Oil and Gas News Briefs
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Logistical challenges keep oil above $100 a barrel

(Reuters commentary; Oct. 5) - Middle East crude exports recently climbed to their highest levels since the start of the Iran war as more Gulf producers resume transit through the Strait of Hormuz — despite the continued threat of Iranian attacks. Yet oil prices remain stubbornly high, suggesting logistical problems are proving as disruptive as outright supply losses. Flows through the embattled waterway reached 14.2 million barrels per day on a seven-day average on Sept. 26, nearly 80% of pre-war levels.

So why is Brent still trading above $100 per barrel? In a word, logistics. For decades, the global oil industry functioned as a finely tuned system designed to move enormous volumes of crude and fuels over long distances at the lowest possible cost. The conflicts in the Middle East and Eastern Europe have fractured that model, as a combination of record-high tanker rates, soaring insurance costs and a severe shortage of refining capacity has created bottlenecks across the energy supply chain.

Those problems may take months, if not years, to unwind, leaving consumers facing persistently high energy bills. Freight and insurance costs, once a relatively minor component of the delivered price of oil, have become major price drivers. At the same time, buyers are increasingly sourcing crude from the Atlantic Basin and shipping it to Asia over longer routes, further tightening tanker supply. The result has been a surge in key tanker rates to record highs. As a result, freight costs that once accounted for around 3% of the delivered price of a barrel now represent roughly 27%.

The loss of refining capacity in the Middle East and Russia, where Ukrainian drone attacks have crippled dozens of plants, has compounded the problem, particularly for diesel, which has surged to record highs. The resulting combination is that oil prices are no longer primarily a function of supply, but of the industry's ability to transport and process crude — making it much more challenging to bring prices down.

Ferrying oil out of the Persian Gulf can cost $15 to $20 a barrel

(Wall Street Journal; Oct. 5) - Oil is pouring out of the Persian Gulf at the fastest rate since the start of the Iran war, even as a recent uptick in attacks threatens the flow. The cost of getting it out is eye-watering — up to $40 million for a multiday trip. For Gulf oil producers, it's worth it. Leaving the oil stranded is still economically worse than taking on the freight cost and selling oil at thinner margins.

So, Gulf producers have turned to hiring very large crude carriers, known as VLCCs, to complete a perilous journey known as a “shuttle run.” Tankers enter the Gulf via the Strait of Hormuz, load at ports, exit the strait, then transfer the oil to another ship waiting just outside of the waterway. These are new economics for the strait, where a wartime gold rush has pushed producers to swallow record freight costs just to keep oil moving; shipowners are reaping some of the best returns the industry has seen in decades; and the sailors who make the dangerous crossing are being paid like never before.

The financial rewards come with substantial risks, and costs. Oil producers are shelling out between $30 million and $40 million for a round-trip in and out of Hormuz — or $15 to $20 a barrel, excluding insurance, according to shipbrokers. “For many shipowners, the current market is generating revenues at levels rarely seen in the industry’s recent history,” said Dimitris Maniatis, founder and CEO of maritime-risk company Marisks.

Ferrying oil directly from the Persian Gulf to global markets is also more expensive than ever. The cost of hiring a supertanker to sail from the Gulf to China topped $1.2 million a day in late September. On the eve of the war, that cost was about $231,400 a day, according to maritime data provider Clarksons Research. Meanwhile, the shuttle-run bonanza is trickling down to individual sailors. Those willing to work the war-zone trips are lured with payouts two or three times their typical monthly salary.

Global oil stockpiles ‘scarily thin,’ says Saudi Aramco CEO

(Bloomberg; Oct. 5) - The oil stockpiles that cushion the world from supply shocks have become “scarily thin,” putting markets at risk of worsening unless the Strait of Hormuz reopens, according to the head of Saudi Arabia’s state producer. The head of the world’s single largest crude exporting company was speaking just days after governments in the world’s biggest economies announced plans to release as much as 100 million barrels of emergency oil and diesel stocks to ease rising fuel costs.

