Oil and Gas News Briefs
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June 22, 2026

Work restarts on 2,500-mile African gas line to serve Europe

(France24; June 20) - After several false starts, work on the Trans-Saharan Gas Pipeline officially restarted in early June amid the recent thawing of relations between Niger and Algeria. The megaproject linking Nigeria with the two countries began with an initial construction phase in early April in Algeria's Adrar region. Over 2,500 miles long, the line will enable transport of Nigerian gas north via Niger and Algeria, where it can be exported to European markets through undersea pipelines or as liquefied natural gas.

"Algeria and Niger have chosen to put their differences aside for a common goal, in a geopolitical context that is favorable to them," said Brahim Oumansour, associate researcher at the Institute for International and Strategic Relations. The prospect of a pipeline between Algeria and Europe has existed since the 1980s. Since then, the project has experienced a long and winding road, with long pauses as it was relegated to the drawers of ministries and research departments.

Nigeria, Niger, and Algeria first signed a deal in 2009 to "define the project." After several years of delays, the project was revived in 2022. "The feasibility studies for this gigantic project and the issue of financing took a long time," said Algerian political scientist Hasni Abidi. The ambition is to connect two gas powerhouses: Algeria is the leading producer in Africa and has been an LNG exporter since 1964. Nigeria, which has the continent's largest untapped reserves at 210 trillion cubic feet, is the third-largest producer. The two account for over half of Africa's gas production and reserves.

Oil tankers transit Hormuz despite Iran claim that waterway is closed

(Bloomberg; June 21) - Millions of barrels of oil continued to flow through the Strait of Hormuz this weekend even after Iran claimed to have closed the waterway again, as Washington and Tehran offer contrasting narratives over the status of the world's most important shipping chokepoint. Five laden oil supertankers with a combined transport capacity of 8 million barrels could be seen entering or traveling inside the strait Saturday and Sunday, June 20-21, via a route that hugs Oman's coast, before going "dark."

If all the tankers sail through, their movements would support the U.S. military's assertion that it can successfully defend the southern route near Oman's coast, despite Iran claiming broad control over the waterway and insisting its northern corridor is the only permitted route. A handful of vessels were seen entering the Persian Gulf using the southern route. U.S. Central Command said on June 20 that 17 million barrels had passed through Hormuz, despite the reports in Iran's media that the strait was closed.

As Iran and the U.S. jostle to control the narrative around Hormuz, and as the two sides began talks in Switzerland on a peace deal, shippers, traders and producers are left trying to assess whether it's safe to transit the strait.

Restoring normal oil flow through Hormuz will be complicated

(Wall Street Journal; June 19) - With the Strait of Hormuz gradually reopening, Persian Gulf oil producers face a new test: How fast they can clear shipping bottlenecks and turn stockpiled crude into exports. The recovery hinges on two separate constraints, said Jorge Leon, head of geopolitical analysis at Rystad Energy, an Oslo-based energy research and business-intelligence firm. The markets will closely watch whether tankers can freely transit through the strait and if the region's oil producers can load enough crude once these vessels are ready to sail, he noted.

Shipping through the strait remains limited, though some vessels have begun crossing again, including three tankers carrying Saudi oil and one French-flagged LNG carrier. Kpler recorded six verified transits on June 17, far below the more than 100 a day before the war, according to ship-tracking data cited by The Wall Street Journal. That makes the first stage of the recovery a logistical one. Shipowners need to regain confidence in the route, insurers need to bring premiums down and producers need to load crude quickly enough to avoid bottlenecks at export terminals.

Traffic through Hormuz could take around four to six months to return to prewar levels, Leon said. The disruption has also drawn attention to storage capacity. Oil giant Saudi Arabia said it is considering expanding capacity worldwide after the Strait of Hormuz disruption underscored the importance of strategic reserves in keeping crude flowing to customers. Saudi Arabian Oil Co., the world's top oil exporter, can count on a network of crude storage sites both inside the kingdom and overseas, especially in Asia.

