

# Oil and Gas News Briefs

## Compiled by Larry Persily

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#### **Success of Trump's tariff threat on Russian oil depends on reaction**

(Reuters columnist; March 31) - U.S. President Donald Trump's threat to impose secondary tariffs of 25% to 50% on buyers of Russian crude oil is just crazy and bold enough to perhaps achieve his stated aim of a ceasefire in Ukraine. What matters now is the reaction of the other three key players to this latest move by the mercurial and inconsistent U.S. leader. Do Russian President Vladimir Putin, Indian Prime Minister Narendra Modi and Chinese President Xi Jinping believe that Trump will actually follow through, and if he does what will it mean for their energy situation?

India and China are effectively the only major buyers of Russian oil, so their reaction becomes as important as Putin's response to Trump's latest shift. Trump told NBC News he is "pissed off" at Putin and will impose tariffs of up to 50% on buyers of Russian oil if he feels Moscow is blocking a negotiated peace in Ukraine. "If Russia and I are unable to make a deal on stopping the bloodshed in Ukraine, and if I think it was Russia's fault ... I am going to put secondary tariffs on oil, on all oil coming out of Russia," Trump said.

This is an apparent reversal of his previous friendly stance toward Putin, which had drawn widespread criticism for effectively abandoning Ukraine to its invader and surrendering to Russia's aggression. The question is whether Trump's threat is credible and likely to come to fruition, which is the assessment Russia, China and India must make. If Putin believes Trump will go ahead and massively boost what are effectively sanctions on Russia's main export, he may be inclined to back down at least far enough to allow Trump to appear to have "won" in negotiations.

#### **Taiwan shows interest in Alaska to curry favor with Trump**

(Asia Sentinel; March 27) - In a thinly veiled maneuver to keep the Trump administration committed to Taiwan's defense against an increasingly hostile China, Taiwan's state-run oil refiner CPC Corp. signed a non-binding letter of intent with the Alaska Gasline Development Corp. to not only to buy U.S.-originated liquefied natural gas but also to participate in the project's "upstream gas investment." The island nation also is seeking to avoid drastic import tariffs that Trump has threatened on Taiwanese semiconductors.

Taiwan signed a letter of intent in March to buy Alaska LNG, although it normally buys mainly from Qatar which has one of the lowest production costs in the world. Observers in Taipei are irritated that U.S. LNG is pricier and that Taiwan is being asked to invest billions to get the Alaska LNG flowing. "This is like me helping you to build your

restaurant so that you can sell me an overpriced meal,” said Angelica Oung, founder of the Taipei-based nonprofit group Clean Energy Transition Alliance, in a LinkedIn post

“But if loading up on Freedom Gas is what it takes to prevent Trump from selling Taiwan down the river, then it’s cheap at even US\$12 per million Btu, compared to Qatar’s US\$8,” Oung said. The proposal to develop a large-scale LNG terminal in Alaska and export its gas to markets in Asia has been stalled for years, but Trump is pushing it. He has been aggressively pitching the project to South Korea, Japan and Taiwan, urging the countries to expand LNG supplies from the U.S. to help reduce their trade deficits.

Thamer Alqershi, a Yemen-based LNG analyst, told the Asia Sentinel that despite the higher cost, the deal is driven by several strategic advantages, as opposed to solely the desire to curry favor with the Trump administration. “However, its complexity, frequent delays, and high costs — nearly double those of similar projects worldwide — make it less appealing to investors. Any additional expenses, which are also expected to rise, might prevent the project from starting as planned or at all, he added.

### **Regardless of Trump, U.S. LNG has to deal with EU emissions rules**

(Reuters commentary; March 28) - The Trump administration’s broad policy goal of achieving “energy dominance” may run into headwinds in the country’s largest export market, the European Union, due to new methane regulations. While European Commission President Ursula von der Leyen has indicated that the EU may be willing to import more U.S. liquefied natural gas, in part to reduce the bloc’s trade deficit with the U.S., making this happen could get complicated.

First, many utilities in the EU are hesitant about signing long-term LNG contracts, given the uncertainty about the region’s future gas demand and the price impact of the product’s expected supply growth in the coming years. Rapidly deteriorating political relations with Washington are also not helping. Another complicating factor is the EU Methane Regulation that was adopted in August 2024. This framework established rules and obligations for companies operating in the EU related to monitoring, reporting and verifying methane emissions, as well as deterring and addressing methane leaks.

