

# Oil and Gas News Briefs

## Compiled by Larry Persily

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#### **New U.S. sanctions on Russia will change oil trade flows**

(Reuters; Jan. 12) - Chinese and Indian refiners will source more oil from the Middle East, Africa and the Americas, boosting prices and freight costs, as new U.S. sanctions on Russian producers and tankers curb supplies to Moscow's top customers, traders and analysts said. The U.S. Treasury on Jan. 10 imposed sanctions on Russian oil producers Gazprom Neft and Surgutneftegas, as well as 183 vessels that have shipped Russian oil, targeting the revenues Moscow has used to fund its war with Ukraine.

Many of the tankers have carried oil to India and China as Western sanctions and a price cap enacted by the Group of Seven nations in 2022 shifted trade in Russian oil from Europe to Asia. Some tankers have also shipped oil from Iran, which is under sanctions. The new sanctions will severely hurt Russian oil exports, which will force China's independent refiners to cut refining output going forward, trade sources said.

Among the newly sanctioned ships, 143 are oil tankers that handled more than 530 million barrels of Russian crude last year, about 42% of the country's total seaborne crude exports, Kpler's lead freight analyst Matt Wright said in a note. Of these, about 300 million barrels was shipped to China, while the bulk of the remainder went to India, he added. "These sanctions will significantly reduce the fleet of ships available to deliver crude from Russia in the short term, pushing freight rates higher," Wright said.

The sanctions will push China and India back into the compliant oil market to seek more supply from the Mideast, Africa and the Americas, sources said. Spot prices for Mideast, Africa and Brazilian grades have risen in recent months on rising demand from China and India as supplies of Russian and Iranian oil tightened and became more expensive.

#### **China's crude oil imports fell almost 2% in 2024**

(Reuters; Jan. 13) - China's crude oil imports fell 1.9% in 2024, data showed on Jan. 13, the first annual decline in two decades outside of pandemic-induced falls, as tepid economic growth and peaking fuel demand dampened purchases. Imports totaled 553.4 million tonnes, equivalent to 11.04 million barrels per day, according to data from the General Administration of Customs. That compared with 2023's record 11.28 million.

Imports in December fell to 11.27 million barrels per day, from 11.81 million in November and 11.39 million in December 2023. "China in 2024 was a letdown with the market

expecting steady to stronger growth from 2023. Deflationary pressures and transport electrification dampened growth," said Emril Jamil, a senior analyst with LSEG.

China's demand for key transportation fuels barely grew in 2024 as rapid electrification of its vehicle fleet displaced gasoline, while its property sector crisis and lackluster merchandise exports crimped demand for diesel. Analysts said China's demand for fuels, except those used as petrochemical feedstocks, peaked in 2023, as growth in aviation fuel failed to make up for the falls in gasoline and diesel. Depressed fuel demand and narrowing refining margins have forced refiners, both state-run and independents, to scale back crude throughput cutting into demand for crude oil.

### **Iran draws down on oil it has been storing in China**

(Wall Street Journal; Jan. 11) - Iran has shipped nearly 3 million barrels of oil from a storage site in China, people familiar with the matter said, in a bid to raise funds that could be used to shore up Iran's allied militia groups in the Middle East. Iran's national oil company owns the crude. The oil is from a stockpile of at least 25 million barrels that Iran sent to China in 2018, when it feared the imposition of new sanctions by the first Trump administration would prevent the country from exporting oil, those people said.

China gave its approval for the shipments following talks in November and December with Iranian officials, the people said. It isn't the first time Iran has sought to sell the oil, the people said, but Beijing hadn't previously given its OK. The additional oil revenue comes at a key time for Iran, as it tries to support its allied militias in the region, such as Hamas and Hezbollah, which have been battered in fighting with Israel. The fall of the Assad regime in Syria came as another blow, choking off the land route that Iran used to supply Hezbollah with cash and weapons. Iran, meanwhile, is facing sluggish growth.