Supertankers loaded with oil ready to leave Persian Gulf

(Bloomberg; June 19) - Supertankers laden with almost 80 million barrels of oil are sitting in the Persian Gulf and ready to cross the Strait of Hormuz at a moment's notice, if traders and shipowners give the go-ahead. This non-sanctioned crude from Persian Gulf producers excluding Iran is on 40 very large crude carriers in the gulf, data from Vortexa compiled by Bloomberg show. The volume of crude in the gulf is likely to be higher if smaller tankers are added to the tally. Last year, about 15 million barrels a day of oil from the region was delivered to Asia.

The oil and shipping industries are watching closely for signs of more activity in the strait after the U.S. and Iran signed an interim deal to resume traffic. Crude tankers, with their valuable cargoes, are likely to be among the first to attempt the passage. Some 21 of the supertankers are indicating they're headed to Asia, with five signaling China as their destination. The volumes of crude heading to Asia bode well for buyers in that region which is heavily reliant on Mideast crude. During the war, Asian refiners had to cut runs and countries had to draw on stockpiles in order to cope with the shortfall.

Optimism over the potential reopening appears to have given shipowners and charterers sufficient confidence to send vessels through the strait in recent days. Ships carrying nearly 10 million barrels of oil either emerged outside the strait or were sailing through it on June 18, including Saudi-owned VLCCs, ship-tracking data showed.

Strong flow of Iranian oil leaves Persian Gulf

(Bloomberg; June 19) - Iran is shipping large amounts of oil that had previously been held back by a U.S. blockade, a potential boost for Tehran after it signed an interim peace deal with Washington on June 17. A total of 11 tankers hauling a combined 20 million barrels of oil were detected leaving the Iranian port of Chabahar on the Gulf of Oman this week, shipping data compiled by Bloomberg show. The U.S. military had prevented the vessels from sailing out into the Indian Ocean, part of an effort to squeeze Tehran's access to petrodollars. Most Iranian oil goes to China.

The increased flows come as Iran continues in its efforts to control which ships can pass through Hormuz. The country's Persian Gulf State Authority, which oversees transits, said on its website that shippers must follow its designated route and set out how vessels could face tolls for passage. While the memorandum of understanding between Washington and Tehran was supposed to unlock oil and gas flows from across the region, the most transparent sign of an increased exports has been from Chabahar, which sits just outside the Persian Gulf near Iran's border with Pakistan.

Iraq asks operators to boost oil production to pre-war levels

(Bloomberg; June 20) - Iraq asked operators of five major oil fields to boost production to prewar levels, targeting output of over 3 million barrels a day, after U.S.-Iran deal that aims to fully reopen the Strait of Hormuz. Basra Oil Co. requested lifting output to the maximum available capacity at the Rumaila, West Qurna-1, West Qurna-2, Zubair and Artawi fields, according to a document dated June 19 seen by Bloomberg.

The return to higher production will be gradual and will depend on operational conditions and buyers arranging tankers for loading, Oil Ministry spokesman Salim Al-Rikabi told Bloomberg. The boss of Iraq's state oil-marketing company SOMO, Ali Nizar, said separately in an interview with Iraq 24 television that two ships are currently loading at the country's southern terminal but that more would need to enter Hormuz for output to keep rising.

OPEC's second-largest producer saw its oil exports plummet after the U.S.-Iran war caused marine traffic through the trait to come to an almost complete halt. Iraq is dependent on the waterway for the bulk its crude exports and has only limited capacity to ship oil through pipelines over land that some of its neighbors used at the height of the crisis. Still, production in the country's petroleum heartland in the south, where the five fields are located, has already climbed to 1.5 million barrels a day in recent days, a senior executive said this week.

Qatar bringing empty LNG tankers back home to load up for deliveries

(Bloomberg; June 21) - Qatar is seeking to bring more empty liquefied natural gas tankers back home, as the nation aims to return about a fifth of global LNG supply. Three LNG tankers owned by Qatar's state-owned shipping arm are in the Gulf of Oman nearing the eastern entrance to the Strait of Hormuz, according to ship-tracking data compiled by Bloomberg. Another five vessels linked to the emirate are near eastern Oman, while several more are on the way, ship data shows.