An effort has been underway globally to better monitor methane emissions from fossil fuel production and transport. The U.S. had been part of the movement — but President Donald Trump ended that. U.S. LNG companies, which tend to have a long-term focus, are apt to look beyond the Trump administration and seek to follow European standards to cement their growing market share there. Limiting the environmental footprint of U.S. LNG will be a long-term effort. It’ll likely come down to industry itself to make progress, possibly in collaboration with lawmakers and regulators in jurisdictions like the EU.

## **India considers dropping its tax on imported U.S. LNG**

(Reuters; March 28) - India is considering a proposal to scrap its import tax on U.S. liquefied natural gas to boost purchases and help cut the trade surplus with Washington, a key irritant for President Donald Trump, four government and industry sources said. The U.S. is India's second biggest LNG supplier and the two sides are looking to ramp up volumes for India's energy-hungry economy, one of the fastest growing in the world.

During Prime Minister Narendra Modi's U.S. visit last month, India pledged to increase U.S. energy purchases. Scrapping the import tax would make U.S. LNG more price competitive and help trim India's trade surplus with the U.S., another government source said. The trade surplus totaled \$45.4 billion last year. "We are considering ending the imports tax on U.S. LNG under the bilateral trade agreement, similar to our model with the UAE," one of the sources familiar with the matter said.

India currently imposes a 2.5% basic customs duty and an additional 0.25% social welfare tax on LNG, but tax is not levied on supplies from the United Arab Emirates (UAE) and Australia under bilateral agreements. Unlike Canada and the European Union, India is actively seeking to appease the Trump administration as it ratchets up pressure on trading partners. India is open to cutting tariffs on over half of U.S. imports worth \$23 billion, Reuters reported earlier this week.

## **U.S. LNG export demand prompts more activity in Haynesville shale**

(Reuters; March 28) - U.S. natural gas producers and investment firms are gearing up for more activity in Louisiana's Haynesville shale basin, positioning themselves for a boom in liquefied natural gas exports boosted by new approvals from President Donald Trump. Gas prices are rising as LNG producers in the United States, already the world's largest LNG exporter, bring new projects online in Texas and Louisiana. U.S. gas demand is expected to hit record highs in 2025 and 2026.

Companies are planning and building big-ticket LNG projects that will require even more growth in domestic gas supply in the coming decade. That is prompting producers to look again at gas plays that may help supply future U.S. LNG plants. Haynesville's location in east Texas and northwest Louisiana is ideal for exports from facilities on the Gulf Coast. Gas from Haynesville is easier to convert to LNG because it has fewer impurities that hinder liquefaction, such as nitrogen and hydrogen sulfide, said Gordon Huddleston, president of Aethon Energy, one of the basin's largest gas producers.

Japan's Tokyo Gas, an example of international interest, has been an active buyer of Haynesville assets in the past two years as Japan's biggest city gas provider seeks to mitigate disruption to its supplies caused by sanctions on Russia's gas following Moscow's invasion of Ukraine. It plans to spend at least \$1.9 billion on its U.S. shale business between 2026 and 2029. Haynesville gas production is about half that of the

prolific Permian Basin in Texas and New Mexico, but is expected to grow at a faster rate, according to government forecasts.

### **Aging Permian Basin produces more water, less oil and gas**

(Reuters; March 27) - U.S. oil producers are grappling with geological limits to production growth as the country's top oil field ages and produces more water and gas and less oil — and may be nearing peak output. The Permian Basin was the centerpiece of the shale revolution that began nearly two decades ago and spurred the U.S. to become the world's top oil producer, stealing market share from the Organization of the Petroleum Exporting Countries and other top producers.

Slowing output growth and rising costs would make it difficult for oil producers to pump more and bring down oil prices to consumers, as envisioned by U.S. President Donald Trump. The Permian is pumping 6.5 million barrels per day, a record level and nearly half the all-time high 13.5 million barrels per day of crude that the U.S. produced in December. But the Permian is flagging. Since the widespread introduction of hydraulic fracturing, the technique that enabled the shale revolution in the mid-2000s, thousands of wells have perforated the Permian and fractured the rock to extract oil and gas.

