

# Oil and Gas News Briefs

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#### **Chances of Mideast supply disruption higher than market believes**

(Reuters commentary; Feb. 19) - The premium currently built into the crude oil price over tensions between the U.S. and Iran fluctuates according to the daily headlines, but there is an underlying assumption that everything will turn out fine. In the past 14 trading days, Brent has fallen on six occasions and gained on eight, showing it lacks a clear direction and is being driven by the headlines. There is some debate as to the number of the current risk premium, but the consensus range is around \$7 to \$10 a barrel.

That premium reflects the risk that talks between Washington and Tehran end without a deal and President Donald Trump decides to launch military strikes, with the likelihood that Israel will join in attacking Iran as well. But the premium is also small enough to reflect that the market believes there won't really be any disruption to crude tankers through the Strait of Hormuz, through which about 20% of global daily oil supply transits. That belief is grounded in past experience, where conflict in the Middle East has rarely led to sustained or major supply interruptions.

The logic is that even if you are shooting missiles and bombing each other, it is in everybody's interests that the crude keeps flowing. The crude market is currently priced for one of two scenarios. The first is that there is a deal between Washington and Tehran that avoids, or postpones, military conflict. The second is that there is no deal and Trump decides to use the forces being built up in the Mideast to attack Iran. While still the least likely outcome of the current tensions, the possibility of a severe escalation and sustained disruptions to supply is probably higher than the oil market believes.

#### **U.S. should be wary that attack on Iran could send oil prices higher**

(Bloomberg commentary; Feb. 18) - "Past performance is no guarantee of future results," is a disclaimer deeply ingrained in the Wall Street psyche. The White House should heed it, too. Just because President Donald Trump bombed Iran last year without sending oil prices skyrocketing, it doesn't mean he can do it again. It's easy to see why the Trump administration feels secure. Thanks to the shale revolution, American oil production is at a record high. In historical terms, oil is cheap, and chants of "death to America" in the Mideast no longer push energy traders into a buying frenzy.

For the past few years, the energy market has weathered multiple Middle East crises. But I worry Washington is lulling itself into a false sense of security. The risk is that U.S. officials might misread Tehran's risk tolerance to respond far more forcefully to any

American attack than it did in the past. If the Islamic Republic feels its survival is at stake, the Middle East energy industry could become a target. By interpreting past confrontations in ways that reinforce their own current assumptions, U.S. officials risk missing important alternative scenarios.

One of those other possible outcomes is crystal clear: For weeks, Iranian officials have been telegraphing, including via military drills, that oil would be a central part of their response to any attack. The market is today better prepared than ever to handle the spillover of a U.S.-Iran war. But don't confuse resilience with immunity.

### **Supertanker charter rates spike amid tensions in the Middle East**

(Bloomberg; Feb. 20) - The cost to hire oil supertankers could be headed for the highest levels this decade on the growing risk of a major U.S. attack on Iran, and as ownership of the vessels becomes more concentrated. Earnings for a very-large crude carrier on the Middle East-to-China route have already almost tripled so far this year \$151,208 a day, the highest since 2020, according to Baltic Exchange data.

With the U.S. amassing forces in the Middle East and President Donald Trump saying Iran had 10 to 15 days at most to reach a deal over its nuclear program, rates look likely to go higher still. A major assault could disrupt traffic in the vital Strait of Hormuz, raising the risk premium to charter ships, while a VLCC buying spree by South Korean shipper Sinokor Merchant Marine — now with 120 of the tankers — is exacerbating tightness in the market. “Military action in the Middle East will likely take VLCC rates to levels not seen since 2019,” said Anoop Singh, global head of shipping research at Oil Brokerage.

The nervousness over a possible attack on Iran is showing up on other routes, with earnings for supertankers on the U.S. Gulf-to-China journey at the highest since late 2022, Baltic Exchange data show. The last time tanker rates on the Mideast-to-China route were this high was in 2020 when producers began storing more crude at sea after virus-induced lockdowns sapped demand and pushed onshore storage to full capacity.

### **U.S. investor says he will develop Alaska LNG with Russian company**

(The New York Times; Feb. 19) - After Russia invaded Ukraine, the U.S. and much of the West all but severed economic ties to Moscow. But since President Donald Trump took office last year, he has described a “tremendous opportunity” for deals with Russia if the war ends. The Kremlin has dangled possible investments in front of Trump. Now a Texas investor with ties to the Trump family is testing the possibility of making deals with Russian companies. The investor, Gentry Beach, said he quietly signed an agreement with one of Russia's biggest energy companies last fall to develop natural gas in Alaska.

Beach's deal, which he insisted was motivated by business interests, not politics, shows how Trump is starting to bring Russia back into the Western economic fold, even as U.S. sanctions against Russia remain in place. The project is in its early stages and faces steep hurdles, and Beach declined to disclose the financial details. The Russian company, Novatek, said it was "indeed having negotiations on the potential use" of its technology to liquefy natural gas in Alaska, but didn't confirm it was working with Beach.

