Oil and Gas News Briefs
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Oil tanker rates more expensive than a rocket launch

(Bloomberg; Oct. 9) - For a sign of just how extraordinary oil shipping costs have become, consider this: It's now more expensive to hire a tanker from the U.S. to China than to launch a rocket into space. That tanker journey costs about $80 million, compared with $74 million for a standard SpaceX Falcon 9 launch, shipbroker Gibson said this week. The same amount of money could have bought a near-identical tanker outright earlier this year.

The eye-watering prices are the result of a global tanker shortage that is getting worse with every additional barrel of oil flowing through the Strait of Hormuz. For weeks now, supertanker markets have been in the middle of a boom the likes of which industry veterans have never seen. Brokerage SSY says that, even after adjusting for inflation, rates are now the highest since the first supertankers hit the world's oceans in the 1960s — surpassing the tanker wars of the 1980s, when Iran and Iraq attacked commercial shipping in the Persian Gulf.

"There's really not quite enough shipping to go around," Russell Hardy, CEO of Vitol, the world's biggest independent oil trader, said at a conference this week. "We've had pretty parabolic pricing." The surge is a fresh complication for an oil market that has spent months adapting to the historic disruption caused by the Iran war. Higher shipping costs are making crude more costly for buyers and adding to inflationary pressures.

Escalating tanker rates price U.S. crude out of some markets

(Reuters; Oct. 8) - Tanker freight rates soaring to record highs are putting U.S. crude oil out of reach for Asian refiners, pushing them to seek alternatives from the Middle East and Latin America, according to multiple traders and shipbrokers who track those markets. The cost of chartering a very large crude carrier (VLCC) to carry 2 million barrels of U.S. oil from the Gulf of Mexico to China in November hit $80 million this week, according to data from shipbrokers Simpson, Spence & Young on LSEG.

Instead, Asian refiners are considering switching to Murban crude from the United Arab Emirates. At $40 a barrel to ship U.S. oil for the long voyage, versus $8.60 before the U.S.-Israeli war on Iran began in February, the shipping costs are equal to nearly half of the current price of a West Texas Intermediate crude future contract, sharply raising costs for refiners in the top oil-importing region while shipowners reap bumper profits.

This means the economics of moving the oil on that route are no longer viable, the traders and shipbrokers, who spoke on condition of anonymity, said. U.S. oil sellers were expected to cut offers to compete globally, while some trading firms were switching to smaller-sized tankers, according to three traders and a shipbroker. Japanese refiner Cosmo Oil has provisionally chartered a VLCC for $81 million to load U.S. oil Nov. 19-21, according to sources. But attempts by South Korea refiner SK Energy and Trafigura to book VLCCs for $76 million to $77 million were unsuccessful, according to a source.

Large number of supertankers headed to China; most since February

(Bloomberg; Oct. 9) - China is poised to increase oil imports through early January, with ship-tracking data showing the largest fleet of supertankers heading to the country since the start of the Iran war. Some 96 vessels, each able to haul 2 million barrels of crude, are due to reach the Asian nation's ports over the next 90 days, the most since the end of February, according to tanker-tracking data compiled by Bloomberg. It was the third successive advance in the weekly count.

Traders have been keeping a close eye on how much oil China is buying since the beginning of the conflict. Earlier in the year, the world's largest crude importer slashed its purchases, helping to ease global supply pressures and limiting the price impact from the conflict that effectively closed the vital Strait of Hormuz. Crude flows through the waterway, which connects the Persian Gulf to international markets, have recovered to near pre-war levels in recent weeks despite continued attacks on ships.

Any sustained resurgence in China's appetite could affect prices. Still, it's unclear whether China's crude buying will fully return or remain subdued through year-end, as some analysts have suggested. Supertanker flows to the country remain lower than prewar levels, with 111 vessels making the journey at this time in 2025.

OPEC members individually go after market share lost during war

(Reuters commentary; Oct. 8) - Middle East oil producers have launched a battle to recapture market share lost during the Iran war, setting current and former OPEC members on a collision course. Such turf battles usually send crude prices plummeting, yet consumers are unlikely to see much relief at the pump in the near term. For now, Gulf producers are increasingly willing to accept risks, including sky-high shipping and insurance costs, to maximize their own exports and rebuild ties with customers.

