Oil and Gas News Briefs
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War changes the market, and Qatar now buying U.S. LNG

(CNBC; Oct. 23) - Before the Iran war, Qatar was one of the biggest liquefied natural gas exporters in the world. After only eight months, the Gulf state is now buying supplies from its principal competitor — the United States. QatarEnergy struck a deal on Oct. 22 with U.S. exporter Cheniere Energy to buy 4 million tonnes of LNG annually through 2054. The purchase price is indexed to the U.S. Henry Hub benchmark gas price plus a fixed fee, which was not disclosed. Deliveries are expected to begin in the 2030s.

The gas that Doha will buy is less than 1% of the global LNG trade of more than 400 million tonnes. But “in terms of an individual deal, this is about as big as you see in the U.S,” said Alex Munton, director of global gas and LNG at Rapidan Energy in Houston. The deal signals how the Iran war is reshaping global energy markets to the benefit of U.S. companies, cementing the dominance of American LNG exporters. Shares of Cheniere and Venture Global, the other independent U.S. LNG player, have gained 26% and 40%, respectively, since the start of the war.

Qatar was second only to the U.S. in LNG exports before the war. But shipments have collapsed in the eight months since Iran bombed its key production facility. The attack took out about 17% of Qatar’s LNG capacity. It will take about three years to repair the damage, Qatar’s energy minister has said. With its deliveries cut back, QatarEnergy is expanding its LNG trading business with the Cheniere deal, Munton said. It has secured a $3 billion loan from Chinese banks to secure more U.S. LNG to honor its international delivery commitments, said Manav Gupta, a UBS analyst, in a note to clients Oct. 22.

QatarEnergy looks for additional LNG supplies outside Persian Gulf

(Bloomberg; Oct. 22) - QatarEnergy is seeking additional liquefied natural gas supplies outside the Persian Gulf after announcing its first agreement with Cheniere Energy, according to people familiar with the matter. QatarEnergy remains in discussions with multiple LNG sellers for offtake supplies, including from the U.S., the people said, who asked not to be named as the talks are private. A spokesperson for QatarEnergy did not immediately respond for comment.

This adds to QatarEnergy’s growing portfolio of supply outside the Persian Gulf, a push that has gained urgency since the prolonged Iran conflict damaged two of its production units early in the war. QatarEnergy has also expanded its trading capabilities, backed by

the world's largest fleet of LNG tankers, allowing it to source cargoes from a wider range of locations for customers.

"Qatar needs to rebuild its credibility by offering at least one alternate source of supply," said Ira Joseph, senior research associate at Columbia University's Center on Global Energy Policy. "Along with U.S.-sourced volume, expect one in Asia as well." Qatar, once the world's biggest LNG exporter, has sharply reduced output because of security risks to shipments through the Strait of Hormuz. Qatar also holds a joint venture in Golden Pass LNG in Texas, which remains in startup mode and is eventually expected to have capacity to produce 18 million tonnes a year.

Qatar signs long-term deal for LNG from Louisiana/Texas exporter

(Bloomberg; Oct. 22) - QatarEnergy signed a deal with Cheniere Energy to buy 4 million tonnes a year of liquefied natural gas through 2054, the Middle East nation's first such U.S. offtake deal as its own production has been throttled by the Iran war. This deal comes as Qatar, one of the largest LNG exporters before the conflict, looks to supply customers who have had their shipments disrupted after the Gulf nation's Ras Laffan facility was damaged during the war. QatarEnergy has also been forced to dramatically reduce flows as shipping traffic through the crucial Strait of Hormuz remains in turmoil.

QatarEnergy will buy 2 million tonnes a year of LNG from each of Cheniere's two plants, Sabine Pass in Louisiana and Corpus Christi in Texas, according to a statement on Oct. 22. Delivery will begin in the early 2030s and continue through 2054. Out of the committed volumes, 1 million tonnes a year from Sabine Pass is subject to a final investment decision on the expansion phase at that facility.

