

Oil and Gas News Briefs

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China's reserves are so large that the nation is reselling crude

(Bloomberg commentary; May 8) - Facing an unprecedented shortage, the oil market is pulling every lever to rebalance supply and demand. Some are well known: bypassing the Strait of Hormuz using pipelines, releasing emergency reserves and allowing high prices to kill consumption. But there's another force that's equally important and largely unmentioned: China. Beijing has slashed its oil imports by about a quarter from prewar levels. The impact is clear: Unexpectedly, more crude is available to the market, reining in oil prices close to \$100 a barrel despite 60-plus days of conflict in the Persian Gulf.

The mechanics behind the import swing are far from clear. Deciphering the Chinese energy industry is difficult, even when war isn't obscuring the picture. Oil traders fill the gaps left by patchy official statistics by tracking tankers offloading and uploading in the country, measuring stocks using satellite imagery and by talking with their own contacts for clues. Over recent weeks, industry executives have noticed something odd: Chinese state-owned oil companies have been reselling some of their oil cargoes to European and Asian rivals. The behavior suggests surpluses — odd during a supply shortage.

The import drop might make sense if Chinese commercial inventories were falling sharply, or if Beijing had tapped its strategic petroleum reserves. But neither is happening. Instead, commercial stockpiles have continued to increase in recent weeks, according to satellite data. What Beijing did was ban exports of refined products, effectively allowing refineries to process less crude to meet domestic demand. But the policy has now been reversed, suggesting the country sees enough fuel availability.

So how is China importing far less crude than before without running down stocks? In the past, the country clearly bought more oil than it needed, building a huge emergency stockpile. Today, China has nearly 1.4 billion barrels in its reserves, well above the 400 million of the U.S. and Japan's 260 million barrels. On average, China probably bought one million barrels a day more than it needed last year. By simply stopping beefing up its reserves, China can cut imports a lot without affecting its underlying oil needs.

Oil market is burning through inventories at record pace

(Bloomberg; May 9) - The world has burned through oil inventories at a record speed as the Iran war throttles flows from the Persian Gulf, eating into the very buffer that protects against supply shocks. The rapidly shrinking stockpiles mean that the risk of even more extreme price spikes and shortages is getting closer, leaving governments

and industries with fewer options to cushion the impact of the loss of more than a billion barrels of supply, two months into the near-closure of the Strait of Hormuz.

The sharp depletion will mean the market stays vulnerable longer to future disruptions even after the conflict ends. Morgan Stanley estimates global oil stockpiles dropped by about 4.8 million barrels a day between March 1 and April 25 — far exceeding the previous peak for a quarterly drawdown in data compiled by the International Energy Agency. Crude accounts for almost 60% of the decline, and refined fuels the rest.

Crucially, the system requires a minimum level of oil, the “operational minimum,” said Natasha Kaneva, JPMorgan Chase head of global commodities research. “Inventories are acting as the shock absorber of the global oil system,” she said. But “not every barrel can be drawn.” There are some signs that the drawdown may have slowed slightly in recent days, according to Goldman Sachs, which pointed to weaker demand from China, the world’s top oil importer — leaving more available for other buyers. Still, global visible oil stocks are already close to their lowest since 2018, the bank said.

Well-timed, profitable market bets on oil prices prompt investigation

(Reuters; May 7) - A series of well-timed market bets on falling oil prices totaling as much as \$7 billion during March and April were spread across multiple exchanges and types of fuel and derivatives just before major Iranian policy announcements by U.S. President Donald Trump, according to traders, market experts and Reuters analysis of exchange data. The size exceeds previously reported bets amounting to \$2.6 billion, which had already prompted the U.S. administration to warn staff against using nonpublic information for financial benefit.

The U.S. Commodity Futures Trading Commission (CFTC) is investigating, a person familiar with the matter told Reuters in April, although the CFTC has yet to officially confirm a probe is underway. Reuters could not establish who placed the bets and whether they originated in the U.S. or elsewhere. They included short positions, or bets that prices would fall, for crude, diesel and gasoline futures. The bets took place on two major exchanges that host benchmark global oil and fuel futures trade: Intercontinental Exchange and Chicago Mercantile Exchange. Both exchanges declined to comment.