Oil market share battles in the OPEC era have historically occurred following the discovery of new sources of supply, such as offshore drilling in the 1980s or the shale revolution in the 2010s. In response to perceived threats to market dominance, OPEC

has typically reacted by allowing low-cost producers to ramp up output in an attempt to squeeze rivals. This time, however, the battle is undermining the group from within.

OPEC was dealt a heavy blow in May when the UAE withdrew to pursue plans for its large increase in production capacity. The move raised questions whether the 66-year-old Saudi-led club could emerge from the conflict with its influence intact and reset its ability to manage prices by coordinating supply control. The uncoordinated, fragmented response of producers to the Iran conflict suggests that control may no longer exist.

The scramble to recover lost customers is becoming a defining feature of the post-blockade market. Gulf producers, eager to replenish state coffers after more than seven months of disruption, are increasing exports while some, including Iraq and Saudi Arabia, have offered deep discounts to buyers willing to load cargoes inside the Gulf. The Mideast oil export recovery rests on fragile foundations, and producers appear willing to forge ahead with their own battle regardless.

U.S. refiners ‘make hay while the sun shines’ with record earnings

(Wall Street Journal; Oct. 8) - The earnings of America’s largest oil refiners are set to go gangbusters in the third quarter, spurred on by the conflicts in the Middle East and in Ukraine that have sent the world scrambling for fuel. Wall Street analysts are projecting that independent U.S. fuel makers Valero Energy, Marathon Petroleum, Phillips 66 and others are on track to crush their near-record earnings from the second quarter, when all three posted their best profits since the start of Russia’s war in Ukraine in 2022.

Refineries are collecting on record-high margins for diesel and other fuels as global supplies shrink and prices skyrocket. They are benefiting from what the industry calls a “crack spread” in which the price of oil has risen, but at a slower rate than the price of refined fuels including diesel. As the gap between the price of crude and the price of fuels widens, refiners make more on every gallon of fuel they produce.

Driving that spread are the Iran war, crippled refineries in the Middle East and Ukrainian drone strikes that damaged plants in Russia. China and other Asian nations, meanwhile, have pulled back on fuel exports. That has effectively left the U.S. as the world’s last major supplier and pushed U.S. diesel prices to a record $6.53 a gallon. The companies are scheduled to report quarterly results in late October and early November. “They make hay while the sun shines,” said John Auers, a refined-fuels analyst at Novi Labs.

Many Venezuelans wait for U.S. investment to rebuild industry

(Wall Street Journal; Oct. 9) - An oil gusher discovered more than 100 years ago gave birth to Venezuela’s energy industry near this once-booming city on the shores of Lake

Maracaibo. Today, Cabimas is ground zero for the U.S. effort to resurrect the sector. This city of 350,000 resembles an oil-industry graveyard. Mangled drill towers and collapsing offshore platforms are visible as far as the eye can see. Hardened globs of crude cling to fishing nets pulled from the lake, and natural gas gurgles up from busted underwater pipelines. The lake's shores are black with petroleum.

Many residents here say they can't wait for American investors to arrive and start plowing money into rebuilding the country's dilapidated oil infrastructure. Many remember the boom years of old when oil workers enjoyed housing provided by international oil companies, along with neighborhoods with swimming pools, sports clubs and golf courses, and a lake with clean water and healthy marine life. The question they are asking is: Can the U.S. bring the good times back?

The decaying industry here reflects two decades of mismanagement under late President Hugo Chávez and his successor Nicolás Maduro, whom the U.S. captured in a raid in January. Industry executives and experts say residents' fears are well-founded: Reviving Venezuela's oil sector will be a lengthy undertaking costing hundreds of billions of dollars. Ten months after Maduro's ouster, little of the investment has flowed in. But U.S. officials say change is on the horizon. "Venezuela has more crown jewels than the Tower of London," said Hunter Hunt, CEO of Texas wildcatter Hunt Energy.

