Oil and Gas News Briefs
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Global refined fuels supply shock could last well into 2027

(Wall Street Journal; Aug. 6) - President Donald Trump wanted to have U.S. energy dominance and low energy prices. He's getting one without the other — and he hates it. The Iran war and Ukrainian strikes on Russian refineries have knocked out a big chunk of the world's fuel-making apparatus, leaving the U.S. oil industry as the world's last major fuel supplier, contending with a runaway global supply shock that could last well into next year. U.S. refiners have been running at full tilt to meet demand at home and abroad as fuel prices around the world have soared, giving them windfall profits.

While U.S. gasoline exports have held relatively steady, diesel exports hit a record 1.9 million barrels a day last week and jet fuel shipments were near record levels, according to data from the U.S. Energy Information Administration. Bringing prices at the pump down will require global energy flows to recover to their prewar levels, according to the CEOs of ExxonMobil, Marathon Petroleum and Valero. That means rebuilding refineries across the Middle East, from Saudi Arabia to Kuwait to Bahrain, that Iran targeted. Energy analysts have said they expect markets to remain tight through the end of 2027.

Ukrainian drones continue to rain down on Russian energy assets, too. Russia, once a top exporter of fuel, has had about a third of its refining capacity knocked offline and has banned some fuel shipments until February. Roughly 5 million barrels a day of the world's refining capacity is out of commission between the Middle East and Russia, energy executives said. "I've never seen the available capacity relative to demand as low as it is today," said Darren Woods, CEO of Exxon, the nation's third-largest refiner. "It's going to take a while for the industry to kind of climb its way out of that hole."

Refined fuels supply, particularly diesel, under stress

(Reuters commentary; Aug. 6) - Global oil prices have fallen back toward $80 a barrel on expectations that a U.S.-Iran deal will open the Strait of Hormuz, echoing the market response before the largely failed June ceasefire. But the global energy market is now far more precarious, making optimism even less justified. The market's hope today is even more questionable. In the past two months, Iran's hand has strengthened, global refining capacity has shrunk, oil inventories have been depleted and the number of potentially vulnerable oil tanker transit chokepoints has risen.

The U.S. and Iran might agree to a similar ceasefire deal but for markets, it's a much more dangerous bet. Control of Hormuz has become the central issue in the conflict. In

June, traders could reasonably assume a ceasefire would eventually lead to a full reopening. But this time, unfettered transit appears far from guaranteed. The supply backdrop has changed dramatically. The prolonged disruption has forced consumers to draw on fuel stockpiles during peak summer demand in the Northern Hemisphere. As a result, market buffers — which were already slim in June — have shrunk further.

This is particularly true for diesel. One of the most significant developments in the last two months has been the sharp deterioration in global diesel balances. Middle East disruptions have continued to curtail exports, while Russia, one of the world's largest diesel suppliers, shocked markets in July by banning exports after months of Ukrainian drone attacks severely damaged its refining facilities. This growing stress in the diesel market underscores a broader challenge for oil traders. Even if crude exports from the Gulf partially recover, refining systems remain under acute strain.

Mideast turmoil creates winners that can supply Asia with oil and gas

(Nikkei Asia; Aug. 6) - Just over five months since the start of the U.S. and Israeli war against Iran, Asia's sourcing of oil and liquefied natural gas has shifted substantially — with the U.S. and Russia so far emerging as main beneficiaries. As ceasefire talks and the future of free transit through the Strait of Hormuz continue to hang in the balance, the current supply chain picture speaks not only to how the region's economies have adapted, but to a potentially durable realignment and shift in demand.

For decades, the Strait of Hormuz has been Asia's energy lifeline. In February, almost 85% of Asia's oil imports transited the narrow waterway, while for LNG it was about 28%, highlighting the region's particular vulnerability to transit disruptions in the Gulf. The scramble for alternative oil and LNG suppliers has created winners in other parts of the world. In addition to the U.S. and Russia, oil suppliers from Africa and South America have gained market share in Asia.

