Oil and Gas News Briefs
Compiled by Larry Persily
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OPEC doesn’t want to cross Trump and doesn’t want to lose face

(Bloomberg columnist; Jan. 28) – President Donald Trump has a decades-long history of bashing OPEC, starting with his 1987 book “Trump: The Art of the Deal” when he blamed the group for cripplingly high energy costs. Unsurprisingly, it only took him 72 hours after taking office to fire at the cartel. Speaking to the World Economic Forum on Jan. 23, he said he’d ask Saudi Arabia and its allies to “bring down the cost of oil.”

The cartel’s semi-public initial reaction to Trump’s comments — leaking a photo of several OPEC+ ministers meeting in Riyadh as if it was a show of unity — was comical; the gathering included top oil officials from the United Arab Emirates and Iraq, the two countries that have exceeded production limits the most. In private, the response from OPEC+ is dismissive, but guarded; no one wants to cross Trump. But behind closed doors, there’s been a flurry of meetings and consultations among member states.

By happy coincidence, the cartel doesn’t need to lose face. Pleasing Trump could be presented simply as following the existing plan. As it happens, the group already intends to start increasing oil output from April in monthly installments that will continue until late 2026. True, very few in the market thought OPEC+ would carry out this plan; it’s already delayed the output hikes three times to keep prices higher, and a fourth delay was very much on the cards because adding barrels will lead to an oversupply and lower prices. But, at least technically, going ahead with production hikes wouldn’t equal capitulation.

Is the cartel on the ropes? Not completely. The same bullish voices that heralded triple-digit prices now talk about $70 a barrel as an acceptable target. It’s a start — but I don’t think we’ve seen the bottom of the market for crude yet.

Sources say OPEC unlikely to boost output before April

(Reuters; Jan. 28) - Saudi Arabia's energy minister and several of his OPEC+ counterparts have held talks following President Donald Trump's call for lower oil prices and ahead of a meeting next week of OPEC+ oil-producing countries, according to official statements and sources. Trump has called on Saudi Arabia and OPEC to lower oil prices. OPEC+ has yet to respond, but five OPEC+ delegates said a meeting of the group's top ministers Feb. 3 is unlikely to adjust its plan to start raising output in April.

On Jan. 27, Saudi Energy Minister Prince Abdulaziz bin Salman held talks with Iraq's Hayan Abdel-Ghani and Libya's Khalifa Abdulsadek in Riyadh, the Saudi Press Agency reported. The Saudi minister and his Libyan counterpart discussed "strengthening joint efforts to support the stability of global energy markets" to serve their mutual interests, the agency reported. The Saudi minister also met with UAE Energy Minister Suhail al-Mazrouei in Riyadh for informal talks, two sources said. OPEC+ members are holding back 5.86 million barrels per day of output, or about 5.7% of global demand.

Chevron starts up production at giant Kazakhstan oil field expansion

(Reuters; Jan. 24) – Chevron said Jan. 24 it had started production at a $48 billion expansion of the giant Tengiz oil field, which will bring the field’s total output to about 1% of global supply. Tengiz accounts for much of landlocked Kazakhstan's oil production and has been a major cash generator for Chevron for decades. But its exports depend almost entirely on a pipeline that runs through Russia to the Black Sea, putting it effectively under Moscow's control. Flows could also be impacted by Kazakhstan's ongoing agreement with OPEC and other oil producers to curtail global supply.

The expansion is expected to reach full capacity of 260,000 barrels per day by June, lifting overall production at Tengiz to around 1 million barrels of oil equivalent per day, Chevron's head of international exploration and production Clay Neff told Reuters. Tengiz is one of the world's deepest and most complex fields due to high levels of sulfur and harsh weather conditions. The expansion has suffered delays and huge cost overruns since launching in 2012. Investment was "at the low end" of $48 billion to $49 billion, Neff said, making it one of the world's most expensive oil developments.

Chevron has a 50% stake in the Tengizchevroil joint venture, which it operates, with ExxonMobil holding 25%, Kazakh oil firm KazMunayGas 20% and Russian oil producer Lukoil the remaining 5%. "What this project allows us to do is not only increase production today but also extend the life of the field over time," Neff told Reuters. The expansion is part of Chevron's plans to increase its own production by around 3% per year over the next five years along with strong growth in the U.S. Permian shale basin.

