# Oil and Gas News Briefs
# Compiled by Larry Persily
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## Saudi move against OPEC+ cheater Kazakhstan unlikely to work

(Bloomberg columnist; May 8) - The four most dangerous words in finance are “this time is different.” History suggests that when Saudi Arabia launches a price war against one of its OPEC+ allies, it ultimately succeeds — but this time really will be different. Saudi efforts to bludgeon Kazakhstan into compliance with its OPEC+ oil production quota are doomed to fail. Ostensibly, Riyadh is trying to reestablish discipline among rogue producers — Kazakhstan and several others are cheating on their output targets.

To force them to relent, the kingdom is voting to raise OPEC+ production faster than previously expected, hoping that the price decline forces the troublemakers into line. In OPEC+ parlance, they want to give the Kazakhs a sweating. The strategy of pumping more oil is working as one would expect. Brent is down 15% this year, and many observers anticipate further declines as Saudi output heads higher. Kazakhstan, though, isn’t cutting production. It has strong motivations to keep pumping: It needs the money, and it’s in negotiations with international oil companies about future investments.

First, the math. Thanks to the $48 billion expansion of its Tengiz mega-oil field, Kazakhstan will pump on average 300,000 barrels a day more in 2025 than in 2024, with annual crude output averaging 1.8 million barrels a day this year. Those extra barrels can offset a large price decline. Put it simply, Kazakhstan isn’t sweating.

The second reason why Kazakhstan isn’t budging is its relationship with Big Oil. It has relied on Chevron, ExxonMobil, Shell, TotalEnergies and Eni to build the three mega oil fields that are the backbone of its petroleum industry. If it forced the companies to pump less, they would probably balk at further investments. So, the most Kazakhstan is likely to do is pay lip service to the OPEC+ targets, while doing the opposite by pumping way more than its quota. For the Saudis, this time may truly turn out differently.

## U.S. oil industry tells administration that low prices are hurting

(Bloomberg; May 11) - Terrel Hardin was at a diner along Route 66 in Oklahoma when his phone rang with bad news: The engine on one of his oil rigs had broken. In times past it would be a straightforward $6,000 fix, but President Donald Trump’s trade war has upended supply chains and he wasn’t sure the part would even be available. Tariffs and uncertainty over equipment deliveries mean what was once routine for Hardin’s King Well Service is now a source of anxiety. It’s made all the worse by plunging crude prices, triggered in part by the trade disputes, that threaten to slow drilling of new wells.

“It’s not really being helped by what Trump is doing,” the 63-year-old said. “He’s a hell of a lot smarter than I am, but I’m not sure that he wakes up every morning saying, ‘God, I hope oil goes back to $70,’ like I do.” The U.S. oil industry strongly supported Trump’s campaign but some executives are now feeling shortchanged. The president’s trade policy has made buying and repairing equipment more expensive at the same time that crude oil prices have tumbled more than 20% since his inauguration.

With the U.S. the world’s top crude producer, the fall in prices is straining Republican strongholds like Texas, Oklahoma and North Dakota. “You can’t have $50 oil and ‘Drill, Baby, Drill,’” said Andy Hendricks, the CEO of Patterson-UTI Energy, which operates the second-largest fleet of U.S. onshore drilling rigs. “Those two things are incompatible.”

Executives from several private and independent oil companies have met in recent weeks with Texas Sen. Ted Cruz, Energy Secretary Chris Wright, Environmental Protection Agency Administrator Lee Zeldin and congressional representatives, according to company officials. The message they’re promoting is Trump’s trade war and repeated praise for falling oil prices risk pushing record U.S. production into decline.

## Oil markets indicate oversupply after summer tightness ends

(Reuters; May 7) - The oil market appears to be telling Saudi Arabia that its shift to pumping more oil after five years of cutting output was well timed. The kingdom has in recent weeks pushed fellow OPEC+ members to produce more oil despite fears about an economic slowdown, a marked change in policy that helped oil prices settle at a four-year low on May 5. But despite OPEC+ agreeing to raise output by a cumulative total of nearly one million barrels a day between April and June, the oil market is still reflecting a perception of tight supply over the next few months of peak summer demand.

