Oil and Gas News Briefs
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Shell-led LNG Canada project moves closer to expansion decision

(Upstream; June 1) - Shell-led LNG Canada has issued a limited notice to proceed to its lead contractors for the proposed second phase of its liquefied natural gas export terminal in Kitimat, British Columbia, according to one of the contracting partners in the venture. Texas-based Fluor, which partnered with Japan's JGC Corp. in a joint venture that led the first phase of LNG Canada, revealed the Phase 2 notice on June 1.

Phase 2 would double the production capacity to 28 million tonnes per year at LNG Canada. Shell has said a final investment decision on Phase 2 is likely later in 2026, according to comments in April from CEO Wael Sawan. The Phase 2 notice will help the joint venture "initiate early planning and move forward with key activities to support a proposed Phase 2 final investment decision by LNG Canada," Fluor said in a statement.

Shell awarded a front-end engineering and design contract to Tecnicas Reunidas in March for Phase 2 of the Coastal GasLink pipeline, which links gas resources in western Canada to LNG Canada. Shell helped boost its fortunes at LNG Canada in April when it acquired Canadian gas producer Arc Resources for $16.4 billion. That deal will give the U.K. supermajor access to gas in Canada's Montney formation, analysts said. Shell holds a 40% interest in LNG Canada, followed by Malaysia's Petronas (25%), PetroChina (15%), Mitsubishi (15%) and Korea Gas (5%).

Alberta government considers new oil line routes to West Coast

(CBC News; Canada; June 1) - The Alberta government has considered three different pipeline routes through northern British Columbia for a new major oil export pipeline, according to documents obtained by CBC News which provide a first glimpse into where the project could be located. Several ports on the northern coast are highlighted as options, according to the documents, which were shown to local community leaders during private consultations on the proposed project this spring.

The provincial government is also exploring the idea of a fourth route through southern British Columbia and a port in the Vancouver area. Until now, the Alberta government has provided few details about its proposal besides its goal of developing a pipeline to export one million barrels of oil per day, with construction to begin as early as 2027. The documents focus on three northern pipeline paths. One of the routes begins near Fort McMurray and travels west to Fort St. John, ending up near Observatory Inlet, a remote area about 500 miles north of Vancouver and 80 miles north of Prince Rupert.

Two other routes begin near Fort Saskatchewan, northeast of Edmonton. After traveling west through the Rocky Mountains, one of the routes extends slightly north before ending at Nasoga Gulf, while the other continues west and connects with the coastal communities of Kitimat and Prince Rupert. Other two ports under consideration are near Stewart and Grassy Point, which are near the most northern point of British Columbia's coast, across the line from Alaska. All of the port options are located in the area where tankers are currently prohibited because of the federal oil tanker moratorium.

U.S. crude exports hit record 5.6 million barrels per day

(Reuters; June 1) - U.S. crude exports climbed to a record 5.6 million barrels per day in May as the Middle East crisis pushed up demand for the country's oil from Asian and European refiners, ship tracking estimates showed on June 1. The U.S. and Israel's war with Iran triggered the largest-ever disruption to the global energy market with refiners globally scrambling for alternatives to Middle Eastern supply. Around a fifth of the world's oil and gas supplies used to pass through the Strait of Hormuz. a key waterway that effectively closed when the war started at the end of February.

U.S. exports last month surged past the record set in April of 5.2 million barrels per day, according to data and analytics firm Kpler, as benchmark U.S. West Texas Intermediate traded at a steep discount to Brent, the global benchmark. A large discount to Brent makes it more economic for customers to buy U.S. oil and ship it across the world.

WTI traded at a discount of as much as $20.69 a barrel to Brent futures in March, its widest in 13 years as supply disruptions in the Middle East led increases in Brent to outpace WTI. In April, when a bulk of the deals to export crude in May were executed, the spread averaged a discount of around minus $8.86, compared with an average of minus $4.85 before the war. Exports to Europe and Asia touched record highs in May, with Asia taking 2.45 million barrels per day of the exports, retaining its spot as the top buyer for a second month in a row. Europe was a close second at 2.4 million.