Beach's deal could represent the first known instance of an U.S. investor formalizing a business venture with a major Russian company since the Kremlin started promoting deal-making opportunities to the Trump administration a year ago. Beach, a hedge fund and private-equity investor, is a college friend of Donald Trump Jr., the president's eldest son, and served as a finance vice chairman for Trump's 2017 inauguration.

Beach said he would soon announce the executives to lead the project. The project would echo the approach Russian gas producer Novatek has developed for shipping LNG from the Russian Arctic: Liquefy it at a prefabricated plant and ship it on an ice-class tanker with icebreaker support. Beach said he would seek to use icebreaking LNG carriers built in South Korea to transport the Alaska gas to Asian markets.

### [Chinese refiners step in to buy Russian crude shunned by India](#)

(Bloomberg; Feb. 20) - Chinese refiners are snapping up Russian oil that India is shunning, helping Moscow to overcome a dip in purchases by the country that's normally its biggest buyer of seaborne barrels. Deliveries of Russian crude to China rose to 2.09 million barrels a day in the first 18 days of February, vessel-tracking data compiled by Bloomberg show. The increase — from 1.72 million barrels a day in January and 1.39 million in December — has more than offset a drop from India.

Russia's ability to find buyers is vital for the Kremlin as the war in Ukraine approaches the four-year mark, with millions of barrels building up at sea and signs that production and drilling rates are under pressure. At the same time, India's refiners have been pressed by the U.S. to stop buying oil from Moscow, although how deep and lasting the cuts are will hinge on progress in trade talks between Washington and New Delhi. Imports of Russian oil into India have remained at about 1.2 million barrels a day in recent months, down from 1.78 million in November and about 40% below June 2025.

When India first started turning away from Urals crude in August, China's refiners — including Shandong Yulong Petrochemical — swooped to grab distressed cargoes, snapping up at least 10 of them. Just months later, the mega-refining complex emerged as China's single-largest buyer of Urals crude after U.K. and European Union sanctions cut it off from mainstream sour grades, forcing a pivot to Russian crude. The refiner also takes the sweeter ESPO variety shipped from Russia's Far East. Now, more private Chinese refiners are considering Urals due to deeper discounts.

## **Russian oil producers cut back drilling to lowest in 3 years**

(Bloomberg; Feb. 18) - Russia's oil producers reduced drilling in 2025 to the lowest level in three years, potentially weighing on future production as sanctions, weaker prices and currency pressures squeeze revenues. Operators drilled about 18,000 miles of production wells last year, down 3.4% from 2024, according to industry data. After strong activity early in the year, drilling began to slow in mid-2025 and dropped sharply toward year end, with December footage down 16% year-on-year.

The slowdown reflects mounting financial pressure on Russian producers. Lower global crude prices, widening discounts on Urals exports due to tighter Western sanctions, and a stronger ruble have reduced export profitability and curtailed cash for reinvestment. Analysts say the decline in drilling is a rational response as companies prioritize capital preservation. Production has already eased in recent months amid export constraints and geopolitical pressures, and reduced drilling could further impact output in 2026.

Russia typically needs to drill roughly 16,000 to 18,000 miles of wells annually to sustain production near current levels, with any sustained decline likely to translate into lower supply. While Russia retains the technical capacity to maintain or even increase output over the long term, analysts note that future production will depend on market conditions, sanctions, OPEC+ policy and access to technology and financing.

## **Texas offshore oil export terminal could load 1 million barrels a day**

(The Maritime Executive; Feb. 18) - Japanese investors have agreed to back a large-scale offshore loading terminal off the coast of Texas, the newly permitted Texas GulfLink project. The agreement is one of Japan's first efforts to satisfy a record-setting investment commitment that it made to the White House in exchange for reduced U.S. tariffs on Japanese cars and other goods. Texas GulfLink is a single-point mooring project planned for the coast of Brazoria County, Texas. Once completed, it will be the second offshore loading terminal in the U.S. (after the Louisiana Offshore Oil Port).

The two GulfLink buoys will be fed from a 42-inch-diameter subsea pipeline connected to a manned offshore platform, where its operations will be overseen on-site in real time. The site has enough water depth to accommodate very large crude carriers, which are more economical to use in international trade. According to the U.S. Department of Transportation, the project will increase oil export capacity by as much as one million barrels per day. The venture is backed by Sentinel Midstream.

The project is one of three Japanese investments announced by the White House on Feb. 16. Others include a diamond-grit plant in Georgia — an important high-tech manufacturing consumable — and the Portsmouth Powered Land Project in southern Ohio, which will add nine gigawatts of gas-fired power generating capacity to the grid.