Qatar in talks with Venture Global for additional U.S. LNG supply

(Reuters; Oct. 22) - QatarEnergy is in advanced talks with Venture Global for a long-term supply deal to buy at least 3 million tonnes of LNG per year, three people with knowledge of the negotiations told Reuters. QatarEnergy has been buying liquefied natural gas on the spot market from Venture Global to supply some of its customers due to the ongoing blockage of the Strait of Hormuz as the U.S.-Israeli war on Iran and Tehran's strikes this year have sharply curtailed shipping from the Persian Gulf supplier.

Reuters could not immediately learn the timeline of any agreement between Venture Global and QatarEnergy, or how long a contract could run. Neither company immediately responded to requests for comment. Venture Global is the U.S. supplier with the most uncommitted LNG capacity and could become the second largest exporter in the country when it starts producing from its CP2 plant currently under

construction in Louisiana. An agreement could become the second major long-term deal that QatarEnergy signs with a U.S. exporter this year.

On Oct. 22, Cheniere, the largest U.S. exporter of liquefied natural gas, announced a long-term deal to supply QatarEnergy with 4 million tonnes per year from 2031 to 2054. Two million tonnes per year will be sourced from Cheniere's Sabine Pass facility in Louisiana, and 2 million tonnes will come from its Corpus Christi terminal in Texas.

U.S. operator approves $4.7 billion investment in 2 gas pipelines

(Reuters; Oct. 21) – U.S. pipeline operator Kinder Morgan said on Oct. 21 it has approved a total of $4.7 billion as its share of investments in two major natural gas pipeline joint ventures, citing rising demand from power plants, data centers and LNG exporters. The projects helped lift Kinder Morgan's gas project backlog to a record level, underscoring the industry's efforts to expand infrastructure to serve growing demand.

Kinder Morgan would invest about $3.1 billion in Southern Natural Gas' Southeast Connector project and $1.6 billion in Natural Gas Pipeline Co. of America's Permian Link project. The Southeast Connector would transport up to 2.6 billion cubic feet per day of gas through 470 miles of new pipeline to growing markets in the Southeast.

The Permian Link is designed to move roughly 2.8 bcf a day of gas from the Permian Basin near Pecos County, Texas, to NGPL's Midcontinent system through about 434 miles of new pipeline. Permian Link will supply gas to power providers serving an investment-grade hyperscale data-center customer, Kinder Morgan said. The Permian Link is expected to enter service in the third quarter of 2030, while Southeast Connector is expected to start in phases beginning in the fourth quarter of 2030.

Russian company reportedly behind proposed Alaska gas project

(Financial Times; London; Oct. 23) - The former chief executive of a $25 billion Alaska liquefied natural gas export venture has accused Russian energy giant Novatek of secretly controlling the project, triggering a mass resignation of company leadership over fears of violating U.S. sanctions. The company, Polar Train LNG, wants to develop a facility on Alaska's North Slope, part of a Trump administration initiative to expand U.S. energy exports to Asia and strengthen its position in global energy markets.

The venture was launched with the involvement of Gentry Beach, an investor with ties to President Donald Trump's family. It has also featured in high-level negotiations between Washington and Moscow over potential deals that could help secure an end to Russia's war in Ukraine, according to people familiar with the discussions. Polar LNG was launched in March with plans to repurpose a partially constructed Novatek gas

terminal for installation in remote Alaska. The company sought permission from U.S. sanctions to negotiate with the Russian group but had not yet received approval.

Joel Riddle, Polar LNG's American CEO, said he discovered Novatek was already financing the venture and directing its operations before the necessary approvals were obtained. He resigned in September, followed by almost the entire executive leadership team. The allegations raise questions about the extent to which Russian commercial interests are seeking a foothold in the U.S. energy industry. Polar LNG said in a statement that Riddle was a "disgruntled employee" and was fired from the company.

A White House official said: "This has only been broadly and briefly mentioned to the [administration] but no granular discussions have occurred." Novatek said it had agreed to grant Abu Dhabi-based Tech Wave Industrial Projects Management the right to use its technology in Alaska and signed a memorandum of understanding in April with Polar Train. Under the terms being negotiated between the U.S. and Russia, Novatek would lend its expertise to help build the facility in Alaska in exchange for lifting U.S. sanctions on its own Arctic LNG 2 project, the people said.