Global oil stockpiles could hit critical levels before summer demand

(Reuters; June 2) - Global oil inventories could hit critical levels ahead of the peak summer demand period if stock draws continue at their current pace, the head of the International Energy Agency's oil industry and markets division said on June 2. Fuel demand typically peaks in the Northern Hemisphere summer when people drive and fly on holiday. "We're seeing stock draws continuing into the summer, and with the possibility or the likelihood that we reach critical levels or historical low levels just ahead of the peak summer demand," said Toril Bosoni.

It could take six to eight months in the best-case scenario to reopen the Strait of Hormuz if an agreement was reached today, Bosoni said at the S&P Global Energy Middle East Petroleum and Gas Conference in London. That could make a further IEA-coordinated emergency stock release a possibility, but that is not currently being discussed as around half of the initial 400-million-barrel coordinated release from March is yet to hit the market, she added.

"In any case, emergency stock releases are only a temporary stopgap measure, they're not going to solve this problem. The scale of the supply losses are so big that the reduction would have to come from the demand side," Bosoni said. Demand destruction is where high prices force consumers to cut back on buying until supply and demand are more balanced. The IEA is seeing higher prices and weaker economic outlook translating into lower demand for transport fuels, Bosoni said. "The biggest adjustment factors we have seen to the markets have come from the demand side."

U.S. stockpiles of crude and refined products lowest since 2004

(Financial Times; London; June 3) – President Donald Trump's Iran war has driven U.S. oil stocks to their lowest level in two decades as his administration drains stockpiles to contain surging prices and exporters capitalize on the drop in Middle Eastern supply. U.S. government data published on June 3 showed total stocks of crude and petroleum products such as gasoline fell by 10.6 million barrels last week to 1.57 billion barrels — the lowest level since 2004. The sharp fall triggered new warnings from industry analysts that oil prices are poised to move sharply higher again within weeks.

Bob McNally, president of Rapidan Energy Group and a former White House adviser, warned prices could reach $200 per barrel this summer unless the Strait of Hormuz — the crucial route in the Persian Gulf closed by the war — was reopened to tanker traffic. "You start to raise the risk of spill-over into other sectors, the economy and financial system … it detonates fragilities in the broader economy and financial system," he said.

The fall in U.S. inventories since the war began has scaled back the buildup caused by the shale revolution, which made the country the world's No. 1 oil producer and a major exporter. Last week's drop was driven by a fall of 16 million barrels in commercial and government stocks of crude and rising exports to Asia and Europe, where traders have raced to replace lost Middle Eastern supplies. U.S. oil exports jumped from 4.4 million barrels a day to 5.8 million last week — more than many OPEC countries produce.

Commodity trader warns market is underpricing supply risks

(Reuters; June 2) - The oil market is underpricing some risks from the Iran war, global commodity trading house Vitol's managing director for Bahrain, Tom Baker, said on

June 2. Iran's effective closure of the Strait of Hormuz and attacks on energy infrastructure including oil fields and refineries, have taken about 14 million barrels per day of Middle East supply offline, causing the largest oil supply crisis in history.

"Crude can come back online, but from a refined product perspective, it might be very hard for the system to catch up for the rest of the year," Baker said at the S&P Global Energy Middle East Petroleum and Gas Conference in London. "The turning point could be when someone really needs those physical molecules and the physical molecules just aren't there to buy," Baker said, adding that so far refiners have been deferring purchases, hoping a solution to the crisis might arrive soon.

"We can't indefinitely draw down from inventories. China won't indefinitely not import 5 million barrels per day, and at some point when they need those barrels, the price needs to go higher," Baker said, adding that the only solution to higher prices at that point would be demand destruction. Demand destruction is the process where prices rise so high, due to supply shortages or other factors, that consumers are forced to curb purchases until demand recalibrates to supply and prices rebalance.