Korea could benefit from Alaska LNG work contracts

(JoongAng Daily; South Korea; Oct. 10) - A liquefied natural gas project in Alaska could hand Korean steelmakers and shipbuilders a wave of new orders, from an 807-mile pipeline to building LNG carriers. But with costs, construction delays and buyer demand still uncertain, industry sources say it is far too early to celebrate. South Korea's potential participation has drawn attention because of the $350 billion Seoul pledged to invest in the United States during tariff negotiations with Washington last year. U.S. President Donald Trump has also pressed Korea to invest in the project.

Minister of Trade, Industry and Resources Kim Jung-kwan reiterated during a National Assembly audit on Oct. 6 that the government is still reviewing the project: "Any review would have to be premised on its commercial viability." One of the biggest questions is whether the project can secure enough buyers. "Whether sales contracts are in place is just as important as the project's economic viability," a source said. "Companies need long-term contracts as collateral to raise financing through loans and other means."

The project needs long-term contracts for 16 million tonnes of LNG a year to secure financing, according to lead developer Glenfarne. Potential agreements currently cover 13 million tonnes a year, but most are reportedly nonbinding. Even Korea's Posco, which has signed a heads of agreement to buy 1 million tonnes annually, is waiting for Glenfarne to complete financing, the source said. Construction is another challenge.

The line would have to cross permafrost, while higher material and labor costs as well as permitting issues could push up expenses and extend the construction schedule.

“The LNG project in Canada that Korea participated in also took longer than expected to build its pipeline because it passed through Indigenous lands,” a source said. “Alaska could face all sorts of variables beyond the extreme cold.” Whether LNG would remain commercially attractive by the time the project is built is also uncertain. “If construction is delayed, there is a question over whether LNG would still retain the level of economic viability currently projected,” a source at the Korea Energy Economics Institute said.

Upgrade project to Norwegian LNG plant has doubled in cost

(Bloomberg; Oct. 7) - Equinor has again raised the estimated cost of upgrading its Hammerfest liquefied natural gas plant, less than a year after its last revision, highlighting the expense of such huge infrastructure projects in Norway’s far north. Europe’s biggest gas supplier said Oct. 7 that the Snohvit Future project, designed to extend the field’s operational life toward 2050 while cutting carbon dioxide emissions, will now cost about double 26.5 billion kroner ($2.8 billion) in 2026 value.

That compares with an estimate of 13.2 billion kroner when the plan was submitted in 2022, equivalent to 15.2 billion kroner in today’s value. The sharp increase in estimated costs raises questions over the economics of the upgrade. Hammerfest has become a key facility for European buyers after the region has become increasingly more reliant on LNG to replace lost pipeline supplies from Russia.

“The project is being carried out at an operating facility and is more complex than anticipated,” Equinor’s senior vice president for project development Trond Bokn said in a statement. “It has also been affected by unforeseen issues and challenges,” including weather conditions in northern Norway. The project is now 60% complete, and the company said the timetable for completion is unchanged. Onshore compression is planned to start in 2029 and electrification in 2030.

High-cost LNG gives a boost to coal for power generation in Asia

(Reuters commentary; Oct. 9) - Global exports of thermal coal are currently on track to register a second consecutive annual contraction. But thanks to thermal coal's widest price discount to LNG in four years, coal shipments look set for a late-year resurgence. Benchmark Australian thermal coal export prices are currently around 80% cheaper than liquefied natural gas for delivery in Asia, which cements coal's place as the most affordable power generation fuel in the region.

The fourth quarter of the year is also the traditional high point for coal demand in Asia, which is when utilities replenish stocks ahead of the winter heating period. That combination of a growing price advantage over alternate fuels just as the peak demand period kicks in has the potential to propel coal export volumes sharply higher over the final weeks of the year. For climate trackers hoping to see a permanent decline in coal use, any late-year renaissance in coal flows may be a disappointment.

But for utilities across the world's most populous region, the economics of generation may trump climate concerns over the near term, and ensure coal retains its central role in power production mixes across Asia. Australian export prices of thermal coal from Newcastle are currently trading around $143 per metric ton, or the equivalent of around $5.40 per million Btu, according to LSEG. That compares to the latest quotes for LNG delivered to Asia of around $25 per million Btu, which means that high-quality thermal coal is roughly $20 per million Btu cheaper than LNG in key Asian power markets.