Analysts note that China entering period of lower oil demand

(Nikkei Asia; Jan. 26) - Experts are beginning to predict China's demand for crude oil may hit a ceiling earlier than previously forecast as the world's second-largest economy undergoes a state-led structural shift, encouraging sales of "new-energy" vehicles and through other measures. Consumption trends in China inevitably affect the global outlook for the oil market. The possibility of an earlier peak in Chinese crude oil demand has emerged in monthly import data from China's General Administration of Customs.

Oil imports for 2024 shrank 1.9% versus the previous year, marking their first annual decline in recent decades, excluding the pandemic period. Oil demand is determined by the economic cycle in the short run and by structural changes, such as advances in energy efficiency, in the medium to long term. Some experts say the current decline in demand in China cannot be explained by the country's economic slowdown alone.

Kieran Tompkins, an economist at Capital Economics in the U.K., said China is entering an era of structurally weakening oil demand. Li Xuelian, a senior analyst at the Marubeni Institute, a Tokyo think tank, believes oil demand may have already peaked in China. The International Energy Agency had forecast that China's crude oil demand will top out around 2030. If the 1.9% fall in oil imports last year was not a blip, China's reliance on oil may be declining much faster than the IEA's prediction.

The rapid spread of new-energy vehicles such as electric vehicles is one factor. Sales began to exceed those of gasoline-fueled cars in mid-2024. The growing prevalence of EVs sharply curtails demand for oil in China because fuel for transport, such as gasoline and diesel, account for nearly half of total demand for petroleum products in the country.

Wall Street expects U.S. oil companies to hold down spending

(Reuters; Jan. 27) - Wall Street expects U.S. oil and gas companies to keep a lid on spending in 2025 and keep their focus on generating shareholder returns, despite calls by President Donald Trump to "drill, baby, drill." Big Oil begins reporting fourth-quarter results this week, and outlooks for the coming year should reflect the dissonance between Trump's oil- and gas-maximizing agenda and investor expectations. The industry has pushed in recent years to drive down costs and increase production by using more efficient technology rather than drilling many new wells.

Producers also must contend with lower global oil prices as the post-pandemic demand rebound runs its course and as China's economy struggles. Benchmark Brent crude oil prices are projected to average $74 per barrel in 2025, down from $81 in 2024, according to the U.S. Energy Information Administration. "We expect most oil and gas producers to remain disciplined with capital expenditures," said Rob Thummel, senior portfolio manager at Tortoise Capital.

Overall, for the U.S. exploration and production sector, analysts at Scotiabank expect companies to target up to 5% production growth this year, and flat to slightly lower year-over-year capital expenditures. The exception is ExxonMobil, which plans a large increase in production. The largest U.S. oil company intends to more than triple its production in the Permian Basin, the top U.S. shale field, and pump 1.3 million barrels per day from its lucrative operations in Guyana by 2030.

Russian oil unlikely to take ‘large hit’ from sanctions, analysts say

(Bloomberg; Jan. 26) - Sweeping U.S. sanctions on Russia’s oil industry are unlikely to result in a “large hit” to production, as higher freight rates and the nation’s cheap crude support the trade, according to Goldman Sachs. Rising transport fees have encouraged non-sanctioned ships to move Russian crude, filling the gap left by blacklisted tankers, analysts including Callum Bruce wrote in a Jan. 24 note. The deep discount of Russian ESPO oil also creates strong buy incentives for price-sensitive traders and refiners.

Russia’s oil revenues have edged up modestly since the Biden administration implemented the sanctions earlier this month, and Western policymakers are expected to prioritize maximizing discounts rather than reducing volumes on the market, according to Goldman Sachs. Total exports remain “fairly stable.” Still, uncertainty around the impact of the sanctions is “high, especially because certain wind-down transactions are authorized through March 12,” the analysts wrote in their note.

New carbon capture project underway in Oklahoma

(The Oklahoman; Jan. 26) - Positioned between acres of rolling fields near Shidler, Oklahoma, are twin barns and industrial machinery. The site, called Bantam, opened by carbon capture company Heimdal in August, uses crushed limestone to passively absorb carbon dioxide from the air, strip away the gas in a 2,000-degree kiln and reuse the rock. The site is the largest direct-air capture facility in the U.S., with plans to divert 5,000 tons of carbon annually. But it may not retain that title for years to come.