“Until Hormuz fully reopens and confidence returns, the crude reality is that pressure at both ends of the barrel will intensify,” Amin Nasser, CEO of Saudi Aramco, said at the Energy Intelligence Forum in London on Oct. 5. “While the squeeze on crude is serious, refined fuel prices have risen even more sharply.” Countries will require even more supply for at least the next two years while rebuilding their inventories, Nasser said. That could mean additional demand of at least 2 million barrels a day, or even more if governments decide to increase the amount of oil they hold in stockpiles, he said.

When the U.S.-Iran war began, the world had about 10 billion barrels of oil stocks, Nasser said. That has fallen to less than 6 billion, about 10% of which is practically available due to various technical restrictions, he said. Releasing part of what’s left in global stockpiles will buy economies some time but won’t fix the imbalances between supply and demand, Nasser said. Gulf producers are working to ramp up production and exports and have succeeded in boosting crude flows to near prewar levels.

Industry leaders say it will take a couple of years to refill oil stocks

(Reuters; Oct. 5) - Shipping bottlenecks, deep cuts in refinery output and inventory draws that could take years to replace will keep global oil prices high beyond this year, industry executives said at a conference in London on Oct. 5. "I think it is going to be bedlam for the bulk of the end of the year and maybe 2027," Petronas CEO Tengku Muhammad Taufik said. In his first conference address since the start of the Iran war, Amin Nasser, Saudi Aramco CEO, told the Energy Intelligence Forum in London it could take up to two years to refill global stockpiles drawn on as an emergency measure.

"Until Hormuz fully reopens and confidence returns, the crude reality is that pressure at both ends of the barrel will intensify. Even then, replenishing inventories while meeting demand could take up to two years," Nasser said. Both ends of the barrel refers to unrefined crude and refined products, such as diesel and jet fuel He added that 3 billion barrels of oil production have been lost since the start of the conflict, and 1 billion barrels have been withdrawn from global inventories.

Kuwait Petroleum Corp. CEO Shaikh Nawaf Al-Sabah said the focus is on moving more refined fuels to global markets and restoring Middle East refineries to full production as the impact of the Iran war has left the world with a shortfall of 6 million barrels per day of refined products. "There is not enough refining capacity in the world to make up for shuttered capacity in Middle East Gulf," Shaikh Nawaf said.

Persian Gulf exports topped pre-war levels for half of September

(Reuters; Oct. 5) - Gulf oil exporters topped pre-war levels for about half of September, shipping data showed on Oct. 5, though attacks on tankers and logistical constraints cloud the outlook for sustained higher flows. Ships transiting the Strait of Hormuz face a "heightened and increasingly unpredictable kinetic threat" given the recent sharp increase in traffic, Marisks, a shipping intelligence service, said on Oct. 3.

The seven-day average for exports from the region was 18.3 million barrels per day on Sept. 30, data from Kpler showed, with volumes topping pre-war levels on 14 days in September. That included oil sent through Hormuz, via the Red Sea and from terminals and ship-to-ship transfers in the Gulf of Oman. Shipments had earlier matched or exceeded pre-war levels on a few days in June and July, Kpler data showed, after Washington and Tehran reached a memorandum of understanding that later lapsed.

Exports from the region averaged about 18 million barrels per day in the 12 months before the start of the U.S.-Israel war with Iran, according to Kpler. The recent export surge has been driven by Saudi Arabia loading from both the Red Sea and the Gulf three weeks after a Sept. 10 attack on its East-West pipeline, Kpler said. It also has required more supertankers to shuttle oil through Hormuz, trade sources and analysts said, adding that ship-to-ship transfers in the Gulf of Oman have reached their limits.