That has pushed the futures curve, which reflects forward prices, into a rare "smile" shape, a structure Morgan Stanley analysts said was last seen only briefly in February 2020. Brent futures' most prompt July contract was trading at a 74-cent-per-barrel premium to the October contract late on May 7, a market structure known as backwardation, which indicates immediate tight supply.

However, from November, prompt prices flip to a discount to forward prices, a structure known as contango, indicating oversupply and the likelihood that summer might be the last gasp of a tight market. Having backwardation and contango together is unusual and gives the chart its "smile.” Traders see a tight oil market short-term, followed by growing weakness as demand slacks and output rises later this year. Energy Aspects analyst Richard Price said the structure is a result of tight prompt supply coupled with expectations of President Trump's trade wars slowing economic activity later in the year.

## [U.S. exports of natural gas liquids hit record high in April]

(Reuters; May 8) - U.S. exports of natural gas liquids touched a record high in April, even as a trade war between the U.S. and China cut shipments to the top buyer, ship tracking data showed. The recent trade developments have threatened U.S. exports of natural gas liquids (NGLs), such as ethane, butane and propane, used to make plastics and chemicals as well as for heating and cooking. U.S. exports have hit a new high every year since 2010 thanks to an abundance of cheap shale natural gas.

NGLs, primarily extracted from raw natural gas during processing, are the latest energy products ensnared in the escalating trade war between the world's two largest economies. Nearly half of U.S. ethane exports go to China, and all of China's ethane imports come from the U.S. with practically no options for alternative sources, according to the statistical arm of the U.S. government. China’s petrochemical firms use it as feedstock because it’s cheaper than alternative naphtha, while U.S. oil and gas producers need China to buy their gas liquids as supply exceeds U.S. demand.

The U.S. exported about 2.9 million barrels per day of NGLs in April, a record high, data from ship tracking firms Kpler and Vortexa showed. But exports to China fell 35% to 619,000 barrels per day in the month, Kpler data showed, the lowest since November 2023. China waived the 125% tariff on ethane imports from the U.S. imposed earlier this month, two sources told Reuters this week. Other countries — including India, Japan and Brazil — increased their purchases of U.S. NGLs in the global rerouting, making up for the U.S.'s loss of Chinese buying.

## [Falling oil prices cut into Russian government revenues]

(Bloomberg; May 8) - Russia’s federal budget deficit surged in April as declining oil revenue and rising military spending continue to strain government finances. The monthly shortfall reached 1.05 trillion rubles ($13 billion) after being in surplus a month earlier, according to Bloomberg calculations based on data from the Finance Ministry. That brings the cumulative deficit for the first four months of the year to 3.2 trillion rubles, almost $40 billion — nearly triple the level over the same period in 2024.

Oil and gas revenue, the backbone of Russia’s state finances, dropped by 12% in April from a year earlier, the third consecutive monthly decline. Russia depends on proceeds from energy sales for 30% of the state’s income. The widening deficit underscores the budget challenges the Kremlin will face if oil prices remain lower for longer amid its record levels of spending on the military for the war on Ukraine.

The Finance Ministry has warned of “substantial risks” to oil and gas income. The government’s revised fiscal plan anticipates the budget deficit will triple compared to the original forecast, largely due to the weaker outlook for proceeds from energy exports. The international benchmark Brent crude has so far in May been trading near its lowest since early 2021. The worsening oil market has triggered concern in Moscow over the sustainability of its fiscal buffers.

## Chinese officials talk of more involvement in Russian LNG projects

(Reuters; May 8) – Further involvement by Chinese companies' in Russian liquefied natural gas projects is being discussed by Russian and Chinese delegations at talks in Moscow, the Interfax news agency cited Russian Energy Minister Sergei Tsivilev as saying on May 8. When asked about the possibility of Chinese companies entering LNG projects in Ust-Luga or other locations in Russia, Tsivilev said the topic was "being discussed at the moment," but did not provide further details.