Qatar, the second-biggest LNG exporter before the war, halted output early in the fighting between the U.S. and Iran after attacks on its liquefaction facilities and the closure of the strait which blocked its route to international markets. Doha seeks to resume most production within two months of Hormuz safely opening. At least three other empty Qatar-linked tankers have traversed the waterway in the past week, ship data shows. Until these ships, Qatar hadn't brought any empty LNG carriers into the Persian Gulf due to security concerns.

The restart of Ras Laffan — the world's biggest LNG export plant — is being closely monitored, as a fast resumption would ease global prices. Meanwhile, Ras Laffan operator QatarEnergy said an explosion during startup at the complex on June 21 resulted in dozens of injuries. The Barzan facility supplies pipeline gas to local industry and Qatar's power generation sector. It can also produce ethane, condensate, liquefied petroleum gas and sulfur for domestic and export markets.

Persian Gulf producers look to diversify export routes to hedge risks

(Reuters commentary; June 18) - Middle East oil producers face a reckoning. The Iran war exposed the dangers of relying on a single chokepoint for vital oil and gas exports, leaving Gulf governments with a clear strategic imperative: diversify — at all costs. An Iranian blockade of the Strait of Hormuz had long been viewed as a "Doomsday" event that would never happen. Experts assumed it would require a massive military effort and that Tehran would be reluctant to choke off its own exports.

Those assumptions were proven painfully wrong. Countries lost vital export revenues and were forced to shut down around 11 million barrels per day of oil production, along with multiple refineries and LNG facilities. While Washington and Tehran have agreed to negotiate a permanent peace deal, the “Hormuz genie” cannot be put back into the bottle. Future closures are now a real and persistent risk for the region and the global economy. As a result, developing alternative routes for exports of energy, chemicals and fertilizer has become a matter of economic survival for Gulf nations.

Saudi Arabia offers the clearest example of the benefits of building pipelines that circumvent Hormuz. Saudi Aramco built a 745-mile pipeline to the Red Sea in the 1980s precisely to hedge against this type of scenario. That foresight paid off. Other regional players have taken note. The United Arab Emirates was able to partially bypass Hormuz using its pipeline to the Fujairah oil terminal, located just outside the Strait. Abu Dhabi, which left OPEC in May to pursue an ambitious growth strategy, is accelerating construction of a second pipeline to double export capacity via Fujairah by 2027.

Iraq remains in an unenviable position. It is heavily reliant on Hormuz because most of its production is concentrated in the south. Authorities and companies operating in Iraq are thus examining ways to upgrade and expand northern export routes through Turkey and Syria. However, security and political concerns remain obstacles. Qatar and Kuwait face a far more complex challenge. Lacking alternative export routes within their own territories, both countries will be forced to rely on neighbors to circumvent Hormuz.

There is no secret to China’s decline in oil demand

(Bloomberg commentary; June 18) - It’s the biggest conundrum in the world economy right now: How has China managed to go on an oil detox? Its sharply declining appetite for petroleum is probably the single biggest factor that has kept the crude market balanced since the Strait of Hormuz closed. The perception that China is an opaque and secretive market adds to the mystery. Perhaps the government has been releasing barrels from hidden underground stockpiles, or sparking up secret chemical plants?

A close look at available official data suggests a more humdrum explanation. Public information and signs of a demand peak that analysts have been pointing out for several years can explain almost all of the loss of nearly five million barrels a day of imports in May. It’s no secret that China’s car and truck markets have been shifting aggressively to batteries. Sales of conventional cars over the past 12 months have been running at their lowest since 2010. More than 60% of cars sold in May came with a plug.

Now let’s look at petrochemicals. China’s refiners have pivoted aggressively to making polymers such as polyethylene in recent years to escape the looming decline in demand for road fuel. Then the Strait of Hormuz closure shut off supplies of naphtha, a gasoline-like product that's their main raw material. The demand reaction was inevitable. Output of primary plastics in China fell at the fastest pace on record in April — in oil terms, it's probably equivalent to about 700,000 barrels per day.

