Oil and Gas News Briefs
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Multiple factors help keep oil at $100 a barrel instead of $200

(Bloomberg; June 6) - For decades, oil traders, executives and analysts warned that closing the Strait of Hormuz would be a global economic catastrophe. It's now been more than three months since the waterway was effectively blocked, creating the worst supply shock in modern history. But a slew of work-arounds is keeping oil below $100 a barrel, defying many of the industry's grimmest forecasts for prices as high as $200.

A combination of record U.S. exports, a sharp and unexpected slowdown in Chinese demand and a steady trickle of crude still finding its way through the strait have helped absorb much of the shock from the loss of more than 10 million barrels a day of Middle Eastern supply. A pre-war surplus has also eased the blow. All eyes are on how long the buffers can hold, while the question of when flows might resume through the strait — and where oil prices are headed — are the biggest wild cards for the economy.

One of the biggest surprises for the market has been China. It cut imports by almost 40% in May compared to last year's average, according to Vortexa. The reduction is enough to offset between a third and a fifth of the oil lost to the war, depending on the estimates used. At the same time, the U.S. has emerged as the world's most important swing supplier since launching strikes on Iran. American crude and fuel exports in May were more than 2 million barrels a day higher than the average for all of last year.

"Over three months into this conflict, the world has proven surprisingly resilient," Maria Angelicoussis, CEO of Angelicoussis Group, the largest Greek shipowner by number of vessels on the water, said this week. But Greg Sharenow, who heads Pacific Investment Management Co.'s commodity portfolio investment team, cautioned: "Each week that goes by, the system is tightening by 70 to 80 million barrels. You can't do that forever."

Analysts warn of falling global inventories of crude oil

(Reuters; June 5) - Global oil inventories are running dangerously low as a deal to re-open tanker traffic through the Strait of Hormuz has proven elusive, and industry executives and analysts warn there could be another oil price shock in the coming weeks, severe enough to upset financial markets. Some fear the next move higher for oil prices would pose a risk to economic growth, bond yields and stock markets.

"We're approaching unheard of inventory levels. I mean, really, really low levels. You can debate whether that's going to hit those really low levels in two weeks or three weeks. But once you get to that point, you'll see prices shoot up," Neil Chapman, Exxon Mobil senior vice president, said at the Bernstein conference in New York on May 28. Chapman said that if inventory levels get much lower, dated Brent, which is used to price more than 60% of globally traded crude, could rise to $150 or $160 a barrel.

Crude inventories and strategic reserve releases have kept oil prices somewhat under control. But if stock draws continue at their current pace, sinking global oil inventories could hit critically low levels just as summer fuel demand hits its peak, the head of the International Energy Agency's oil industry and markets division, Toril Bosoni, said on June 2. "Once they (cushions) thin out, prices have to do more of the adjustment work. That means either consumers pay more or demand gets destroyed," said Mehmet Beceren, vice president and senior market strategist at Rosenberg Research.

Stockpiles continue dropping at Oklahoma oil tank hub

(Reuters; June 5) - At the prairie town that calls itself the pipeline crossroads of the world, some 400 oil storage tanks sprawled across Cushing, Oklahoma, are nearly empty, drained by refiners worldwide to plug a massive shortfall in global supplies caused by war in the Middle East. Cushing is among the largest oil storage hubs in the world. Oil levels in its tanks have fallen rapidly since the war began and Iran effectively closed tanker traffic through the Strait of Hormuz.

Refiners everywhere, seeking to keep the global economy supplied with fuel, have snapped up crude wherever they can find it to substitute for the 20 million barrels a day of oil that flowed out of the strait before the war. Cushing has outsized importance in the global market because it is the delivery point for West Texas Intermediate crude, the variety used as the basis of one of the world's benchmark oil contracts. Storage levels at Cushing influence the price of tens of billions of dollars of oil futures traded every day.

Refiner Phillips 66 believes Cushing's storage levels could reach their operational minimum, according to two sources. For a host of U.S. refiners, Cushing is a major source of oil to their plants in the Midwest farm belt and Gulf Coast export hub. Cushing inventories fell to 22.4 million barrels as of May 29, U.S. government data showed on June 3, down about 4 million compared to Feb. 27, the day before the U.S.-Israeli war with Iran began. When the level gets below 20 million barrels, operational challenges could arise, said Jeremy Irwin, global crude lead for analytics firm Energy Aspects.

