Oil and Gas News Briefs
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May 25, 2026

Even with a deal to reopen Hormuz, it will take time to clear bottleneck

(Wall Street Journal; May 24) – A deal between the U.S. and Iran that reopens the Strait of Hormuz to shipping promises to bring down oil prices and ease the upward pressure on costs for transport, manufacturing, food and fuels across the world. But the benefits of a deal would be uneven and take time to filter through. It will take time to clear out the bottleneck in the strait, and shippers said they would need to see an extended period of calm before they are confident enough to sail normally through the strait.

Seafarers on May 24 said some ships stuck in the Persian Gulf have started moving toward the strait in anticipation of a deal to open the waterway. But it would be difficult to return energy supplies to prewar levels quickly with the damage to facilities, halted oil production and broader obstacles to shipping through the strait, said Hamad Hussain, commodities economist at Capital Economics. "All of this will keep oil prices elevated for some time — prices would only start to trend lower as and when the supply-demand balance in the oil market materially improves, which is likely to be well into 2027."

In addition, fuel prices could take longer to decline than crude oil prices because of depleted inventories and damage to production facilities. Global stockpiles — which governments rushed to drain as Middle East supplies dried up — have fallen at a record pace since the start of the war. They plunged by 250 million barrels over March and April, according to the International Energy Agency. A deal would stop the bleeding, but the world then has to refill depleted tanks.

Clock ticking on world oil market running into real trouble

(Reuters commentary; May 21) - The oil industry has shown remarkable resilience in the face of the largest energy supply shock in modern history, pulling multiple levers to cushion the blow of the Iran war. But barring a breakthrough in peace talks, the global market may be only months away from a breaking point. The world's biggest and most liquid commodity market has entered a phase of unprecedented uncertainty since the outbreak of the Iran war and the near-hermetic closure of the Strait of Hormuz.

With peace efforts faltering and the risk of renewed military escalation still high, markets can no longer dismiss the possibility that transit through Hormuz will remain constrained for many more weeks. The clock is ticking. The oil market likely has about three months before tightening supplies begin to bite in earnest, pushing inventories to critical lows, triggering steeper prices and forcing demand destruction and broader economic pain.

Absorbing the supply shock has come at a cost. Demand is contracting as refiners cut output, airlines trim flights and governments implement fuel-saving measures. Those adjustments have been accompanied by a rapid draw on inventories — the system's primary shock absorber. At this pace, some commercial inventories could hit minimum operating levels — thresholds below which storage systems can no longer function efficiently — as soon as August, said veteran independent analyst Paul Horsnell.

A continued sharp depletion would likely drive prices higher, curbing consumption and alleviating some of the strain. Benchmark Brent crude futures have climbed about 50% since the start of the war to around $110 a barrel, but based on the scale of the crisis, they still have far more room to run. China represents another variable. Beijing holds the world's largest oil stockpiles — estimated at 1.2 billion barrels at least — and could provide additional relief if it opts to draw down inventories and scale back imports. In other words, the market still has buffers. But they are finite and being consumed rapidly.

UAE oil company CEO expects full flows will not return until 2027

(Reuters; May 21) - Full oil flows through the Strait of Hormuz will not return before the first or second quarter of 2027, even if the Middle East conflict ended now, the head of the United Arab Emirates' state oil firm Abu Dhabi National Oil Co. said. The outlook is among the most pessimistic by top industry executives and underscores the prolonged economic impact of the Iran war which has triggered what the International Energy Agency calls the largest-ever energy crisis because of the near closure of the strait.

"Even if this conflict ends tomorrow, it will take at least four months to get back to 80% of pre-conflict flows, and full flows will not return before the first or even second quarter of 2027," ADNOC CEO Sultan Al Jaber said during an Atlantic Council event on May 20. The CEO of Saudi Arabia's oil giant Aramco, Amin Nasser, already had warned the oil market may not recover until 2027 if the situation persists through mid-June.

Global crude inventories are being drawn down at record pace

(Bloomberg; May 21) - Global stockpiles of crude oil and products are being drawn down at a record pace this month as the war in the Middle East drags on, curtailing supplies, according to Goldman Sachs. Visible inventories shrank by a record 8.7 million barrels a day so far in May, almost double the average since the conflict began, analysts including Yulia Zhestkova Grigsby and Daan Striven said in a May 20 note.

"Physical markets continue to tighten, as estimated oil exports through the strait remain at a very low 5% of normal," they said, referring to the Hormuz waterway that's subject to a double blockade by both Iran and the U.S. International Energy Agency Executive Director Fatih Birol warned last week that commercial oil inventories were shrinking at an accelerated pace. The agency has also estimated that the market would remain "severely undersupplied" until October even if the conflict were to end soon.

