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EDITORIAL: US midterm election results are unlikely to see Trump pull back from his war on Iran

Pains and gains

With just days until US midterm elections that President Donald Trump has framed as a referendum on his second term, he was this week still trying to convince US voters that starting a war with Iran was "one of the greatest things I ever did". Recent record-high US diesel prices are presumably just part of what he assured them will be "short-term pain, right, for long-term gain". But with "corruption in government" topping US voters' concerns even ahead of "high prices and inflation" and "fuel prices" in a Fox News poll this month, many are thinking more about who may be making gains from their pains.

Trump inadvertently hit upon those voter concerns at a campaign stop in Corpus Christi, Texas, when he celebrated the "gift" of a 1mn bl cargo of crude delivered by Venezuela-based Nabep. "We're celebrating the greatest oil victory in history," Trump said, reminding supporters of the US removal of Venezuelan president Nicolas Maduro, while keeping the rest of his more compliant regime in place as an interim government. "To the victor belong the spoils, right?"

Details of the unusual arrangement between Nabep and the US government remain obscure. Trump said the cargo came at "no cost" to the US. Nabep initially said it sold the crude "at cost", before reversing itself and toeing the official line. This and many other strange energy and economic deals struck by Trump in 2025-26 will become the targets of congressional investigations next year if, as expected, the Democrats take control of the House of Representatives and, possibly, the Senate in the 3 November elections.

Trump's visit to Texas shows the predicament he and the Republicans find themselves in following the strategic blunder of initiating a war with Iran that the US cannot easily conclude. Trump last visited the Corpus Christi oil terminal on 27 February to tout US oil and gas production growth and lower fuel prices under his presidency. He gave the order to attack Iran that very day, noting that he was not concerned about the risk of higher oil prices. But, eight months later, he has had to return to Texas to campaign on behalf of a candidate who appears to be struggling to carry what is normally a reliably Republican state.

Trump in a social media post claimed a more ambitious energy strategy that he implied will ultimately override energy risk in the Mideast Gulf: "By unleashing energy dominance from Alaska, all the way down to Venezuela, I have made the western hemisphere the energy capital of the world." But symbolic deliveries of effectively looted Venezuelan crude and formerly sanctioned Russian diesel will not offset for US consumers the price impact of energy market disruption caused by widening wars in the Middle East and between Russia and Ukraine.

The US oil and gas industry "is making an absolute fortune because of the situation in the Middle East", Trump reassured supporters. "Texas is now producing more oil and gas than at any time in its history," he said. But neither fact offers any obvious compensation to assuage US voters' prime concerns. Nor will they comfort the Mideast Gulf energy producers that have seen little but pain from the long-term bets they have placed on the Trump administration. If, as appears likely, the fallout from elections in Israel and the US is another escalation in their war on Iran, deepening economic disruption and pain for the Middle East, and the rest of the world, looks assured.

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BRAZIL

Lula may lean more on Petrobras in fourth term

Congressional constraints and fiscal pressures may see Lula pursue policy goals through the oil company, write Lucas Parolin and Constance Malleret

Incumbent Luiz Inacio Lula da Silva's surprising win in Brazil's presidential election is likely to mean a steady course for the country's hydrocarbons agenda and the strategy of state-controlled Petrobras. But with a recently elected right-wing majority in congress likely to push back against most of his policies, the president may rely more heavily on Petrobras and its profits to support his wider agenda.

Lula beat senator Flavio Bolsonaro in the presidential election run-off after trailing the challenger in the first round. His fourth term in office — he also served two in 2003-11 — is expected to be one of continuity for the oil and natural gas sector. The government is likely to focus on increasing crude production for export and pursuing lower domestic gas prices by increasing competition and production.

Brazil's crude output has been rising steadily through Lula's third term, reaching consecutive records. August production reached almost 4.6mn b/d, up from 3.8mn b/d in the same month in 2025, hydrocarbons regulator ANP says. The country expects to increase oil production to 4.9mn b/d by 2030, according to energy research firm EPE's latest projections.

It is still driving output from its prolific pre-salt fields, but it will also keep looking at other exploration frontiers such as the southern Pelotas basin and the equatorial margin. Lula has been a strong advocate of increasing production in the pre-salt and the new frontiers.

Production was also likely to keep growing under Bolsonaro or any other candidate. Crude surpassed soy as Brazil's largest export product for the first time in 2024. But Bolsonaro's and Lula's plan for the energy sector diverged mostly in their approach to state-controlled Petrobras.

During his election campaign, Lula spoke of Petrobras re-entering the fuel distribution market, which it exited after it sold its stake in BR Distribuidora in 2021, during the presidency of Flavio's father Jair Bolsonaro. Lula's last administration also halted Petrobras' divestment programme, but stopped short of repurchasing sold-off refineries or returning to fuel distribution.