Hormuz oil flows recover, but not so for diesel

(Wall Street Journal; Oct. 5) - Ships are ferrying almost as much crude oil out of the Strait of Hormuz as they were before the Iran war. But they are barely moving any barrels of the fuel the world needs most — diesel. For now, the distinction is paramount in American politics. President Donald Trump's team has explored a long list of options to arrest the skyrocketing price of diesel fuel, which factors into the cost of groceries, gadgets and just about everything else moved on semitruck beds.

The national average for a gallon of diesel hit a record $6.53 late last month. In California, where supplies are increasingly tight and fuel taxes are higher, diesel reached a historic high of $8.44 a gallon. "Consumers don't buy crude oil. They buy gasoline, jet fuel and diesel," said Andy Lipow, president of Lipow Oil Associates in Houston. "As a result of missile and drone strikes in the Middle East, several large refineries have been damaged. The world finds itself short of refined products."

The recovery in oil flows out of the Strait of Hormuz won't fix the problem anytime soon. As of Oct. 3, the seven-day average for crude-oil cargoes clearing the critical waterway between Iran and Oman reached 10.3 million barrels a day, or 76% of the prewar baseline, according to the data from market intelligence firm Kpler. But cargoes of oil products like gasoline and diesel came to 1.3 million barrels a day, accounting for only 11% of the overall flows — the rest was unrefined crude. Before the war, refined products typically represented more than 20% of the oil cargo passing through the strait.

Oil trader CEO says Western nations have drained their stockpiles

(Bloomberg; Oct. 6) - Oil inventories in Western countries have been exhausted as a result of the Iran war, the boss of the world's largest independent oil trader said, warning that fuel markets are likely to remain tight going into winter. "There aren't any more inventories to drain in the West," Russell Hardy, CEO officer of Vitol Group, said at the Energy Intelligence Forum in London on Oct. 6. "We drained the available inventory."

The Group of Seven nations and its partners announced on Oct. 2 that they would release 100 million barrels of emergency oil reserves after the Trump administration piled pressure on Europe to do more to quell soaring diesel prices. Hardy said the precise details of that release were "not fully transparent." Hardy's comments come a day after the CEO of Saudi Aramco warned that less than 10% of the world's 6-billion-barrel oil stockpile is practically available because of various logistics challenges.

Hardy also warned that a tight fuels market is likely to persist in the coming months. "Products are still in a very, very tight situation, and that will probably roll forward for a little bit longer as we go through winter," he said.

Mideast oil CEOs say world needs to help pay for war-related costs

(Bloomberg; Oct. 6) - The heads of two of the Middle East's biggest oil producers warned that the rest of the world will have to share the burden of paying for the Iran war and the need for infrastructure spending that it has created. The conflict has led to widespread damage to oil pipelines, refineries, natural gas plants and dozens of tankers, racking up a bill for new investment that is in the tens of billions of dollars.

Amin Nasser, CEO of Saudi Aramco, and Sheikh Nawaf Al-Sabah, his counterpart at Kuwait Petroleum Corp., told the Energy Intelligence Forum in London on Oct. 5 they were looking to expand export-route and overseas-storage capabilities. The KPC boss said that if European nations want Kuwaiti-made fuels like diesel and jet fuel, they will have to invest in the infrastructure to store the products. "No country should face this alone," Nasser said. "Oil and gas infrastructure is not a cost to be minimized or avoid. It is a collective necessity for producers and consumers alike."

Sheikh Nawaf said the need to store fuels is particularly acute in Europe, where Kuwait had become a major supplier of refined products even before the conflict. The continent now has been thrust into an energy crisis, with diesel in especially short supply. Kuwait is now discussing investments with European partners to store more refined fuels closer to consumers, he said.

Global buyers increasingly dependent on U.S. LNG

(Bloomberg; Oct. 5) - The war in the Middle East is accelerating a trend that's been going on for several years now: The world is becoming increasingly dependent on U.S. liquefied natural gas. The shale revolution that transformed the country into the world's biggest oil producer has also underpinned its emergence as the top LNG exporter. This year, after about a fifth of global supply of the fuel became trapped behind the Strait of Hormuz, U.S. dominance has become more cemented.