Carbon capture is being pushed nationwide as federal incentives for the practice expand and industries seek avenues for limiting their emissions. The Bantam project works with CapturePoint, an oil and gas company that injects the carbon dioxide to bring fossil fuels to the surface through enhanced oil recovery in the North Burbank oil field in Osage County. The flow makes up a significant portion of the Osage Minerals Council’s daily production, according to Chairman Myron Red Eagle. The council owns the rights to minerals and receives an income from oil and gas production in the county.

CapturePoint plans to explore new ways to store carbon underground without extracting fossil fuels. The company is a partner in the proposed Oklahoma Carbon Hub, a project led by researchers at the University of Oklahoma and Los Alamos National Laboratory. Heimdal’s Bantam site is a potential client of the hub. An $18.7 million grant from the U.S. Department of Energy will fund the study. While the Bantam project captures carbon directly from the atmosphere, the carbon hub also aims to capture greenhouse gases before they are emitted from operations and inject it into formations underground.

CO2 for enhanced oil recovery could boost North Dakota revenues

(North Dakota Monitor; Jan. 28) - North Dakota could see up to an additional $9 billion in oil tax revenue over 10 years if oil companies begin injecting carbon dioxide into wells on a large scale, an analysis released Jan. 28 shows. North Dakota Tax Commissioner Brian Kroshus outlined the potential of carbon dioxide on oil production and tax revenue for the state Industrial Commission. Injecting gas such as carbon dioxide into an oil well — called enhanced oil recovery — can increase the amount of oil the well will produce.

The technique has not been widely adopted in North Dakota, the No. 3 oil-producing state in the U.S. One factor holding back enhanced oil recovery is higher federal tax incentives for permanent underground storage for carbon dioxide than for enhanced oil recovery. A news release from the Industrial Commission called on the federal government to enact tax parity for CO^2 projects. North Dakota has potentially large-scale sources of CO^2 from coal-fired power plants, ethanol plants and other industries.

The $9 billion tax impact was at the high end of the revenue potential, Kroshus said, with the low end at $2.9 billion. That tax impact is just based on oil production and doesn't figure in increased tax collection from sources such as corporate or individual income taxes. The report is based on information from the Energy and Environmental Research Center in Grand Forks on how enhanced oil recovery could impact the state's oil production. The center estimates that injecting CO^2 could add 5 billion to 8 billion barrels of oil from the Bakken Formation over the next 30 to 50 years.

Hawaii may shift energy plan and use LNG for power generation

(Hawaii Public Radio; Jan. 28) - The site of Oahu's demolished coal plant may become the home of a new fossil fuel facility. That's one part of a plan released Jan. 28 by the Hawaii State Energy Office that calls for liquefied natural gas to play a role in Oahu's energy mix. The office seeks to address the state's continued dependence on oil by replacing it with LNG over the next two decades. LNG could be cheaper and cleaner than oil under certain conditions, according to the energy office's analysis.

The shift would not happen overnight, but it is under a tight timeframe to save the most money while still meeting the state's clean-energy mandate. It would require billions of dollars in capital expenditures, and the report recommends that Hawaiian Electric Co. explore options for funding. The report cites a Japanese energy company that has expressed interest in investing in HECO, along with other potential sources of capital.

Importing LNG would be a major departure from previous state energy policy. Former Gov. David Ige nixed the idea of LNG as a bridge fuel a decade ago and subsequently passed Hawaii's state mandate to achieve 100% renewable energy production by 2045. But Gov. Josh Green tasked the energy office to develop a new strategy to address electricity costs and the increasing unreliability of Hawaii's firm power generation, as well as cut carbon emissions from the state's consumption of low-sulfur fuel oil.

The energy office's plan suggests retooling several of Oahu's oil-fired power plants to run on LNG and anchoring a floating LNG import facility offshore. The office contends that LNG could be sourced from Canada, Australia, Mexico or Asia. The investment necessary to incorporate LNG into Oahu's energy mix at scale is more than $2 billion.

U.S. LNG could gain market share, analysts say

(Bloomberg; Jan. 28) – U.S. natural gas producers could gain Asian market share at the expense of Australian exporters in the long run, as countries running a trade surplus with the U.S., like Japan and South Korea, are compelled to buy more American LNG to avoid Trump's tariffs, according to Bloomberg Intelligence. Chinese buyers have already agreed to buy a combined 14 million tonnes of U.S. LNG from 2026, 50% higher than the previous record in 2021, Bloomberg Intelligence analysts including Chia Chen and Henik Fung said in a note on Jan. 28.