It's not necessary to invoke any hidden aspects of China's economy to explain everything we've seen over the past few months. China's oil demand has peaked. The past months of conflict gave us our first glimpse of how it will decline.

Electrification of China's transport fleet cuts into oil demand

(Bloomberg; June 22) - Chinese oil imports may never fully recover from the Iran war, with analysts saying the conflict accelerated a permanent shift away from fuels like gasoline and diesel. Rystad Energy estimates that 200,000 to 600,000 barrels a day of transportation demand lost during the conflict from the world's biggest crude importer may not return this year. Energy Aspects puts the loss at about 300,000 barrels a day.

China's crude imports will fall by 3.3 million barrels a day this quarter from a year earlier, according to FGE NexantECA, as supply disruptions coincide with a halt in stockpiling, refinery cuts and a ban on fuel exports. While much of that decline is down to slower stockpiling activity, losses in transport fuel demand are likely to be more durable. The spike in oil prices looks to have accelerated the electrification of China's transport fleet. Registrations of fully electric vehicles accounted for almost 42% of the total in April, from 38% in March, according to the China Automotive Technology and Research Center.

"Consumer behavior can be a bit sticky," said Lin Ye, the vice president of oil markets at consultancy Rystad Energy. "For those who shifted to electric cars during the war, there might be little reason to switch back unless fuel prices becomes substantially cheaper." The war has also exposed how much of China's oil demand had been driven by stockpiling rather than consumption. While inventory buying could return as Middle Eastern supplies recover, demand lost to electrification is unlikely to come back, potentially leaving China less able to absorb surplus barrels in the global market.

OPEC maintains forecast of continued growth in global oil demand

(Reuters; June 18) - OPEC maintained its forecast for robust global oil demand growth in the next four years on June 18 and nudged up its longer-term view, citing a worldwide shift toward more supportive policies for oil and saying there was no sign demand would peak. The 11-member Organization of the Petroleum Exporting Countries depends on oil for a large part of government income, and its views on demand are higher than those of others in the industry, such as the International Energy Agency.

World demand will rise to 113.3 million barrels per day in 2030 from 105.1 million barrels per day in 2025, OPEC said in its 2026 World Oil Outlook on its website. The 2025 figure is little changed, and the 2030 forecast unchanged, from last year's report. OPEC has steadily increased its long-term oil demand forecast in the years following the COVID-19 pandemic, which in 2020 had prompted a demand contraction.

Changes in government policy in the U.S., Europe and elsewhere and long-term growth in India, the Middle East, Africa and Latin America will drive oil demand, OPEC said, despite "impressive progress" by China in its shift to renewables. OPEC cited a slower-than-expected take-up of electric vehicles in Europe, and policy changes by President Donald Trump's administration eroding support for renewables, EVs and fuel efficiency standards. For the longer term, OPEC expects world oil demand to reach 124 million barrels per day by 2050 and reiterated its view there is no peak demand on the horizon.

First new project in Canada’s oil sands since 2014 starts production

(Bloomberg; June 15) - International Petroleum Corp. produced oil from the initial phase of its $855 million Blackrod site, which was Canada’s first new Alberta oil sands project greenlit in more than a decade when it moved ahead in 2023. Oil production started on May 31 and the site will ramp up to 30,000 barrels a day of oil by late 2027, one quarter earlier than originally planned, the Vancouver-based company said in a news release. IPC could expand output to as much as 80,000 barrels a day in future phases.

Blackrod is the first so-called greenfield oil sands project to move forward since oil prices collapsed around 2014, prompting companies to focus on cutting costs and efficiency rather than growth. Major international oil companies such as Shell and BP sold oil sands assets to invest in other areas including shale. While oil sands production has grown, it’s happened mostly through incremental expansions of existing sites.

The new site begins production just as a wave of new and expanded export pipelines are planned that will require oil sands producers to grow output at a pace not seen in more than a decade. Canada is the world’s fourth-largest oil producer, with most of its crude production coming from northern Alberta.