About two-thirds of the draws in May were driven by a drop in so-called oil on water, crude aboard tankers at sea, the Goldman analysts said. The import slump was "spreading from Asia to Europe," they said, noting jet-fuel flows into Europe were 60% below 2025 averages. Still, although global stockpiles have been drawn down at a 4.6 million-barrel-a-day average pace since March, they are flat year-on-year given the buildup of a "sizable buffer" in the nine months before the war, they said.

Market participants expect oil average $81 to $100 for next 12 months

(Bloomberg; May 21) - Oil market participants are increasingly pricing crude to be capped near $100 a barrel over the next year, as demand is forced to slow down to counter millions of barrels of supply losses caused by the U.S.-Iran war. That's one of the conclusions from a Bloomberg Intelligence survey that received 126 responses this month from asset managers and other energy market specialists.

A majority of market participants expect Brent to average $81 to $100 a barrel over the next 12 months. Almost two-thirds see oil carrying a lasting risk premium of $5 to $15 a barrel for years to come, with few expecting it to exceed $20. "This distribution suggests geopolitical risks are seen as persistent, but not as a fundamental reset of the longer-term price regime," according to Bloomberg Intelligence analysts including Salih Yilmaz and Will Hares. "Instead, respondents appear to assume that supply and demand will gradually rebalance, anchoring prices within a relatively stable range."

The survey identified "demand destruction" as the most likely mechanism to offset supply deficits over the next year, followed by rerouted trade flows, OPEC+ policy and releases from strategic reserves. Most respondents expect global supply disruptions to average 3 million to 7 million barrels a day, with few anticipating outages above 10 million. Now in its 12th week, the war in Iran has severely constrained traffic through the Strait of Hormuz, driving up global energy prices and inflation. Still, headline oil prices have remained relatively subdued despite signs of tightening physical supplies.

UAE says it left OPEC so it can boost oil production

(Reuters; May 22) - The United Arab Emirates' decision to leave OPEC was three years in the making and is based on its view that the world is near the "autumn of the hydrocarbon age," meaning the country needs to maximize oil revenues while it can, a senior adviser to the president said. The UAE ended its nearly 60-year membership of the Organization of the Petroleum Exporting Countries on May 1.

In the immediate term, the decision is unlikely to affect the market because of Iran's effective closure of the Strait of Hormuz, but it could have a major impact on OPEC's control over supplies when oil flows normalize. Anwar Gargash, adviser to UAE President Sheikh Mohamed bin Zayed Al Nahyan, said the country's exit was chiefly because its OPEC production quotas kept output well below capacity.

"We see that we are close to the sort of autumn of the hydrocarbon age," he added. And as a result, if you have the ability to produce and generate income and use that income in other investments, that's what you should do." The UAE's production capacity is 4.85 million barrels per day. It plans to raise it to 5 million by 2027. Just before its exit from OPEC and the wider OPEC+ group, which includes other oil producers led by Russia, the UAE production target was closer to 3.5 million barrels per day.

Saudi oil export revenues jumped to 3-year high in March

(Bloomberg; May 21) - Saudi Arabia's revenue from oil exports jumped to a more than three-year high of $24.7 billion in the first full month of the war in the Middle East, as the kingdom's ability to divert shipments through the Red Sea coupled with higher energy prices compensated for disruptions from the closure of the Strait of Hormuz. The total value of Saudi crude and oil product exports was a 37% increase in March from the prior year, according to the General Authority for Statistics.

The revenue was the highest since October 2022 and was partly driven by a jump in prices of crude oil and refined products after the war began at the end of February. Benchmark oil prices in London surged 43% in March as the near-shutdown of the Strait of Hormuz cut off a large chunk of oil supplies to global markets and severely hit the economies of some Gulf nations. Saudi Arabia, however, quickly activated a pipeline that runs across the kingdom to transport supplies to an alternative port on the Red Sea coast, and had recovered to about 70% of its prewar levels by the end of March.

Electric vehicles a prime example of oil demand destruction

(Wall Street Journal; May 21) - If you read about the economic fallout from the Iran war, you'll encounter an ominous phrase: demand destruction. With much of the world's oil and gas trapped and inventories shrinking, one inevitable result is people use less. The longer the conflict lasts, the more attention will go to the painful question of who goes without. But demand destruction is a slippery concept. Situations bundled together under this rubric include airlines cutting flights, Asian governments requiring home-working to save fuel, rising EV sales and high energy costs sapping economic activity.