But Petrobras' business plan is focused on upstream investment, and fiscal pressures may leave the government little room to manoeuvre on downstream pricing

The Lula government has framed state involvement in fuel distribution as a price-control mechanism in the face of rising consumer prices. But Petrobras' business plan is focused on upstream investment, and fiscal pressures may leave the government little room to manoeuvre on downstream pricing. "I don't see much scope for very heterodox policies in the oil and gas sector," said Edmar Almeida, a professor at the PUC-Rio university's Institute of Energy.

Vote of confidence

Foreign oil companies gathered at a conference in Rio de Janeiro before the elections pointed to Brazil as an increasingly attractive investment in deepwater pre-salt fields and new offshore exploration frontiers. Lula's shock re-election does not change this, particularly given ongoing risks and challenges to business in Russia, the Middle East and Venezuela, Almeida said.

Petrobras is also likely to continue expanding its biofuels business under chief executive Magda Chambriard, including a planned return to ethanol after exiting the sector in 2017. While Chambriard has stressed the importance of fossil fuels, her management has embraced Lula's view that oil and gas revenues can finance Petrobras' energy transition and investment in lower-carbon businesses.

Keeping Chambriard at the helm would maintain a degree of management stability for Petrobras that it lacked in 2018-24, which is likely to be welcomed by investors. A clearer indication of whether the firm's priorities will change in Lula's new term is likely to come with Petrobras' next five-year business plan, due to be unveiled in November.

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CANADA

Failed political gamble a gift to BC energy industry

Lifting a tanker ban requires federal action, but the province aims to accelerate other energy plans, writes Brett Holmes

The Conservative Party of British Columbia (BC) will form a majority government for the first time in nearly a century, promising oil industry-friendly rules and more energy development in Canada's westernmost province.

Lorne Doerkson of the Conservatives will be the next premier after leading his party to win 63 of 93 seats in a general election on 24 October. The formerly ruling New Democratic Party (NDP) will be relegated to the official opposition after an ill-fated snap election gamble by the now-outgoing premier David Eby. With two years left in office, Eby sought to capitalise on a Conservative party fraught with internal disorder and a new leader that was relatively unknown.

BC is among the provinces hardest hit by US tariffs. To counter foreign economic threats and a growing provincial debt, Doerkson's Conservatives want to "supercharge" BC's economy by leaning into its energy sector. Central to the plan are a doubling of its natural gas production by 2032, the advancement of LNG export projects and boosting condensate production through policy reform.

Canada's west coast oil tanker ban is another major item that could be revisited, given Doerkson's clear concerns, but that does not appear to be where he will be focusing his initial efforts as coastal waters are in federal jurisdiction. The federal Oil Tanker Moratorium Act, which went into effect in June 2019, prohibits tankers carrying more than 12,500t of oil from loading, unloading or stopping at ports from the northern tip of Vancouver Island to the Alaskan border. The ban was supported by the NDP government and effectively made crude exports from BC's northern coast impossible, to the ire of neighbouring oil-rich Alberta, where such rules recently helped to inspire a separatist movement.

Doerkson laments that the law "applies to Canadians and nobody else", but acknowledges it is up to Ottawa to change the rule. "American tankers move oil down this same coast from Alaska every day, and the law says nothing to them. Those are real concerns and British Columbians should know I share them," Doerkson said in a statement to *Argus* on 27 October. Doerkson was given an immediate indication of where national parties stood on the matter when a private member's bill was struck down on 28 October. The federal Conservatives' Bill C-264 to scrap the ban failed to advance in Ottawa's House of Commons by a 132-191 count, with the Liberal-majority voting against the proposal.

A more industry-friendly government in BC has provided Conservative-led Alberta with a glimmer of hope for undoing the law

That ship has sailed: Liberals

The bill would have required prime minister Mark Carney to reverse course from the position he staked out only months earlier, when he agreed with Eby to leave the tanker ban intact. Carney did show an openness to revisiting the ban in a November 2025 memorandum of understanding with Alberta premier Danielle Smith, but any movement in that direction would likely need to be on his terms rather than through a Conservative proposal.

Still, a more industry-friendly government in BC has provided Conservative-led Alberta with a glimmer of hope for undoing the law. Smith called on Carney this week to support the bill and take advantage of the BC port of Prince Rupert, the deepest in North America and Canada's closest to Asia. A sailing time of only 11 days between Prince Rupert and Shanghai, China, is a major selling feature for containership trade departing from northern BC, the Prince Rupert Port Authority says. This compares to around 17 days from Vancouver, and 50 days from the US Gulf coast for oil tankers, according to Vortexa. In the meantime, BC's premier-elect has promised to enact industry-friendly rules to encourage rapid development of its energy resources. His Conservatives say they plan to make BC the fastest jurisdiction in North America to permit a mine or LNG facility.

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US CORPORATE

EQT doubles down on Appalachia with Range deal

The new deal delivers gas market leadership, lower breakevens and regional consolidation, writes Jason Womack

US independent EQT's $13bn all-stock bid for rival gas producer Range Resources may be the biggest bet yet that the US Appalachian region will emerge as a key source of supply to LNG export terminals and power-hungry data centres.