Brent crude settles near $117, highest level since April

(Bloomberg; Oct. 22) - Brent oil finished out the week at the highest level since April as intensifying attacks on Saudi Arabia added to supply concerns already stoked by the U.S.-Iran war. The global crude benchmark settled below $117 a barrel on Oct. 23, up more than 6% for the week, while West Texas Intermediate closed above $103. Iran-backed Houthi militants claimed recent attacks on the Saudi Red Sea port of Yanbu, as well as deadly strikes on an oil field and airport in the kingdom.

"Weekend escalation fears are adding fuel," said Rebecca Babin, senior energy trader at CIBC Private Wealth Group. "Even as geopolitical analysts play down the likelihood," traders are nervous, she added. Brent is up more than 85% this year because of the U.S.-Iran war, which is now approaching its ninth month. Refined-product prices have risen even faster, most notably diesel. More recently, however, flows through Strait of Hormuz have surged, weighing on physical markets even as futures climb.

"Beyond escalation in the Middle East conflict, freight rates have increasingly become the important marginal driver, with elevated landed prices for refiners potentially putting a cap on crude oil upside as weaker margins may limit refiner runs," said Ryan McKay, senior commodity strategist at TD Securities. "This, however, would ultimately keep refined products extremely tight."

Australian bank warns oil could hit $150 if Iran war intensifies

(Australian Financial Review; Oct. 21) – The Australian bank Westpac has warned clients that oil prices could surge toward $US150 a barrel in the first half of next year if the Iran conflict continues to intensify, despite a recovery in exports in recent weeks. Renewed hostilities in the Persian Gulf, including the Houthis' attack on energy infrastructure in Saudi Arabia, the world's third-largest oil exporter, have pushed prices higher in recent weeks.

Westpac head of business and industry economics Sian Fenner warned that if the U.S. and Iran fail to reach an agreement to end the months-long war by next year, it risks a "deeper and more prolonged global deficit" in the world's oil supply. The bank said further violence following the U.S. midterm elections in November was a near-term risk for higher oil prices. "Talks are still ongoing in the background, with the U.S. and Iran exchanging proposals to reopen the strait, but the gap between them remains wide."

Higher insurance costs for shippers are also contributing to high prices. The price of charting a tanker from the Persian Gulf to China is now 15 times higher than a year ago, said Fenner. Westpac's warning came after the International Monetary Fund released modelling showing that a prolonged conflict that pushes oil to $US130 through the March quarter could shave one half of a percentage point from global economic growth next year, and lift inflation by 1.1 percentage points.

Iran has run out of oil stored aboard tankers at sea in Asia

(Wall Street Journal; Oct. 21) - For most of the war, Iran had an invaluable cushion: dozens of oil tankers holding millions of barrels of crude sitting safely in waters in Asia. Tehran steadily sold the oil to China, bringing in billions of much-needed cash. Now, that floating storage is gone. By mid-October, the reserves were fully depleted, according to analysts at Kpler, as a U.S. naval blockade prevented Iran from replacing the crude it normally sells to Chinese refineries. "There's no more oil to discharge to China anymore," said Homayoun Falakshahi, head of crude-oil analysis at Kpler.

The drop in oil revenue is a further blow to Iran's struggling economy, already facing runaway inflation and widespread shortages. The floating storage has been part of an elaborate system Iran developed over the years to get oil to its main customer, China, despite U.S. sanctions. Instead of sending oil directly to Chinese refineries, tankers linked to Iran ferried the crude to waters off the coast of Malaysia and Singapore. They transferred the oil to other tankers that moved it to Chinese refineries. The subterfuge made it harder for the U.S. to track the flow of oil and punish sanctions violators.

The waters off Malaysia and Singapore also became a useful place to store oil. Oil analysts say Chinese payments for Iranian oil can take around two months to arrive, meaning Tehran may still receive a trickle of funding from past sales in the weeks

ahead. According to Kpler, by the start of the war in February, Iran had around 135 million barrels located overseas, likely worth around $10 billion or more after the price of oil surged. Those reserves had fallen to less than 1 million barrels by Oct. 5, and have since been completely exhausted, according to Kpler.

