Oil and Gas News Briefs
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IEA forecasts 'significant' oil supply surplus next year

(Wall Street Journal; June 17) - The Gulf shock is set to drag oil consumption sharply lower before flows through Hormuz gradually normalize, setting the stage for a supply surge that could far outstrip demand growth if the U.S.-Iran peace deal holds, the International Energy Agency said. The energy watchdog now expects global oil demand to fall by 1.1 million barrels a day this year — from its previous forecast of a 420,000-barrel-a-day decline — on the back of high prices and severe supply disruptions.

Next year, demand is forecast to rise by 2 million barrels a day as trade flows normalize, oil prices fall and the economic outlook improves. By contrast, oil supplies are set to surge by around 8 million barrels a day. "Our first look at 2027 balances shows a significant overhang emerging next year," the IEA said in its latest monthly report issued on June 17. "This may provide a welcome respite to the market and an opportunity to replenish depleted inventories, or to build new strategic reserves, as countries review their energy strategies and policies in response to the crisis."

Brent crude — the international benchmark — dropped below $80 a barrel on June 17, while West Texas Intermediate futures were around $76. Both benchmarks settled more than 5% lower in the previous session, marking their lowest close since early March. While the U.S.-Iran interim deal set to be signed this week marks the most significant breakthrough in negotiations since the start of the war, a full recovery of flows through the vital Strait of Hormuz waterway is expected to take months, according to the IEA.

Wall Street banks cut oil price forecasts for this year and next

(Wall Street Journal; June 16) - Major Wall Street banks cut their oil-price forecasts after the U.S. and Iran reached an interim deal to end hostilities and reopen the vital Strait of Hormuz waterway, with Persian Gulf flows now expected to recover to prewar levels sooner than anticipated. Goldman Sachs expects Brent crude, the international oil benchmark, to average $85 a barrel this year, down from prior estimates of $90 a barrel.

Morgan Stanley sees Dated Brent — a benchmark for physical markets — at $90 a barrel in the fourth quarter from $100 previously, and at $80 next year. Morgan Stanley said the increase in production could begin in mid-July rather than late July, with 50% of lost output restored by September, 80% by December and a full recovery in early 2027. Even so, analysts cautioned that a full normalization of flows would take time. A full resumption of tanker traffic through the Strait will first require time to clear sea mines.

Even after that, confidence among shipowners and insurers will need to be rebuilt, and tankers will have to return to the region. Goldman said it expects Persian Gulf exports to return to prewar levels as early as late July. Risks to its outlook, however, are two-sided. Oil supply could recover faster than expected, or the potential resumption of regional hostilities, shipping disruptions, mine-clearance delays or a renewed closure of Hormuz could slow the recovery, analysts at Goldman said. The bank expects prices relatively resilient in 2027, with Brent at $75 a barrel and West Texas Intermediate at $70 a barrel.

It will take months to restore most ship traffic through Hormuz

(Nikkei Asia; June 15) - Commodity prices are expected to remain higher than they were in February before the U.S. and Israel attacked Iran, even after the latest U.S.-Iran agreement to end the war, as it will take months for risk premiums to retreat. Steps to restore Strait of Hormuz logistics are to start with removing the mines that have reported been planted by Iran. This alone could take months. Even after this process, insurance companies will not insure ships until their safety can be confirmed.

Considering the time required for the backlog of ships stuck in the strait to clear, and for oil production to recover, it would take about three months for ship passage volume to return to pre-conflict levels, suggested Takahiro Asaoka, a senior economist at Itochu Research Institute. Such lengthy processes lie ahead for supply and prices to get back to their prewar states. In addition, production sites damaged in the war must be repaired, so the conflict will continue to impact supply chains for an extended time.

Asaoka suggested that 80% of suspended oil fields will resume operations after a month and a half. While the remaining 20% will take more time, overall Middle East output will have returned to pre-conflict levels by then due to surplus capacities, he said. But the extent of the war damage to pipelines, refineries, port loading facilities and the oil and gas fields themselves is uncertain. Only once the strait becomes accessible can engineering companies send experts from outside the region to assess the damage, take necessary equipment into the region, repair the facilities and do test runs.

Caution likely to hold back full return of Hormuz oil shipments

(Reuters commentary; June 14) - The U.S.-Iran deal ending months of fighting and reopening the Strait of Hormuz will prompt a collective sigh of relief from energy exporters and importers alike. But the fragile calm may not prevent future flare-ups, casting doubt over how quickly — or fully — tanker traffic through the vital waterway can return to normal. The strait is expected to reopen once both sides formally sign the accord on June 19.