Saudi Arabia, UAE support Japan's proposal for energy cooperation

(Bloomberg; Oct. 8) - Saudi Arabia and the United Arab Emirates will support a Japanese initiative to bolster oil supplies in Southeast Asia after war-driven disruptions heightened concerns over energy security. Officials from Saudi Arabia and the UAE joined a special session of the Asia Zero Emission Community on Oct. 8. Ministers from AZEC's 11 partner nations — including Japan, Indonesia and Australia — gathered in Manila to discuss cooperation on oil purchases and stockpiles. The framework was launched by Japan to promote regional collaboration on energy transition and security.

The members adopted AZEC's ministerial work program to strengthen oil stockpiling and build participating countries' capacity to respond to potential supply shocks. In April, Japan announced $10 billion of financial support for Southeast Asian nations struggling with soaring crude prices and supply disruptions from the Middle East war. Prime Minister Sanae Takaichi's initiative includes assistance for oil procurement, storage and reserves aimed at strengthening the region's ability to withstand future supply shocks.

Oil reserves across much of the Association of Southeast Asian Nations are still relatively thin, while crude prices above $100 a barrel have made rebuilding stockpiles expensive. The proposed framework could allow buying countries to negotiate bilateral supply arrangements with Middle Eastern producers. Such deals will also benefit Persian Gulf suppliers by positioning more of their crude closer to Asian customers.

Shell has partially restarted gas-to-liquids plant in Qatar

(Reuters; Oct. 8) - Shell said on Oct. 8 it had partially restarted its Pearl gas-to-liquids plant in Qatar, as traders said QatarEnergy returned Pearl-GTL naphtha cargoes to the

spot market six months after the facility was damaged during the Iran war. Shell said the move would allow it to build a limited amount of product inventory in storage, while its ability to ship product remains subject to the regional security situation.

QatarEnergy has begun offering cargoes that include Pearl-GTL naphtha and resumed some contractual deliveries, signaling some return of products from the facility to a supply-starved market. The war disrupted refinery operations and temporarily shut the Strait of Hormuz, through which about 20% of global oil and liquefied natural gas supplies previously passed.

Shell's wholly owned Pearl, which gets its feed gas from Qatar's North Field, was hit in March, damaging one of its two processing plants. At full capacity, Pearl can produce 140,000 barrels of oil equivalent per day. Pearl's output also feeds into Shell's downstream supply chain, including its lubricants business. Repairs to the facility's Train 2 are expected to be completed in the first quarter of next year, a Shell spokesperson said. Shell estimated in March that it would take one year to fully repair Pearl.

Venture Global loses arbitration with Louisiana LNG plant customer

(Reuters; Oct. 8) - Venture Global said on Oct. 8 that an arbitration tribunal found its Calcasieu Pass unit breached an LNG supply agreement with Portugal's Galp, marking the second setback for the firm over cargo deliveries from the Louisiana project. BP is the only other company to have prevailed in arbitration proceedings against Venture Global, as the U.S. exporter has dealt with a string of disputes with long-term LNG buyers, which also included Shell, Repsol, Italy's Edison and Poland's Orlen.

Venture Global faces potential damages of billions of dollars from the disputes. The company has argued the LNG spot-market sales from its plant were permitted, but two arbitration panels have disagreed. Venture Global won its arbitration cases brought by Shell and Repsol, and subsequently defeated a court challenge related to the Shell arbitration award. It settled with Italy's Edison earlier this year, with Venture Global agreeing to supply additional LNG beyond those required under their long-term contract.

Its only outstanding arbitration is with Poland's Orlen, which is expected to be resolved by the end of the year. All of the buyers accused Venture Global of selling billions of dollars of cargoes on the spot market at higher prices following Russia's invasion of Ukraine in 2022 instead of delivering contracted volumes from initial production at the Louisiana plant. Venture Global argued the spot sales were allowed as faulty power-island equipment delayed the official start of commercial operations.

Vietnam behind schedule in building gas-fueled power plants

(Bloomberg; Oct. 6) - Vietnam's push to use liquefied natural gas to meet surging electricity demand is well behind schedule, with only one of 18 gas-fired power projects expected to be finished on time. Of the planned developments — which would have a combined capacity of more than 20 gigawatts — only LNG Hiep Phuoc is on schedule, Industry and Trade Minister Le Manh Hung said at a government meeting last week.