China's decision to allow Iran to ship the oil could stoke tensions with Washington, as President-elect Donald Trump prepares to take office. In his first term, Trump moved aggressively to curtail Iranian oil sales. China is the largest buyer of Iranian oil. The oil that Iran stored in China in 2018 has been at two ports — in Dalian, east of Beijing, and Zhoushan, south of Shanghai, the people said. If Iran were to sell the entire stockpile at today's prices, that value would be over \$2 billion. Iran could earn up to \$1 billion, the people said. Tehran owes China around \$1 billion in storage fees, the people said.

### **Analysts differ on oil supply and demand forecasts for 2025**

(Bloomberg columnist; Jan. 9) - The oil market may not be as oversupplied this year as some forecasters suggest. That doesn't mean it will be much easier for OPEC+ to add back supply. The dire predictions of the International Energy Agency — which sees a 2025 surplus of nearly 1 million barrels a day, even without more OPEC+ oil — are

being called into question by some who see a stronger demand outlook. Standard Chartered has just doubled the size of the global draw on stockpiles it expects this year.

The bank sees a supply shortfall of 200,000 barrels a day, based on its projections for OPEC and non-OPEC output. The bank's outlook for improved compliance with production quotas by several key OPEC+ members may explain the closer supply-demand balance. But I remain skeptical. Iraq quickly undermined hopes that its lower December output was the result of a new-found determination to meet its assigned production target, blaming the drop on power outages at its largest field.

Official figures from Moscow showed output below target last month, for only the second time in nearly two years. But that was because Russia's quota increased, not because it pumped less oil. The OPEC+ group will face more challenges in the weeks ahead. South Sudan has asked producers to raise production after its northern neighbor reopened a vital pipeline that was idle for almost a year. That could soon add 100,000 barrels a day to supply. Kazakhstan will also increase capacity at its giant Tengiz field.

Finally, a global stock draw and higher prices in 2025 isn't a widely held view. BNP Paribas analysts warn that "crude prices have risen too much, too soon" and Brent, now above \$76 a barrel, will "fall back to the low \$70s" once seasonal refinery maintenance begins. Bank of America is even more pessimistic, forecasting a \$65 average.

## **[Analysts see global LNG oversupply building in second half 2020s](#)**

(Oilprice.com; Jan. 9) - A new wave of LNG supply is set to hit the markets in the coming years as the two biggest exporters of the fuel, the U.S. and Qatar, are preparing for major capacity boosts. Analysts say that tight LNG markets in the first half of this decade are likely to flip to a large surplus in the latter half of the 2020s. However, there are a lot of uncertainties about demand in the medium term. If demand in Asia and Europe firms up and new power demand from data centers continues to surge, any oversupply could be absorbed quicker than previously thought, some observers say.

Qatar, currently the world's second-largest LNG exporter behind the U.S., has a huge expansion program underway to boost its export capacity by a whopping 85% from current levels by 2030. Meanwhile, new U.S. projects are coming online this year and there will be a new president who is expected to strongly support LNG exports and possibly use LNG sales as a bargaining chip in tariff negotiations with trade partners.

U.S. LNG exports are expected to jump by 15% in 2025, reaching almost 14 billion cubic feet per day, thanks to higher export capacity with the Plaquemines LNG (Louisiana) and Corpus Christi LNG Stage 3 (Texas) plants. Overall, North America's LNG export capacity — the U.S., Canada and Mexico — is on track to more than double between 2024 and 2028 if projects under construction begin operations as planned.

“The potential for oversupply in global markets could destabilize prices, especially if trade tensions with China reignite, which would have negative consequences for U.S. producers and LNG developers,” said Emily McClain, of Rystad Energy’s North America Gas & LNG Market Research. The projects rely on “consistent demand from China.”

## **Large increase coming in North American LNG production capacity**

(DOB Energy; Jan. 9) - North America’s liquefied natural gas export capacity is on track to more than double by 2028. If the 10 projects currently under construction all go ahead as planned, capacity will increase to 24.4 billion cubic feet of gas per day in 2028 — more than 185 million tonnes of LNG per year. A handful of other projects have also recently reached final investment decision and are due to start construction this year.