China might even take more U.S. shipments to negotiate favorable tariffs with Trump's administration, they said. The president's reversal of the Biden administration pause on new LNG export approvals will likely revive new gas projects and pave the way for more export growth, the analysts said. Prices, however, could be lower. A surplus gas supply in Asia, China's faltering economic recovery and Japan's increasing restart of nuclear power plants could cap Asian LNG prices at $10 per million Btu, the analysts said.

Venture Global ramps up production at newest U.S. LNG plant

(Reuters; Jan. 28) - Federal regulators on Jan. 28 gave Venture Global LNG permission to introduce natural gas into the seventh block of its Plaquemines liquefaction plant in Louisiana as the company continues to ramp up production. The Arlington, Virginia-based company is the second-largest U.S. liquefied natural gas exporter and has been quickly increasing production from its second plant, Plaquemines.

On Jan. 28, the facility was on track to pull 1.1 billion cubic feet of gas into the plant, the newest such facility in the U.S. At peak production, the Plaquemines facility could produce over 24 million tonnes per year, liquefying about 3.2 bcf per day, according to the company. The entire facility will not be fully commissioned until 2027, it said. It will add to the company's production and export capacity of about 11 million tonnes per year at its Calcasieu Pass plant in Louisiana, which started production in 2022.

Venture Global is involved in contract arbitration cases brought by some of the world's top oil and gas producers including BP, Shell, Edison, Orlen and Repsol for cargoes exported from the Calcasieu Pass plant, which they say should have been sold to them under long-term contracts. Instead, the company has countered, the cargoes are being produced during the long commissioning phase of the plant and therefore belong to Venture Global to sell on the open market — at a hefty profit to the term-contract prices.

U.S. LNG project developers cash in big on initial stock offering

(Bloomberg; Jan. 24) - Twelve years ago, investment banker Mike Sabel and Big Law partner Bob Pender walked away from their careers and made a bold bet on the then-nascent LNG industry. Driving across Texas, they pitched investors on a plan to build liquefied natural gas export plants faster, cheaper and better than anyone else. Their startup, Venture Global, debuted Jan. 24 in the biggest energy-sector initial public offering since 2021. While investors' response was tepid, with shares closing down 4% from the $25 offering price, the company ended the day at a market value of $58 billion.

That gave the co-founders — who own a combined 81% economic stake in the firm — a net worth of $23.7 billion each, according to the Bloomberg Billionaires Index, vaulting them to 86th and 87th place among the ranks of the world's richest people. Venture Global has emerged as a big winner of the U.S. LNG boom, which has seen exports explode since the company's founding. The U.S. is now the world's largest exporter.

Sabel and Pender don't share the backgrounds of billionaire energy-sector founders. Pender worked as a White House law clerk during the Carter administration. Over the course of a 28-year law career, he specialized in energy financing projects in the Americas and South Asia. Sabel got his start in investment banking after dropping out of college, working for financial firms. The two burst into the scene in 2016 with a pitch to undercut their competitors' prices by as much as 40% with modular LNG terminals.

The company delivered its first LNG shipment in 2022 and currently has two operational terminals in Louisiana as well as plans for three more. Since the U.S. began exporting out of the Lower 48 states, Venture Global has grown to be one of the biggest LNG exporters globally and looks to double production capacity again in the next few years.

Japan's latest draft energy plan points to stable supply of LNG

(Energy Intelligence; Jan. 24) – Liquefied natural gas has taken a prominent role in the latest draft of Japan's national energy plan, which could be good news for North American export project developers targeting prime Asian markets. As a strong ally of the U.S., Japan is also bracing for President Donald Trump's likely pressure on Tokyo to buy more U.S. LNG — given Japan's $71 billion trade deficit with the U.S.

The world's second-largest LNG market has been an investor and offtaker at the Freeport and Cameron LNG terminals on the U.S. Gulf Coast and the Cove Point facility in Maryland. For the next wave of projects, Japanese firms Inpex, JERA and Itochu have committed to 15- and 20-year offtake agreements with Venture Global's CP2 (Louisiana) and NextDecade's Rio Grande (Texas) projects, totaling 3 million tons per year. However, both projects are embroiled in regulatory uncertainty.

Additionally, a Japanese consortium has signed a heads of agreement for offtake from the Lake Charles (Louisiana) project. In Canada, trading house Mitsubishi owns a 15% stake in the Shell-led LNG Canada project that is due to start up later this year. Some Japanese buyers have held talks with other Canadian LNG developers which are favored for a shorter shipping distance to Japan and Canada's abundant gas resources.

