

Oil and Gas News Briefs

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September 22, 2025

China has good reasons to keep stockpiling more oil

(Bloomberg columnist; Sept. 17) - The big question troubling the energy market now is why China is stockpiling so much oil. In problem-solving, the principle of Occam's razor recommends searching for the simplest explanation. So perhaps the answer is as straightforward as "because it's cheap." Still, the conspiracy theorist in me says there's more to it. China has purchased more than 150 million barrels — costing about \$10 billion at current prices — above its actual use so far this year. For a country that buys more electric vehicles than anywhere else, that demands dissecting.

China's purchases have helped support prices this year, and with the oil market forecast to move into a huge surplus, whether China continues its buying spree — and for how long — is crucial for 2026. But we should admit what we don't know. At the annual Asia-Pacific Petroleum Conference last week in Singapore, oil traders agreed only that China has the capacity to store more crude. Beyond that, "nobody has a crystal ball about the duration of Chinese buying for its strategic storage," Ilia Bouchouev, a former oil trader and now senior research fellow at the Oxford Institute for Energy Studies, recently said.

I'll offer some educated guesses about the factors at play: One is opportunistic buying, as Chinese commodity officials have demonstrated they are canny traders with a very long-term view. And oil is cheap. But the opportunity is moot if one lacks the capacity. For China, the timing was right: Lots of storage has come online recently, and plenty more is available for 2026. Even now, about half of China's tanks and caverns are empty, according to market estimates. And China has understood that it needs to boost its oil security in a world where the U.S. is wielding sanctions and tariffs willy-nilly.

Today, China buys 20% of its oil from countries under U.S. sanctions — chiefly Iran, Russia and Venezuela. None can guarantee that the U.S. would not be able to hinder that flow in the future, so building more stocks is prudent. Put it together and it's difficult to avoid a conclusion: China will probably continue stockpiling oil in 2026 for commercial and strategic reasons, buying on a global surplus. It has good reasons to store more oil.

Blind spots make it hard to assess oil market supply-demand balance

(Reuters; Sept. 18) - Growing blind spots in the oil market are making it harder to determine the true supply-demand balance. That's a recipe for volatility. Little is known about two of the major drivers of today's global oil market: the flow of sanctioned oil and China's stockpiling. Add to that the uncertainty over global trade wars and this could

explain, at least in part, why oil prices have remained relatively stable in recent months — around \$65 to \$70 a barrel for global benchmark Brent crude since July — despite forecasts for a protracted period of oversupply.

Traders may be loath to make big bets when there is such disagreement about market fundamentals. Just look at the widening disparities in major forecasting agencies' near-term oil demand projections. The International Energy Agency expects consumption to grow by 740,000 barrels per day in 2025 and by an additional 700,000 in 2026. OPEC, meanwhile, sees demand this year growing by 1.3 million barrels per day, with an additional 1.4 million next year. That's a huge difference, one of the widest ever seen.

Explaining this disparity is complex, but one can start with China. The country's oil imports have been a major point of discussion this year, as they have far exceeded refinery processing rates, suggesting a buildup in storage. Global oil inventories have a major impact on oil prices, as increases point to oversupply, and vice versa — and this is another place where clarity is lacking. China is today the world's second largest oil consumer, but it does not report inventory data, obscuring a vital part of the market.

Further complicating matters is the growing use of so-called "shadow fleet" tankers to transport oil from countries that face Western sanctions, including Russian, Iran and Venezuela. Production from the three totals around 13.5 million barrels per day, 13% of global supply. The aging and often uninsured vessels create blind spots for oil trackers. The growing opacity of critical parts of the market complicates any assessment, making it more likely that oil prices are not properly reflecting today's supply-demand balance.

Analysts see LNG demand growth in China, but uncertainties too

(Wood Mackenzie report; Sept. 18) — China's liquefied natural gas demand has seesawed in recent years. Improved domestic gas demand and softer global LNG prices helped imports rise by 9% to 77 million tonnes in 2024. However, mild winter weather, economic headwinds and domestic gas supply growth saw imports decline by 23% in the first five months of 2025, with risks skewed to the downside over the rest of the year. As a result, we expect total demand for 2025 to fall to below 70 million tonnes.