Sixteen of the 18 projects have selected investors, but just two have started construction, Deputy Industry and Trade Minister Truong Thanh Hoai said at the same meeting. The delays threaten Vietnam's plan for the fuel to make up as much as 12% of its power mix by 2030. The country only started to import LNG in 2023, but is viewed by the global industry as a major potential growth market.

The problems are part of a wider issue with many generation and transmission projects falling behind schedule. The trade ministry warned last month that the country faced the risk of power shortages from next year due to the delays. Vietnam's goal of at least 10% annual economic growth through 2030 is adding pressure to the grid, with new factories, technology and infrastructure projects boosting power demand. The LNG Hiep Phuoc project in Ho Chi Minh City is aiming to begin commercial operations by the fourth quarter of 2028, according to reports in local media.

Talks could bring in U.S. investor to restart Russia-Germany pipelines

(Reuters; Oct. 8) - Top Russian and U.S. officials, including U.S. Special Envoy Jared Kushner, have held talks about bringing a U.S. investor into the Nord Stream pipelines that delivered gas to Germany before Russia invaded Ukraine, five people with knowledge of the situation said. The discussions included Kirill Dmitriev, a close adviser to Russian President Vladimir Putin, and Kushner, the son-in-law of U.S. President Donald Trump, the people said.

Kushner, who has been trying to broker a truce between Russia and Ukraine, views doing business as central to restoring peace. Such a deal would enable U.S. investors to profit from energy flows to Europe once the war ends. Dmitriev and Kushner have met in Moscow and New York in recent weeks. While it was unclear to what degree they discussed Nord Stream on those occasions, the topic remains on the agenda, two of the people told Reuters.

Dmitriev met last month with U.S. Energy and Treasury Department representatives to discuss potential U.S.-Russia energy initiatives. A U.S. official said that given the obstacles, a deal is unlikely in the medium term. The Nord Stream gas pipelines are sanctioned by the U.S. and the European Union, making any restart illegal. Before Russia's invasion of Ukraine in 2022, Germany bought more than half of its gas from

Russia through the two pipelines. They were mothballed after Moscow throttled supply to Europe and were blown up in a series of underwater explosions in September 2022.

Pakistan expects high oil prices will accelerate switch to EVs

(Bloomberg; Oct. 8) - Pakistan expects to reach its electric-vehicle adoption target ahead of schedule as surging oil prices make switching away from gasoline-powered cars increasingly attractive, according to a senior government official. The government aims for EVs to account for 30% of new vehicle sales by 2030 under a policy announced last year. The jump in fuel costs since the Middle East conflict has shortened the time it takes for buyers to recoup the higher upfront cost of an EV, said Haroon Akhtar, adviser to the prime minister on industries and production.

“I feel that the target we had set in our electric-vehicle policy last year, we will achieve it much earlier as the rise in oil prices has brought cost recovery of EV to one to one and a half years,” adviser to Prime Minister on Industries and Production Haroon Akhtar told Bloomberg. “People are realizing the benefit now. You don’t have to pay for petrol.”

Since the Middle East war started in February, petrol and diesel prices have jumped 54% and 43% respectively, according to data available on Pakistan State Oil Co. While Pakistan has every incentive to push ahead, along with other major oil and fuel importers, factors like vehicle cost and charging infrastructure mean a large-scale transformation of the country’s fleet and oil-consumption needs is years away.

Australia ready to unveil policy reserving gas for domestic needs

(Bloomberg; Oct. 9) - Australia is set to unveil the final version of a controversial plan to force liquefied natural gas producers to reserve as much as a fifth of their output for local buyers. The government will introduce legislation underpinning the Domestic Gas Reservation Scheme next week, according to three people directly involved with the proposal, who asked not to be named because the discussions are private.

Australia — now the world’s second-biggest LNG exporter after Qatari supply was choked off due to the Middle East war — exports about three-quarters of its gas production, but is facing a domestic shortfall on its more populated east coast toward the end of the decade. The reservation plan has faced vocal opposition from producers, who say it could stymie investment and damage the nation’s reputation as a reliable supplier to global markets.