West Coast Mexico LNG export terminal starts production

(Bloomberg; June 4) - Sempra Infrastructure said it has started producing liquefied natural gas from Mexico’s first West Coast export terminal, with plans to ultimately ship the fuel to Asia in a move that could add relief to a market hurt by tightened global supply due to the Iran war. The Costa Azul export plant at Ensenada in Mexico's Baja California state has contracts with Sempra's joint venture partner TotalEnergies and Japanese trading firm Mitsui to produce a combined 2.5 million tonnes a year.

The terminal, known as ECA LNG, is the latest in North America to start operations following the outbreak of the Middle East conflict which has disrupted one-fifth of the world's LNG and driven up prices in Asia and Europe. The facility, initially built as a terminal to import Indonesian LNG supplies for southern California, was turned into an export plant in 2020 after Sempra's subsidiary made its final investment decision. The operation gets its gas from the U.S. for eventual export to Asia, adding it to a growing list of LNG facilities tracked by U.S. gas traders monitoring demand for LNG exports.

The plant's first phase is 3.25 million tonnes a year, with a second phase under development at the same location, according to Sempra Infrastructure. Mexico first began LNG exports in 2024 from a smaller floating LNG export project operated by New Fortress Energy located offshore of Altamira on Mexico's Gulf Coast.

Developer takes FID for floating LNG terminal offshore Louisiana

(Reuters; June 3) - Delfin Midstream said on June 3 it has taken a positive final investment decision for the first floating liquefied natural gas vessel of the Delfin LNG project under development 40 miles offshore Louisiana in the Gulf of Mexico. Delfin FLNG 1 will be the first floating liquefaction facility in the U.S. and the largest such unit globally, with an export capacity of 4.4 million tonnes per year, the company said. The decision unlocks approximately $5 billion in investment for the project's first phase and comes just over a year after federal regulators cleared the way for development.

Delfin has secured investments from Global Infrastructure Partners — a part of BlackRock — as well as Mitsui O.S.K. Lines, Diameter Capital Partners and commodity trader Vitol, the company said in a statement. The development was delayed for months following an explosion on a pipeline near Holly Beach and Johnson Bayou in Louisiana expected to supply gas to the facility.

The project is backed by long-term LNG sales agreements with leading global energy companies including Vitol, Expand Energy, U.K. gas utility Centrica and commodity trader Gunvor. With the first vessel scheduled to begin LNG production in 2030, the company continues to move toward securing FIDs for FLNG vessels two and three over the coming year, Delfin said. Unlike traditional shore-based export terminals, Delfin's development relies on floating liquefaction vessels connected to existing offshore pipeline infrastructure, reducing the need for extensive new onshore construction.

Exxon-led Mozambique LNG project selects lead contractors

(Africa Intelligence; June 3) – The engineering, procurement and construction contract for one of the world's largest liquefied natural gas export projects will be awarded for the ExxonMobil-led Rovuma LNG project in Mozambique to a consortium comprising Saipem, McDermott, CPECC and Daewoo. With this decision at the end of May, the rival consortium formed by Technip Energies and JGC has been ruled out, despite several years of competition between the two sides, particularly during the front-end engineering design phase which was entrusted to both consortia.

The selection marks a major milestone in the progress of the megaproject, planned for 18 million tonnes of LNG output per year. The EPC contract is a major undertaking. The project, estimated at more than $20 billion, is expected to keep the contractors busy for nearly five years. ExxonMobil has yet to make the final investment decision, after which the Rovuma LNG partners of Italy's ENI, Mozambique's ENH, China's CNPC, the United Arab Emirates' ADNOC and its subsidiary XRG (which acquired the stake previously held by Portugal's Galp) as well as Korea Gas to release funds required for the work.

Almost 40% of LNG Canada's production has gone to South Korea

(Vancouver Sun; June 4) - The consortium behind the LNG Canada liquefied natural gas terminal in Kitimat, British Columbia, has put its engineering and construction partner on notice to be ready for planning work on its proposed expansion, another sign that a final investment decision on the project is getting closer. Texas-headquartered Flour announced that its joint venture has been given "limited notice to proceed," one of the next, methodical steps LNG Canada needs to take.