From 2026, however, market dynamics will evolve more positively. China's potential as a strong market for LNG should continue well into the next decade, despite plans for greater energy independence. Our projections forecast demand peaking at around 140 million tonnes per year in the mid-2030s before declining gently to 2050. After that, a shrinking population, slowing growth and more renewables will begin to reduce gas demand, while additional supply from new pipelines will limit LNG's market share.

Despite healthy growth potential, China's LNG demand faces risks and uncertainties, including extended coal use. While environmental advantages have been a key driver of gas demand, coal remains the cheaper option. In theory, China remains committed to

peak coal demand by 2030, but with energy security a growing priority, the approval of coal-fired projects has resumed. In addition, the accelerated deployment of renewable power generation capacity including wind and solar is a key element of China's drive for greater energy independence, and a major potential headwind for gas demand.

Booming U.S. LNG industry adds to impending global oversupply

(Reuters commentary; Sept. 22) - The breathtaking expansion of U.S. gas exports in the past decade has reshaped global markets, but a looming global oversupply along with rising power prices domestically could leave the industry exposed on both sides of its value chain. The U.S. has become the world's top exporter of liquefied natural gas, thanks to its abundant gas supplies from onshore shale. Energy Secretary Chris Wright expects LNG to overtake oil as the top U.S. export in the coming years.

The Trump administration has touted LNG purchases as the best way for countries to reduce their trade deficits, and Europe's buys of U.S. LNG are a key part in efforts to end the region's reliance on Russian energy. But U.S. LNG risks being a victim of its own success. The rapid build-out of American gas liquefaction capacity in recent years is poised to create a global supply glut, possibly comparable to last decade's surge in U.S. shale oil output, which led to one of the biggest downturns in the sector's history.

Global LNG capacity is set to increase by a staggering 60% by the end of the decade from 404 million tonnes in 2024 to 654 million tonnes in 2030, according to LSEG estimates. U.S. capacity is expected to make up half of that global growth. Demand growth is unlikely to match that pace. While supply and demand is largely in balance this year, the market is expected to tip into an oversupply of nearly 37 million tonnes in 2026 and as much as 147 million tonnes in 2030, based on current LSEG projections.

For producers, low LNG prices would obviously cut into profit margins. Since U.S. feedstock gas costs are higher than those of Qatar, the world's second-largest LNG producer, U.S. producers may have to curtail some production, ceding market share.

Wood Mackenzie asks if U.S. LNG export party can go on forever

(Wood Mackenzie report; Sept. 19) - Gastech 2025 revealed a clear consensus that gas is essential to ensuring stability in increasingly connected energy markets. Industry response is a seemingly unbridled investment push across the LNG value chain globally to ramp up supply and feed the predicted growth in demand over the next decade. But the industry risks over-exuberance, particularly as the LNG ecosystem expands. The U.S. LNG bandwagon rolled into the conference exuding confidence, boosted by announcements of new long-term contracts and more project final investment decisions.

Estimates of the volume of new U.S. LNG supply to be sanctioned this year alone have already headed higher, with more to come over the next 12 to 18 months. But the U.S. LNG export party can't go on forever, and the sheer volume of capacity up for sanction is starting to raise serious questions. Each project taking FID will make commercial sense in its own right, but collectively risk edging the market closer to oversupply. Over the past two decades, China has risen to be the world's largest LNG importer and remains the big hope to absorb much of the new LNG supply coming to market.

But worries over Chinese LNG demand are now audible. Overall energy demand in China has been weaker than expected this year, while a huge new hydroelectric project, moves toward more Russian pipeline gas imports and an ongoing massive rollout of wind and solar capacity all pose risks to China's longer-term LNG demand growth. What surprised us at Gastech were the first hints of scrutiny for financing new U.S. supply — debt finance looks relatively secure, but equity investors are more attuned to a potential squeeze on margins by higher U.S. feed gas prices and lower international LNG prices.

LNG Canada contractor scoping out fabrication yards for expansion

(Upstream; Sept. 17) - LNG Canada is moving quickly to prepare for the expansion of its liquefied natural gas production and export terminal in Kitimat, British Columbia, with its lead contractor already approaching fabrication yards in China to handle modules construction for the proposed Phase 2 buildout. Industry sources familiar with the matter told Upstream that the JGC Fluor joint venture, which delivered engineering and construction for Phase 1, has commenced talks with several Chinese yards to deliver the large-scale modules required for the second phase.