The well-timed trades triggered calls for regulators to investigate if they were based on inside information or leaks. Traders first spotted unusual trades on March 23. Trades were executed minutes before Trump announced a delay to threatened attacks on Iranian power infrastructure, triggering an oil price fall. The same pattern repeated April 7, before Trump announced a ceasefire with Iran that triggered a fall of up to 15% in Brent futures. It happened again April 17, when Iranian officials and Trump spoke about reopening the Strait of Hormuz; then again April 21 when Trump extended the ceasefire.

California faces supply uncertainty with loss of Middle East crude

(MS Now; May 8) - This week, the final California-bound oil tanker that sailed out of the Middle East before the U.S. war with Iran shut down that supply slipped up to the coast off Los Angeles, carrying crude oil that the state counts on as part of its energy mix. A mile and a half from the beach, the ship discharged its contents into underwater pipes feeding a sprawling Chevron refinery in El Segundo and sailed away, setting off a precarious time for the state that's home to almost 1 in 8 U.S. drivers.

Long accustomed to the highest gasoline prices in the nation, Californians now find themselves facing the real prospect of \$7-a-gallon fill-ups, or worse. Caught in a slow transition from fossil fuels to renewables, cut off geographically from the pipeline network that feeds most of the rest of the country and handcuffed by a century-old law that restricts moving U.S. commodities between U.S. ports on non-U.S. ships, California imports roughly 60% of its crude from overseas. About 20% of the oil traditionally came from the Middle East. For now, none of it does.

Knowing the final tanker had unloaded "gave me pause for a moment, because that's a significant milestone I've not seen or faced in my 27-year career," El Segundo refinery director Bryon Stock said. Even if tanker traffic resumes at previous levels through the Strait of Hormuz tomorrow, it will be months before any of that oil makes it to California, which also imports significant amounts of refined fuel, including 25% of its gasoline and 20% of its jet fuel. Much of that refined product comes from Asia, where refineries are facing crude shortages and delayed supply due to the U.S. and Israeli war with Iran.

IEA director tells Canada: 'This is your chance ... don't mess it up'

(Bloomberg; May 7) - The current crisis in the Middle East is a big opportunity for regions with lower geopolitical risks that produce and export oil and gas. The head of the International Energy Agency walked into Toronto's Fairmont Royal York Hotel on May 7 with a message: This is your chance, Canada, so don't mess it up. In the aftermath of the Iran war, "there will be an energy security risk premium," Fatih Birol, the IEA's executive director, told a policy conference. As a result, "the most important resource, or card, that Canada has today is trust."

Canada has a reputation for lengthy timelines on major projects. There are a number of reasons, including stricter environmental rules and regulatory powers spread through multiple levels of government. But now is the time to move faster, Birol said. "Canada doesn't have the luxury to be slow," he said, noting that factors have come together to create a "golden opportunity. ... The cost of missing this train will be incredible."

He stressed that speeding up major projects shouldn't come at the cost of lower standards, including those covering the environment and human rights. "I wish there were a few more Canadas in the world," he said, "so that we can have a much more

reliable and sustainable global energy system.” Asked what he has told the Canadian government about oil and gas, Birol replied: “They have to develop those resources, but more importantly, they have to make sure that they have new export destinations.”

Australia requires LNG exporters to reserve gas for domestic market

(Reuters; May 7) - The Australian government said on May 7 that energy exporters must reserve 20% of their natural gas for the domestic market on the country's East Coast to avert supply shortfalls and help lower energy bills. The requirement will apply starting in July next year and will not affect existing contracts, the government said. Three liquefied natural gas export projects on the East Coast operated by Origin Energy, Shell and Santos will be affected by the reservation system.