China taps crude inventories as it scales back oil imports

(Reuters; June 2) - China is expected to tap deeper into its record crude oil inventories as refiners cut imports further while maintaining output curbs to minimize refining losses amid weak fuel demand, analysts and industry officials said. Tepid demand from the world's top crude importer is partly capping global oil prices, which have fallen 19% in May even amid a strained ceasefire between the U.S. and Iran and with the Strait of Hormuz still largely closed for a third month.

Beijing has implemented a range of measures to insulate the country from soaring Middle East crude prices, including maximizing domestic oil drilling, curbing fuel exports and providing extra import quotas to encourage purchases of discounted Russian and Iranian oil. May seaborne crude imports could fall to the lowest in a decade at 6.451 million barrels per day, from 8.1 million in April, according to Kpler. Another ship-tracking firm, Vortexa, estimated May imports at 7 million to 7.5 million barrels per day. This comes after China's overall crude imports in April slumped 20% on-year to 9.3 million.

China's seaborne crude imports are expected to fall in May to a decade low of 6.8 million barrels per day, while onshore inventories are drawn down, according to Kpler. To compensate for the lower imports, refiners have in the past three weeks drawn on commercial inventories at a rate of around 1 million barrels per day, tapping a stockpile that last peaked around 1.25 billion barrels in early May, according to Vortexa and Kpler.

China needs to cope with lowest crude oil imports in almost 10 years

(Reuters commentary; June 1) - China's seaborne imports of crude oil slumped to the lowest in almost 10 years in May as the impact of the Iran war led to a dramatic reshuffling of operations in the world's biggest oil importer. Seaborne arrivals of crude were 6.36 million barrels per day in May, down from 8.10 million in April and the weakest since October 2016, according to data compiled by commodity analysts Kpler. Imports were also nearly half the 11.39 million barrels per day recorded by Kpler for February, the last full month of arrivals prior to the U.S. and Israeli attack on Iran on Feb. 28.

It's clear that the war is the primary driver behind the collapse in China's oil imports, but the challenge is in working out the why and how of what China is doing to adapt. One factor is that China is following the pattern of cutting back on imports when prices rise sharply. It's also likely that Chinese refiners were struggling to source crude from their usual suppliers, especially those cut off by the closure of the Strait of Hormuz. Imports from Iraq went from 790,000 barrels per day in February to 60,000 in May, according to Kpler, while Kuwaiti imports fell from a recent high of 522,000 in October to zero in May.

It wasn't just Middle East imports that were affected, with seaborne arrivals from Russia dropping to 1.07 million barrels per day in May, the lowest since August and down from 1.96 million in February. It's likely that China's refiners have shifted their product mix as far as they can to maximize output of middle distillates such as diesel and jet fuel, as well as gasoline. The crunch is on light distillates for petrochemicals, and producers of plastics are likely being forced to use up inventories to keep running. China will have to either increase oil imports, cut refinery rates sharply or tap into its strategic oil reserves.

World could still face a glut of LNG, driving down prices

(Bloomberg commentary; June 1) - Get ready for a glut of liquefied natural gas. It may sound counterintuitive. After all, the Strait of Hormuz remains blocked. The world's largest LNG plant is idled and Qatar says repairing it will take at least three years. And yet, the contours of a long-term surplus are already starting to emerge. To understand why, consider that building liquefaction plants requires huge upfront investments, with some costing between $20 billion and $30 billion. LNG companies only give the go-ahead when they have secured enough clients to convince banks that a project is safe.

Enter the U.S.-Israeli war in Iran. The closure of the Strait of Hormuz removed 20% of the world's LNG supply, leaving some importers, particularly in Asia, desperately short. They won't forget. The most-affected nations are the kind of price-sensitive energy importers the industry is counting on as future consumers. Their response will shape the LNG market for years to come. I anticipate both a supply and a demand reaction.