For the first time, Japan's draft energy plan includes a risk scenario requiring more LNG to ensure stable energy supplies — especially if decarbonization technologies such as carbon capture and hydrogen don't move ahead as anticipated. But local LNG industry watchers have been hoping to see more favorable language in the draft underlining the importance of LNG rather than labeling it a "transitional" fuel.

Italy continues LNG investments despite declining gas demand

(Institute for Energy Economics and Financial Analysis; Jan. 27) - Italy's declining gas consumption raises questions about its continued investment in the fuel. The country's gas demand dropped by 19% from 2021 to 2024. Meanwhile, liquified natural gas import infrastructure construction plans could see the country triple its regasification capacity from 570 billion cubic feet in 2022 to almost 1.7 trillion cubic feet in 2026.

Snam Rete Gas, part of the Snam Group, is a key player in Italy's gas market. It operates a 20,000-mile pipeline network and supplies about 95% of the Italian market. Most of Snam's revenues are regulated to ensure that its services are provided to third-parties according to non-discriminatory criteria. Such regulations could lead companies to unnecessarily increase investments since they would recover their costs.

Regulatory agencies in European countries have been aiming to reduce the risk that such regulatory cost-recovery incentives could provide a bias toward excessive capital expenditure. In Italy, energy regulator ARERA launched a program in 2021 to help consolidate and strengthen investment selectivity and efficient infrastructure use, leading to a new approach to revenue setting.

Russian shipyard completes its first Arctic-capable oil tanker

(gCaptain; Jan. 24) - After years of trying to construct Arctic-capable oil and LNG tankers within Russia, the Zvezda shipyard in the Far East has, for the first time, succeeded in delivering a vessel. The Arc6 ice-class Panamax-size shuttle tanker Valentin Pikul has been delivered to owner Rosnefteflot. It is expected to shuttle oil from Russia's Varandey offshore loading site in the Pechora Sea, the world's most northerly continuously operating oil terminal, to the Murmansk transfer hub.

Last week's round of U.S. sanctions targets the flow of Russian oil from its three Arctic projects, Varandey, Prirazlomnoye and Novy Port. The new measures target the entire fleet of ice-capable oil tankers, including in a preemptive manner the newly launched Valentin Pikul. Russia will likely continue to employ shadow fleet tactics to sell oil to markets, though the latest measures have led to apprehension among buyers as concerns over secondary sanctions grow for anyone taking sanctioned Russian oil.

Like the Arc7 LNG tankers under construction at Zvezda, large parts of the oil tanker were designed and built by Samsung Heavy Industries, with final assembly at Zvezda. The 845-foot-long vessel will be able to break through ice up to 5 feet thick and operate independently without icebreaker assistance. Like its larger Arc7 LNG carrier cousins, the oil tanker it is a double-acting ship with an icebreaking stern used in challenging ice conditions. The Zvezda shipyard has been touted by Russian President Putin as a key tool to overcome dependence on South Korean shipyards for Arctic-capable tankers.

Spanish company will go ahead with green hydrogen project

(Reuters; Jan. 29) - Spain's decision not to extend an energy windfall tax provides the regulatory certainty that Moeve, the country's second-largest oil company, needed to start building its flagship green hydrogen project this year, the company's CEO said. Spain's parliament last week rejected several decrees put forward by the country's minority left-leaning government, including one to extend a 1.2% windfall tax imposed in late 2022 on energy companies with a turnover of at least 1 billion euros ($1.04 billion).

"We've had some regulatory issues in Spain around tax levels and that has slowed down the industry. … Putting an end to the idea of a windfall tax will allow the industry to invest," Chief Executive Maarten Wetselaar said in an interview with Reuters. "We would like to start building (the green hydrogen project in Huelva) this year," he said. Green hydrogen is produced without using fossil fuels, using renewable energies to power the electrolysis that separates hydrogen from water.

In October 2024, Wetselaar said Moeve would delay investments worth 3 billion euros in its electrolysis plant in southern Spain if the windfall tax became permanent. Wetselaar has been among the most vocal critics of Spain's windfall tax on energy companies' domestic sales. It had to pay 566 million euros in 2023 and 2024 for this tax.

Moeve is building the hydrogen project in phases. It has a target to produce 2GW of green hydrogen from the project by 2030, the CEO said.