Around a third of the world's LNG exports originated from the U.S. last month. That's up from 25% last year and 20% in 2022. With shipments slated to double by the end of the decade, this trend is set to continue. There are clear benefits to the shift. It's helped to blunt the impact of the sudden loss of Qatari supply earlier this year. Global LNG exports were down just 3% in September from a year earlier. Prices in Europe and Asia have still surged to multiyear highs, but the market has so far avoided the kind of blowout seen in 2022 following Russia's full-scale invasion of Ukraine.

The U.S. is also one of the few places capable of adding substantial new supply, making it increasingly attractive to Asian buyers seeking long-term contracts to reduce their reliance on the Middle East. But having so much of the world's LNG supply come from one country creates new vulnerabilities. A severe hurricane season on the U.S. Gulf Coast could knock out major export plants and trigger supply shocks from London

to Tokyo. There's also a political risk. U.S. dominance creates opportunities for Washington — depending on who occupies the White House — to exploit its leverage.

CEO says high LNG prices could cause 'demand destruction'

(Bloomberg; Oct. 5) - Surging LNG prices risk destroying demand for the fuel and triggering a "bloodbath" in global markets, according to Malaysia's Petroliam Nasional Chief Executive Officer Muhammad Taufik. The LNG market "is going to be a very, very, very, very tight market" this winter, particularly if Europe's gas storage that's at a multi-year low ahead of winter season "gets more compromised," Taufik told reporters Oct. 5 on the sidelines of the Energy Intelligence Forum in London.

"We want to avoid a situation where we have a bloodbath in LNG markets," when soaring spot prices begin to chip away at longer-term demand, he said. Asia, home to many of the world's largest LNG buyers, is facing one of its biggest supply shocks in years after the war in Iran and near-closure of the Strait of Hormuz choked off cargoes. The disruption threatens to intensify competition with Europe, where gas inventories are at their lowest since 2009, for alternative supplies from the U.S. and elsewhere.

Asian buyers paying about $25 to $28 per million Btu for LNG "aren't flinching yet," Taufik said. "And I don't know where it stops, and if it hits $40 to $50, people may start switching to other less sustainable, less responsible" forms of energy. "We don't want demand destructed," he said. Asia's heavy reliance on imported energy has left it particularly exposed to the Middle East conflict. Some countries had sourced about 60% to 70% of their LNG imports from the Middle East, Taufik said earlier during the forum.

Qatar amasses fleet of empty LNG tankers in Persian Gulf

(Bloomberg; Oct. 7) - Qatar has amassed a fleet of empty liquefied natural gas tankers in the Persian Gulf, a sign that one of the world's biggest exporters of the fuel may be preparing to boost shipments through the Strait of Hormuz. At least 12 carriers owned or chartered by QatarEnergy are in waters near the country, according to a Bloomberg News analysis of satellite images and ship-tracking data. Together, the vessels can hold about 1.1 million tonnes of LNG, roughly 2% of the capacity of the global tanker fleet.

There's no guarantee the vessels will sail through Hormuz once loaded, particularly as Iranian attacks have intensified. A Greek-owned LNG carrier was hit by an unidentified object while sailing near the waterway, Athens News Agency reported on Oct. 6. But even the prospect of additional tanker flows could help to temper global gas prices, which rallied to the highest since late-2022 in Asia and Europe last month.

LNG traffic through Hormuz rose in September to the highest since the war began, but shipments remain about 75% below February levels, before the U.S. and Israel attacked Iran. The market is now watching to see if the initial recovery in LNG shipments will continue. Oil shipments have rebounded sharply over the past few months. However, much of the crude has been loaded onto other ships in the Gulf of Oman in a tactic known as shuttling. Such transfers are technically more difficult with LNG.