Some effects are temporary; others could herald permanent shifts. "I would call it demand rationing," said Amin Nasser, CEO of Saudi Arabia's state oil giant Aramco, on an earnings call last week. “We don’t see any demand destruction.” Jaime Brito, an oil-market expert at Dow Jones Energy, also favors a narrow definition. “Demand destruction is when you are not going to see that demand coming back,” he said.

For purists, EVs are a textbook case of bona fide demand destruction. The gradual replacement of gasoline-powered cars with battery-powered ones was eroding oil demand by 1.7 million barrels a day in 2025, a figure likely to triple by 2030, the International Energy Agency says. There are some signs that this latest fossil fuel price shock could hasten that kind of destruction — most notably increases in EV sales in many markets as gasoline prices jumped.

Stopping U.S. oil exports not a solution to high gasoline prices

(Financial Times commentary; London; May 21) - Put yourself in U.S. President Donald Trump’s shoes. Your voters are wrestling with petrol prices that have soared above $4.50 per gallon. You know your country makes more oil than it consumes. And you just returned from a trip to China, a country that appears to outsiders to have turned central planning into economic abundance. What would you do? If the answer is “stop exporting oil,” not so fast. Officials have so far rejected the idea that the U.S. could stop selling crude oil and related products on world markets in a bid to lower prices at home.

Nonetheless, as prices remain stubbornly high, it’s worth considering what a ban on exports would look like, and why the math which seems to favor it really doesn’t. The U.S. is only a net exporter because its fields produce a lot of natural gas liquids — stuff such as ethane and propane — which it largely ships abroad, and which are included on a barrel-equivalent basis in official numbers. These are valuable as petrochemical feedstocks and are blended into fuels. But they cannot be used to produce petrol, diesel or jet fuel. Stripping them out, the U.S. oil surplus disappears.

The U.S. is actually a net importer of crude, to the tune of more than 2 million barrels a day in 2025, according to Wood Mackenzie. Because its refineries are ill-suited to the light, sweet oil U.S. fields produce, the Energy Information Administration reckons last year the U.S. brought in more than 6 million barrels a day of heavy oil — in large part from Canada — and exported 4 million of its own. And even if the U.S. stopped all exports, it could impoverish the rest of the world and expose the country to retaliation. Attempting to exploit U.S. energy dominance will get more tempting as the Iran conflict drags on, but there is a reason it has thus far stayed an idea and not become a reality.

Exxon in talks to return and produce oil in Venezuela

(The New York Times; May 21) - The largest U.S. energy company, Exxon Mobil, is in talks to acquire rights to produce oil in Venezuela nearly two decades after it was effectively expelled from the country, according to several people familiar with the matter. The deal would be a major victory for President Donald Trump, who has declared the country's vast natural wealth open to American businesses.

If finalized, the deal would mark Exxon's return to a country with one of the world's largest oil reserves after years of legal battles that had turned the oil giant into a nemesis of Venezuela's ruling Socialist Party. As recently as January, Exxon had called Venezuela "uninvestable." After deposing the nation's leader, Nicolás Maduro, Trump installed Maduro's vice president to manage Venezuela's economic opening.

The deal, which could be finalized and announced as soon as this month, would involve Exxon signing contracts to produce oil in up to six fields in several regions in Venezuela, according to the people familiar with the matter. Any deal between these two archenemies of the global oil industry — Exxon and the Venezuelan government — would be a milestone in Trump's campaign to turn Venezuela into an economic partner of the United States after decades of rivalry. Venezuela has on two occasions in past decades nationalized foreign oil ventures, including Exxon's assets.

Biggest weekly jump in drilling rig count in U.S. shale patch in 4 years

(Bloomberg; May 22) - The number of rigs drilling in the U.S. shale patch rose by the most in more than four years, the latest sign of a resurgence in domestic activity as the war in Iran drives up oil prices. Rigs targeting crude rose by 10 to 425 this week, the biggest weekly jump since April 2022, according to data released by Baker Hughes on May 22. That adds to a four-week streak of gains for the rig count, a measure widely regarded as a gauge for future U.S. oil output.

Activity has been bolstered by a more than 50% rise in international crude prices as the Strait of Hormuz — a key waterway for the world's energy shipments — remains effectively closed because of the Middle East conflict. Oil drilling is definitely picking up, with activity gains concentrated in West and South Texas, offsetting declines in natural gas rigs, said Scott Levine, an analyst at Bloomberg intelligence. Shale operators "may see the oil rally as more sustainable," he added.