The U.S. Energy Information Administration expects U.S. LNG exports to increase by nearly 2 bcf per day in 2025 as export capacity grows with three new projects due to begin operations. On top of this, five additional U.S. projects are due to come online by 2028, along with three projects in Canada and two in Mexico over the same timeframe. These new projects will create a significant demand pull for natural gas.

Canada’s projects will be served by the gas fields in Western Canada, while the U.S. and Mexico projects will receive gas from the southwest U.S. While all new projects have secured off-take deals, this does not guarantee the export terminals will operate at full capacity. “Exactly how demand manifests itself with a call on U.S. gas as a function of demand internationally as well as competing supply internationally. Those two things will continue to move around,” said Nick Dell’Osso, CEO of Expand Energy.

## **U.S. LNG project developer plans initial public offering**

(Reuters; Jan. 13) - Venture Global is targeting up to \$110.38 billion valuation in its U.S. initial public offering, the liquefied natural gas exporter said on Jan. 13, setting the stage for the first blockbuster stock market flotation in 2025. The Arlington, Virginia-based company is seeking to raise up to \$2.3 billion in what is likely to be the largest listing by an energy company in New York in more than a decade.

Reuters reported on Jan. 11 that Venture Global was set to formally pitch the highly anticipated IPO to investors this week. The company is offering 50 million shares priced between \$40 and \$46 each. Venture Global’s IPO comes amid growing global LNG demand even as the world shifts toward renewable energy. The U.S., a major LNG supplier to Europe and Asia, has emerged as the world’s largest exporter, thanks to its abundant gas reserves and the development of LNG terminals along the Gulf Coast.

President-elect Donald Trump's is widely expected to end to Biden administration's pause on LNG export approvals. North America's LNG export capacity is expected to more than double by 2028, according to the U.S. Energy Information Administration. Venture Global, which has two LNG projects in production and three more in various stages of development along the Gulf Coast, has plans to become the largest LNG producer in the U.S. The company has raised \$54 billion of capital for its projects.

## **Canada's oil sands producers moving ahead with more production**

(Calgary Herald columnist; Jan. 10) - Trudeau, Trump and tariffs — it's a trifecta of turmoil for Canada's oil sands operators planning for 2025. Yet, it's not slowing down the country's biggest oil and gas company, Canadian Natural Resources, which has raised its capital spending plan to \$6 billion and plans to grow output in 2025, even with political upheaval on both sides of the border. It's not the only one with such plans.

New data from energy consultancy Wood Mackenzie indicates publicly traded Canadian producers will increase oil sands-directed capital expenditures by 3% to \$13.5 billion this year, while combined oil sands output is forecast to rise 6%. Across Western Canada, all upstream spending is on track to climb 9%, based on guidance from public companies. "For a lot of them, it's a business-as-usual plan," said Jonah Resnick, senior research analyst with Wood Mackenzie.

CEO Rob Broen of oil sands producer Athabasca Oil said the company plans to increase its capital expenditures 22% this year. He believes there are more tailwinds aiding the Canadian oilpatch than headwinds holding it back. Oil is above US\$70 a barrel, companies have strong balance sheets to withstand short-term volatility and there's excess pipeline capacity to increase output.

"There is a lot of short-term noise and that's very unfortunate, particularly as it pertains to the Trump threats of tariffs, but we have long-term reserves ... Longer term, I don't think it's going to have a material impact on us," Broen said. "I don't think anybody is knee-jerking over it today." While few large-scale greenfield projects have moved ahead in recent years, producers are optimizing operations and incrementally adding output.

## **Canada's energy minister dismisses Trump's claim as 'simply false'**

(Bloomberg; Jan. 8) – President-elect Donald Trump's claim that the U.S. doesn't need anything from Canada is "simply false," said Jonathan Wilkinson, Canada's energy minister and a potential candidate in the contest to replace Justin Trudeau as prime minister. The U.S. doesn't have easy alternatives to Canadian crude oil, uranium, potash and other critical minerals, Wilkinson said. And he warned that nothing is off the table when it comes to potential Canadian trade retaliation, including export taxes.