EU will prohibit European companies from trading in Russian LNG

(Reuters; June 18) – European Union-based companies will be prohibited from selling Russian liquefied natural gas next year, even to buyers are located outside the EU, according to a letter seen by Reuters. "The ban prohibits companies to trade/market Russian LNG to third countries, as it is not relevant whether the Russian LNG is destined for the EU or not," said the June 1 letter from EU Energy Commissioner Dan Jorgensen, addressed to Poten and Partners, a shipping brokerage and LNG advisory.

While the European Union voted to stop importing Russian gas by 2027 in response to Moscow's war with Ukraine, several EU-based companies holding long-term contracts for Russian LNG have said those rules, coupled with sanctions against Russia, were unclear about whether firms would be able to divert those cargoes to buyers outside the EU. "The transfer of Russian LNG by (EU) operators irrespective of final destination is prohibited in the context of the LNG ban," the letter states.

Last year, the EU imported 14.94 million tonnes from the Yamal LNG project in Russia's western Arctic, a figure that looks set to rise so far this year. France's TotalEnergies, Germany's SEFE and Spain's Naturgy all hold long-term purchase contracts. Total, which owns a 20% stake in Yamal, said in February that if it were prohibited from marketing that gas outside the EU, it would consider selling its stake in the project.

Europe will need to pay more to refill gas storage before winter

(Bloomberg; June 19) - European natural gas prices have mostly fallen since a U.S.-Iran peace accord started to take shape this week, but the drop has done little to improve the economics of storing fuel for winter as analysts continue to expect a tight market. While benchmark front-month futures are down around 10% since June 15, prices are broadly expected to stick above pre-conflict levels in the coming months as Asian demand ramps up going into an unusually hot summer.

Increased competition for liquefied natural gas may force Europe to keep paying a premium to attract cargoes and refill depleted storage before the heating season, and winter contracts may be uneconomical for some traders. Europe’s storage levels are critical because inventories can cover about a third of the region’s winter needs, helping particularly during cold snaps when pipeline flows and LNG imports are not enough.

Normally, traders stockpile fuel during summer when demand is low to sell it at higher prices during winter, but war-related shortages and stronger Asian demand are unlikely to allow a summer-winter price gap to materialize anytime soon. James O’Brien, head of LNG at D.Trading, a unit of Ukraine’s private energy company DTEK, said he doesn’t see a near-term solution to Europe’s restocking problem and sees a risk that inventories will only be 70% full by the time winter arrives, well below historical averages.

Russian shipyard commissions second ice-class LNG carrier

(Reuters; June 18) - Russia's second domestically built ice-class carrier for transporting liquefied natural gas is ready to enter service, Prime Minister Mikhail Mishustin said. The commissioning ceremony for the Konstantin Posiet will take place at the Zvezda shipyard in Russia's far eastern Primorsky region on June 18. The ice-class ships are designed to be able to transport LNG from Russia's Arctic projects to Asia and other markets year-round, regardless of harsh conditions.

Zvezda, one of Russia's most advanced shipyards, specializes in building large Arc7 ice-class LNG tankers capable of breaking through ice more than six feet thick. The shipyard was meant to build 15 tankers for Russia's Arctic LNG-2 project, but Western sanctions imposed over the conflict in Ukraine have caused delays and difficulties. Sovcomflot, Russia's largest shipping company, took delivery of the Alexei Kosygin, the first domestically-built ARC 7 ice-class tanker, in December of last year.

Completion of the two ice-class ships significantly improves the logistics for Arctic LNG 2, which has struggled to establish a stable export fleet after sanctions. Once Konstantin Posyet enters service, Novatek will effectively have access to three Arc7 LNG carriers for Arctic operations: the two Zvezda-built vessels and one South Korean-built tanker originally assigned to the Yamal LNG project but subsequently redeployed after sanctions. Sources familiar with the construction program said a third Zvezda-built Arc7 vessel is expected to be launched before the end of this year.