; Jan. 30) - In a busy week for Hawaii's energy policy, Gov. Josh Green moved up the deadline to eliminate fossil fuel use and the state energy office put out a report recommending Oahu open the door to liquefied natural gas imports. Kauai, Hawaii Island and Maui County are now expected to run on 100% renewable power by 2035 — a decade ahead of schedule. Green issued the executive order changing the mandate on the state's renewable portfolio standards on Jan. 28, following the energy office's release of a fuels analysis that proposes Oahu replace oil with natural gas.

Local energy and environmental stakeholders are celebrating Green's push for more momentum toward the state's renewable energy goals. But many are also questioning the wisdom of incorporating LNG into Oahu's energy mix. Evan Weber, co-founder of the environmental action group Sunrise Movement and an affordability and energy consultant, said the energy office's report put a "fossil fuel-stained mark" on Green's "otherwise laudable action" in updating the state's renewable portfolio standards.

"There is cognitive dissonance in this vision of 2035 that's laid out by the governor's executive order and this report from the State Energy Office around retooling Oahu for more fossil fuel use," he said. Weber concurred with the report in one regard: Oahu's dense population and development make its energy transition challenging. In addition to revamping several power plants, the report proposes building a new combined-cycle power plant that can burn gas on the footprint of Oahu's demolished coal power plant.

Big Oil sees future in natural gas to power data centers

(Bloomberg; Feb. 1) - Big Oil was once the antithesis of the asset-light, hyper-growth world of Silicon Valley. Now it's looking to Big Tech to stay relevant. ExxonMobil, Chevron and Shell's fourth-quarter earnings suffered from a familiar trend of too much fossil fuel supply and not enough demand, causing refining margins to collapse. All three are now betting at least part of their future lies in supplying the energy needed for America's tech giants to win the race for artificial intelligence supremacy.

But those plans took a knock this week when China's low-cost DeepSeek AI model appeared to rival those of OpenAI and Meta despite using a fraction of the power, potentially slashing the need for expensive, power-hungry data centers. Even so, the largest oil companies are betting on growing demand for electricity generated from natural gas in a future where crude consumption peaks due to the energy transition.

Big Oil has made buybacks and dividends the cornerstone of its pitch to Wall Street as the prospect of peak oil demand looms. But there are signs the strategy is reaching its limits. Executives see the future in talking up demand for natural gas and its ability to serve as feedstock for the data centers needed for artificial intelligence. Energy stocks make up just 3.2% of the S&P 500, less than half the level a decade ago. “It’s a point of frustration,” Chevron CEO Mike Wirth said in a conversation with Goldman Sachs CEO David Solomon last month. “We are underappreciated in the investment community.”

U.K. court orders new environmental review of oil and gas fields

(BBC; Jan. 30) - A court has ruled that consent for two new Scottish oil and gas fields was granted unlawfully and their owners must seek fresh approval from the U.K. government before production can begin. The written judgment on the Rosebank and Jackdaw fields came after a case brought by environmental campaigners Uplift and Greenpeace at the Court of Session in Edinburgh.

The court said a more detailed assessment of the fields' environmental impact was required, taking into account the effect on the climate of burning fossil fuels extracted. The judge said work on both fields could continue while the new information was gathered but no oil and gas could be extracted unless fresh approval was granted. Rosebank contains an estimated 300 million to 500 million barrels of oil, making it the largest known untapped field in U.K. waters. Production was scheduled to begin at Jackdaw in 2026 and at Rosebank in 2026-2027.

Shell's Jackdaw gas field in the North Sea was originally approved by the previous U.K. government and the industry regulator in summer 2022. Permission for the Rosebank oil development, 80 miles west of Shetland in the North Atlantic, was granted in autumn 2023. In the 57-page judgment, the court ruled there is a public interest in having the decision "remade on a lawful basis" because of the effects of climate change — which the court said outweighed the interests of the developers.

British Columbia homeowners worry about fracking-induced quakes

(CBC News; Canada; Feb. 1) - Standing in his living room, Richard Kabzems brandishes a thick binder stuffed with letters and notes of his two-year fight to stop fracking wells near his home in Farmington, British Columbia. Ovintiv, a multinational oil and gas company, announced two years ago that it would expand fracking for gas at a new site built on a hill less than a mile from Kabzems's home in a rural subdivision. The British Columbia Energy Regulator approved the permit.

Over the past 24 months, Kabzems and his wife have written six letters to Ovintiv, opposing the project, and a series of emails and letters to the provincial regulator. But drilling is scheduled to begin Feb. 9 on the first of 24 wells at the site. "We are bearing the risk and they are saying, 'Don't worry,'" Kabzems said. He is worried. That's because in 2024, the number of magnitude 3 or higher earthquakes linked to hydraulic fracturing and underground storage of its wastewater reached a record high in the Montney, a gas-rich area straddling northeastern British Columbia and northwestern Alberta.

According to monitoring data from Natural Resources Canada, there were 34 recorded earthquakes at magnitude 3 and above in Montney, more than three times the amount 10 years ago. The correlation between oil and gas activity and induced earthquakes is well-documented around the world. Allan Chapman, a former senior geoscientist with the B.C. Oil and Gas Commission who analyzed the data, concluded the frequency of significant earthquakes will only increase as fracking expands in the Peace River area.

"The more fracking we do, the more oil and gas we take, the more earthquakes we will have. And the larger is the chance that one of those earthquakes will have an undesirable consequence," said Gail Atkinson, a consulting seismologist and former professor at Western University in London, Ontario. "It's a trade-off."

Germany imported more Russian LNG in 2024 than in 2023

(High North News; Jan. 30) - Germany joined France, Belgium and Spain as key importers of Russian liquefied natural gas in 2024, a new study reveals. German energy company SEFE, owned by the federal government, imported 58 cargoes from Yamal LNG into the French port of Dunkirk, a 650% increase over 2023. Some of this Russian gas finds its way through the pipeline network into Germany, counter to the government's assurances that it does not import Russian gas.

In 2024 Germany's SEFE emerged as a key importer of Russian LNG. Until now France, Belgium and Spain had been identified as the primary culprits for the continued flow of Russian LNG into the European Union. A new study by Environmental Action Germany now shines a light on skyrocketing purchases by Germany. Imports of Russian LNG into the EU rose by 19.3% in 2024 year over year. A key factor for this increase is SEFE becoming an active buyer of Russian LNG, purchasing 4.2 million tonnes in 2024.

Due to a lack of transparency of the internal EU gas market, the researchers were not able to exactly determine how much Russian LNG reached Germany in the form of pipeline gas. But according to calculations, Russian LNG accounts for between 3% and 9.2% of all German gas imports. "Although Germany has not directly purchased LNG supplies from Russia since the beginning of the Russian war of aggression, it plays a pivotal role facilitating the record imports of Russian LNG to the EU," the report warns.