Oil companies move cautiously to increase drilling in North Dakota

(Reuters; May 22) - Oil companies working in North Dakota are moving cautiously on ramping up drilling despite a sharp rise in oil prices driven by the Iran war, as companies wait to see if higher prices will last long enough to justify new investment, the state's regulator said on May 22. While elevated prices have improved near-term fundamentals, most producers are sticking to budgets set at the end of last year, limiting any immediate jump in drilling activity, Mark Bohrer, assistant director of the Oil and Gas Division at the state's Industrial Commission, said.

Output could edge higher in the near term as more wells are completed and some drilling activity picks up. Bohrer said Continental Resources, the state's second-largest oil producer, has been planning to add a rig and resume drilling after laying down a rig earlier this year. "Others may also entertain adding a rig here and there if the elevated oil price remains in effect long enough," he said. Harold Hamm, Continental Resources CEO, which helped pioneer fracking in North Dakota’s Bakken shale basin, plans to put drilling crews back to work after a temporary pause announced in January.

In North Dakota, there were 26 rigs operating in May, unchanged from April, while 13 hydraulic fracturing crews were active in the state, according to the regulator. Oil production in North Dakota rose 9,000 barrels per day to 1,142,725 barrels per day in March, the regulator said, citing the latest data available. Bohrer said he expects oil production in the country's third-largest oil-producing state to remain stable in the coming months, though it may increase slightly in the near term.

China looking to boost production of coalbed methane

(Reuters; May 21) - Thousands of feet below its vast coal basins, China is tapping an unconventional fuel source in a multibillion-dollar effort to unleash new supplies of natural gas and further Beijing's goal for energy independence. State energy giant PetroChina's experts forecast the company could produce 1.06 trillion cubic feet of coal-rock gas by 2035, topping last year's record shale gas output, which supplied 10% of China’s production. Coal-rock gas is also called coalbed methane or coal-seam gas.

The push to develop coal -rock gas is part of Beijing's widening effort to diversify its energy mix and reduce its reliance on imports. That strategy, along with China's massive electrification of its vehicle fleet, has insulated it from the worst of disruptions triggered by the Iran war despite being the world's top energy importer. Extracting coal-rock gas, which for now is produced commercially only in China, requires horizontal drilling and fracking, a technology that PetroChina, the country's top gas producer, has honed developing shale gas for more than a decade.

Found mostly in the Ordos Basin that straddles three provinces, the "strategic next-phase fuel,” as the company calls it, could make up more than half of the country's gas output growth. China is the world's No. 3 gas consumer, with annual use likely to peak around 2040 at 21 trillion to 23 trillion cubic feet, according to analysts, up from about 15 tcf now. Successfully tapping a major new source to offset flagging growth in shale and conventional gas would limit China's reliance on imported liquefied natural gas, whose cost and geopolitical risks have been exposed twice in the past four years.

Qatar moves another LNG cargo out of Strait of Hormuz

(Reuters; May 22) - A third Qatari liquefied natural gas tanker is transiting the Strait of Hormuz and heading to China, ship-tracking data showed on May 22, as a Qatari negotiating team arrived in Tehran to try to help secure a deal to end the war with Iran. As shipments through the waterway continue to be erratic, this third transit of a Qatari LNG tanker is taking place nearly two weeks after a first such cargo passed through the strait under an Iran-Pakistan arrangement.

The latest vessel, Al Sahla, left Ras Laffan and is expected to arrive at China's Tianjin LNG terminal on June 14, according to LSEG shipping data. The previous two Qatari LNG tankers to make it through the Strait of Hormuz since U.S.-Israeli airstrikes unleashed the Iran war at the end of February were sold by Qatar to Pakistan under a government-to-government deal, according to two people familiar with the matter. The people said Iran approved the shipments to help build confidence between Qatar and Pakistan, which is mediating in peace talks.

Loss of natural gas pushes Saudis to burn more oil to generate power

(Reuters; May 21) - Saudi Arabia is expected to burn more imported fuel oil for power generation this summer following a loss of natural gas supply from its oil fields that have been shut after the Iran war curbed its oil exports, analysts said. The rise in fuel oil use at power plants just as electricity demand jumps for cooling in the summer marks a setback for the kingdom's push to switch to cleaner fuels.

The world's top oil exporter has been forced to shut more than 3 million barrels per day of its oil production after an Iranian blockade on the Strait of Hormuz halted crude exports from Ras Tanura, which in turn has reduced output of gas released with oil production. Gas output slipped to 10.5 billion cubic feet per day in the first quarter, from 10.7 bcf per day in the fourth quarter of 2025, despite the startup of the Jafurah gas field in December, Saudi Aramco said in its latest quarterly earnings report.