The state-owned China National Petroleum Corp. and Silk Road Fund hold stakes in Russia's Yamal LNG project, while CNPC and China National Offshore Oil Corp. (CNOOC) are involved in the Arctic LNG 2 project. Russia has repeatedly welcomed the prospect of Chinese companies participating in the construction of an LNG plant and a gas chemical complex in Ust-Luga.

## U.S. in talks to help restore Russia’s gas sales to Europe

(Reuters; May 8) - With a frost covering Europe's energy relations with Russia, officials from Washington and Moscow have held discussions about the U.S. helping to revive Russian natural gas sales to the continent, eight sources familiar with the talks have told Reuters. Europe slashed its imports of Russian gas following Moscow's invasion of Ukraine in 2022, a move that saw Russia’s gas-exporting giant Gazprom post a $7 billion loss the following year.

President Donald Trump is pushing for peace in Ukraine, raising the prospects of a thaw in gas ties. Sources close to the bilateral discussions said carving out a renewed role for Moscow in the European Union's gas market could help cement a peace deal with Russian President Vladimir Putin. Though much of Europe has sought alternative supply, some buyers have remained, and industry officials say more could return once a peace deal is agreed.

As for Russia, nothing has hit its economy harder than the loss of most of Europe's gas market three years ago. It now supplies 19% of Europe's demand, down from 40%, mainly consisting of liquefied natural gas and some piped via Turkey along the TurkStream pipeline. Washington's involvement in restoring the gas sales could help Moscow navigate political opposition in much of Europe. U.S. involvement would also benefit Washington, giving it visibility, and possibly some control, over how much Russian gas returns to Europe, two diplomatic sources and a White House source said.

## Thailand interested in Alaska LNG before it starts trade talks with U.S.

(Bloomberg; May 9) - Thailand said it's interested in co-developing a massive gas pipeline project in Alaska backed by President Donald Trump, as the Southeast Asian nation explores ways to cut its $46 billion trade surplus with the U.S. before tariff talks begin. Thai officials discussed Bangkok's potential involvement in the $44 billion Alaska LNG venture — including a long-delayed pipeline that will stretch across the state — through investments in gas exploration and production and related infrastructure with project officials, the Ministry of Energy said in a statement on May 8.

Thailand is also open to signing a long-term contract to import LNG from Alaska, the ministry added. Trump's backing for the project has seen Asian buyers like Japan, South Korea and Taiwan express interest in joining forces with U.S. developers. The Thai interest in the Alaska venture is seen as part of efforts to ramp up investments in the U.S. to ward off the Trump administration's plan to impose a steep 36% tariff on the country's exports. A stake in the Alaska project will also help net energy importer Thailand lock in guaranteed supplies amid its own declining domestic gas reserves.

Still, the Alaska project faces massive hurdles and hasn't yet secured any binding investments or purchase agreements despite some interest from governments in Asia that are looking for ways to head off Trump's threatened tariffs. The project has been proposed in various forms for decades. Unlike similar facilities on the U.S. Gulf Coast, it would be massive in scale, requiring the construction of a pipeline stretching 800 miles.

## Europe's methane rules and rising costs are challenges for U.S. LNG

(S&P Global; May 9) – U.S. LNG exporters are optimistic that their product will continue to displace Russian gas in the European Union market, but speakers at an industry event said the bloc's methane regulations have been one of several obstacles. Other hurdles include supply chain delays and costs, said Jillian Evanko, president and CEO of Chart Industries, which supplies equipment and engineering services to LNG firms.

The long lead time for turbines to power liquefaction equipment and heat exchangers has been creating a bottleneck for developers, Evanko said at the May 8 event hosted by LNG Allies in Washington, D.C. "We're trying to help our customers" avoid tariffs on equipment imports into the U.S., Evanko said. Higher labor and material costs have "rippled through" the U.S. LNG sector and increased liquefaction fees for companies buying U.S. gas, while competitors' costs have fallen in recent years, said Jason Feer, global head of business intelligence at Poten & Partners, a consultant and brokerage.