The work is understood to involve four modules packages with a combined steel weight of up to 200,000 tonnes, with the heaviest package weighing 63,000 tonnes and the lightest topping the scales at 26,000 tonnes.

LNG Canada, led by Shell, started production and loading cargoes this summer as it ramps up the plant to full capacity of 14 million tonnes per year. Its partners include Mitsubishi, Petronas, PetroChina and Korea Gas. The venture has talked about the possibility of a second phase to double production but has made no public commitment to proceed. The facility has a 40-year export authorization.

Partner in Mozambique LNG expects construction to resume this year

(Reuters; Sept. 18) - India's state-run Oil India expects the \$20 billion, TotalEnergies-operated Mozambique liquefied natural gas project in which it owns a stake to restart development by the end of this year, its chairman Ranjit Rath said on Sept. 18. TotalEnergies halted construction of the project, designed for 13 million tonnes annual

production capacity, and imposed force majeure in 2021 following a deadly attack on the site by Islamic State-linked insurgents.

"With improved security conditions, the project is expected to restart in the second half of 2025 and is well positioned to meet the growing demand of the Indian gas market," Rath said at its annual shareholder meeting. TotalEnergies CEO Patrick Pouyanne said in June he expected construction to resume "this summer." TotalEnergies is the project operator with a 26.5% stake, followed by Mitsui at 20%, while Mozambique's state-owned ENH holds 15%. Indian state firms ONGC Videsh, Bharat PetroResources and Oil India together hold 30% in the project, with Thailand's PTTEP owning 8.5%.

EU proposes total ban on Russian LNG, effective January 2027

(Bloomberg; Sept. 19) - The European Union's proposed sanctions banning Russian liquefied natural gas by the end of next year are the latest sign that it is leaving no stone unturned in accelerating its exit from energy reliance on Moscow, according to the bloc's energy chief. The EU receives about 15% of its LNG supplies from Moscow, making Russia the second-largest provider of the fuel to Europe after the U.S., with the monthly bill for those imports falling between €500 million (\$588 million) and €700 million.

Following talks with the Trump administration, the European Commission on Sept. 19 proposed a complete ban on those imports from Jan. 1, 2027, part of its 19th sanctions package against Russia. The proposal marks a significant shift for the EU, which has thus far held back from putting sanctions, which require unanimity of the 27 member states, on Russian LNG for fear that landlocked countries with closer relations to Moscow, like Hungary and Slovakia, would veto them.

But pressure from the U.S., recent Russian drone incursions over Poland and a strike on an EU delegation office in Kyiv have changed the equation. The shifts in energy markets may have also altered the calculus: The global LNG market is expected to start shifting into a surplus in the second half of next year, reducing the risk that the phaseout of Russian gas could put pressure on European supplies and lead to price spikes. The new sanctions effectively bring the ban on LNG one year forward, with the caveat that they could be lifted when the war ends.

Panama Canal wants to lure back LNG tanker traffic

(CNBC; Sept. 19) - The Panama Canal Authority is aiming to lure back lost energy trade with changes to its booking system for LNG tanker transits, and with a new pipeline project offering energy and tanker companies an alternative to move liquids across the critical global shipping gateway. Ricaurte Vásquez, administrator of the Panama Canal Authority, said the canal is moving closer to reinstating a preferred booking slot system

for LNG carriers as a way to bring back more of the business. LNG prebooking was removed during drought years and has not returned.

“We most likely will reinstate that window of reservations for LNG vessels effective next year,” Vásquez told CNBC. “I think it’s going to be helpful for them to schedule transits,” he said. Years of severe drought cost the canal a significant amount of its liquefied natural gas tanker trade. Restrictions on vessel weights due to low water levels sent LNG tankers on other shipping routes and led to a decline in transits through the canal. Even as conditions have improved, LNG cargoes have not returned to previous levels, with carriers continuing to choose the longer route around Africa’s Cape of Good Hope.

To free up additional vessel slots for LNG, the canal is in the process of an ambitious pipeline project. Instead of tankers carrying natural gas liquids, including ethane, butane and propane, through the canal, the NGLs would travel through a 47-mile pipeline connecting the Atlantic and Pacific ports. Two maritime terminals would be built to accommodate the tankers. Approximately 2.5 million barrels of products per day could be moved through the line. The process of choosing a concessionaire for the pipeline and energy corridor is underway, with a tender projected for the second quarter of 2026.