Relentless drilling to reach record output has exhausted the core of the Permian's two largest sub-basins: nearly two-thirds of the Midland formation's core has been drilled, and slightly more than half in the Delaware formation, according to data from analytics software company Novi Labs. "We've never been in a position before where we were on the back half of the inventory story of the Permian Basin," Novi Labs head of research Brandon Myers said. That has rung alarms across the industry, as drilling in the fringes of the basin, on lower-quality prospects, means less oil output and more water and gas.

### **Texas set oil production record at 2 billion barrels last year**

(Midland Reporter-Telegram; Texas; March 27) - For the first time in its storied history, the Texas oil and gas industry produced over 2 billion barrels. The Railroad Commission reports Texas oil production reached 2,003,844,281 barrels in 2024, while natural gas production reached 12.62 trillion cubic feet. Oil production was 1.77 billion barrels in 2020; gas output was 10.24 trillion cubic feet that same year.

"The oil and natural gas industry has continued to embrace new technologies that have delivered amazing results," Todd Staples, president of the Texas Oil & Gas Association, told the Reporter-Telegram. "Texans have benefited tremendously from these record-setting production numbers, and almost 500,000 Texans are employed by the Texas oil and natural gas industry."

The 2024 output broke the record set in 2023 and continued a five-year growth streak. The Texas Railroad Commission, which regulates oil and gas production in the state, reported production for 2024 came from 158,989 oil wells and 83,536 gas wells.

### **More than 18,000 abandoned oil and gas wells across Oklahoma**

(KTUL TV, Tulsa, Oklahoma; March 27) - According to a recent report, Oklahoma is grappling with an expensive issue caused by tens of thousands of abandoned oil and gas wells. With an estimated 18,000 documented wells in need of plugging, state officials warn that the true number could be much higher. According to Matt Skinner, a spokesperson for the Oklahoma Corporation Commission, the challenge is not just the volume of abandoned wells but also the cost of sealing them.

"Right now, we're at about 18,000. We have every reason to think that number is going to be much higher when everything is said and done," Skinner said. An abandoned or orphaned well is defined as a well with no responsible party that can be identified or one that predates modern recordkeeping. That leaves the responsibility — and the financial burden — on the state. "We've had wells that have literally cost \$1 million to plug, and we've had wells that cost \$5,000," Skinner said. "Our average well plugging cost is \$22,000, but that's just an average. We go much, much higher and much, much lower."

Some of these abandoned wells may be purging or leaking oil, gas or saltwater. In Tulsa, multiple abandoned wells can even be seen protruding from the Arkansas River. Skinner emphasized that the state prioritizes wells based on risk. "We have to constantly review the list of abandoned wells to see which are at the greatest risk of purging. When a well is classified as Category One — meaning it is actively purging oil, gas or saltwater — we plug it as fast as we possibly can," he said.

### **New U.S. energy security is electricity; old security was oil**

(Wall Street Journal; March 27) - Americans have long equated energy security with oil. The country wanted as much as possible because of the havoc an interruption to supply — from wars, disasters and political convulsions — can cause. In the coming years, though, energy security will mean electricity. Power demand, stagnant for decades, is now growing rapidly, for data centers to run artificial intelligence and other digital services and, in time, transportation and buildings.

An economy dependent on electricity will be different from one dependent on oil. It will require mammoth investment in generation, distribution and transmission. It will challenge regulators and political leaders, as the supply and price of electricity become as politically potent as that of gasoline. The heyday for electricity was the 1950s and

1960s, when appliances and air conditioning fueled annual demand growth of about 8% a year, according to Grid Strategies, a power-sector consulting firm.

By the 2000s, slowing population growth, a dearth of new technological applications and increased efficiency brought growth to under 1% a year. But it jumped to 3% last year and will continue at that rate for the next five years, Grid Strategies projects. The firm estimates that since 2022, utilities have raised expected peak demand for mid-2029 by 12%. Drivers are AI data centers, cloud computing and cryptocurrency; new factories; and the gradual adoption of electric vehicles, heat pumps and hydrogen production.