Trade tensions and U.S. tariffs on steel and aluminum "will have an impact on costs as well," Feer said at the event focused on the trans-Atlantic LNG trade. In the EU, new methane regulations have been a concern and a frequent topic of debate for U.S. LNG exporters. The regulations require a collection of methane emission data from individual producers beginning in 2027, while the U.S. gas industry does not provide a clear compilation of emission data at that level, said Fred Hutchison, CEO of LNG Allies.

## Sempra's West Coast Mexico LNG project at pre-commissioning stage

(BNamericas; May 9) – U.S. energy company Sempra has begun pre-commissioning at its Energía Costa Azul LNG export project on Mexico's Pacific Coast. The project "has achieved mechanical completion of various subsystems, which allows for the start of pre-commissioning activities," CFO Karen Sedgwick told a first-quarter conference call on May 8. The US$2.5 billion project is on track to begin commercial operations in spring 2026, with capacity to produce 3.25 million tonnes per year of LNG.

The San Diego-based company's Sempra Infrastructure subsidiary, which is developing Costa Azul, has completed 92% of the project, Sedgwick said. "We have over 5,200 workers on site and construction is currently focused on pipe testing, electrical activities, instrumentation and insulation," she said. Located in Baja California state, the plant will receive and liquefy natural gas from the U.S., mainly for export to LNG markets in Asia.

A second phase of development could add 12 million tonnes per year of liquefaction capacity if Sempra approves the expansion. French oil and gas major TotalEnergies is an equity partner in Costa Azul. Most of the terminal's production capacity is committed under 20-year contracts with TotalEnergies and Japan's Mitsui.

## British Columbia LNG project developer says expansion possible

(Canadian Press; May 9) - The CEO of Pembina Pipeline said he believes there will be enough demand to support an expansion to the 3.3-million-tonne-per-year Cedar LNG project on the British Columbia coast as it looks to sign on more customers for the first phase now in early construction. Pembina has shortlisted the preferred counterparties and has begun negotiating definitive agreements, Scott Burrows told analysts on a conference call May 9 to discuss his company's first-quarter results.

"They're big, complicated agreements. We'll do the right deal for Pembina, not the fastest deal for Pembina," he said. The US$4 billion floating LNG export terminal in Kitimat, B.C., is a partnership between Pembina and the Haisla Nation. The first phase of the project was given the go-ahead almost a year ago and is on track to start service in late 2028. The LNG will be bound for Asian markets. ARC Resources is to supply gas for about half of the plant's capacity from the Montney shale in B.C. and Alberta.

Pembina has been looking to contract out its 1.5 million-tonne-per-year share of capacity, and Burrows said talks are going well. "Certainly the gas demand is there," he said. There are two other B.C. LNG projects in the works. Also in Kitimat, LNG Canada, a partnership between Shell and four Asian partners, is slated to start loading cargoes as soon as next month. Meanwhile, Woodfibre LNG, owned by Pacific Energy and Enbridge, is being built near Squamish, B.C., and is on track to be complete in 2027.

## FERC's final EIS supports massive LNG project in Louisiana

(Reuters; May 9) - U.S. federal regulators recommended in a final environmental report that Venture Global's proposed CP2 liquefied natural gas export project in Louisiana get the go-ahead, according to a government document filed on May 9. If constructed, CP2 would be the largest LNG export facility in the U.S. and would help the country remain the world's largest exporter of the super-chilled gas. Venture Global already obtained approval to construct the 28-million-tonne-per year plant, but was forced to conduct an additional environmental review of air quality impacts following a court ruling.

The study concluded that the project should be allowed to continue, the document from the Federal Energy Regulatory Commission showed. The additional review followed an August 2024 decision from the U.S. Court of Appeals for the District of Columbia Circuit that quashed FERC approval of rival LNG exporter NextDecade's plant at the Port of Brownsville, Texas. The court also ordered FERC to reconsider the ramifications of the CP2 project. CP2 has been at the center of a fight between the energy sector and environmentalists seeking to limit future LNG projects on the U.S. Gulf Coast.