[Exxon says it will invest in oil and gas for decades to come](#)

(Bloomberg; Sept. 18) - ExxonMobil will pursue fossil fuel growth long into the future to meet demand that it says will “not materially change” between now and 2050. The oil major is not concerned with “chasing the narrative of the week” but will invest in oil and gas projects that it believes will be needed for decades to come, Dan Ammann, president of the company’s upstream division, said at the BloombergNEF Barrel of Tomorrow in the Age of AI summit in Houston on Sept. 18.

Exxon plans to double its sales of liquefied natural gas by 2030 and is investing heavily in oil growth in Guyana and the Permian Basin in Texas and New Mexico. “We take a long-term view based on the fundamentals, and we invest behind that,” Ammann said. “Our long-term view of the global energy equation is that the demand for energy is going to continue to grow.” Exxon has not deviated from its fossil fuel focused strategy despite global climate goals, he said.

Ammann said this strategy has served it well compared with other oil companies that pivoted to renewable energy only to come back to oil and gas when the returns were lacking. “We saw some oil and gas companies, five, six, seven years ago say they were going to reduce production 40% by 2030,” he said. “There was literally no math you could do to suggest that was a good idea.” Exxon sees oil and gas holding steady at 55% of the global energy mix by 2050 despite dramatic growth from low-carbon sources, chiefly due to a large increase in overall consumption.

California now wants oil companies to keep drilling

(Wall Street Journal; Sept. 18) - A year after they broke up via text, California and Chevron finally reconnected by phone. Gov. Gavin Newsom's office made its first-ever call to Chevron's refining chief last week, days before state lawmakers passed a bill meant to stop more oil companies from leaving California. Nathan Barankin, Newsom's chief of staff, extolled the virtues of that bill, which could boost drilling in oil-rich Kern County, and touted the state's decision to delay putting a cap on refiners' profits.

"I said, 'Yeah, Nathan, all those are good, but we've got a long ways to go,'" Andy Walz, who runs Chevron's refining, pipeline and chemical businesses, said. California policymakers who had tried to spur a transition away from fossil fuels are now working to entice refiners to stay open as polls show voter frustration with rising living costs. Gasoline prices in the state averaged \$4.66 a gallon Sept. 17, among the highest in the nation, and about \$1.45 higher than the national average, according to AAA.

Lawmakers passed a bill on Sept. 13 allowing Kern County, the heart of the state's oil patch north of Los Angeles, to issue 2,000 drilling permits each year for the next decade. That could bring enough drillers back to the region to help feed the state's refineries. U.S. oil production surged over the past two decades, but California's crude output dropped by more than 50%. Refiners have had to make up for dwindling in-state production by buying more expensive imported crude. In 2023, the state got more than 75% of its oil from Alaska and abroad, including Iraq, Saudi Arabia, Brazil and Ecuador.

Santos starts up gas field offshore Australia to feed LNG plant

(Bloomberg; Sept. 22) - Santos has started production from one of Australia's highest-emitting natural gas projects, which will help bolster shipments to buyers in Asia but also threaten climate goals as the country tries to move toward net-zero emissions. The multibillion-dollar Barossa field off northern Australia delivered its first gas into the BW Opal floating production, storage and offloading vessel, Santos said in a statement to the Australian Stock Exchange on Sept. 22. The field will allow the company to restart its Darwin liquefied natural gas export plant, which ships fuel to mainly to Japan.

Barossa has faced criticism because of its high carbon dioxide content — making it one of the dirtiest gas projects globally, and a flashpoint in the nation's debate about its role as a major fossil fuel exporter even as it is one of the hardest hit by climate change. It comes after Australia pledged last week to cut greenhouse gas emissions within a range of 62% to 70% by 2035. Environmental groups and Tiwi Islands traditional owners waged a protracted legal campaign to halt the project, forcing Santos to reroute the pipeline and redo consultations.

All six wells drilled in the Barossa gas field have intersected excellent reservoir quality, and each well is expected to deliver an average of 300 million cubic feet per day,

Santos said. Barossa is one of Santos's cornerstone assets. The project, which includes a 163-mile undersea pipeline, will deliver as much as 3.7 million tonnes of LNG a year — about 4% of Australia's total export capacity. Santos operates and owns half of Barossa, with the rest held by South Korea's SK Innovation E&S and Japan's JERA.