Qatar LNG expansion moves toward production startup

(Reuters; Oct. 7) - The first liquefied natural gas train under QatarEnergy's North Field East expansion project will be ready to start operation in November, two people aware of the company's plans said, offering Qatar a path to restoring some output lost to Iranian attacks. Launching the liquefaction train would be a major milestone for the world's largest LNG expansion project at a time when Qatar is recovering from damage caused by attacks on Ras Laffan, which wiped out 17% of the country's LNG capacity.

Ongoing LNG production from the new train is expected to start in the first quarter of 2027, the people said. QatarEnergy did not immediately respond to Reuters' request for comment. QatarEnergy Chief Executive Saad al-Kaabi said last month that the project was expected to begin production in the first half of 2027 despite the U.S.-Israeli war against Iran and the disruption to shipping through the Strait of Hormuz. At full build-out, the expansion is planned to add 32 million tonnes of annual production capacity.

Mehdy Touil — lead LNG specialist at Calypso Commodities, which develops AI solutions for LNG — said the next major step will be the introduction of feed gas, followed by a gradual progression over several weeks toward the first LNG production. "A sustained ramp-up will ultimately require the resumption of unrestricted transit through the Strait of Hormuz, but I expect QatarEnergy to have the first (North Field East) train ready regardless," he added.

U.S. LNG supplier in talks with Chinese buyers

(Bloomberg; Oct. 6) – U.S. liquefied natural gas exporter Venture Global is in talks to sell the fuel to additional Chinese buyers as the Iran war roils global shipments, spurring China to seek to diversify its sources of supply. Venture Global has been holding early-stage discussions for long-term contracts with at least three Chinese LNG importers, including PetroChina, to supply fuel from the American company’s export facilities in Louisiana, according to people familiar with the matter.

For PetroChina, the supply would total more than 1 million tonnes per year, said the people who declined to be identified because the discussions were confidential. Venture Global signed a rare deal with a Chinese company last month for supply starting in

2030. A spokesperson for Venture Global declined to comment. PetroChina didn't respond to a request for comment. The discussions signal that Chinese companies are warming up to the prospect of procuring more U.S. supply.

That's even though Beijing imposed tariffs on American LNG in 2025 in response President Donald Trump's trade war. China, the world's largest LNG importer, is heavily reliant on shipments of the heating and power-plant fuel from the Middle East. But the Iran war has called into question the security of that supply after attacks choked tanker traffic through the Strait of Hormuz and forced Qatar to shut a major export facility.

South Korean ship manager takes over LNG tankers in Russia trade

(gCaptain; Oct. 6) - A newly established South Korean ship manager is emerging as a potential new player in Arctic LNG shipping, taking control of four ice-class LNG carriers while planning a rapid expansion into the specialized fleet needed to transport gas along Russia's Northern Sea Route. Busan-based IOB Co. said it has begun operations with four Arc4 LNG carriers and plans to add three to six Arc7 vessels next year, followed by additional Arc7 newbuilds under management from 2028.

The four Arc4 vessels were built by South Korea's Hanwha Ocean in 2024 and 2025 for Japan's Mitsui O.S.K. Lines. Their ownership and management have recently shifted into a structure linking Russian gas producer Novatek with IOB. Shipping databases show the vessels under new ownership arrangements, while IOB identifies itself as their manager and says it specializes in ice-class LNG carriers on the Northern Sea Route.

The development comes after the four ships spent months largely idle following sanctions-related uncertainty. Three of the vessels were sanctioned by the European Union in May 2025 over their involvement in Russian LNG trades. The EU removed them from its sanctions list two months later after MOL provided assurances that they would no longer transport Russian energy. The development also adds another piece to South Korea's increasingly prominent role in Arctic shipping. South Korean shipyards have built a large share of the specialized LNG carriers serving Russia's Arctic projects.