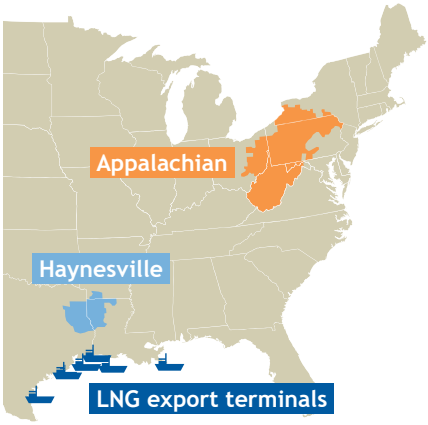
The deal will create the largest US gas producer by volume with a combined output of more than 9bn ft³/d (92.7bn m³/yr) of natural gas equivalent, or roughly 25pc of the total output from Appalachia. That figure surpasses the output of Expand Energy, the company that took that top spot in October 2024 after it emerged from Chesapeake Energy's $7.4bn acquisition of Southwestern Energy. Expand's third-quarter daily output was about 7.5bn ft³/d.

The footprints of those companies may be what defines their future roles in the US gas market. EQT is doubling down on the Appalachian region, home to the mammoth Marcellus shale and to some of the lowest-cost gas supplies in the US. Expand is also a key player in Appalachia, although its 2024 deal increased its exposure to the US Gulf coast by gaining assets in the Haynesville shale, a prolific gas field in east Texas and northern Louisiana. The Haynesville is a deeper gas-bearing formation and is more expensive to develop, but is close to LNG export terminals, industrial consumers and power plants along the US Gulf coast.

LNG terminals are widely viewed as the biggest source of US gas demand growth in the years ahead. US LNG export capacity is expected to rise by about 19bn ft³/d by 2031, about double the existing capacity. Appalachian producers are farther from that demand and have limited options to tap Gulf coast markets because of limited spare pipeline capacity.

EQT during a conference call this week touted in-basin demand close to its assets in Appalachia. The EQT and Range combination will create the "operator of choice" for the next wave of gas demand, EQT chief executive Toby Rice said. The combined company will have about 3bn ft³/d to dedicate to long-term supply agreements and the option to build on its 1bn ft³/d of international market exposure through LNG, the company said.

US Appalachian, Haynesville basins



— ***EIA, Argus***

More in the pipelines

The company estimates that demand in the Appalachian region will grow by about 20bn ft³/d through 2035. EQT is also developing two pipeline projects that will allow more Appalachian supply to feed growing demand. The 550mn ft³/d Southgate pipeline will connect the Mountain Valley pipeline into North Carolina to meet the demands of electric and gas utilities there. It is also developing a pipeline of 1bn ft³/d or more that will ferry gas from Pennsylvania to Ohio and to other markets through connections with existing pipelines.

Midstream operator Kinder Morgan last week also said it had received "significant interest" in its 2.6bn ft³/d Southeast Connector project that will deliver gas from Appalachia to markets in the US southeast. That pipeline will help meet an estimated 8bn ft³/d of potential demand growth from large load interconnections such as data centres or industrial plants, Kinder Morgan said.

The increased exposure that EQT gains to higher-priced natural gas liquids through the acquisition of Range Resources will also knock down the company's breakeven gas price to below $2/mn Btu from around $2/mn Btu previously.

Expand's breakeven price in the Haynesville fell to less than $2.75/mn Btu, the company said earlier this year. New chief executive Daniel Brown said during a conference call this week that EQT's acquisition has no bearing on Expand's future plans. "We are happy with the existing portfolio of assets and opportunities," he said, and while the company would still be open to acquisition opportunities, it would stay "very disciplined" about those decisions.

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US

Trump's LNG regulatory gains outpace trade push

A regulatory reset last year brought the certainty for many LNG projects to reach FID, write Evelyn Lee and Tray Swanson

Nearly two years into President Donald Trump's second term, his more permissive regulatory approach has accelerated commercially advanced US LNG projects towards construction. But his use of trade pressure to steer foreign investment to more challenging developments has yet to deliver comparable results.

US LNG final investment decisions (FIDs) slowed to 21.7mn t/yr across three developments in 2026, from about 67mn t/yr across six decisions last year (*see tables*). The drop partly reflects the release of a backlog of commercially advanced projects last year, after the government resumed issuing non-free trade agreement export permits for LNG terminals. But the slowdown in investment decisions this year suggests that much of that pent-up activity has now cleared, with most planned LNG projects that are still to reach an FID depending more on securing offtake and equity than on permitting decisions.

Trump's regulatory reset last year provided the certainty needed to bring many projects to an FID. US developer Caturus made an FID on Commonwealth LNG in May, after receiving an export permit in August 2025 and securing $9.75bn in project financing and long-term offtake agreements with a range of counterparties, it says. And US midstream firm Delfin reached an FID in June, securing investment from US asset manager BlackRock's Global Infrastructure Partners, Japan's Mitsui OSK Lines, trading firm Vitol and asset manager Diameter Capital Partners.

The US is seeking further steps to streamline regulatory processes for LNG projects, with the country's Federal Energy Regulatory Commission this month proposing speeding up project approvals for terminal upgrades and expansions.