To replace gas at power plants, Aramco ramped up fuel oil imports to about 360,000 barrels per day in April, up 86% year on year, Vortexa data showed, with most of these imports discharged at terminals linked to power and desalination plants. The burning of crude and fuel oil for power could top 1 million barrels per day this summer, countering efforts to switch to more gas and renewables. It’s also an economic factor. "Every barrel of Arab Light crude burned domestically represents a significant loss in windfall export revenue," said Jayadev D, an oil research analyst at Wood Mackenzie.

[Japanese company applies for LNG import terminal to serve Hawaii]

(Hawaii News Now; May 22) - Japanese energy company JERA has applied for a federal permit to build an offshore liquefied natural gas import terminal to serve Oahu in Hawaii. The application is the first step toward building a $1.5 billion power plant that could provide nearly half of the island's electricity. But environmentalists and lawmakers who fear it will slow progress toward renewable energy are questioning the plan.

JERA says burning LNG instead of oil would be cheaper and more efficient and would reduce electric rates. The LNG would arrive at the terminal aboard tankers, then would be offloaded to a floating storage and regasification plant before being piped to a 500-megawatt electric power plant. Opponents say renewables, not LNG, should drive affordability. Life of the Land's Henry Curtis said a University of Hawaii study found that the proposed LNG import operation would cut into the growth rate of renewables.

Environmentalists like Curtis see renewables like solar as the answer to affordability. Hawaii is required by state law to phase out fossil fuel-generated electricity by 2045 to meet the state's goal of 100% of generation from renewables. Critics are also skeptical because Gov. Josh Green has already signed a preliminary collaboration agreement with JERA. “So what this proposal is, pre-selecting one company and pre-selecting one proposal,” Curtis said. He said technical and financial competition, and their impacts on the community and environment, should be judged by the Public Utilities Commission.

[Vancouver lifts ban on natural gas for heating in new homes]

(CBC News; Canada; May 22) – The Vancouver, British Columbia, city council voted on May 21 to pass Mayor Ken Sim's motion that pauses climate-friendly laws that tracked emissions in the city, with the motion also again allowing new homes to use natural gas for space and water heating. Sim argued the motion, which sought to align Vancouver's building laws with that of the province, would make housing more affordable by giving homebuilders more choices.

But the motion received significant opposition from dozens of people who spoke to the council over a marathon two-day meeting, with critics arguing that buildings account for a majority of Vancouver's greenhouse gas emissions and the city should not roll back initiatives. Even provincial Housing Minister Christine Boyle had urged the city in a letter to delay decisions on building codes until the fall, when her ministry would finish a review of provincial emissions goals.

But for his part, Sim said the decision was in line with moves to remove the federal and provincial consumer carbon tax, and the motion would cut red tape. His motion means that the bylaws connected to Energize Vancouver — a city initiative that sees owners in large buildings report their annual carbon emissions and sets limits on natural gas emissions — will be paused. Sim argued that allowing the option of natural gas heating in new homes would spur home construction. Currently, natural gas use is banned in newbuilds in an effort to help Vancouver meet its climate goals.

Corps adds conditions to oil line, 9 years after operations started

(Associated Press; May 23) - Federal officials on May 21 gave final approval for the Dakota Access oil pipeline to continue operating its contentious Missouri River crossing, an outcome that comes nearly a decade after protests against the project on the North Dakota prairie. The U.S. Army Corps of Engineers' decision to grant the key easement means the pipeline will keep operating but with added conditions for detecting leaks and monitoring groundwater, among others. It brings an end to a long legal and regulatory saga stemming from the protests in 2016 and 2017, though further litigation is likely.

The $3.8 billion, multistate pipeline has been transporting oil since 2017 from North Dakota's Bakken oil field to a terminal in Illinois. The line carries about 4% of U.S. oil production, or roughly 540,000 barrels per day. The pipeline crosses the river upstream from the Standing Rock Sioux Tribe's reservation, which straddles the Dakotas. The tribe has long opposed the line, fearing a spill and contamination of its water supply. In 2016 and 2017, thousands camped and protested for months near the river crossing.

The tribe said it will continue to fight in federal court to protect its water, sacred sites and homelands established in treaties with the federal government signed in 1851 and 1868. "The tribe will evaluate all legal and political options," Standing Rock Sioux Tribe's Chairman Steve Sitting Bear said. In December, the Army Corps released its final environmental impact statement nearly six years after a federal judge ordered a more rigorous review of the pipeline crossing. In that document, the Corps endorsed the option to grant the easement and keep the pipeline operating with modifications.