Rising freight rates cause global oil market to fragment

(Bloomberg commentary; Oct. 22) - With oil, as with real estate, it's all about location, location, location. The oil market has never been truly global, but rather a loosely connected collection of regional sources. When prices diverged, barrels were shuttled to the most lucrative destination. But with freight rates ballooning to prohibitively expensive levels, the region-to-region flow has been disrupted and the market is fragmenting.

The worldwide supply-and-demand balance, which historically set what one could call the global price, no longer has the same influence. Instead, the idiosyncrasies of each region are dictating local prices, with crude eye-wateringly expensive in places where there's a shortage and trading at bargain where there's a surplus. The effect is clear from looking at what a barrel costs where. North Sea crude delivered in Rotterdam? That's $125. U.S. shale oil in the Gulf of Mexico? About $100. Canadian crude in the U.S. Midwest? Around $70. Omani crude shipped to southern China? Closer to $150.

Regions with an oil deficit, like Europe, are paying higher prices for nearby barrels with low shipping costs, well above what regions with a surplus pay for local supply. Before the war in Iran, regional price differences typically didn't exceed a few dollars, with the variances mostly due to quality deviations between grades of crude. But freight charges are distorting the market. The dislocation means that regions that enjoy a surplus (the Americas) are seeing much lower prices than regions in deficit (Europe and East Asia).

Saudi Aramco working to boost East-West pipeline capacity

(Wall Street Journal; Oct. 22) - Saudi Aramco is working to increase the capacity of its East-West oil pipeline network to 10 million barrels a day as the kingdom seeks to strengthen alternative export routes amid disruptions to Middle East energy supplies, Chief Executive Amin Nasser said. Nasser in an interview aired Oct. 22 on Al Arabiya Business said Aramco is conducting engineering studies for additional crude-export routes as it works to reduce its exposure to disruptions along major shipping corridors.

The East-West pipeline, which connects Saudi Arabia's oil-producing Eastern Province to the Red Sea port of Yanbu, has a capacity of around 7 million barrels a day, including roughly 2 million barrels for domestic refineries. The East-West network has played a critical role in maintaining Saudi exports since the Middle East war began in February.

Nasser said the pipeline had helped prevent oil prices from climbing even further during the conflict, while warning that global inventories remain below required levels.

Iraq sells its oil at steep discount to cover shipping and insurance

(IraqiNews.com; Oct. 25) – Iraq recently sold 10 million barrels of oil via its southern ports at a discount ranging from $25 to $28 per barrel. Sources told Attaqa News that most of these shipments were acquired by Indian companies and that the loading took place at the southern ports a few days ago. Iraq has been unable to sell any oil at a price higher than $100 per barrel since the outbreak of fighting in the Middle East, according to two more sources, even though world prices have risen to almost $117.

A source at the State Oil Marketing Organization said Iraq has not been able to sell oil for more than $85 per barrel. About a month ago, the company sold some shipments of light crude at around $90. Due to its inadequate tanker fleet, Iraq has resorted to giving substantial discounts since the start of the war, often as much as $32 per barrel.

The spokesperson for the Ministry of Oil, Salim al-Rikabi, said oil sales are still being conducted via the southern ports, and there are variable discounts in place to cover transportation and insurance costs for the purchasing companies. Recently, Iraq's average oil exports have risen to approximately 3.2 million barrels per day, according to statements made by Oil Minister Basim Khudair to the official news agency.

Venezuela may not have as much recoverable oil as it claims

(The Associated Press; Oct. 22) - A single figure sets Venezuela apart from the rest of the world: 303 billion barrels of so-called proven oil reserves. But experts say the country's estimate is inherently problematic and far from proven — rooted in exaggerated, aging data from a corrupt government. The number has long been touted by politicians and investors as an important measure of untapped energy potential, most recently by President Donald Trump's administration in detailing a sweeping deal for the U.S. to take control of some Venezuelan reserves.

But a more realistic estimate of the country's proven reserves — a gold-standard metric, representing the amount of oil that can reasonably be extracted under current conditions — is about one-third of what it has reported, half a dozen experts told The Associated Press. They put the likely figure at 60 billion to 120 billion barrels, a vast amount but not enough for Venezuela to remain the world's largest holder of reserves.