But while the regulatory shift enabled many US projects to reach FID, this was only possible for those with sufficient contracted revenue and credible sponsors to enable them to attract investment. The suspension of the proposed 16.5mn t/yr Lake Charles LNG project shows that regulatory support alone is insufficient to take projects to a commercial close. US developer Energy Transfer had secured binding contracts for 11.9mn t/yr of Lake Charles' proposed output and received an extension to its export permit in August 2025. But rising construction costs led the firm to suspend the project in December, and redirect capital to its gas pipeline network — something it deemed to offer a superior risk-return profile.

Projects that reached FID in 2025		*mn t/yr*
Project	**Capacity**	**FID date**
Louisiana LNG	16.5	Apr 25
Corpus Christi train 8&9, debottlenecking	5.0	Jun 25
CP2 LNG phase 1	20.2	Jul 25
Rio Grande train 4	6.0	Sep 25
Port Arthur LNG	13.5	Sep 25
Rio Grande train 5	6.0	Oct 25
Total	**67.2**	

Projects that reached FID in 2026		*mn t/yr*
Project	**Capacity**	**FID date**
CP2 LNG phase 2	7.8	May 26
Commonwealth LNG	9.5	May 26
Delfin FLNG	4.4	Jun 26
Total	**21.7**	

Seoul trading

The Trump administration has also sought to use trade negotiations to direct foreign capital towards US energy developments, but this has yielded scant results so far. The proposed 20mn t/yr Alaska LNG represents a clear test of Trump's approach to trade policy. His claims that South Korea had agreed to invest more than $50bn in Alaska LNG are disputed by Seoul, which says it has only agreed to assess the project's commercial viability. South Korea's participation is conditional on the project complying with domestic reviews and approvals, Seoul says.

Taiwan has outlined more tangible support for the terminal, with a draft plan envisaging state-owned CPC purchasing 6mn t/yr from Alaska LNG and investing up to $4.4bn in the project. But binding investment arrangements, equity stakes and contract terms are subject to further inter-governmental negotiations and commercial contract procedures within CPC, Taiwan's energy ministry says. Even if Taiwan does proceed with its investment plan, it is unlikely to be enough to get Alaska LNG over the line to an investment decision. Project developer Glenfarne has secured 13mn t/yr of preliminary agreements, but this is short of the 16mn t/yr minimum it requires to support financing. Taiwan's proposed contribution of up to $4.4bn could provide a significant equity boost, but a much broader financing package would be required to cover the estimated $55bn cost.

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CORPORATE

Oil services firms see momentum building into 2027

This year's disruptions are expected to underpin growth in upstream investment next year, writes Stephen Cunningham

Growth prospects for the top oil field services providers are improving heading into 2027, driven by international expansion in offshore developments, renewed exploration and efforts to boost production from existing assets.

Deepwater projects remain a bright spot with activity broadening across Latin America, Africa, the eastern Mediterranean and Asia, and final investment decisions expected to increase by more than 30pc in 2026, according to the world's biggest oil field services contractor SLB. A growing number of US shale producers that are gearing up for international expansion will also prove a catalyst for growth. Venezuela is now open for business and companies are racing to partner with oil and gas producers to help revive the nation's energy industry following the US capture of former president Nicolas Maduro earlier this year.

While the pace of the recovery in the Middle East remains uncertain given the ongoing conflict, the region is also shaping up to be a significant driver of growth once activity returns to normal. SLB forecasts that global oil field services market activity will expand in the mid-single digit range next year. That outlook assumes that Middle East activity holds steady in the second half of 2026 and that there is no escalation in the US-Iran conflict. But any resolution to the war could help unlock deferred demand and serve as a "powerful catalyst" for further growth in 2027, SLB says. "We see a very compelling outlook for 2027, with further upside as Middle East activity recovers," chief executive Olivier Le Peuch says.

Halliburton also remains upbeat on oil services demand following the supply shock caused by the war in the Middle East. "We are another three months into one of the largest energy disruptions in history," chief executive Jeff Miller says. "The work to restore production, rebuild inventories and strengthen energy security will drive multi-year demand growth for oil field services." Halliburton expects mid-single digit revenue growth for 2027, as well as operating margins of about 15pc, up by two percentage points from this year. "This outlook assumes a flat North America market and does not require any recovery in North America hydraulic fracturing," Miller adds. "To us, that recovery is purely upside."

'The work to restore production, rebuild inventories and strengthen energy security will drive multi-year demand growth for oil field services'

Baker Hughes expects upstream spending to pick up going into 2027 after remaining flat this year. Supply disruptions across key producing regions have tightened inventories and boosted commodity prices, reinforcing the need for further investment in energy production and infrastructure. "While the need for longer-term investment remains clear, customers continue to take a disciplined approach to near-term spending," chief executive Lorenzo Simonelli says.