At a news conference Jan. 7, Trump repeated his pledge to put “very serious” tariffs on all Canadian imports. “We don’t need anything they have,” the president-elect told reporters about Canada. Wilkinson will be in Washington next week and is working on lining up meetings with U.S. lawmakers. “The United States derives enormous economic value from Canada, and it does so with resources that it would have a very difficult time accessing from others,” he said.

“If you look at oil, we provide heavy crude. Most of the crudes that are produced in the United States are light sweet crudes. The refineries in the Midwest are set up for heavy crude, and they have no alternative to the use of Canadian resources — not that’s economic,” Wilkinson said. “Even the alternative that exists for some of the Gulf Coast refineries for heavy crude, it’s Venezuela. Are you really telling me the Americans are more interested in buying crude oil from Venezuela than from Canada?”

## **Japanese utilities restart 2 more nuclear reactors; 14 now in operation**

(U.S. Energy Information Administration; Jan. 10) - Japanese utilities restarted two more nuclear reactors in 2024 that had been suspended from operations after the 2011 Fukushima accident, taking the total number of restarts to 14. In November, Tohoku Electric restarted its 796-megawatt Onagawa Unit 2 reactor. In December, Chugoku Electric restarted its 789-MW Shimane Unit 2. Onagawa is the nuclear plant located closest to the epicenter of the 2011 earthquake and tsunami.

Most of the restarted reactors have been pressurized-water reactors located in western Japan. Onagawa Unit 2 and Shimane Unit 2, by contrast, are the first boiling-water reactors to be restarted. Onagawa Unit 2 is also the first reactor in the eastern part of the country to be restarted. Japan’s nuclear regulator prioritized the restart of pressurized-water reactors due to public safety concerns regarding boiling-water technology, which was the design of the Fukushima Daiichi units.

Japan suspended its nuclear fleet from 2013 to 2015 for mandatory safety checks and upgrades. Before the accident, 54 commercial reactors were operating in Japan and nuclear power accounted for approximately 30% of the country’s electricity generation. Restarts have proceeded slowly since the first two units in 2015. Restarts have been slow due to a significantly more stringent safety inspection and authorization process.

The suspension of Japan's nuclear fleet significantly increased dependence on gas, oil, and coal imports to make up for lost domestic nuclear power. As part of Japan’s sixth long-term energy plan, last updated in October 2021, the central government called for the nuclear share of the country’s electricity generation to reach 20% to 22% by 2030. Nuclear power accounted for about 6% of Japan’s electricity generation in 2023.



## **Germany's rush to floating LNG import terminals comes at high cost**

(Bloomberg; Jan. 10) - Germany spent big on LNG import terminals to ensure energy security, but the high cost of using them means they're taking in a tiny fraction of its gas needs. Only about 8% of Germany's total gas imports last year came via its receiving terminals in Wilhelmshaven, Brunsbüttel, Lubmin and Mukran, according to energy regulator Bundesnetzagentur. "German terminals are more expensive to deliver to than the rest of northwest Europe," said Qasim Afghan, an analyst at Spark Commodities.

On average, variable regasification costs in Germany for cargo deliveries in February are 86% higher than onshore LNG import facilities in the region, he said. That's because it's more expensive to operate floating import terminals, especially in the winter. Also, fuel gas losses, associated with power consumption needed for the process of turning LNG back to gas, are higher in Germany than elsewhere, Afghan said. As a result, Germany has the most open regasification slots available for purchase in Europe, "highlighting unused capacity that is likely not economically viable."

When the nation accelerated construction of the floating facilities in 2022, to help wean itself off Russian gas, the goal was to be able to keep energy costs in check. However, the expensive terminals are adding to the already high gas prices and compounding the pain for Germany's energy-intensive economy. Ship-tracking data show that Europe's biggest economy imported 4.8 million tonnes of LNG last year. That's a marginal decline year-on-year and far less than what neighboring nations are importing. The gas that comes into onshore terminals in other countries can be piped to Germany.

## **Norway produced and exported record volume of natural gas in 2024**

(Reuters; Jan. 9) - Norway exported a record amount of natural gas in 2024 and volumes are expected to stay near this level in the coming years, official data and forecasts showed on Jan. 9. Norway became Europe's largest gas supplier following Russia's invasion of Ukraine in 2022, providing about 30% of all gas imports to the European Union. The country's overall gas output, which includes volumes pumped via pipelines as well as liquefied natural gas exported on ships, rose by 6.9% last year to a record high of 4.378 trillion cubic feet, the Norwegian Offshore Directorate said.