## **Venezuelan oil could replace Mexican crude at Gulf Coast refineries**

(The Texas Tribune; Feb. 20) - Texas oil refiners could soon have a stronger appetite for Venezuelan oil thanks to decreasing imports from Mexico as the Trump administration seeks to open Venezuela's energy sector to U.S. companies. Refiners along the U.S. Gulf Coast are among the world's largest buyers of heavy crude oil — a variety with a peanut butter-like consistency that is more costly to extract and refine than Texas' light sweet grade. For years, Texas refiners' most prolific sources of heavy crude have been Canada, Mexico and Venezuela.

The Trump administration's attempt to revive Venezuela's oil industry coincides with Mexico's national strategy to build its own refineries. U.S. Gulf Coast imports of Mexican heavy oil, known as Maya crude, are projected to drop this year as Mexico seeks to feed its oil into its own burgeoning refining sector. This could create an opportunity for more Venezuelan oil to flow into U.S. refineries, analysts say.

"You could argue that some of the Venezuelan barrels are needed to replace what Mexico might end up keeping," said Debnil Chowdhury, a Houston-based refining analyst at S&P Global Energy. Valero Energy, based in San Antonio, said it has already ramped up its Venezuelan oil purchases. Speaking during a Jan. 29 earnings call, Valero Vice President Randy Hawkins told investors that Venezuelan crude will make up "a large part of our heavy diet as we move into February and March."

## **New U.S. license will allow Shell to develop Venezuela gas project**

(Reuters; Feb. 19) - General licenses for oil and gas exploration in Venezuela issued by the U.S. this month will allow Shell to progress with its Dragon gas project, a company spokesperson told Reuters on Feb. 19. The project, envisioned to produce gas from a field in Venezuelan waters with 4.5 trillion cubic feet of reserves, has been beset by starts and stops over previous years as U.S. policy toward Venezuela has shifted.

"The issuance of the recent general licenses is a positive signal, and it, indeed, allows for progress on our Dragon project," the company spokesperson told Reuters. Shell hopes to eventually export gas from Venezuela via the Atlantic LNG facility in nearby Trinidad and Tobago. While the spokesperson said the company does not generally comment on potential dates for final investment decisions, CEO Wael Sawan recently said Shell hopes to produce gas from Venezuela's Dragon field in three years.

Shell is a 45% shareholder in Atlantic LNG, with BP also owning 45% and the national gas company of Trinidad 10%. The plant, which has the capacity to produce 12 million tonnes per year, exported only 9 million tonnes in 2025 due to gas supply shortages, data from financial firm LSEG show. Output from Atlantic LNG was 10% of Shell's global LNG production and 15% of BP's LNG exports in 2025, according to LSEG data.

## **Santos agrees to shift LNG exports to Australia's domestic needs**

(Australian Financial Review; Feb. 20) - All the gas Santos currently exports overseas from South Australia will instead go to manufacturers in South Australia — primarily the Whyalla steelworks — under a landmark deal sealed by the oil and gas producer with the state government. The arrangement comes as Santos' Gladstone LNG export venture in Queensland is working to avert a potentially harder hit from the federal government's proposed domestic gas reservation system, due to start in 2027.

If firmed up, it means 20 petajoules a year of Cooper Basin gas (almost 19 billion cubic feet) that is currently shipped to Asia through GLNG will, from 2030, go into what South Australian Premier Peter Malinauskas described as a state strategic reserve. "Twenty petajoules of gas that otherwise gets sent to Japan and Korea for them to advance their economy; we're now going to use it to advance our own," said Malinauskas in the government's latest big-ticket announcement ahead of a March 21 election.

The accord comes amid heightened pressure on GLNG to stop purchases of gas from the domestic market to meet its export contracts. The purchases are being blamed for the tight domestic gas market on the East Coast, which has jacked up energy bills for manufacturers and households. The growing risk of gas shortages in one of the world's biggest LNG exporters prompted the domestic gas reservation program, which would force East Coast LNG exporters to set aside 15% to 25% of their volume for domestic needs. "This is all part of Santos' political positioning to try to avoid being hit too hard by the forthcoming reservation policy," said MST Marquee analyst Saul Kavonic.

## **Japanese venture gets environmental OK for Indonesia LNG project**

(Offshore Energy; Feb. 20) - Inpex Masela, a joint venture between Japanese oil and gas producer Inpex and the Japan Organization for Metals and Energy Security (JOGMEC), has received environmental approval for the Abadi LNG project from the government of Indonesia based on an environmental and social impact assessment. Approval for the LNG project, which is currently in the front-end engineering and design stage, covers the core elements from drilling to construction to operations.

With this approval in place, Inpex plans to progressively begin preparatory work at the project site, while securing the understanding and cooperation of the Indonesian government, relevant local authorities and surrounding communities. The project's annual LNG production volume is expected to reach 9.5 million tonnes, equivalent to more than 10% of Japan's annual LNG imports.