LNG producers must set aside a fixed 20% of their gas output for the domestic market, according to a draft of the scheme released in May. However, following industry lobbying, the government softened its position, saying in September companies would

be required to keep as much as 20% of their production in Australia, with the exact amount to be set annually based on a rolling five-year demand forecast. The plan threatens to have a particularly big influence on the Santos-operated Gladstone project, which has historically struggled to produce enough gas to meet its export commitments.

U.K. wind generation hit record high in September

(Bloomberg; Oct. 7) - Record wind generation slashed Britain's use of natural gas-fired power last month but wasn't enough to shield the country from surging prices triggered by the war in Iran. Wind turbines generated 6.62 terawatt-hours of electricity in September, a record for the month and 4% more than a year earlier, helping push gas-fired generation to its lowest level on record for a September. Yet, day-ahead power rates still doubled from a year earlier.

The surge in wind generation marks progress toward the government's goal of a largely clean power system by 2030, but high prices underscore the market's continued exposure to natural gas. Even as the fuel generates less electricity, it continues to set the price during crucial periods of the day. That's because the nation operates a marginal pricing system, where the cost of the most expensive generator needed to meet demand determines the price for that time period.

Gas futures have surged as the Iran conflict disrupts LNG supplies from the Persian Gulf. The U.K. government is closely watching wholesale energy costs as it seeks to ease pressure on household finances. U.K. energy bills are forecast to jump by about 25% in January as disruptions to gas supplies continue. The September wind record is part of a broader increase in renewable generation this year. Wind output in the first nine months was 14% above the previous record for the period, while overall renewable generation was about 15% above its previous high.

Pennsylvania stuck with costs for thousands of abandoned wells

(Spotlight Pennsylvania; Oct. 7) - Driving into Bradford, Pennsylvania, Barbara Laxon tells people to look out for the flare coming from the oil refinery running along the town. At 74, Laxon spends much of her free time taking people on tours to show the traces of the oil and gas industry in her town — from an oil jack located in the parking lot of a McDonald's to hidden wellbores near a school. After exploring town, Laxon leads people into Allegheny National Forest to find abandoned oil wells.

"You could see the slimy, shiny, brownish stuff trailing down the side of the hill," she said. Laxon didn't envision spending her retirement this way. The former occupational therapist moved to Pennsylvania from Florida about a decade ago. Soon after, she became involved in Save Our Streams — an environmental group that seeks to plug

abandoned oil wells in Pennsylvania. The state has thousands of these wells. The number is unknown, but estimates range from around 20,000 to as high as 750,000.

They can emit methane, a greenhouse gas, and leak toxic substances that pollute their surroundings. According to state law, operators of wells are responsible for plugging them. When an owner can't be identified, or when the well is older than the 1984 state law that regulates drilling, the Department of Environmental Protection is responsible for the plugging. But in practice, companies often skip out on their responsibilities, leaving the state responsible for a steadily increasing bill. Pennsylvania regulators struggle to identify where all of the abandoned wells are, much less plug them.

Saudi business families bet on water, not oil

(Bloomberg; Oct. 8) - Saudi Arabia vaulted into the ranks of the world's rich nations by selling oil worldwide. Inside the kingdom, a group of business families have built a fortune of more than $9 billion by betting on an even more essential commodity: Water. Their ACWA Power Co. got its start building a water and electricity plant to supply Mecca, Islam's holiest place. But it has since expanded into one of the biggest desalination companies in the desert nations across the Gulf.

The war has further underlined Middle East reliance on desalination, with governments rushing to assure residents that they could ensure continued water supply even as some facilities came under attack at the peak of conflict. While Gulf infrastructure remains under threat as the conflict drags on, the breadth of ACWA's facilities are expected to offer it some insulation. The Saudi company has been steadily adding water and power plants as well as renewable projects across the Mideast and beyond.

ACWA has a market value of $34.9 billion. Saudi Arabia's Abunayyan and Al Muhaidib families together own at least 26.3%, both directly and through their joint holding company, Vision Invest, based on filings and calculations by the Bloomberg Billionaires Index. The kingdom's $905 billion Public Investment Fund is the biggest shareholder, controlling 44.2%. The bet on ACWA is among the big wealth-creation stories in the Saudi private sector, showing how large fortunes are being built through family-owned conglomerates aligned with national strategic priorities.