Flour's announcement preceded a trade meeting in Ottawa between a top South Korean government official and Minister of Natural Resources Tim Hodgson on June 2, which sought to further cement their relationship over energy shipments. Kang Hoon-Sik, a special envoy for strategic economic cooperation as well as chief of staff to South Korea's president, met with Hodgson to talk of opportunities to expand trade, including through increasing Canadian LNG exports to Korea.

South Korean utility Korea Gas, the smallest partner in LNG Canada, holding just a 5% stake in the C$40 billion development, has become its biggest buyer in the plant's initial startup. From LNG Canada's first shipment last June through the first two months of 2026, almost 40% of the facility's LNG has gone to Korea, according to data from the Canadian Energy Regulator. Japan and China have been the No. 2 and 3 customers for LNG Canada's first phase, according to Canadian Energy Regulator data, taking 27% and 23% through February. Shell is LNG Canada's lead partner, holding a 40% stake.

Wood Mackenzie maps out 3 scenarios for LNG markets

(Pipeline & Gas Journal; June 3) - A Wood Mackenzie analysis shows how the Strait of Hormuz crisis could reshape global liquefied natural gas markets, influence project sanctions and alter long-term supply and demand trends. The consulting firm modeled three potential market outcomes based on how quickly the conflict is resolved and how soon the waterway reopens. The disruption has halted about 20% of global LNG supply.

Under its most optimistic scenario, Gulf LNG facilities resume operations this year and return to full capacity by 2027. A more prolonged disruption could delay production recovery until 2028, while Wood Mackenzie's most severe scenario assumes recurring conflict and infrastructure damage that permanently reduces expected Middle East LNG growth. In that case, major projects could face years of delays and some planned developments may never reach a final investment decision.

Wood Mackenzie said LNG supply growth outside the Persian Gulf remains robust, with more than 150 million tonnes per year of export capacity already under construction, largely in the United States. The firm also expects more than 30 million tonnes of additional LNG projects to reach final investment decision by the end of 2027. A prolonged supply disruption could encourage developers to accelerate project final investment decisions outside the Middle East.

Japan 'was too concentrated' on LNG supply from U.S. and Qatar

(The New York Times; June 4) - Years before the war in the Persian Gulf, executives in boardrooms across Japan were discussing a development they feared posed a growing risk to Asia's energy supplies. The global trade in liquefied natural gas, the fuel that underpins power generation across Asia, was hardening into a duopoly. Just two nations — the U.S. and Qatar — were poised to account for the vast majority of supply growth by 2030. Anxiety was high in Japan; it's the largest LNG importer behind China.

The concern was a market dominated by two powerful suppliers could disadvantage buyers and leave Japan vulnerable should either pillar falter. The U.S. was viewed as politically unpredictable, especially after the Biden administration paused permits for new LNG exports in 2024. And Qatar sat in one of the world's most volatile regions. In February, the fears were realized when Iran blocked the Strait of Hormuz. Then Iranian strikes hit Qatar's Ras Laffan LNG hub, inflicting damage that could take years to repair.

It is easy, in hindsight, to say countries should have been better prepared, said Henning Gloystein, a managing director for energy at Eurasia Group, a political risk research firm. Yet significant energy supply disruptions occur virtually every decade, he said. The industry's growing reliance on just two suppliers had created a structural vulnerability. "The industry was too concentrated," he said.

By the end of the decade, Qatar and the United States are expected to control about half of the world's total supply. This dynamic has raised red flags in Japan for years. With the market increasingly concentrated in just two countries, importers faced the risk of sudden supply disruptions or the wielding of exports as geopolitical leverage.

Russian LNG carrier continues on rare early season Arctic voyage

(gCaptain; June 4) - Satellite imagery has captured the sanctioned Russian liquefied natural gas carrier Christophe de Margerie making a rare early-season eastbound voyage along the Northern Sea Route under escort from the nuclear icebreaker Ural, a transit that has only been attempted twice before at this time of year. The images show the track of the Arc7 ice-class LNG carrier and its escort navigating through ice-covered waters in Russia's East Siberian Sea, east of the New Siberian Islands, as they work their way toward the Pacific carrying a cargo from the Arctic LNG 2 project.

Analysis of the vessel tracks visible in the imagery suggests the convoy made several course adjustments while searching for the most favorable route through the ice, highlighting the challenging conditions that persist across large sections of the Arctic shipping corridor despite the onset of spring. The voyage marks only the third known eastbound transit by a Yamal-class Arc7 LNG carrier this early in the navigation season.