At the same time, overall oil imports have declined across Asia, pointing not only to the war's economic toll but also the impact of green technologies. Japan has been able to weather the Hormuz shock much better than other countries, despite being heavily dependent on Mideast oil, thanks to having the world's third-largest strategic oil reserves. At the same time, Japan's gas sector proved far less exposed than its oil sector thanks to decades spent diversifying LNG sources. Australia continued to play a major role in supplying Japan with gas, while U.S. LNG volumes surged, accounting for just over 15% of the country's overall imports in July, up from 1% in February.

Oil investors holding back on Venezuela

(Wall Street Journal commentary; Aug. 9) - President Donald Trump is fuming at Chevron and ExxonMobil for “making too much money” during his Iran war. Wait until he figures out that seven months after he hosted Big Oil at the White House, asking for some $100 billion in new investments in Venezuela, the country is reported to have the same number of active drilling rigs it had this time last year: two.

Drilling rigs are a measure of investor confidence. In 1997-98, when Venezuelan production reached nearly 3.4 million barrels a day, there were some 119 active drilling rigs in the country. Even if a Reuters story from April is correct and 14 rigs in storage could soon return to the field, Venezuela is a long way from the oil boom the administration forecasts.

My reporting indicates that investors are holding back because they want assurances the government take will be fair and that they will have contractual security and freedom from bureaucratic overreach. Simply passing an institutional reform, as the dictatorship did in late January, isn’t enough. The bigger problem is the illegitimacy of the chavista regime, which over a quarter-century has earned a reputation for double-crossing investors. A combination of corruption and incompetence makes it nearly impossible to have any certainty about the rules of the game.

China’s drop in oil demand may not be totally accurate

(S&P Global; Aug. 5) – China’s oil demand figures derived from official data may underestimate actual consumption, as a resurgence in unlicensed fuel sales since the start of the Mideast war has diverted diesel and gasoline volumes away from monitored retail channels, according to five analysts, six traders and four transport operators. China does not publish actual oil consumption figures, so the market relies on "apparent demand," calculated as official refinery throughput plus net imports of refined products.

Overall, Chinese oil demand has fallen sharply amid Middle East disruptions, with refiners drawing down inventories, suffering weak margins and ongoing restrictions on refined product exports. In June, crude imports fell to a near-decade low of 7.15 million barrels per day. Refinery throughput slid to a near four-year low of 12.52 million barrels per day, according to state data, down 38% and 15%, respectively, year over year.

China's gasoline demand peaked in 2024 and has been in decline since then, according to S&P Global Energy CERA estimates, mostly due to one of the world's fastest electric vehicle adoption curves. But recent pump price increases have accelerated this trend. In June, land transportation fuel sales at the retail outlets of Sinopec and PetroChina fell by as much as 20% year over year following price increases triggered by the war, analysts at the two state-run oil companies told Platts, part of S&P Global Energy.

But China's actual end-user oil demand likely did not fall by that magnitude, even given the rapid adoption of new energy vehicles, according to analysts. With the Mideast war keeping oil prices elevated, some private wholesalers are using unauthorized tankers to supply discounted diesel and gasoline directly to commercial vehicles and construction equipment, bypassing monitored pumps at retail stations and avoiding tax scrutiny.

Not easy to measure the math between supply and demand

(Wall Street Journal; Aug. 7) - With yet another possible deal being negotiated to unclog Middle East oil supplies, analysts need to solve a mystery pronto. Like most whodunits, this one is about reconstructing past events. But it also has big implications for where energy prices are headed next. Back in March, analysts warned that the greatest energy crisis ever would send oil to the triple digits. Prices barely spent any time there. Five months later, benchmark Brent crude is around $83 a barrel.

Part of the explanation is that, instead of a fifth of global supply being shut off, the Strait of Hormuz sprang lots of leaks — some ships snuck through and oil found a way out through pipelines. And, in addition to coordinated reserve releases worldwide, China saved the day by buying much less oil than usual. Even adding a fudge factor to all that, there's a huge gap in the supply-demand-price math. "It's mystifying to us," said Eric Nuttall, senior portfolio manager at energy-focused investment firm Ninepoint Partners.