Back in business

The re-opening of Venezuela's energy market has also sparked interest from the sector, with firms scrambling to secure contracts. SLB expects its revenue from the South American country to more than double this year. The firm says that over time it will be able to reach or even surpass the $1bn in sales that Venezuela used to be worth for SLB. "We're well prepared, we're adding resource, adding equipment," Le Peuch says. Halliburton says it is "open for business" in Venezuela, where it is already fielding multiple enquiries from potential customers. "The work that we started with has been primarily [well] interventions," chief operating officer Shannon Slocum says, but the company sees "solid growth" ahead.

Baker Hughes has recently signed two strategic agreements in Venezuela. And Weatherford International says it is "furiously" taking on new staff in the country, supported by greater visibility with regard to contracting work. "We see potential for Venezuela to ramp up in 2027 to triple-digit revenues, with further increases in 2028," chief executive Girish Saligram says.

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POLITICS

Triple crisis threatens France's electrification drive

Growing pressures mean long-term energy security goals may fall prey to short-term political expediency, writes Rhys Talbot

France faces fiscal, political and social crises that could threaten its energy transition drive and leave it dependent on imported fossil fuels for longer, as high borrowing costs put politicians off the investments required to electrify.

France is an energy outlier in the G7 — its long-standing nuclear energy policy means that fossil fuels already make up the lowest share of final energy consumption in the group. But it remains significantly dependent on oil in transport, while natural gas is still widely used for heating and contributes to higher electricity prices thanks to cross-border pricing and limited domestic generation.

With six months left in President Emmanuel Macron's second term, red lights are flashing over France's fiscal solidity. All indebted western nations face the struggle of rising interest rates as they roll over debt issued at bargain rates in the 2010s, but this is worse for France because of its high indebtedness. Its deficit has remained stubbornly high for six years, and its debt-to-GDP ratio keeps creeping up. Merely stabilising government debt by 2032 would require cutting spending and increasing taxes by a net €125bn ($140bn), a government report estimated in June, and this figure is likely even higher now thanks to rate rises.

But the emergence of new social movements combining student protests, yellow vest-style cost-of-living concerns and urban riots reflects widespread public anger that makes any fiscal consolidation politically untenable. With no majority in parliament, the government can only pass budgets including unsustainably large deficits to placate different interest groups, until 2027's election passes the task of tackling the problem to a new leader with a fresh mandate.

Right-wing Marine Le Pen's National Rally (RN) party has reinforced its polling lead thanks to the disorder of recent weeks. But whoever wins the next election, the combination of social anger that can only be allayed by more spending, and market conditions that make funding that spending more difficult, means that something may have to give. Electrification plans could be a tempting target.

France had planned to cut its reliance on fossil fuels further for geopolitical, climate and economic reasons. But wider electrification through investments such as the six planned EPR2 nuclear reactors, or 10GW of offshore wind, faces costs that reach into the hundreds of billions of euros, while €200bn has already been earmarked out to 2040 for grid upgrades. And the cost of these planned investments is highly sensitive to interest rates. Hydrogen firm Hy24 investment director Pierre Jeremie calculates that the average cost of nuclear energy produced by the EPR2s would increase by €12-20/MWh for each one-point increase in rates. "The brake on electrification, which we don't talk about, is OATs [French government bond yields] at 4.8pc," he said earlier this month. Yields have since risen further, last week breaching the 5pc mark for the first time since 2002.

None of these investments would bring down electricity prices within the next president's five-year mandate

Power play

None of these investments would bring down electricity prices within the next president's five-year mandate, instead setting the foundations to replace ageing nuclear reactors that could start to shut down from the late 2030s. There is no pressing need for more supply tomorrow — the French power system is structurally oversized, and it exported more electricity last year than any country in history.

Cutting spending for the long term could free up funding to reduce retail prices in the short term, offering a solution for politicians facing cost-of-living concerns. The RN has "very well understood" this dynamic, Columbus Consulting partner Nicolas Goldberg says. It has trumpeted its desire to end offshore wind projects and cancel energy efficiency schemes that fund electrification. But expensive nuclear plants could also make a tempting target, Goldberg suggests.

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ASIA-PACIFIC

East Timor weighs Greater Sunrise gas future

Woodside's priorities lie elsewhere, but Australia's strategic interest in its northern neighbour may remain, writes Tom Major

Asia's youngest nation, East Timor, has long seen its pathway to prosperity as linked to oil and gas development in the seas to its south, but the exit of Australian and Japanese firms from the 5.3 trillion ft³ (159bn m³) Greater Sunrise project means the country must now seek alternative partners.

Greater Sunrise, on the maritime border with Australia, has grown in economic importance for East Timor since LNG production using gas from the jointly owned Bayu-Undan field at the 3.7mn t/yr Darwin LNG facility ended in 2023, leaving Dili without a steady stream of petroleum revenues.