Let's start with supply. No sane policymaker in Asia is likely to consider the waterway safe again. Diversifying away from Qatar and the United Arab Emirates will become a priority. Asian LNG buyers will support projects elsewhere, financing ventures that only 90 days ago looked destined to fail. We can summarize this as “everything outside Hormuz gets built,” with the crisis guaranteeing a construction boom outside the Gulf.

Last year, the LNG industry greenlit construction of 3.5 trillion cubic feet of annual gas-liquefying capacity, the most ever, according to International Energy Agency estimates. “There remains a pipeline of (almost 25 tcf) of projects globally seeking final investment decision,” according to the IEA. Will there be enough demand? I doubt it; or at least, I doubt it at prewar price levels. LNG costs will need to decline further to incentivize more consumption. Buyers have options: solar, with the help of batteries, and coal. It’s a story as old as the commodity market: High prices sow the seeds of tomorrow’s low ones.

Chinese-made LNG plant modules on the move to Russia

(High North News; June 2) - Key production modules originally built for the third liquefaction line of Russia’s Arctic LNG 2 project are on the move from China to the Russian Arctic after a hiatus of nearly two years, raising questions about Novatek’s plans for the unfinished production train and the future use of billions of dollars worth of stranded equipment for the LNG plant. Two pipe rack modules intended for Train 3 departed China aboard sanctioned heavy-lift vessels in late April and are currently en route through the Indian Ocean, according to ship tracking data and industry sources.

The shipment marks a significant development for Russia’s largest ongoing LNG project, whose construction and export ambitions have been severely disrupted by U.S. and allied sanctions targeting technology, financing and shipping linked to the project. The modules are the first known Train 3 components to leave China since construction on the production line largely stalled in 2024 following Russia’s full-scale invasion of Ukraine and the subsequent tightening of Western sanctions.

Their movement signals renewed activity for Train 3 equipment, although it remains unclear whether Novatek intends to restart construction of the third production train or is pursuing other options for the unfinished assets. The modules were constructed at the former Zhoushan Wison Offshore Engineering shipyard. The modules in transit are only part of a larger inventory of Train 3 equipment. While Train 1 at Arctic LNG 2 was completed largely as originally planned, Train 2 encountered major difficulties after sanctions disrupted deliveries of Western gas turbines and other critical equipment.

Prayers and turning off transponders help LNG get through the strait

(Bloomberg; June 2) - A day before crossing the Strait of Hormuz, an Indonesian seafarer aboard the Al Rayyan tanker published a picture of a rainbow cutting across the bow. “When the dream ship becomes reality,” he wrote on social media, thanking

God for the blessing. Then the liquefied natural gas carrier switched off its transponder and began to move out of the Persian Gulf. The Al Rayyan, loaded with Qatari LNG, tailed another gas carrier coming from the emirate, the Fuwairit, which was preparing to cross the waterway under a deal between Pakistan and Iran.

For the seafarers in the second vessel, who had no such government protection, it was a safety beacon through a treacherous corridor, mariners recounted later. They slowly entered Iranian-controlled waters, scanning the horizon for other tankers, Iranian patrol boats and incoming drones. There was silence. Then the first ship's signal also disappeared. Some of the crew prayed. A day later, the two reemerged from their dark crossing in the Gulf of Oman. After months of waiting, both carriers set off to the east.

As the war enters its fourth month, Hormuz remains in Iran's grip. Yet Qatar, the world's second-largest LNG exporter, has once again been moving cargoes out of the Persian Gulf, thanks to hiring and navigating practices that owe more to shadowy corners of the oil market than to LNG, a far more conservative industry, where buyers' ability to track cargoes was part of a reputation for reliability. In May, at least four Qatari ships appear to have crossed the waterway, according to ship-tracking data and people familiar with the matter. That's a small fraction of pre-war volumes, but a welcome relief for buyers.