The simplest explanation is that, squeezed by high prices, demand slumped. But that's farfetched, said Bob Elliott, a macro hedge-fund investor who's now chief investment officer at Unlimited Funds. Taking inventory drawdowns at face value, he figures it would mean about a 1-billion-barrel demand drop, a 6% fall. Yet flight data and car traffic are normal. More likely is that we really didn't know how much oil and refined product there was stored around the world. Unlike the U.S., which gives a detailed breakdown of private and government stockpiles, much of the developing world is tougher to gauge.

Big Oil saving its profits for the next down cycle

(Bloomberg; Aug. 6) - On Wall Street, money speaks louder than words. The way Big Oil is currently allocating dollars suggests the supermajors are, quietly, preparing for leaner times. It's the right approach: Oil is a cyclical business, and lower prices are always around the corner. This time, they may be even closer. In many ways, the downturn is already here — 150-plus days since the Iran war started, West Texas Intermediate crude is hovering at about $75 a barrel, down 35% from its conflict peak.

In public, oil executives continue to warn about the risk of higher prices if the Strait of Hormuz remains closed. They aren't wrong. Little is said, however, about the downside if the waterway opens. The clues to what they're really anticipating can be found in their

profit statements and balance sheets. Clearly, the sector could afford to give investors even more money in the form of share buybacks or larger dividends if it wanted to. Their free cash flow — cash generation over expenses — is striking. The top five international oil companies generated nearly $70 billion during the second quarter, the most ever.

Big Oil is finally doing something it hasn't being very good at in the past: acting counter-cyclically, saving money during a boom to spend it during a bust. The industry doesn't have many allies on Wall Street, and even fewer in Europe's greener financial hubs. In the climate-crisis era, Fossil Fuels Inc. needs to shower shareholders with money just to keep investors onside, and that's even more pressing when commodity prices drop. By putting cash aside today, the oil majors are building war chests to keep dividends growing, and perhaps even buybacks, when energy prices inevitably fall.

Alaska oil project key to ConocoPhillips reaching cash flow projection

(Reuters; Aug. 10) - Andy O'Brien will succeed longtime ConocoPhillips CEO Ryan Lance next month and will inherit a major Alaska oil project to complete, costs to control and a share price that has recently lagged peers, analysts and investors said. The largest independent oil exploration and production company in the U.S. announced the succession plan on Aug. 6 alongside its biggest quarterly net income since 2022, lifted by higher crude prices due to the Iran war.

O'Brien, currently chief financial officer and a nearly 30-year company veteran, will take over on Sept. 1 when Lance steps down after 14 years as CEO to become executive chairman. The timing of the move has surprised some analysts, as ConocoPhillips is partway through a multiyear plan to add $7 billion in free cash flow by 2029. Reaching that goal depends on the company completing the pricey Willow oil project on Alaska's North Slope, analysts said. ConocoPhillips is also contending with disruptions at two large liquefied natural gas expansions in Qatar stemming from the Middle East conflict.

In 2023, Conoco approved Willow, which is expected to produce 600 million barrels over its lifetime. Last year, the company raised the estimated project cost to up to $9 billion — an increase of $1.5 billion from its previous forecast — because of rising supply chain costs and inflation. Willow underpins nearly 75% of ConocoPhillips' free cash flow growth plan, making its completion critical, Barclays analyst Betty Jiang wrote in a note on Aug. 7. The company is targeting production to start in 2029. ConocoPhillips has also been cutting costs. Last year, it announced it would lay off up to 25% of global staff.

U.S. imports of Saudi oil fell to zero in July; first time since 1985

(Bloomberg; Aug. 6) – U.S. imports of Saudi Arabian oil dropped to zero in July, the first time that's happened for an entire month since 1985, according to preliminary

government data. Saudi oil exports have been disrupted for months as the U.S.-Iran conflict all but shut down Persian Gulf crude flows. Last month, U.S.-bound shipments of the kingdom's crude ground to a halt, according to U.S. Department of Energy data released on Aug. 5. It's a significant decline given that U.S. refiners were buying more than 800,000 barrels of Saudi oil a day earlier this year.