In December, the government proposed a plan to reserve 15% to 25% of gas. "This is a carefully calibrated model which ensures that Australia's national best interests are put first," Energy Minister Chris Bowen said. "This is a policy which will obviously not please everyone — often good policy doesn't — but it's good policy." Bowen said the policy would only apply to new contracts and the spot market. It's intended to create a "modest oversupply" of gas in the domestic market to force down energy prices, he said.

"It's going to put downward pressure on prices. And what it will also do is to a certain degree disconnect Australian gas from spikes in international prices," Bowen said. Australia is one of the world's largest LNG exporters and ships more gas overseas than it consumes. But most of the country's large gas reserves are located in the northwest, far from the more populous southeast where demand is concentrated. The state of Western Australia already has its own reservation system that requires offshore export projects to divert 15% of their gas to its local market.

LNG export plant on Mexico's Baja California coast close to startup

(Argus; May 7) – U.S. energy firm Sempra expects its Energia Costa Azul LNG export terminal in Mexico to begin production next month, the company announced on May 7. The terminal, at Baja California's Ensenada on the Pacific coast, began receiving feed gas on April 20 but has not yet produced any liquefied natural gas. The terminal is designed for 3.25 million tonnes per year of production.

Sempra anticipates the terminal will begin producing LNG in June before reaching substantial completion this summer, the company said. The project has until Sept. 21 to begin exports under its license with the U.S. Department of Energy. The project will re-export U.S. gas, mostly from the Permian Basin of west Texas and New Mexico piped across the border to Mexico, putting its LNG exports under the department's purview.

The terminal's long-term offtake customers are TotalEnergies and Mitsui, which hold 1.7 million tonnes per year and 800,000 tonnes per year, respectively. The export project, which reached a final investment decision in 2020, added liquefaction and export facilities to an underused LNG import terminal that started operations in 2008. Construction costs for the export facility have been estimated at \$2 billion to \$2.5 billion; Sempra has not confirmed the numbers. An investment decision is pending to substantially increase the plant's production capacity.

IEA analyst says tighter LNG market will persist longer than expected

(Reuters; May 7) - The Iran war has already led to a loss of nearly 900 cargoes of liquefied natural gas over the 2026 to 2030 period, Gergely Molnar, an analyst from the International Energy Agency, said on May. 7. Speaking at the Budapest LNG Summit, Molnar said the conflict was reshaping the medium-term gas outlook, with tighter market conditions likely to persist longer than previously expected.

He said the crisis had cut global LNG supply by around 15%, but a strong increase in new liquefaction capacity was expected to offset lost volumes from Qatar and the United Arab Emirates which are bottled up with the closure of the Strait of Hormuz. Iranian attacks have knocked out 17% of Qatar's LNG export capacity, threatening supplies to Europe and Asia ahead of the summer season typically used to fill up storage to meet winter demand.

First tanker with Qatari LNG since the war started transits Hormuz

(Bloomberg; May 10) - A tanker carrying liquefied natural gas from Qatar appears to have transited the Strait of Hormuz, marking the country's first export out of the region since the Iran war began. The Al Kharaitiyat, which loaded at the Ras Laffan export plant earlier this month, exited the strait and is in the Gulf of Oman, ship-tracking data compiled by Bloomberg shows. The vessel lists Pakistan as its next destination, according to the data. The ship appears to have navigated the Tehran-approved northern route that hugs the Iranian coast through the strait, the data showed.

In addition, at least two LNG tankers loaded at Abu Dhabi National Oil Co.'s export plant have transited the strait in recent weeks; those tankers are heading to Japan and China. The effective closure of the waterway has choked off global LNG supplies, sending prices higher and causing shortages across Asia. Vessels continue to face security threats as both Iran and the U.S. have imposed blockades. While the Al Kharaitiyat's journey with Qatari LNG offers tentative signs that more flows could resume, it's a far cry from prewar levels of roughly three cargoes a day out of the Persian Gulf.

The move comes after Qatar made several previous attempts to send shipments through Hormuz, but eventually the tankers turned around. The country, which produced almost a fifth of global LNG supply last year, hasn't been able to move any LNG out of the Persian Gulf since the conflict began at the end of February.