The ship's destination remains unclear. Industry observers are debating whether it will discharge its cargo at the Koryak floating storage unit off Russia's Kamchatka Peninsula or continue to China's Beihai LNG terminal. Offloading at Koryak would allow the vessel to return more quickly to Arctic LNG 2 and take on additional cargoes. The voyage has attracted attention because Christophe de Margerie currently represents a significant share of the limited Arc7 fleet available to support exports from the sanctioned project.

Iran war will redraw Persian Gulf energy logistics map

(Wall Street Journal; June 3) - For decades, the Persian Gulf's energy map converged on a single chokepoint: the Strait of Hormuz. Now, spurred by the Iran war, the region's petrostates are rushing to draw new lines to circumvent it. Across the Gulf, governments are pouring billions into new oil pipelines, rail corridors and energy storage hubs to bypass the waterway in what is set to become one of the most durable outcomes of the war. The new energy links are part of a broader redrawing of the region's logistics map.

"The legacy of the crisis will result in the construction of infrastructure to bypass the Strait of Hormuz," said Hamad Hussain, commodities economist at London-based research firm Capital Economics. "The genie is out of the bottle given that the longstanding threat of Iran effectively closing the strait has now materialized." Even if Washington and Tehran reach a deal to reopen the strait and maritime exports resume, the shift toward an export network with multiple exits will endure because the conflict has proved that robust contingency plans are essential, officials and analysts say.

Saudi Arabia's ability to export oil via an underused fallback pipeline demonstrated the strategic value of a backup, while in recent weeks the United Arab Emirates and Iraq have launched plans to expand pipelines of their own. The conflict showed "too much of the world's energy still moves through too few chokepoints," said Sultan Al Jaber, the UAE's minister of industry and advanced technology, at a recent Atlantic Council forum. That was now driving Abu Dhabi's accelerated plans to sidestep Hormuz, he added.

New Mexico expects $850 million in state revenue from high oil prices

(KRQE News; Albuquerque, New Mexico; June 6) - Drivers may be feeling pain at the pump from rising gasoline prices across the U.S. but New Mexico is cashing in. Oil and gas production prices are drawing in millions more for the state, but what does the state plan to do with that money? According to AAA, the average gas price in June is $4.08 a gallon versus $2.86 at this time last year. Most recently, lawmakers heard how it may be hurting New Mexicans but also benefiting important oil-revenue funded programs.

Gasoline and diesel fuel prices continue to surge across the country because of the war in Iran. But since New Mexico is the second-largest oil and gas producer in the country, millions of dollars in revenue are projected to boost the economy. "We're estimating about $850 million more coming into the state of New Mexico this fiscal year as a result of the war," said Ismael Torres, chief economist for the Legislative Finance Committee.

A concern earlier in the year was that state spending was outpacing revenue growth but now there's a shift. With an expected surplus, Torres said the state will gain revenue for the Medicaid trust fund, behavioral health trust fund and early childhood trust fund which pays for the new universal childcare program. But the financial hit on drivers is straining. Torres said the average household pays $750 more every month to cover the extras costs for groceries and gas.

Pakistan pays its highest price for LNG in 4 years, at $19.13

(Bloomberg; June 4) - Pakistan purchased its most expensive liquefied natural gas shipment in about four years, as the country grapples with an energy shortage due to the effective closure of the Strait of Hormuz. State-owned Pakistan LNG bought a cargo for June 6-7 delivery from BP via a tender that closed on June 4, according to traders. The South Asian country was forced to purchase it because a planned shipment from Qatar was canceled due to heightened tensions around the strait, the traders said.

The cargo was bought at $19.1337 per million Btu, which makes it the priciest LNG purchase for the South Asian country since 2022, according to traders. Pakistan is among the hardest-hit by the conflict in the Middle East, as about a fifth of global LNG supply remains stuck behind the narrow waterway blockaded by Iran and the U.S. Pakistan depends on Qatar for nearly all its LNG and has seen rolling blackouts due to severe fuel shortages since the war began in late February.

Islamabad negotiated with Iran for the passage of three Qatari LNG shipments through Hormuz over the past month, with the latest arriving in late May. While that's helped ease the country's gas shortfall, it is still receiving far fewer shipments than normal, forcing the country to dip into the expensive spot market. Pakistan purchased its first spot shipment in about two years in April.