U.S. refiners have been seeking replacements for Saudi cargoes as the closure of the Strait of Hormuz and other war-related disruptions sent prices for barrels linked to the global benchmark soaring. For example, Phillips 66 reduced the proportion of Middle Eastern crudes flowing into its plants to less than 1%, CEO Mark Lashier said on Aug. 5. The company has been sending light crude from U.S. fields to its New Jersey refinery to replace some foreign grades.

Other U.S. refiners that historically have been heavy users of Saudi oil include Chevron and PBF Energy. Motiva Enterprises, which owns the nation's largest refinery in Port Arthur, Texas, is wholly owned by the Saudi state oil company and in normal times processes Mideast oil. There have been occasional weeks when Saudi deliveries to the U.S. dropped to zero but July was the first time they bottomed out for a full month in more than 40 years. To be sure, the drop may be temporary.

Kazakhstan oil project depends on settling dispute with government

(Bloomberg; Aug. 7) - ExxonMobil has told Kazakhstan that a potential $80 billion joint investment to expand the Kashagan oil field is contingent on resolving a long-running $150 billion dispute between the government and international companies, according to people familiar with the matter. The proposed investment, in an equal joint venture with state-owned KazMunayGas National Co., would tap the undeveloped western part of the massive Kashagan oil reservoir, potentially producing as much as 600,000 barrels a day, the people said, asking not to be named because the information is private.

In talks with Kazakh officials, the U.S. oil major has linked this potential investment to the resolution of disputes between the Kashagan partners and the government, the people said. This relates to the state's claims for about $150 billion, mostly for lost revenue during development delays, which is subject to international arbitration, and a $5 billion environmental fine. While KazMunayGas has agreed with Exxon's proposal, the plan would still need to get political approval, which is not certain, the people said.

When the deposit was found in 2000 it was the largest oil discovery in decades. Italy's Eni, the field's operator at the time, expected it to eventually pump as much as 1.5 million barrels a day, but there were numerous delays and cost overruns during the complicated development process. Output from the eastern portion of Kashagan is currently about 450,000 barrels a day. In Exxon's plan, other oil majors that are partners in Kashagan would be offered minority stakes in the new joint venture, the people said.

Conoco says delay in Qatar LNG expansion will be months, not longer

(Reuters; Aug. 6) - ConocoPhillips said on Aug. 6 that any delay to its Qatar LNG expansion project would likely be in months rather than a year or more, and it does not expect any impact on free cash flow. The U.S. oil and gas producer is a partner in QatarEnergy's main LNG expansion project, which includes offshore gas production facilities in the North Field and onshore liquefaction facilities at Ras Laffan. "We're expecting any delays that may come on first gas or first cargo to be in the nature of months, you know, not a full year," a Conoco executive said on a post-earnings call.

The expansion had been expected to start production late 2026 or early 2027, before the U.S.-Israel war on Iran stopped vessel traffic and construction work. Separately, planned maintenance at Ras Laffan was completed during the second quarter and a ramp-up in production is expected in the third quarter, the executive added. The U.S.-Iran war has forced QatarEnergy, one of the world's biggest LNG exporters, to shut liquefaction trains, declare force majeure on deliveries and suspend exports.

Cheniere almost finished with expansion at LNG terminal in Texas

(Argus; Aug. 8) - The final train of Cheniere's Stage 3 project at Corpus Christi LNG in Texas — adding 14 million tonnes annual production capacity to the facility — is close to beginning production, the developer announced on Aug. 5, as the expansion's earlier-than-expected startup helps the firm raise its 2026 output guidance. First LNG from the expansion's seventh liquefaction train is "expected imminently," Cheniere said in its earnings release.

Cheniere expects Train 7 to be fully online and begin commercial service this autumn. Contractor Bechtel has brought the seven-train expansion, which began producing LNG in late 2024 from its first units, into service ahead of schedule. Upon full completion of the expansion, Corpus Christi will have the capacity to produce more than 25 million tonnes of LNG per year. The first unit of the original operation went online in 2018.