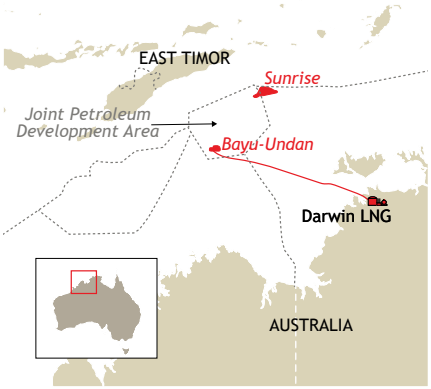
Governments in East Timor have long argued for an onshore LNG plant to boost local employment and create downstream industries, while project operator Woodside Energy has preferred piping the gas and condensate to Australia, where facilities near Darwin already process Timor Sea production. The deep ocean trench between Timor and the Sunrise fields has always complicated plans to build onshore facilities on the island compared with development in Australia, despite the fields' closer proximity to Timor.

Ultimately, Woodside's growth priorities lie elsewhere. The Australian firm announced on 27 October that it would sell its 33.44pc stake in Greater Sunrise to Timor Gap, East Timor's state-owned oil and gas company. Another stakeholder, Japan's Osaka Gas, is also walking away from the development, agreeing last month to offload its 10pc stake to Timor Gap.

The two exits leave East Timor needing to find an experienced operating and development partner for a project that has remained stalled for decades, while potentially giving Dili greater influence over how Greater Sunrise is eventually developed. Lacking a development partner for the scheme, Dili will now search more widely for an operator as the clock ticks on replenishing its national petroleum fund, which the IMF says could be depleted by the late 2030s.

The decision comes as Woodside slims down its development portfolio and concentrates on key projects in North America and Australia. These include its biggest offshore investment, the three-train Louisiana LNG on the US Gulf coast, which is 32pc complete, the 11.4mn t/yr Browse LNG proposal in Western Australia and the $7.2bn Trion deepwater oil project offshore Mexico, which is 71pc complete and aiming for first oil in 2028.

Timor Sea gas projects



Australia's strategic interest

Woodside's departure could also alter the long-running debate over whether Greater Sunrise gas should be piped to East Timor or Australia. Developing Sunrise has not only been a priority for Dili. Australia has long pushed for a deal that preserves its special relationship with East Timor, forged in the aftermath of a conflict in which Australia intervened in the late 1990s with peacekeeping forces.

An agreement had been reached with the Australian government on the petroleum mining code, production sharing contract and fiscal regime for Sunrise, petroleum minister Francisco da Costa Monteiro said on 25 September. But with this arrangement maturing, Woodside has decided the time is right to exit, chief executive Liz Westcott said on 27 October.

East Timor president Jose Ramos-Horta has already identified possible Chinese funding for Sunrise — confirming in 2024 he had spoken with state-controlled Sinopec regarding the fields. With increasing concerns among Australia's national security bodies over China's expanding footprint, Canberra may continue its involvement in developing Sunrise. Australia's prime minister Anthony Albanese announced a New Partnership for a New Era agreement with Dili this year, which included several references to Sunrise as a key plank of the bilateral relationship.

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ROAD TO COP 31

Climate resilience races up countries' agendas

The need for adaptation has gained significance for developed countries, giving the topic more traction, writes Georgia Gratton

Climate resilience, and adapting to growing weather extremes, has taken on further significance in light of record-breaking heatwaves and ongoing disruption from one of the strongest El Nino events the world has experienced.

El Nino effects are set to continue into 2027, while the UN has warned that the world will almost inevitably overshoot the Paris agreement goal to limit a global rise in temperature to 1.5°C above pre-industrial levels. This firmly places climate resilience in the spotlight, just ahead of the UN Cop 31 climate summit, set for 9-20 November in Antalya, Turkey.

Cop summits typically focus on mitigation — cutting emissions — and adaptation, meaning adjusting where possible to the effects of climate change. Adaptation can play second fiddle in Cop outcomes, and is often framed as an issue for the most vulnerable countries, such as low-lying, small island developing nations. But the need for adaptation has risen up developed countries' agendas, possibly opening the door for the topic to gain greater traction in formal negotiations.

Adaptation discussions at the halfway-point of technical climate talks in Bonn, Germany, in June stalled, as countries could not reach an agreement, including on finance for adaptation. Proposals for work on the global adaptation goal "sparked strong disagreement", according to think-tank IISD's *Earth Negotiations Bulletin*. Adaptation-related items were pushed through for further discussions at Cop 31. A note from UN climate officials this week reiterated that "adaptation will remain a central priority", including discussions on financial support for developing countries. The officials encouraged "pragmatic engagement".

Developing countries have submitted 81 national adaptation plans in recent years, while developed nations are working to improve policies. The EU this week released a climate resilience framework, asking its member states to prepare for a 3°C rise in temperature above pre-industrial levels by 2100. "Almost no part of our continent was spared from damaging climate extremes" this summer, the European Commission said this week. European power systems were particularly affected, as a lack of rainfall constrained hydropower, while low river levels shut nuclear plants and prevented deliveries of oil products and coal.

The EU asked its member states to prepare for a 3°C rise in temperature above pre-industrial levels by 2100

The UK is legally required to produce adaptation plans. It should prepare for "intensifying heat, growing flood risk, rising drought and wildfire risk", the country's independent advisory Climate Change Committee said this year. It warned that the UK energy system is at risk from flooding, high winds, heat and drought.