Qatar prospered with LNG until Iran war cost it billions of dollars

(BBC; May 6) - In the early 1990s, Qatar was grappling with a period of economic strain — high debt levels and weak state revenues were weighing heavily on its finances. To try to transform its fortunes, the small Gulf state made a decisive bet on natural gas. It would develop its vast offshore gas reserves, and superchill the gas into LNG (liquefied natural gas) for transport by ship to countries around the world.

That decision led to the creation of Ras Laffan industrial city on the coast. Over the next three decades, it would become the world's largest LNG export center, transforming Qatar into one of the richest countries globally. But on March 18, that success story was shaken. An Iranian ballistic missile struck the main Ras Laffan gas complex, knocking out an estimated 17% of global LNG supply. The damage will cost state-owned QatarEnergy a predicted \$20 billion in lost annual revenues, while disrupting supplies to key markets in Asia, including China. Repairs could take between three to five years.

"The attack was a shock — both to global energy markets, but also to the Gulf states themselves, which are now feeling very vulnerable," says Karen Young, a senior research scholar at the Center on Global Energy Policy at Columbia University. QatarEnergy's CEO Saad Al Kaabi said the scale of the damage had "set the region back by 10 to 20 years." The head of the International Energy Agency has described the situation as the "biggest energy crisis in history." Meanwhile, Qatar's finance minister has warned that the full economic fallout from the Iran war is yet to be felt.

Taiwan says it has secured enough gas to cover through September

(Bloomberg; May 8) - Taiwan estimates it has secured enough natural gas through September, the latest effort by the chip-making hub to boost energy security as the closure of the Strait of Hormuz chokes global supply. State-run CPC Corp. has started planning winter gas procurement to avoid interruptions to domestic supply, according to a statement from the Ministry of Economic Affairs on May 8. There have been no shortages of electricity or oil since the war in Iran started in February, it said.

The island currently imports around 96% of its energy, with liquefied natural gas accounting for roughly half its overall power generation. Unlike coal or oil, LNG is difficult to store, and Taiwan maintains just an 11-day reserve, which will be raised to 14 days starting in 2027.

EU nations import record volume of Russian Arctic LNG January-April

(gCaptain; May 8) - European Union imports of Russian Arctic liquefied natural gas from the Yamal LNG project hit a record high in the first four months of 2026, despite the bloc introducing measures intended to curb purchases of Russian fuel. The EU imported 6.69 million tonnes of LNG from the project between January and April, up 17.2% from the same period a year earlier, according to analysis of Kpler shipping data published on May 8 by environmental group Urgewald.

The imports represented 98% of all Yamal LNG cargoes that reached a final destination during the period, underscoring Europe's continuing role as the main market for Russia's flagship gas project more than four years after Moscow's invasion of Ukraine. Urgewald estimated that EU countries paid Russia around 3.88 billion euros (\$4.4 billion) for the fuel during January-April, based on benchmark Dutch gas prices.

The figures highlight how EU efforts to reduce Russian LNG imports have so far had limited effect, even as Brussels gradually tightens restrictions in a piecemeal fashion. The bloc agreed last year to ban transshipment services for Russian LNG destined for third countries from March 2025, targeting the use of European ports as logistical hubs for Russian cargoes. A second measure took effect starting in April of this year, prohibiting imports under new short-term Russian LNG contracts. But imports have continued to climb, with April deliveries rising 17.1% year-on-year to 1.62 million tonnes.

Pakistan rejects even the low bids for imported LNG

(Dawn; Pakistan; May 8) - Pakistan on May 7 rejected even the two lowest-price liquefied natural gas supply bids from BP Singapore and TotalEnergies, offered at \$17.28 and \$16.98 per million Btu, respectively, for delivery next week and the last week of May. State-run Pakistan LNG received a total of seven bids — three cargoes for May 12-14 and four for May 24-26 — on urgent requests for price quotes a day earlier. But Pakistan is a price-sensitive buyer of LNG imports.