The distinction is an important one as Venezuela and the U.S. attempt to attract new investment into the country's dilapidated oil industry, and it suggests that the deal Trump announced in August claiming the U.S. would ultimately control more than 65 billion

barrels of Venezuela's proven oil reserves is much less profitable than he asserted. "That's a funny, funny proposal," Evanan Romero, a former Venezuela energy official now based in Houston, said of the deal, adding that he believes the Trump administration didn't fully research the country's claims before wading in.

Russia's Vostok Oil loads first tanker from new Arctic terminal

(Bloomberg; Oct. 22) - Along Russia's remote Arctic coast last month, Igor Sechin stood beside a waiting tanker in the freezing cold with a message for Vladimir Putin: After years of construction, the country's next great oil frontier was finally coming to life. Hundreds of miles of pipeline now connected oil fields to storage tanks and a new port for Vostok Oil, part of an almost $50 billion investment. With Putin watching by video link, Sechin, the powerful head of state-run Rosneft, asked to begin loading the first tanker with crude. "Permission granted," Putin said.

The ceremony carried particular weight for Russia's increasingly battered oil industry. Years of war and sanctions are making it harder for its oil producers — including Rosneft, the nation's largest — to maintain volumes today while developing reserves for tomorrow. Rosneft's Vostok Oil project was supposed to show Russia could still do both. Sechin said it would add as much as 10% to the country's current output by 2030 and supply billions of barrels to world markets for a century or more.

But the milestone obscured a more complicated reality: Years behind schedule, Vostok Oil is still far from becoming Russia's new oil province. The vast majority of crude flowing through the costly new Arctic network has been diverted from fields that have been producing for years. Just before the terminal opened in September, new oil fields in the Payakha cluster, expected to become key assets of Vostok Oil, accounted for less than 5% of its flows, according to a person familiar with the data, who asked not to be identified to discuss sensitive matters that aren't public.

Phillips 66 looks outside the state to supply California with fuels

(POLITICO; Oct. 22) - Big Oil wields immense power in California politics and has been a thorn in Gov. Gavin Newsom's side for years. Now, there's a crack in the coalition's unified front. That could have major ramifications for the future of oil in the state. In August, Phillips 66 announced plans for a first-ever pipeline to carry gasoline and other refined fuels into California. The new project has the potential to loosen the iron grip that California's major oil refiners have on the state's fuel market by establishing a new source of gasoline for a state that has, for decades, relied on local producers.

The proposal is only the latest example of how Phillips 66 is charting its own path. In December of last year, the company idled its last remaining California refinery. In

January, it left the Western States Petroleum Association, the powerful oil industry lobbying group that frequently pushes the state to swat away environmental regulations and adopt business-friendly policies. The company also started pushing last year for California to boost production of renewable jet fuel, which is made without petroleum.

Other companies in the industry association continue to advocate for more traditional policies, doubling down on in-state drilling and refining. But Phillips 66 is embracing a future vision of California where the state relies on a more diverse fuel supply system — a vision that includes bringing in gasoline from other states, and producing fuels from plant and animal-based oils. This break highlights the fact that, despite the propensity of politicians and environmentalists to speak about California's fossil fuel industry in monolithic terms, the state's oil companies are, in reality, fierce competitors.

Maine sets new record for heating oil at $6.04 a gallon

(WMTW TV; Maine; Oct. 22) - For the second time in a month's span, the average statewide price of heating oil in Maine has hit a record high. The Maine Department of Energy Resources announced on Oct. 22 that its latest weekly survey of Maine heating fuel prices shows the average statewide price was $6.04 per gallon as of Oct. 19. The previous record high average statewide price of $6.02 per gallon was set on Sept. 21.

The department said the average statewide price of $6.04 per gallon marked an 83% increase in price from this time last year. Based on a standard 275-gallon oil tank, Maine residents are estimated to pay approximately $750 more to fill their tank to capacity than they would have one year ago, according to the department. Approximately 50% of all Maine households rely on fuel oil as their primary heat source, but the department noted that figure has declined steadily from 70% in 2010.