Alaska LNG developer says low shipping costs are an advantage

(Reuters; Oct. 4) - Alaska LNG's developer said the project's access to stranded natural gas and shorter shipping routes to Asia will make it competitive with U.S. Gulf Coast rivals, despite questions from some analysts about the project's massive infrastructure costs. When the project is online, the cost of shipping gas to Asia from Alaska would be at least 65% less than shipping LNG from the Gulf Coast, said Tim Fitzpatrick, communications director for project developer Glenfarne, in an Oct. 4 email to Reuters.

The proposed project, backed by President Donald Trump, would move gas from Alaska's North Slope through an 800-mile pipeline to a liquefied natural gas export plant in southern Alaska. A key question has been whether lower shipping costs justify the billions of dollars needed to build the infrastructure. Critics have pointed to the project's estimated cost of $44.5 billion to $54.5 billion, which translates to roughly $2.2 billion to $2.7 billion per million tons per year of LNG capacity. That is significantly higher than many recently approved Gulf Coast developments.

But developer Glenfarne argues that the comparison is misleading because it includes the expense of pipeline and gas treatment infrastructure needed to bring stranded North Slope gas to market. Glenfarne argues the project's competitiveness should be measured by delivered LNG costs, rather than upfront spending.

Australia wants to reassure Japan of stable LNG supplies

(Australian Financial Review; Oct. 5) - Australian officials have launched a concerted effort to reassure Japan that a new domestic gas reservation policy will not threaten liquefied natural gas supplies, as one of the country's biggest customers warns it will need to diversify its energy purchases. Treasurer Jim Chalmers used a major Australia-Japan business gathering near Tokyo on Oct. 5 to promise executives that Australia would remain a dependable energy supplier, directly addressing concerns about Canberra's plan to reserve 20% of gas exports for domestic users.

"Japan has no energy provider more loyal than Australia," Chalmers told the conference. The comments are part of a broader Australian charm offensive in Japan, where uncertainty over the policy has unsettled energy companies that have invested billions of dollars in Australia LNG projects and depend on the country for long-term supply. Chalmers is meeting more than 30 CEOs, investors and business leaders, including executives from industrial giants Mitsubishi and Mitsui, during his Japan visit.

Japan, which imports about 40% of its LNG from Australia, has repeatedly stressed the importance of predictable investment and export settings as it scrambles to secure energy supplies amid turmoil in the Middle East and soaring global prices. Japan State Minister of Economy, Trade and Industry Kei Takagi said Tokyo wanted greater certainty for investors as the two countries seek to maintain stable energy flows.

Nigeria wants to grow gas production for domestic needs, LNG export

(Reuters; Oct. 2) - Nigeria's domestic gas supply has crossed 2 billion cubic feet per day, as the government pushes to expand supplies to power plants and industries and reduce constraints on economic growth, the country's gas minister said on Oct. 2. Total gas production rose to 7.5 bcf per day from about 6.8 bcf per day in 2023, Minister of

State for Petroleum Resources Ekperikpe Ekpo said. Proven gas reserves have increased to 215.19 trillion cubic feet from 208.83 tcf, Ekpo said.

Nigeria is targeting production of 10 bcf per day by 2027 and 12 bcf per day by 2030 to meet growing demand from power generation, industry, fertilizer production, transport, petrochemicals and additional liquefied natural gas exports. Nigeria has exported LNG since 1999. To support higher domestic supply, the Obiafu-Obrikom-Oben pipeline has reached full completion and is being prepared for first gas, Ekpo said. The pipeline can move 2 bcf per day and is expected to unlock more than 500 million cubic feet per day of additional gas for the domestic market.