That is good news for supply-strapped energy markets, but the deal leaves unresolved the key disputes that triggered the U.S. and Israeli bombing campaign against Iran, including the future of Tehran’s nuclear program. Even the status of Hormuz itself is far from clear. While the U.S. and Iran have committed to lifting their blockades, the deal leaves Tehran with a powerful lever. Iran's willingness and ability to choke off the strait has shattered a decades-old taboo, raising the prospect that it could do so again — or simply threaten to — whenever it seeks leverage over its Gulf neighbors or adversaries.

The prolonged disruption of the world’s most critical energy chokepoint will almost certainly make shippers, buyers and producers more cautious long after flows resume. Tanker owners and charterers are likely to minimize time spent inside the Gulf, wary of being stranded if tensions flare again. High insurance costs and security concerns will reinforce caution. Together, these factors suggest that transit through Hormuz may not return to the pre-war peak of nearly 20 million barrels per day any time soon. A durable flow of around 16 million is more plausible in the months and potentially years ahead.

China emerges as ‘swing importer’ to stabilize oil market

(Bloomberg commentary; June 16) - Saudi Arabia is known as the “swing exporter” in the oil market because it can either pump out more or less of the black stuff in response to shocks. Historically the kingdom hasn’t had a match on the demand side. Not anymore. After the Iran war, China has emerged as the world’s first oil “swing importer.” The ramifications of China becoming a stabilizing force for commodity prices go way beyond the latest Mideast conflict. This potentially reshapes the energy market.

If the 1973 supply shock minted the term “Arab oil weapon,” the 2026 U.S.-Israeli war on Iran now gives us the “Chinese oil weapon.” Or maybe “shield” is a better word, seeing how it might be wielded by Beijing in future standoffs with the U.S. To give you a sense of the magnitude of the swing, Chinese official customs data shows the country’s total oil imports, including by tankers, pipeline and railway, fell in May to an eight-year low of 7.8 million barrels per day. That’s a third less than before the war broke out.

We still don’t know exactly how Beijing managed to achieve the reduction, but the use of EVs soared in April and May. Coal-fired electricity generation hit a seasonal record in April, and the country has used coal-to-chemicals to provide critical products such as fertilizers despite shortages of the usual feedstocks. In oil markets, China’s adaptability will lower — perhaps permanently — the geopolitical risk premiums that traders add to oil prices, because they now know that China can smooth out supply disruptions.

But it’s in diplomacy and war where the implications are profound. China is far less vulnerable than previously thought to any oil embargo via naval blockade, a paradigm shift if conflict breaks out with Taiwan. What Beijing does next is unclear. If it has indeed tapped its strategic oil reserve, it will probably rebuild, giving global oil demand a short-term boost. But, beyond that, something important has shifted. China has been the most significant bullish factor for oil prices since 2000 thanks to its voracious thirst. Today, it is becoming a stabilizing force and that is bearish for this market.

Oil price forecasting is ‘extremely humbling’

(Financial Times; London; June 17) - Less than a month ago, Fatih Birol, head of the International Energy Agency, warned an audience in London that the world was in the grip of the biggest energy crisis in history. Unless conditions improved, he said, oil prices could move into “the red zone” over the summer. But even as he spoke, the market had come to a different conclusion. After touching $112 a barrel shortly before Birol’s appearance, benchmark Brent crude began a steady retreat. It already had fallen a fifth even before the U.S. and Iran announced a preliminary deal on June 14.

Since then, it has fallen a further 10%. By June 17, the narrative had decisively shifted. Attention turned instead to the surge of crude that could be released if peace in the Gulf holds. Brent crude was trading below $80 in Asia on June 18, a level last seen in the opening days of the war. “Forecasting is always hard, but oil market forecasting in particular is extremely humbling,” said Amrita Sen, founder of consultancy Energy Aspects. “When the largest oil supply disruption in history only leads to $100 a barrel oil, you have to ask, did the market, including us, just get this very, very wrong?”

For Robin Brooks, senior fellow at the Brookings Institution, the overblown oil forecasts during the Iran conflict echoed the warnings issued after Russia’s full-scale invasion of Ukraine in 2022. “This is the second episode where we had apocalyptic oil price forecasts” that did not materialize, he said. The lesson for Western governments, he argued, is that the oil market is more resilient than many assume and there is more scope to confront bad actors without triggering severe economic consequences.