Electricity comes from almost entirely domestic sources — coal, gas, nuclear, hydro, wind, solar and geothermal — insulating it from foreign influences, though threats to electricity security still exist: extreme weather and other disasters; sharp fluctuations in demand, such as from cryptocurrency mining; or natural shifts in solar and wind power.

## **Declining investments say something about long-term oil plans**

(Reuters columnist; March 31) - Top oil and gas companies are losing confidence in the outlook for their core businesses. Recent strategy updates by leading European and U.S. energy firms saw them lower capital expenditures while increasing shareholder payouts. This looks a lot like the beginning of a long-term, managed decline. While there is no question that oil, and especially gas, will continue to fuel global economies for decades, there is tremendous uncertainty about the price outlook due to the acceleration of alternative clean technologies such as wind, solar and biofuels.

Oil and gas is a capital-intensive industry requiring heavy investment simply to maintain production. Project lead times are very long, so cutting spending sends a clear signal about a company's long-term trajectory. Indeed, top European oil companies have recently slowed down, or even abandoned, investments in renewables. While that allowed them to shift more capex toward oil and gas, overall spending has moderated. Oil and gas output is expected to be flat or grow in the low single-digits by 2030.

Over in the U.S., Chevron plans to cut spending while growing production by 5% to 6% between 2024 and 2026, after which growth is set to decelerate. So, if one takes a short-term view, the change in strategy by most top oil and gas companies makes sense and is positive for investors. But this industry has always taken a long-term approach due to the longevity of its investments, and the current strategies largely ignore future risks.

So, for now, it appears likely that Western oil companies will remain on their current trajectory, focusing on oil and gas while reducing spending and sending more cash back to shareholders. That should make investors happy in the short term. But whether the boards of directors will find a way to maintain their companies' scale and importance over the long term, as the global energy system evolves, remains to be seen.

## **Russian-built LNG carrier still unused, months after launch**

(gCaptain; March 28) - The Arc7 ice-class LNG tanker Alexey Kosygin, launched late last year, has yet to complete sea trials. For much of winter the vessel has been idling outside the Zvezda yard near Vladivostok. The delays put a damper on Russia's plans to accelerate domestic construction of critically needed LNG carriers and oil tankers for its Arctic projects. It would be the first ice-class carrier completed in a Russian shipyard. The yard and vessels under construction at the yard have been sanctioned by the U.S.

The initial set of sea trials lasted just 72 hours in late December 2024. The vessel had since been at anchor in Amur Bay a short distance from the shipyard. It apparently began another round of trials this week, sailing toward Nakhodka Bay to the east. Upon commissioning, the vessel is expected to be operated by sanctioned Russian shipping company Sovcomflot. The Alexey Kosygin is the lead vessel of what was intended to become a 15-vessel fleet of Arc7 ice-capable LNG carriers constructed with help from South Korea's Samsung Heavy Industries to serve the Arctic LNG 2 project.

The South Korea yard provided much of the hull, with final assembly and buildout at the Zvezda yard. Only five hulls were delivered before Western sanctions stopped the cooperation. Additional vessels under construction in South Korea have also been blocked by U.S. sanctions. A key challenge remains completion of the vessels' gas membrane used in the LNG storage tanks. Only some units were completed before the French company GTT contracted to provide the membranes left Russia in 2023.

## **Oil traders consider reentering Russian market if sanctions lifted**

(Financial Times; London; March 26) - European oil traders are weighing when to reenter Russia's markets, with some predicting Moscow will seek to maintain increased control of its oil exports even if Western sanctions are lifted. After Europe's powerful commodity houses, including Vitol, Trafigura and Gunvor, ceased trading most Russian oil after the invasion of Ukraine, Moscow was forced to rely on new intermediaries to move crude and petroleum to buyers in Asia, Africa and the Middle East.

Russia's oil producers would probably want to maintain that network even if sanctions are eased and European traders are allowed to return, said Torbjörn Törnqvist, CEO of Geneva-based Gunvor. "They obviously have their own ways now and use their own controlled system to bring oil to the markets," he told the FT Commodities Global Summit in Switzerland. "My suspicion is that they will not go back to what they used to do ... and leave all the transport and all the marketing in the hands of the traders."