Cheniere's other U.S. LNG production and export terminal, in Sabine Pass, Louisiana, has a production capacity of 33 million tonnes per year. The company has reaffirmed its target to start construction on the first phase of an expansion at Sabine Pass in early 2027, pending approval from the Federal Energy Regulatory Commission by late 2026. The company signed a deal with Bechtel in May to oversee the engineering, procurement and construction of the 20-million-tonne expansion at Sabine Pass.

Exxon-led Mozambique LNG project awards letter of intent

(Upstream; Aug. 6) - The SMDC joint venture of Saipem, McDermott, Daewoo Engineering & Construction and China Petroleum Engineering & Construction has won a landmark letter of intent to build ExxonMobil's 18.6-million-tonne-per-year Rovuma LNG project in Mozambique. The award — which includes engineering and limited procurement services — to the SMDC joint venture ends all hopes that the competing consortia of JGC and Technip Energies would land the prestigious order.

The Rovuma facility will be built at Afungi in Cabo Delgado province, the same site where a Saipem-led joint venture — that also involves McDermott — is building a 13-million-tonne-per-year liquefied natural gas project for TotalEnergies. McDermott said the work under the letter of intent with Exxon supports continued project definition and planning as the Rovuma LNG partners progress toward a final investment decision, expected in 2026 and targeting production startup in 2031.

Saipem confirmed the agreement on Aug. 7, saying that the initial work has a value of $32 million, with the award of an engineering, procurement and construction contract subject to a project FID. Since August 2024, SMDC had been pitted against JGC-Technip in a front-end engineering design contest. The Rovuma LNG plant will include two liquefaction trains and will be fed by gas from a huge, deepwater find.

Canadian pipeline operator forecasts growing demand for gas

(The Canadian Press; Aug. 6) - TC Energy has raised its forecast for North American natural gas demand in the coming years and is considering ways its vast Canadian and U.S. pipeline network can respond to the surge. The Calgary-based company is expecting 51 billion cubic feet per day in demand growth from 2025 levels through to 2035, driven by liquefied natural gas exports, gas-fired power generation and industrial growth. In late 2024, it had forecast 40 bcf a day in growth.

“Importantly, nearly 70% of this demand growth is concentrated in the U.S. heartland, Alberta and Mexico — regions where TC Energy has a strong incumbent position and significant existing infrastructure,” TC CEO François Poirier told analysts on a call after the company reported a bump in second-quarter profits. TC offered additional gas shipping services in the Greater Edmonton Area in March of this year, and all of that pipeline capacity was snapped up. In Canada, data center industry growth has been centered on Alberta, which has been actively courting big tech titans to set up shop.

Another offering for space on TC’s intra-Alberta gas network between 2030 and 2032 saw record amounts of participation from data center developers, Poirier said. In the U.S., TC is expecting to make a final investment decision on its Crossroads project in the fourth quarter of this year. Crossroads is a 225-mile pipeline in Indiana and Ohio. The company has announced plans to expand the system by 1.5 billion bcf per day.

Bangladesh looking to replace lost Persian Gulf LNG supplies

(Bloomberg; Aug. 6) - Bangladesh is turning to Southeast Asia for natural gas as a prolonged disruption to shipping through the Strait of Hormuz deepens its energy crisis. The South Asian nation is looking to buy liquefied natural gas from Malaysia using specialized cryogenic containers, also known as ISO tanks, as an immediate, small-volume solution for its energy shortages, according to people familiar with the matter.

Longer term, the country is also working on a plan to build a pipeline for buying gas from Myanmar as a way to cut dependence on Persian Gulf shipments, said the people, who didn't want to be named as they are not allowed to talk to media. The pipeline plan was also floated by Energy Minister Iqbal Hassan Mahmood in an interview with local newspaper The Daily Star on Aug. 2. Bangladesh also plans to seek LNG from the U.S., the people said, and has floated tenders in recent weeks seeking prompt supplies.

The moves illustrate the energy-starved nation's desperation to secure affordable gas supplies after Hormuz shipping disruptions exposed its vulnerabilities and strained an already struggling economy. Bangladesh's energy import bill has swelled by an estimated $2.5 billion after the Middle East conflict forced it to buy super-expensive LNG cargoes. Even then, the country has struggled to source the required volumes of the fuel, compelling households and industry to scale back energy consumption.