U.S. Strategic Petroleum Reserve falls to lowest since 1983

(Bloomberg; June 15) - The U.S. emergency supply of crude oil has fallen to its lowest level since 1983 as the Trump administration moves toward completing its plan to release 172 million barrels to ease surging fuel prices spurred by the war in Iran. The Strategic Petroleum Reserve, created after the Arab oil embargo of the early 1970s, has dropped to a near-record low of roughly 340 million barrels, according to Energy Department data released June 15.

The U.S. Energy Department announced its plan in March to release oil from the strategic reserve as part of a coordinated effort by nations around the world less than two weeks after the U.S. and Israel launched attacks on Iran. If completed, it will be the second-largest release in the stockpile’s history, leaving the reserve with about 243 million barrels, or about a third of its authorized capacity. The dwindling stockpile leaves the U.S. with less flexibility to respond to future supply disruptions.

The reserve needs to have a minimum of 150 million to 200 million barrels to function properly, said Patrick De Haan, head of petroleum analysis for GasBuddy. “That leaves little room for additional releases,” he said. The administration is releasing oil through a program that involves essentially loaning barrels to companies that must eventually return them with interest. The oil reserve was already depleted when Trump took office 16 months ago. The Biden administration withdrew roughly 290 million barrels to hold down prices after sanctions on Russian exports for its attack on Ukraine in 2022.

Middle East conflict drives companies to look closer at Venezuela

(POLITICO; June 15) - Oil companies large and small are showing new interest in committing to drill in Venezuela, after nearly six months of reluctance following the U.S. removal of Nicolás Maduro and the Trump administration’s subsequent call for them to invest, industry lawyers and consultants familiar with the issue tell POLITICO. One of the largest deciding factors, they said, is the fragility of the Middle East as an energy supplier, which the fighting between the U.S., Israel and Iran has put on full display.

“You see this view industry-wide, right or wrong, that there’s a long-term disruption going on all over the market,” said Jason Bennett, global projects director at law firm Baker Botts. Venezuela is “looking pretty good right now, despite their historical problems.” While the White House has in the past several months highlighted non-binding agreements that some smaller companies have signed to develop Venezuelan oil fields, industry officials are saying they expect big contracts to land soon.

Larger international companies are now giving Venezuela — and its South American neighbor Argentina — a closer look, Bennett said. The Venezuelan government’s reforms to its laws regulating the industry are still not perfect, but are going enough in the right direction to assuage the worst fears of U.S. industry executives, he added. Companies are in discussions about committing to develop specific fields in a country with the world’s largest crude reserves. The mood is becoming more serious as companies are overcoming earlier worries about working with Venezuela’s government.

Empty supertankers start lining up to take on oil cargoes

(Bloomberg; June 17) - The number of empty supertankers waiting in the Gulf of Oman, just outside the Strait of Hormuz, rose to about 60 this week, shipbrokers say, up from about three dozen earlier this month. Including smaller vessels that can also transport refined products, the number of ballasting tankers in the area is at about 150, according to Kpler data. The availability of empty tankers able to quickly enter the Persian Gulf to pick up new cargoes will be crucial to the resumption of oil flows to global customers.

Qatar, meanwhile, is bringing some of its liquefied natural gas tankers back to the Middle East, as the major supplier prepares to ramp-up exports once Hormuz reopens. The four empty LNG vessels that began sailing toward the region had been idling or were heading in a different direction, according to ship-tracking data. There’s also been a flurry of activity by Iran-linked vessels, with a number of ships shifting position as the country prepares to sign the deal that could allow Tehran to start selling its oil.

Four vessels switched on their transponders and appeared to be sailing out of the Strait of Hormuz or Gulf of Oman on June 16, according to ship-tracking data. Separately, other ships stuck in the Persian Gulf are moving closer to Hormuz. Over the past day, at least two bulk carriers, an LNG tanker and a container ship were observed sailing within the gulf. They appear to be headed toward a cluster of vessels idling off Dubai, an area where ships can stock up on supplies and secure insurance before making the transit.

Qatar expects to reach 80% of LNG export capacity in two months

(Bloomberg; June 16) - Qatar is planning to rapidly boost liquefied natural gas production once the Strait of Hormuz reopens, aiming to restore most of its export capacity within two months, according to people familiar with the matter. QatarEnergy, which operates the country’s LNG facilities, has told buyers it expects to raise output to about 50% of capacity a month after safe passage is restored, and to roughly 80% within two months, said the people, who asked not to be named.

The remaining capacity — equivalent to two LNG production trains — will take years to fully restore following damage by Iranian missile strikes in March, they said. Qatar shut the world’s largest LNG facility in the first week of the war after an Iranian attack, triggering cancellations and denting the supplier’s longstanding reputation for reliability. The Ras Laffan complex, which exported almost a fifth of global supply last year, has remained largely idle for more than three months as the effective closure of Hormuz made it too difficult to ship large amounts of gas.