Out of the total, the amount of Norway's gas that was exported via pipelines rose by 7.8% in 2024 to 4.15 tcf, just exceeding the previous record reached in 2017, export pipeline system operator Gassco said. Gassco operates a 5,468-mile pipeline network connecting Norwegian gas fields to Germany, Belgium, France, Britain and Denmark. "Since the transport of gas from Russia through Ukraine ended at the turn of this year, gas from Norway has become even more important," Offshore Directorate Director General Torgeir Stordal said in a statement.

The Equinor-operated North Sea Troll Field produced a record 1.5 tcf of gas last year, accounting for more than 10% of Europe's demand, the company said. The offshore directorate forecast that Norway will produce 4.25 tcf of gas in 2025, down 2.9% year-on-year, and will remain near this level until 2027 before a further dip to 3.91 tcf in 2029.

### **India opens its eighth LNG import terminal as it continues build-out**

(Bloomberg; Jan. 9) - India's newest liquefied natural gas import terminal has received its first shipment, taking the country a step closer to its goal of doubling the proportion of the fuel in its energy mix by the end of the decade. Commissioning activities are underway and the cargo will unload completely by Jan. 16, according to two Hindustan Petroleum officials who asked not to be named as the information isn't public.

The terminal, the country's eighth, is owned by HPCL and is located in Gujarat state on India's west coast. It was due to be commissioned in April 2024 but was delayed due to technical issues. New Delhi aims to increase the share of natural gas in its energy mix from 6% now to 15% by 2030, to reduce dependence on dirtier fossil fuels such as oil and coal. While LNG imports rose to the highest level since 2020 last year, demand is often hamstrung by price spikes that make the fuel too expensive for Indian buyers.

### **Higher LNG prices in Asia may push more use of oil**

(Bloomberg; Jan. 9) - A rally in liquefied natural gas prices has pushed the cost in Asia to a rare and substantial premium over oil, paving the way for major consumers to shift to cheaper but dirtier fuels. Japan-Korea marker prices for LNG, the Asian benchmark, were as much as 22% more expensive than Brent crude earlier this month on an energy-equivalent basis, according to Bloomberg calculations. Gas prices have risen on cold winter weather in the Northern Hemisphere and the loss of Russian pipeline flows via Ukraine, increasing competition between European and Asian LNG buyers.

Conditions appear ripe for electricity generators and big industrial consumers to switch from gas to oil products. Many Asian power plants sometimes run on fuel oil, while it's also possible to use diesel-type fuels for industry, heating and transport.

### **BP wins contract for large-scale boost in India's oil and gas output**

(Reuters; Jan. 8) - BP has pledged to lift oil production by 44% and gas output by 89% from India's largest field off its west coast under a decade-long contract, according to block operator Oil and Natural Gas Corp. of India on Jan. 9. ONGC named BP as its



technical service provider on Jan. 8 to assist in boosting output from a baseline production of about 330 million barrels of oil and 2.5 trillion cubic feet of gas per year.

Shell also participated in the tender, which sought advanced recovery technologies and expertise in managing complex mature reservoirs to boost production, ONGC said in an exchange filing. BP projected an increase in annual oil production by 44% to 478 million barrels and gas output by 89% to 3.98 tcf from the Mumbai High Field, which was discovered in 1974. India, the world's third-biggest oil importer and consumer, aims to rapidly increase its oil and gas production, which has remained stagnant for years.

The increase in production is expected to begin in the next fiscal year starting April 1, with full-scale operations anticipated by 2027-28, ONGC said in the filing. BP will receive a fixed fee for the first two years, followed by a service fee based on a percentage share of the revenue from net incremental production, after recovering incremental costs, according to ONGC. The Mumbai High Field reached peak production of 471,000 barrels per day of oil in March 1985, and its output had declined to about 134,000 barrels per day in April 2024, a tender document showed last year.