Canadian LNG developer says Mideast buyers are interested

(Reuters; Aug. 7) - Buyers in the Middle East are looking to secure liquefied natural gas from Canada as a hedge against geopolitical turmoil, the president of the company that majority-owns Canada's Woodfibre LNG project said. Ratnesh Bedi, president of Singapore-based Pacific Energy — which owns a 70% stake in the Woodfibre project currently under construction on the coast north of Vancouver, British Columbia — said in an interview that his company is fielding inquiries from Middle Eastern buyers even though the project's 2.1 million tonnes per year is already fully contracted to BP.

The interest reflects a shift among LNG buyers seeking to diversify supply sources in the wake of the war in Iran and Strait of Hormuz disruptions. Even the Middle East, one of the top LNG-producing regions, is looking to secure backup supply from routes free of geopolitical chokepoints like the ones that threaten its own exports. "Almost every week, someone is approaching us to say, 'Hey, do you still have capacity?'" Bedi said. "Not only is it North Asia that is coming, but to my surprise, even LNG suppliers out of Middle East are coming to find alternate supplies for their customers."

He declined to name the companies. The Woodfibre project, which Bedi said is targeting December 2027 for its first export cargo shipment, is one of several LNG facilities under construction or development on Canada's West Coast. The project's geographic

location offers shorter shipping times to Asia than U.S. Gulf Coast LNG exporters, and Asia customers are increasingly interested in Canada as a supplier, Bedi said.

German energy company agrees to drop offshore wind leases in U.S.

(Reuters; Aug. 6) - German energy company RWE said on Aug. 6 that it had reached a $1.22 billion agreement with the Trump administration to cancel three offshore wind leases in U.S. waters and to direct the funds to LNG and natural gas power plant projects. The arrangement is the fifth, and largest, the administration has entered into this year as part of its wide-ranging effort to stop development of U.S. offshore wind projects, which U.S. President Donald Trump regards as costly and ugly

The administration has sought to increase domestic fossil fuel production and scrapped policies that support clean energy development. RWE, one of the world's top offshore wind developers, stopped work on its U.S. projects last year due to the administration's efforts to thwart the industry, which included several orders to freeze multibillion-dollar projects under construction. RWE holds three offshore leases in U.S. waters off the coasts of New York, Louisiana and California. Projects associated with the leases had been in early stages of development and would not have come online until the 2030s.

RWE paid $1.1 billion for its lease off the New York coast at a 2022 auction held by the Biden administration. The other two leases cost $163 million. The company said it would spend $900 million to buy a 16% stake in the Louisiana LNG project being developed by Australia-based Woodside. RWE also signed a $300 million turbine generators order for its 15 gas-peaker power plants across the U.S. In addition to RWE, the administration has agreed to return about $2.7 billion to offshore wind developers and cancel nine federal leases. All of the deals included pledges to direct investments into fossil fuels.

Singapore looks toward importing solar, battery power from Malaysia

(Bloomberg; Aug. 7) - Singapore granted two companies conditional approval to import renewable power from projects planned in Malaysia’s Johor state, as part of the city-state’s efforts to bolster energy security via cross-border links. Singapore’s Sembcorp Utilities will import about 300 megawatts of renewable energy from a project that includes floating solar with 2.2 gigawatts of peak capacity and as much as 4.3 gigawatt-hours of battery storage, according to a company statement Aug. 7.

The project will be undertaken by Sembcorp, Malaysia’s state-owned KPRJ Environment and Qua Energy, and operations are expected to begin in 2029. Southern Solar Alliance, a unit of Malaysia’s Ditrolic Energy Holdings, received approval to import 600 megawatts from a solar and battery facility in Malaysia, and is also set to

commence commercial operations around 2029, according to a separate release by the nation's Energy Market Authority (EMA).

Both companies "will need to obtain all requisite approvals from relevant jurisdictions, conclude power-purchase agreements with buyers, secure sufficient financing and conclude various project development milestones in order to reach financial close," EMA said. The island nation, which depends on imported natural gas for most of its electricity, has so far approved plans to import clean power from countries including Indonesia, Malaysia, Australia and Cambodia.