But Qatar has been laying the groundwork since April to allow for its rapid restart. QatarEnergy has been testing equipment and performing necessary maintenance, Bloomberg reported in April. Several production trains have been operating at reduced capacity so that the plant can deliver shipments to neighbors, but also be able to increase output when necessary, the people said. Resuming half of its production within a month is faster than some analysts and traders had expected.

Qatar LNG expansion contractor says work never totally stopped

(Reuters; June 16) - McDermott International did not halt work on QatarEnergy's massive North Field East expansion project during the Iran war, CEO Michael McKelvy said on June 16, even as the conflict imposed operational constraints. McDermott is responsible for installing offshore infrastructure that will move gas from Qatar's North Field to liquefied natural gas plants under construction at Ras Laffan Industrial City.

"We never stopped working on the project, even while the war was ongoing. There were some limitations, but the work did not stop," McKelvy told Reuters on the sidelines of the Energy Projects Conference in Houston. He said the company expects to deliver its portion of the project on schedule once conditions stabilize. The North Field East expansion, the first phase of QatarEnergy's broader LNG growth strategy, is expected to increase the country's export capacity by about 32 million tonnes per year, reinforcing its position as one of the world's largest LNG exporters.

McDermott's role focuses on offshore facilities, including platforms, subsea pipelines and related infrastructure that feed gas to the new LNG trains. The liquefaction plants themselves are being built by a consortium led by Technip Energies, which is responsible for the engineering, procurement and construction of the onshore facilities. Robert Scott, managing director for the Americas at Technip Energies, said the pace of development for the expansion could depend on how QatarEnergy balances ongoing construction with any need to repair infrastructure damaged during the conflict.

Japanese shipbuilders will resume construction of LNG carriers

(Nikkei Asia; June 15) - Three Japanese shipbuilders will jointly resume domestic construction of liquefied natural gas carriers around 2035, aiming to build three to five vessels a year with the possible help of South Korean technologies, Nikkei has learned. Imabari Shipbuilding, Kawasaki Heavy Industries and Namura Shipbuilding will share expertise and supply skilled welders to revive made-in-Japan LNG carriers, whose construction ceased after the last delivery in 2019.

The leading plan involves using Kawasaki Heavy's Sakaide shipyard in Kagawa prefecture. Japan will consider offering subsidies to potential buyers to aid the effort. Resuming domestic construction of LNG carriers will be included in a public-private investment plan to be compiled this month by the Council for Japan's Growth Strategy. Shipbuilding is one of 17 priority areas listed by Prime Minister Sanae Takaichi's government, and assisting the revival of LNG carriers will be a pillar in that effort.

Japan relies on imports for 98% of its gas, used as a fuel for power generation as well as city gas supplied to households. Though carriers are essential for Japan's imports, low-cost ships by South Korea and China have pushed Japanese builders out of the market. About 100 LNG carriers now operate to supply gas to Japan. Given their lifespan of 20 years, building three to five ships yearly could sustain shipping capacity needed to transport Japanese imports. But as construction has been suspended for more than five years, Japan lost the supply chain needed to support the industry.

Exxon signs up to deliver LNG to South Africa

(Bloomberg; June 16) - Exxon Mobil struck a preliminary deal to bring liquefied natural gas to South Africa, bolstering the country's coal-reliant power grid and boosting industrial growth. The U.S. firm signed a heads of agreement to import LNG at the proposed Zululand Energy Terminal in Richards Bay, an industrial city on the country's east coast, according to a statement on June 17 from the facility being developed by Koninklijke Vopak and South Africa's Transnet SOC. Eskom Holdings SOC is planning to build a 3,000-megawatt gas-fired power plant in Richards Bay.

Plagued by years of blackouts, South Africa is attempting to improve the reliability of its electricity supply, while reducing emissions by transitioning away from burning coal, which generates about 80% of the nation's power. Importing LNG is an opportunity to solve both those problems — but typically comes at a higher price. South Africa, which has little domestic gas production, also faces a supply shortfall of the fuel in 2030 due to declining output from fields in Mozambique that feed a cross-border pipeline.

The deal helps Exxon toward its strategic goal of doubling its LNG supplies to more than 40 million tonnes a year through 2030. The company recently started up its Golden Pass LNG export terminal on the U.S. Gulf Coast and plans to make final decisions later this year on whether to proceed with the construction of a new LNG export project in Mozambique and expansion of an existing operation in Papua New Guinea.