According to the project operator, Abadi LNG will include a carbon capture and storage component. The \$20 billion development envisions gas condensate production of up to 35,000 barrels per day, in addition to the LNG cargoes. Inpex Masela is the operator of the Abadi LNG project with a 65% interest. The other partners are Indonesia's state-

owned Pertamina (20%) and Malaysia's Petronas (15%), following Shell's exit as the oil major opted to sell its stake in 2023. The production-sharing contract is valid to 2055.

### **EPA regulatory pullback could expose industries to state lawsuits**

(S&P Global; Feb. 18) - The Trump administration's decision to withdraw the U.S. government's ability under the Clean Air Act to regulate greenhouse gas emissions from vehicles will also affect power companies and the oil and gas industry, but legal experts disagree on how. The 2009 greenhouse gas endangerment finding issued for mobile sources also provides the legally required finding that the Environmental Protection Agency has relied on to regulate GHG emissions from other industrial sources.

That applies to the power sector and, for methane emissions, the oil and gas sector, according to David Hayes, professor at Stanford University's School of Sustainability. Among immediate concerns for the oil and gas sector are state climate lawsuits. Given the EPA's repeal, the preemption under the Clean Air Act can no longer be invoked to halt state and local lawsuits, David Amerikaner, a partner with Duane Morris, said.

"With EPA withdrawing from its role as the regulator of greenhouse gas emissions, there's no preemption anymore that shielded energy and industry players from climate tort lawsuits," Amerikaner said in an interview. "It's now ceding that ground and I think we should expect a wave of litigation in many states." The EPA's move will bring additional risks to industry, according to Anna Mosby and Matt Williams, global and regional climate policy analysts with S&P Global Energy. The EPA finding had shielded "regulated industries from litigation," Mosby and Williams wrote in a Feb. 13 brief.

The Trump administration's Feb. 12 decision could take many months to litigate in the appeals court and then the U.S. Supreme Court. "This throws everything into tremendous uncertainty while it plays out in courts and state capitals," Amerikaner said.

### **Coal power plants uncompetitive compared to gas and renewables**

(Institute for Energy Economics and Financial Analysis commentary; Feb. 19) - The decision to stop burning coal at the four-unit Springerville, Arizona, coal power plant — home to one of the newest units in the country — highlights how the rising costs of coal-fired generation has made it increasingly uncompetitive compared to renewables and gas. The latest briefing note from the Institute for Energy Economics and Financial Analysis (IEEFA) highlights the fact that coal is no longer economically competitive.

The Springerville coal plant has three different utility owners. All have reached the same conclusion: Continuing to burn coal at the plant is no longer an economic option. Tucson Electric Power, which owns two of the four units, underscored coal's long-term problems

in announcing its decision to convert its generating capacity to gas, noting that the current political environment does not erase coal's supply and delivery risks, and that cleaner and cheaper alternatives are available.

"The high and uncompetitive cost of coal is not limited to Springerville," said Dennis Wamsted, IEEFA energy analyst and co-author of the briefing note. "Six units at four plants across the Mountain West stopped burning coal in 2025. Continuing to burn coal faces long-term risks including rising fuel costs and higher maintenance costs as plants age. Springerville and other coal plant operators should look at solar and battery storage to meet their power needs. Solar is already cheaper, has no fuel cost risks and, when paired with battery storage, is a dispatchable resource."

### **U.S. loses another aluminum smelter to high energy costs**

(Reuters commentary; Feb. 18) - U.S. import tariffs haven't been enough to stop the U.S. from losing another aluminum smelter, leaving the country with just five primary metal production plants. Century Aluminum suspended production at its Hawesville smelter in Kentucky in 2022 as energy prices spiked after Russia's invasion of Ukraine. The company expected to resume operations within a year once power prices abated. But they didn't, and Century has sold the site to digital infrastructure company TeraWulf.

Aluminum smelters are massive users of energy, with a modern plant using more power than a city the size of Boston. So too are data centers, and in the battle for long-term power supply Big Tech is prepared to pay more. A state-of-the-art greenfield smelter in Oklahoma, a 60:40 joint venture between Emirates Global Aluminum and Century, could replace lost U.S. production capacity. The partners have selected Bechtel to prepare preliminary studies for the plant, which would have annual capacity of 750,000 tons.

Oklahoma has the advantage of producing three times more energy than it consumes. But a power supply deal for the plant is pending, and even assuming construction can start on schedule by the end of this year, first metal production is likely only in 2030. The fact that the huge premium paid for U.S. aluminum, to avoid tariffs on imported metal, hasn't been able to save Hawesville says much about the fierce competition with Big Tech for competitively priced power. And right now, AI is winning out over aluminum.