Economic costs growing

Outside Cops, countries will be looking to avoid the financial implications of failing to adapt. Even wealthy countries will be reluctant to add to a fiscal burden by stepping in to guarantee or insure property where the private sector will not. "The economic case for action is compelling. Material losses from weather and climate-related events are rising sharply," the commission said. Annual economic losses from climate extremes in the EU are at around €50bn ($56bn), but the 2026 heatwaves cost an estimated €113bn across 30 countries, it said.

Developing countries are submitting requests to the loss and damage fund that they agreed at Cop 27 to set up to aid the most vulnerable countries in dealing with the unavoidable impacts of climate change. The fund's board said that 119 countries have submitted requests totalling $2.8bn, although decisions are not expected until after Cop 31, and the fund currently only holds around $820mn.

Governments have linked climate resilience and adaptation to a broader quest for security and sovereignty. Climate resilience must "become a defining feature of Europe's competitiveness, security and prosperity", the commission said.

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IN BRIEF

Adnoc's new Hormuz bypass seen ready by 2Q27

Abu Dhabi's state-owned Adnoc has signalled to some Asian refiners that the new crude export pipeline it is building to bypass the strait of Hormuz could be operational by the second quarter of 2027. Abu Dhabi already operates the Adcop pipeline that carries up to 1.8mn b/d of Murban crude from Habshan to Fujairah, outside the strait. Adnoc in May said the new West-East pipeline, which has been under construction since 2024, was "almost 50pc complete" and would be operational by 2027, doubling its crude export capacity through Fujairah. Abu Dhabi has not said publicly when in 2027 the pipeline would be ready, but market participants told *Argus* Adnoc informed some Asian refiners that they could begin lifting Upper Zakum crude from Fujairah from the second quarter, once the pipeline is finished.

Dangote considers building third African oil refinery

Nigerian conglomerate Dangote is considering building a third 700,000 b/d refinery in Africa, group vice-president Devakumar Edwin told *Argus*. Edwin did not identify the locations under consideration or provide a timeframe or proposed configuration for the refinery. Dangote last month broke ground on a 700,000 b/d refinery at Lamu in Kenya. The company is also expanding its 700,000 b/d Lekki refinery in Nigeria by building a near-identical refining and petrochemical complex alongside the existing plant.

US outlines triggers for Venezuelan elections

Venezuela must complete overhauls of its supreme court (TSJ) and election council (CNE) under discussion now before credible elections can be held, the US State Department says. Creating new structures for the TSJ and CNE would clear interim president Delcy Rodriguez to declare the presidency vacant, triggering new elections within six months, a senior US official says. The US expects a new supreme court "at the end of this year, the new CNE very shortly thereafter", the official said. Elections could be set for mid-2027 if the new TSJ and CNE are ready by the end of 2026 and the presidential vacancy declared soon after.

Moscow clinging to Venezuela ventures

Russia is working to retain its oil and gas interests in Venezuela, President Vladimir Putin told the Gas Exporting Countries Forum in Moscow on 27 October. The US has eased sanctions targeting Venezuela's oil industry since it removed Nicolas Maduro from power on 3 January. But Russia has been excluded from US sanctions waivers that are opening the Venezuelan energy sector to overseas companies, despite investing "billions of dollars in Venezuela", Putin said. Venezuelan interim president Delcy Rodriguez appeared to concur, stressing the importance of maintaining Russian participation in global markets in a forum address.

US pushing further cuts to methane regulations

President Donald Trump's administration has unveiled a proposal to roll back US methane regulations on the oil and gas industry, ahead of a subsequent initiative that could end further federal regulation of the greenhouse gas. The proposal is meant to provide "near-term relief" on oil and gas methane rules that the US Environmental Protection Agency said were unachievable, unreasonable or lacked clarity. The administration said the existing methane rules would result in 100,000-200,000 low-producing wells closing by 2030 because of the costs of compliance. Another change to the rules would cut methane detection at the estimated 1mn "marginal" wells in the US that produce less than 15 b/d of oil equivalent but account for half of the US industry's methane emissions.

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MARKET OVERVIEW

Diesel remains tightly supplied but higher crude offers from the Middle East helped pull down values for rival grades

Markets diverge as some tightness eases

The markets diverged as faltering European demand and higher Mideast Gulf crude availability pressured competing Atlantic basin grades, while diesel markets remained supported by tight supply.

Atlantic basin benchmark North Sea Dated fell by $8.73/bl to $114.49/bl, while Mideast Gulf marker Dubai rose by $4.40/bl to $115.67/bl. US light sweet benchmark WTI gained $2.53/bl to $102/bl.

Mideast Gulf crude availability rose as regional producers offered late autumn and winter-loading cargoes. State-controlled Saudi Aramco offered some Asia-Pacific customers November and December cargoes of Arab Light, Arab Medium and Arab Heavy crude, loading by ship-to-ship transfer. Abu Dhabi's state-owned Adnoc issued a tender offering 500,000-2mn bl of light sour Murban and Umm Lulu loading in December or January.