## First cruise ship fills up on LNG at Port of Vancouver, B.C.

(American Journal of Transportation; May 9) - The first-ever cruise ship has filled up with liquefied natural gas at the Port of Vancouver, British Columbia, receiving the fuel from Seaspan Energy's LNG bunker vessel Seaspan Garibaldi as it prepares to sail to Alaska. The adoption of LNG bunkering at the port marks an important milestone as the Vancouver Fraser Port Authority supports the cruise industry's efforts to enhance sustainability and reduce emissions.

"We all have a crucial role to play enabling the energy transition, and as a port authority our focus is on putting the infrastructure and processes in place to ensure visiting ships can move beyond traditional marine fuels and embrace alternative fuels like LNG," said Shri Madiwal, vice president of operations and supply chain at the port. "LNG is one of the most widely adopted alternative marine fuels and the first approved for bunkering at the Port of Vancouver — its introduction is a vital step forward as early planning gets underway to safely introduce other alternative fuels like ammonia and methanol."

The transition away from traditional marine fuels, such as heavy fuel oil and marine diesel, to cleaner fuels such as LNG is key to reducing emissions and meeting decarbonization targets at the Port of Vancouver and worldwide. The fuel was loaded aboard the 800-foot, 728-passenger Silver Nova, operated by Silversea Cruises, which can run on LNG or traditional marine fuels.

## Norway's largest utility calls a halt to green hydrogen projects

(Reuters; May 10) - Norway's biggest utility, state-owned Statkraft, on May 8 said it has stopped developing new green hydrogen projects, citing higher costs and uncertain demand. Green hydrogen, made through electrolysis using renewable electricity, is seen as central to decarbonization efforts to limit global warming. Traditionally produced using natural gas, hydrogen is a feedstock in the chemical industry and for fertilizer production, and can also be used in heat and power generation.

Statkraft scaled back its hydrogen ambitions last year, but since then uncertainty in the market has increased even more while costs have risen, CEO Birgitte Ringstad Vartdal told reporters. In addition, there is also a lack of regulatory clarity and uncertain customer demand, she added. "Therefore, we have chosen to stop the activity in order to prioritize existing activity in mature renewable technologies and our market activity."

The company is predominantly active in hydropower, operates wind and solar power projects and invests in solar battery systems. Statkraft presently has 13 green hydrogen projects across six markets at different stages of development. While some will be stopped, others may still move forward to a more mature stage to get other investors on board, Vartdal said. In April, Statkraft canceled an order for an electrolyzer with supplier NEL for a project in northern Norway, citing the lack of commercial viability.

## Cleanup of orphaned oil wells an expensive Texas-sized problem

(The Texas Tribune; May 8) - Just minutes from the historic city center of Luling, Texas, population 5,700, the ground groans as oil workers pull steel tubing — each piece is longer than a bus — out of a well drilled in 1983 that stopped pumping profits last year. The job has become all too familiar, sealing one of thousands of unplugged orphaned oil and gas wells across the state — abandoned holes left behind by companies that went bankrupt or just walked away.

The project in Luling in March was a snapshot of what plugging a well looks like: part routine, part roulette. Sometimes workers find corroded cement casings, pressurized gas or unexpected debris that can turn a cleanup into a days- or weeks-long job. "Even the simplest well can take time," said Nicholas Harrel, a state-managed plugger with Texas regulators. From the air, the wells look like pinpricks across the landscape. But on the ground, they can erupt like geysers, leak methane and threaten water supplies with toxic chemicals like hydrogen sulfide, benzene and arsenic.

Abandoned wells are piling up across Texas, posing a growing environmental threat and saddling taxpayers with cleanups that have already reached tens of millions of dollars. In West Texas, at least eight orphaned wells have blown out since late 2024, spewing drilling brine, a salty liquid laden with chemicals, and toxic gas. One leaked for more than two months before it could be capped. Another created a 200-foot-wide sinkhole. "We have more orphan wells coming on than we are plugging," Railroad Commission Chair Christi Craddick said. "We've exceeded our plugging numbers every year."