For the first deliveries, PetroChina bid \$17.69, BP Singapore \$17.28 and Vitol Bahrain \$17.84. For the second cargo later in the month, TotalEnergies bid \$16.98; OQ Trading (formerly Oman Oil Co.), \$18.58; SOCAR Trading (state oil company of Azerbaijan), \$17.21; and PetroChina \$17.49. Qatar, Pakistan's long-term LNG supplier, has been unable to make deliveries due to the closure of the Strait of Hormuz. Qatari LNG cargoes shipped before the Iran war started were priced under a long-term contract, with the average price a year ago of about \$7.68 per million Btu.

Italy's Edison expects Qatari LNG could restart 30-45 days after peace

(Reuters; May 8) - QatarEnergy's European customer Edison expects the Gulf producer to restart supplying liquefied natural gas 30 to 45 days after a peace deal in the Iran war, but at lower volumes than before the war, the Italian group CEO said on May 8. Qatar declared force majeure on its long-term contract to supply Edison earlier this year and has so far cancelled 12 LNG cargoes due to be delivered to Italy between April and the beginning of July.

"If there were a lasting peace agreement tomorrow morning, I think that within a month, or a month and a half, producers in the Gulf area could resume producing energy. As for Qatar, after a month or a month and a half, we should expect LNG to resume, but at a more limited supply than before," Edison CEO Nicola Monti said at an event in Milan.

Osaka Gas steps up its efforts to use e-methane

(Gasworld; May 8) - Japan-based Osaka Gas is expanding efforts to produce and secure synthetic methane, or e-methane, as part of its plan to decarbonize city gas supplies and diversify fuel sourcing. The company is preparing to offtake e-methane from the U.S. while also advancing domestic production through one of the world's largest e-methane demonstration plants, operated with Inpex in Nagaoka City.

Osaka Gas aims to replace 1% of the feedstock used for its city gas with e-methane by fiscal 2030. The Nagaoka test facility began operations earlier this year and has an annual production capacity equivalent to the gas consumption of around 10,000 households. The partners said they have successfully produced synthetic methane with a concentration of 96%. E-methane is produced by combining hydrogen generated from renewable energy with captured carbon dioxide. Because the CO₂ used in production is captured beforehand, combustion does not add new CO₂ emissions to the atmosphere.

At the 2025 World Exposition in Japan, Osaka Gas conducted a pilot project to produce e-methane from waste generated at the event venue and used it in kitchens across multiple facilities. The Nagaoka demonstration plant has received certification under the Japan Gas Association's Clean Gas Certificate System. The project also fits with the country's attempt to diversify fuel sourcing. Japan is the world's largest liquefied natural gas importer and relies on it for over 30% of its power generation.

Ammonia plant shutdowns will keep global fertilizer supply tight

(Gasworld; May 8) - Global fertilizer producer CF Industries has warned that widespread ammonia plant shutdowns, liquefied natural gas shortages and geopolitical disruptions

could keep global nitrogen fertilizer markets tight into 2027. Speaking during the company's first-quarter earnings call, executives said the Iran war and the disruption to tankers moving through the Strait of Hormuz had intensified an already constrained global market for nitrogen fertilizers such as ammonia and urea.

Bert Frost, executive vice president and chief commercial officer, said producers reliant on imported LNG had already been forced to curtail or halt ammonia production due to feedstock shortages. "Producers that use imported LNG for nitrogen production have curtailed or shut down facilities due to fuel availability issues," he said. CF Industries estimated that 31 ammonia plants in the Middle East had been directly impacted by the conflict or shut down production, while 49 plants in India, Pakistan and Bangladesh had either curtailed operations or halted output because of constrained LNG supplies.

The company also pointed to disruption in Russia, with Frost stating that "at least 20 to 21 plants" had been affected by drone attacks linked to the ongoing Russia-Ukraine war. CF President and CEO Christopher Bohn warned that even facilities without physical damage could take months to return to normal operations. "You're looking at one to three months depending on what type of maintenance was being performed," he added, referring to ammonia plants that had been shut down during the disruption.