Putin allows TotalEnergies to sell stake in Arctic LNG project

(Bloomberg; June 3) - Russian President Vladimir Putin authorized TotalEnergies to sell its stake in a U.S.-sanctioned liquefied natural gas export project in the Arctic, a rare move that will allow the French major to exit a project strangled by Western restrictions. TotalEnergies will be allowed to transfer its 10% stake to a company called NordLine, according to a presidential order. According to news agency Interfax, the company is a newly created subsidiary of Russia's Novatek, which owns 60% of Arctic LNG 2.

TotalEnergies previously wrote down the value of its interest in Arctic LNG 2 because of Russia's war in Ukraine, and has consistently said it's taken no revenue from the project. The $21 billion-plus Arctic LNG 2 was sanctioned by the U.S. in late 2023 in an effort to curb Russia's ability to expand exports of the fuel. The facility began shipping the fuel via shadow-fleet vessels the following year and has slowly ramped up output — even though it's operating far below intended capacity. So far, shipments have only been delivered to a single port in southern China.

The move would consolidate Russia's hold over its largest LNG export project by capacity, as part of a wider strategy by Moscow to expand sales to Asia. The European Union will ban all gas purchases from Russia from 2027. "It's a good thing for TotalEnergies, which can proceed with a strategic pullback," said Frédéric Lorec, an analyst at AlphaValue in Paris. "They may have to make a similar decision on Yamal when the European ban comes into force at the start of next year," he said, adding Total "has no interest to rush." Total owns a 20% of Yamal LNG, which went online in 2017.

Japan’s Kansai Electric plans to boost gas-fired generating capacity

(Nikkei Asia; June 1) - Kansai Electric Power, Japan's second-largest regional utility, is eager to build new liquefied natural gas-powered power plants as it seeks to increase its generating capacity by 2040, according to President Nozomu Mori. "Demand for electricity from semiconductor companies and data centers is increasing," Mori said. "Kansai Electric Power wants to be a leader in supporting Japan's energy needs."

On the group's new plan calling for a total of 15 trillion yen ($94 billion) in investments by fiscal 2040, Mori said the company aims to raise power generation capacity about 30% by 2040. LNG, one of Japan's most important energy sources, will be part of that effort. "We will replace existing LNG thermal power plants with more efficient equipment, and we will also build new ones," Mori said.

The company powers Osaka and other parts of the Kansai region. Beyond Kansai, it will seek to develop thermal and renewable energies in partnership with other companies, according to the president. He said rising fuel costs will not lead to higher regulated electric rates — mainly for households — because the company has already exceeded the limit of the costs it can pass on to these customers. Kansai Electric also is looking to build a next-generation nuclear reactor at an existing nuclear plant in Mihama, Japan.

BP sells stake in Australian gas project to South Korean firm

(Reuters; June 1) - BP on June 1 said it agreed to sell 5% of its stake in the Browse liquefied natural gas project in Western Australia to South Korea's GS Energy. The sale leaves BP with a 39.33% stake in the Woodside-led project, which is expected to cost A$48.7 billion (US$34.96 billion) and seeks to develop Australia's largest untapped gas resource. Browse is earmarked to supply gas to North West Shelf, one of Australia's biggest LNG facilities. Regulatory and commercial hurdles have delayed its progress.

The transaction is conditional upon regulatory and joint-venture approvals, BP said. It comes after Japan's Inpex last month said it would buy PetroChina's 10% stake in the project. MST analyst Saul Kavonic said the sale to GS Energy was a "constructive sign of incremental progress" for the Browse. Woodside was also more likely to be supportive of GS Energy's involvement in Browse when compared to Inpex, he said.

"GS is seen as being likely to support Woodside's plans for Browse and be a customer," Kavonic said. "Whereas Woodside will be concerned that Inpex may want to change the development of Browse” to send the gas to Inpex’s own Ichthys LNG facility instead. BP became the largest stakeholder in Browse after buying Shell's stake in 2023.