Oil billionaire wants to build refinery on Kenya's coast

(Wall Street Journal; Oct. 3) - For seven centuries, the low-slung shoreline of Lamu Old Town, set against the turquoise waters of Kenya's coast, has attracted traders and speculators alike. But few have wanted to stamp their imprint on its mangrove-lined seaboard as definitively as Africa's richest man, Nigerian oil magnate Aliko Dangote. The billionaire is laying the groundwork for a giant refinery across the bay from the 700-year-old Swahili trading port, which the United Nations has designated a global treasure on this pristine portion of Indian Ocean coast.

The plans set up a clash between Dangote and economically minded Kenyan officials who support the project and the jobs it promises, and tourism operators and environmentalists worried about the potential impact on Lamu and neighboring islands, as well as the character of a remote site that has proven remarkably resistant to change. Dangote Industries has already started soil tests and is ordering equipment for the refinery, according to group vice president Devakumar V.G. Edwin.

In late September, a Kenyan court ordered a pause to construction after more than 100 Lamu residents sued, alleging that the refinery threatened ancestral land where they had farmed and buried their families for generations. Kenyan officials say the $15 billion project would boost the nation's energy security and reduce East Africa's reliance on refined fuel imports from the Persian Gulf. The Kenyan government has acquired an equity stake in the project, which has strong political backing, bolstered by the fallout of the U.S.-Iran war on international energy markets.

China's independent refiners find alternatives to Iranian crude

(Reuters; Oct. 6) - Chinese independent refiners have stepped up purchases of crude from Iraq and Qatar for October and November delivery to replace dwindling Iranian supplies, as exports from other Gulf producers through the Strait of Hormuz recover,

traders said. Strong demand for non-sanctioned Gulf crude from private refiners has helped support the market after supply disruptions from the U.S.-Israeli war with Iran.

Chinese refiners bought at least 12 million barrels of Iraqi and Qatari crude from trading houses Mercuria, Totsa and Trafigura, according to three traders close to the deals. One estimated total purchases at 15 million to 20 million barrels. The cargoes were sold at premiums of $12 to around $20 a barrel to the ICE Brent benchmark on a delivered basis, the traders said. Most of the purchases were Iraqi Basra Medium and Heavy crude, among the cheapest Middle East grades available.

Buyers included Hongrun Petrochemical, Qicheng Petrochemical, Qirun Petrochemical, Hualong and Chambroad Petrochemical, the sources said. Iraqi oil has become the new benchmark for China's independent refiners due to its ample supplies and promptness, one trader said. China's independent refiners have relied heavily on discounted crude from sanctioned producers, particularly Iran, in recent years. But China's imports of Iranian oil nearly halved in September from a year earlier to 590,000 barrels per day, the lowest level since January 2023, according to data from analytics firm Kpler.

India’s coal inventories at power plants near 5-year low

(Bloomberg; Oct. 7) - Coal inventories at India’s power stations are close to a five-year low, with plants equivalent to more than 40% of the nation’s coal-fired capacity left with just four days of reserves or even less, a level that raises the risk of widespread blackouts. Unusually warm temperatures and erratic rains have kept demand for cooling, irrigation and industry strong through the day well into October, a month when the weather should typically begin to cool across the subcontinent.

The supply of coal, meanwhile, has been disrupted by heavy downpours that stopped work at some mines, and by continued bottlenecks in rail capacity — forcing plants to dip into inventories. As of Oct. 4, some 69 power stations — more than two-fifths of the nation’s coal-power fleet — had fuel for just four days or less, a level monitored as a minimum by plant operators. That’s the lowest since December 2021, during a post-pandemic energy crisis that hit India and other major consumers in the region.

India has seen breakneck solar and wind growth over the past decades, but coal still produces nearly 70% of electricity in the country, leaving the power system vulnerable to weather events, disruptions in transport or strikes at mines. Almost 90% of plants with low inventories are located away from coal mines. The disruption could have effects lasting into next summer, as the months through February, usually the coolest period in the country, offer a narrow window to rebuild coal inventories. Any interruption could hamper power plants’ efforts to prepare for heatwaves or unexpected spikes in demand.