Before the war, oil producers such as Rosneft sold oil to European traders on a free-on-board basis, meaning the traders would organize the shipping from Russian ports to foreign customers, capturing profits along the way. In the future, Rosneft and other Russian producers might seek to sell more oil on a delivered basis, using the trading

networks they had built over the past three years to ship directly to customers and keep a greater portion of the profits, Törnqvist said.

## **Tankers carrying 17 million barrels of Iranian crude idling off Malaysia**

(Bloomberg; March 27) - Close to a dozen U.S.-sanctioned tankers are idling off Malaysia with Iranian crude, with some having been stationed in the oil-transfer hub for more than a month — a possible sign of slowing logistics for the sensitive trade to China. At least 11 tankers with Iranian barrels have either come to a halt off Malaysia this week, or are moving at very low speeds, according to ship-tracking data compiled by Bloomberg. The ships, holding close to 17 million barrels, are clustered in an area east of the Malaysian peninsular, a popular spot for ship-to-ship transfers of Iranian oil.

In recent months, the movement of Iran's crude to cargo-switching hotspots such as Malaysia has been more heavily scrutinized, after the U.S. cranked up a "maximum pressure" approach on Tehran with a series of sanctions targeting ships and entities supporting the regime. The amount of Iranian oil that's been stuck near Malaysia and Singapore for at least a month is the highest since August, according to OilX, which is part of consultancy Energy Aspects.

Shipbrokers and analysts say the flotilla is bigger than usual but that the full extent of ships idling in the area is hard to pin down as vessels often turn off their digital transponders to mask their maneuvers. It's not entirely clear if the oil-laden tankers off Malaysia are waiting to conduct ship-to-ship transfers, or whether they're just waiting for buying interest from private refineries in China. As of late-February, more than two-thirds of the tankers that handled Iranian crude in 2024 had been blacklisted.

## **U.S. revokes permits and waivers to operate in Venezuela**

(Bloomberg; March 29) - The Trump administration revoked permits and waivers allowing Western energy firms to operate in Venezuela, three people familiar with the issue said March 29. The move further isolates Venezuela President Nicolas Maduro from the world oil market. The decision covers a number of companies including U.S. oil firm Global Oil Terminals, led by energy magnate and Republican donor Harry Sargeant III. Spain's Repsol and France's Maurel et Prom are among the other companies that must wind down operations in Venezuela by May 27, the people said.

The decision also targets licenses issued to Venezuelan gas companies that hold deals with the state petroleum company, PDVSA, one of the people said. The U.S. Treasury Department had issued different permits to international oil and gas companies, including licenses, waivers or "letters of comfort," to allow them to conduct different operations in Venezuela, such as exporting PDVSA's oil, despite sanctions.



Sargeant's Global Oil Terminals must end financial transactions with PDVSA by April 2 and pay any remaining debt owed for the purchases of asphalt oil. The Wall Street Journal reported on March 28 that Sargeant's oil-trading company was ordered to leave Venezuela, citing a letter from Treasury. The Trump administration recently gave Chevron a May 27 deadline to wrap up its operations with Venezuela as a way to pressure Maduro's autocratic regime to make democratic reforms and accept the return of more Venezuelans who had migrated to the U.S.

## **U.S. moves against Venezuelan oil boost prices for Canadian crude**

(Reuters; March 27) - Canadian oil producers selling crude to U.S. refiners are enjoying a significant windfall, and they have one man to thank: U.S. President Donald Trump. Following weeks of trade tensions and verbal spats between the North American neighbors, it might seem surprising that Trump's policy whirlwind is offering Canada a boost. But that is the thing about global trade networks. When you make one change, it can have a cascading effect with many unintended consequences — and beneficiaries.

Canada, the world's fourth-largest crude producer, supplied U.S. refiners with around 4 million barrels per day in 2024, mostly shipped via pipelines from Alberta to land-locked refiners in the U.S. Midwest. The main Canadian crude grades typically trade at a discount to benchmark U.S. crude due to transportation costs and its grade. But in recent weeks, the discount for Western Canada Select delivered in Hardisty, Alberta, has steadily shrunk, hitting US\$9.75 a barrel this week, the smallest since late November 2020, according to LSEG data.