[European buyers likely to swap Canadian LNG for closer supplies]

(Vancouver Sun; June 1) - An initial agreement between the Ksi Lisims liquefied natural gas project to supply a German state-owned gas utility was a first for the British Columbia development, but likely won't be the only one with a European customer. European customers would not likely take direct delivery of LNG, but use it to trade with Asian importers that have contracts from suppliers closer to Europe, an increasingly common arrangement and a sign of how countries are shoring up their supplies.

Ksi Lisims and the utility Securing Energy For Europe signed an agreement that will see them negotiate terms for sales of up to one million tonnes per year of LNG over a 20-year term, starting in the early 2030s. The important part for Securing Energy For Europe was an arrangement to take LNG cargoes on a free-on-board basis, which gives the utility "the flexibility to deliver cargoes to any destination," said CEO Egbert Laege.

That means Securing Energy For Europe will be free to swap LNG with Asian importers closer to Ksi Lisims, and take supplies closer to Europe, according to Alex Munton, director of global gas and LNG research for Rapidan Energy Group. Munton said it isn't uncommon for customers to enter into swaps. The Indian utility GAIL, for instance, has used swaps to trade LNG that it signed contracts to buy from U.S. suppliers that are "literally on the other side of the planet" from India. "As the market has evolved, they've been able to enter into these swap arrangements with other companies," Munton said.

[B.C. town council votes against LNG health impact assessment]

(CBC News; Canada; June 2) – The Kitimat town council has voted against backing a call for a cumulative health impact assessment that would look into the effects of British Columbia's liquefied natural gas industry on human health. In a presentation at a meeting on June 2, Ankur Patel, a registered nurse in Kitimat, home to the LNG Canada export terminal which started production last summer, requested the council support the call in order to learn more information about the health of residents.

Patel and others have held forums across the province to inform residents on the health impacts of LNG. He said in his experience as a nurse he has seen more patients rely on medications during peak gas flaring at the plant and report more severe respiratory symptoms. Four other British Columbia municipalities have opted to show their support for a health assessment, including Terrace, Dawson Creek, Hazelton and Squamish.

Kitimat Councillor Gerry Leibel offered the motion to support the call for a cumulative health impact assessment. "We are at the epicenter. We are at the front of LNG development in this province. ... We can't keep denying that there are some not-so-good elements to this," said Leibel. Mayor Phil Germuth and Councillors Mario Feldhoff, Graham Pitzel and Edwin Empinado voted against the motion, which was defeated 4-2.

"I cannot support this, I'm satisfied with the level of oversight done by the province," said Feldhoff. More regulation is not needed, he said.

University energy institute estimates U.S. savings from shale gas

(Institute for Energy Research; May 29) - The University of California at Berkeley's Haas Energy Institute has released a study on the shale gas revolution, following advances in hydraulic fracturing and horizontal drilling that caused U.S. natural gas production to increase significantly. As a result, U.S. gas consumers now use over 50% more of the fuel than a decade ago, and the U.S. has become the world's largest exporter of natural gas when it previously had been a net importer of natural gas.

The study calculated that U.S. gas consumers saved between $3.1 trillion and $4.3 trillion between 2007 and 2025, equivalent to $164 billion to $227 billion annually, by producing gas domestically rather than importing liquefied natural gas from overseas suppliers. The authors found that 39% of the savings went to electric power customers, with 30%, 18% and 13% savings for industrial, residential and commercial customers, respectively. Texas saved the most of any state.

The study assumed that without shale gas, the U.S. would have imported LNG and U.S. consumers would have been paying LNG prices the same as Europe or Japan. The study's authors admit that is a big assumption. While more imports are an alternative, other alternatives include increased domestic production or decreased consumption from demand destruction and/or fuel switching. As a result, the study estimates of savings may be on the high side. Other analysts have estimated much lower savings.