Methane leak at Australian LNG plant may have helped scuttle deal

(Australian Broadcasting Corp.; Sept. 20) - It was a skeleton in the closet. A few miles from downtown Darwin, Australia, a big tank at a liquefied natural gas plant had leaked methane hour after hour, day after day since it was first filled almost 20 years ago. The leak was serious enough for government agencies to know about — but not the Northern Territory cabinet or the public. The secrecy suited Australia's second-biggest oil and gas producer Santos, which took over the plant in 2020 and won approval to hook it up to a new gas supply source until 2050 without having to fix the leak.

That changed this month when the Australian Broadcasting Corp. revealed the leak, sparking demands for action, a statement of concern by the federal environment minister, protests by green groups and integrity questions about the Northern Territory's top environmental regulator. Documents reveal the scale of carbon pollution leaking from a Darwin LNG tank was like adding 8,300 new cars to the road every year. And the tank is about to be filled again.

The revelation was a fly in the ointment for Santos, which was in the middle of sale talks with a consortium led by the Abu Dhabi National Oil Co. Weeks later, the deal collapsed, scuttling the biggest foreign cash takeover in Australian stock market history. ADNOC cited a "combination of factors" for pulling out. Among these, according to media outlets, was its discovery of the leak. Bloomberg reported the consortium learned of the leak "during final negotiations" and "felt blindsided" and "was concerned about being saddled with cleanup costs." Bloomberg reported the revelation "dealt a body blow" to the deal.

Shadow fleet carrying Russia oil now 17% of tankers in service

(The New York Times; Sept. 20) - From early in Russia's war with Ukraine, the West hit Russia with economic penalties aimed at strangling its profits from oil sales. As Europe announces its 19th round of sanctions, a reality has sunk in. Russia quickly found a workaround to profit from oil in spite of a price cap and import restrictions. By building up a huge fleet of dilapidated ships with hazy ownership that covertly shuttle its fuel to far-flung markets, it has managed to evade the sanctions and make money.

It is becoming increasingly clear that the vast expansion of this shadow fleet comes with serious and potentially long-lasting effects. The rickety ships pose dire risks to the environment, and the trend has created a huge illicit shipping economy that some

experts worry could outlast the war. That could pave the way for nations to continue skirting the existing order, with nations including Russia and Iran as shippers, and China and India as customers.

“A lot of people want to do the easy part — impose sanctions — but we’ve actually caused a bigger problem,” said Ian Ralby, an expert in maritime security and founder of the research firm I.R. Consilium. “The sanctions don’t put them out of business. They put them out of legitimate business.” The shadow fleet accounts for about 17% of all in-service oil tankers sailing the ocean today, according to S&P Global Market Intelligence, a research firm. There were 940 ships in the fleet as of earlier this year, up 45% from a year ago, based on the firm’s estimates.

Global oil supply pushes up demand and prices for tankers

(Bloomberg; Sept. 17) - Oil traders are rushing to grab supertankers to haul crude on a key route from the Middle East to Asia, bolstering earnings to the highest level in two and a half years as suppliers across the region jack up output. At least six very-large crude carriers — each capable of carrying about 2 million barrels — were judged by the Baltic Exchange in London at earning more than \$96,000 a day.

The voyages were for prompt deliveries to East Asia expected between late September and early October, the brokers said. The global oil market is expected to tip into surplus in the coming months after OPEC+ unwound deep production cuts, while rival drillers in the Americas also added more barrels. The push by the alliance — which includes Saudi Arabia, Iraq and the United Arab Emirates as members in the Middle East — means that suppliers in the region are looking to shift more cargoes, especially to buyers in Asia. That’s set to weight down crude prices but lift demand for tankers.

“A lot more oil is being shipped and we have a market that we’ve not seen in a long time,” said Odysseus Valatsas, chartering manager at Dynacom Tankers Management in Athens. “There are more barrels from the Mideast and the Americas.” The scramble for VLCCs on the corridor is translating into higher earnings for supertankers on other routes. To move oil from the U.S. Gulf to Asia, tankers were charging \$80,342 a day as of Sept. 16, up almost 20% from the day before, and the most since November 2022.