This strength partly reflects traders' confidence that Canadian oil will continue to be exempt from U.S. tariffs, according to Rory Johnston, founder of consultancy Commodity Context. But the reduction in the discount is also linked to Trump's actions against Venezuela. The administration revoked a production license for Chevron, which imported 210,000 barrels per day of heavy-grade Venezuelan oil into the U.S. last year. As it happens, Canadian crude is a good substitute for the Venezuelan grade, meaning it is now in high demand from U.S. Gulf Coast refineries that require heavy crude.

## **Energy execs want Canada to speed up pipeline approvals**

(Calgary Herald; March 27) - Canada should create an infrastructure corridor to speed up mega-project approvals and protect Canada's sovereignty, a new survey from KPMG said. The survey of 151 energy and natural resources executives said 87% think "it's time to build a west-to-east pipeline to reduce reliance on moving Canadian oil and gas to the United States," while almost a similar share said the moment calls for more pipelines and infrastructure from oil and gas regions to diversify energy export markets.

“Specifically, what the survey results suggest is that there’s an opportunity here, that major projects and infrastructure development are going to be key components to mitigating some of the economic impacts of U.S. trade policy,” Zach Parston, a partner and the Prairies leader in KPMG’s major project advisory services practice, said. He said the open letter released by oil patch leaders last week suggested the energy sector could be open to an “ambitious” idea such as an infrastructure corridor.

The March 19 letter called on the federal government to declare an energy crisis and designate key projects in the “national interest” in order to speed up the expansion of oil and gas infrastructure. “They issued a public letter and that to me suggests that they see an opportunity to think differently as a country around major infrastructure development,” Parston said.

### **Guyana’s oil wealth comes with criticism**

(CNN; March 29) - Guyana’s destiny changed in 2015. ExxonMobil discovered nearly 11 billion barrels of oil in the deep water off the coast of this tiny, rainforested country. It was one of the most spectacular oil discoveries of recent decades. In 2019, Exxon and its partners, U.S. company Hess and China’s CNOOC, started production. They now pump around 650,000 barrels of oil a day, with plans to more than double to 1.3 million by 2027. Guyana has the world’s highest expected oil production growth through 2035.

This country — sandwiched between Brazil, Venezuela and Suriname — has been hailed as a climate champion for the lush, well-preserved forests that carpet nearly 90% of its land. It is on the path to becoming a petrostate at the same time as the impacts of the fossil fuel-driven climate crisis escalate. While the government says environmental protection and an oil industry can go hand-in-hand, and low-income countries must be allowed to exploit their own resources, critics say it’s a dangerous path in a warming world, and the benefits may ultimately skew toward Exxon — not Guyana.

Since the discovery, the government has tightly embraced oil as a route to prosperity. In 2019, its then president said: “Petroleum resources will be utilized to provide the good life for all.” It’s a narrative that has continued under current President Mohamed Irfaan Ali, who says oil will allow Guyana to develop infrastructure, health care and climate adaptation. Critics, however, accuse the country of squandering its climate leadership by throwing its lot in with oil, especially given Guyana’s huge vulnerability to climate change. Sea level rise could claim its capital by 2030, according to one assessment.

### **Texas legislators want to divert 10% of state oil revenues to counties**

(The Texas Tribune; March 25) – The fracking boom that resuscitated the Texas oil fields has also beaten up the infrastructure in the Permian Basin, the state’s biggest oil

and gas drilling region. More heavy trucks drove through small towns, tearing up roads. Companies built temporary workforce housing, which local officials said dramatically increased the population, requiring more public services like garbage pickup, hospital beds and first responders. Local leaders say the oil boom has caused strains that their city and county budgets can't keep up with.

To benefit oil-producing counties, two West Texas lawmakers want to divert to the counties 10% of the \$8 billion that oil and gas companies pay in state severance taxes. Legislation sponsored by Reps. Tom Craddick of Midland and Brooks Landgraf of Odessa would redirect a portion of those taxes to 32 eligible counties for infrastructure repairs, emergency services, health care, education and workforce development.

Each legislator introduced a separate bill, focused on the same issue. If one or both of the bills can get through the Legislature and win Gov. Greg Abbott's approval, they would still need to go before Texas voters this fall as a constitutional amendment. However, budget writers in both chambers typically don't like being told how to spend money through constitutional amendments, said Sherri Greenberg, a dean of state and local government engagement at the University of Texas at Austin.