The higher prompt availability eased market tightness and pressured prompt Dubai relative to forward prices. Dubai backwardation — the premium of December Dubai to the February contract — flattened to about $7/bl from nearly $10/bl late last week. It also weighed on competing grades in Europe and Asia, including Caspian light sour CPC Blend and Azeri light sweet BTC Blend, as well as west African and Latin American grades. CPC Blend's discount to North Sea Dated widened by $1.70/bl to $8.80/bl.

Northwest European grades also lost ground as refinery maintenance curtailed demand and with competing supplies looking more favourable amid slightly easing freight costs. WTI lost $8.85/bl on a delivered-Europe basis while the five local North Sea Dated benchmark grades slipped by $1.10-5.20/bl. Norwegian Johan Sverdrup, Europe's largest medium sour stream, fell by more than $5/bl to its lowest since February. Additional pressure came from more extensive December-loading Nigerian and Angolan export programmes, while Algeria cut the November formula price for Saharan Blend by $7.25/bl.

Heavy Canadian crude remained under pressure from rising production, Venezuelan competition on the US Gulf coast and high freight rates. Canadian heavy sour WCS discounts in Houston circled around $23/bl to Nymex calendar-month average WTI, the widest since *Argus* launched the assessment in 2018.

Products markets also diverged. Larger-than-expected Chinese export quotas pressured Asia-Pacific gasoline, gasoil and jet fuel. Gasoil crack spreads fell to their lowest in over three months, while the Asian jet fuel market structure flipped into contango, with prompt prices at discounts to forward values. Naphtha was an exception to the regional weakness, with emerging Asia-Pacific spot demand supporting crack spreads. Europe's diesel markets remain tight with prices stable if elevated. But potentially increased Chinese exports may reduce competition with Asia-Pacific buyers for swing supplies from India and the Mideast Gulf.

Stocks releases remained mostly pending, including 10mn bl of French diesel to be sold at reduced prices in November-January. A Russian ramp-up in diesel output is too small to have had an effect. Market participants remain sceptical that three Russian diesel vessels heading to the US east coast will actually be discharged.

Key oil prices			$/bl
		29 Oct	± 22 Oct
North Sea Dated		114.49	-8.73
WTI Cushing	Dec	102.00	+2.53
Oman	Dec	112.83	-1.92
Dubai	Dec	115.67	+4.40
Tapis		123.99	-8.73
ASCI	Dec	97.83	-16.83
Netbacks*		29 Oct	± 22 Oct
NW Europe - Brent		152.14	+1.72
US Gulf - WTI		151.25	-2.34
Singapore - Oman		95.61	+3.09

**complex yield for NWE and US, simple yield for Singapore*

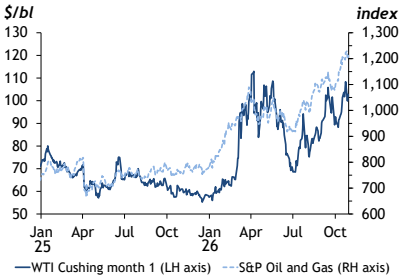
Military peril

The situation in the Middle East remains the wildcard and it is uncertain how long increased Mideast Gulf spot availability will continue. The US warned commercial vessels to plan for additional transit times near the strait of Hormuz and Gulf of Oman as military forces step up the blockade of Iranian ports and coastlines. US president Donald Trump has also indicated a likely increase in attacks on Iran after the US mid-term elections on 3 November.

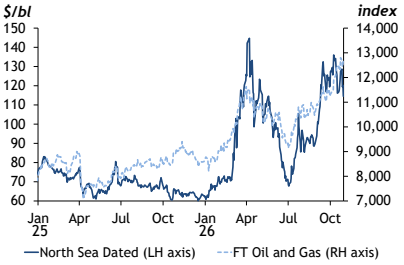
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SHARE PRICES AND ENERGY INDEXES

S&P Oil and Gas Index, WTI Cushing



FT Oil and Gas Index, North Sea Dated



World energy share indexes	Index 29 Oct	± 22 Oct	52-week High	52-week Low
Americas				
S&P Energy	1,056	+17	1,074	661
S&P Oil & Gas	1,211	+15	1,234	747
S&P Equipment & Services	382	+22	442	279
TSE Oil & Gas	5,176	+97	5,208	3,710
Europe				
FT Oil & Gas	12,732	+407	12,802	8,213
Russia				
RTS Oil & Gas	171	+6	193	124
Micex Oil & Gas	7,124	+213	7,880	4,989
Asia-Pacific				
TOPIX Oil & Coal	3,103	+10	3,320	2,093

Company share prices	29 Oct	22 Oct		±%
BP	£6.24	£6.12	▲	+2.03
Chevron	$231.46	$226.68	▲	+2.11
ConocoPhillips	$150.03	$145.63	▲	+3.02
Eni	€26.89	€26.13	▲	+2.91
Equinor	NKr435.40	NKr431.80	▲	+0.83
ExxonMobil	$183.29	$178.23	▲	+2.84
Repsol	€29.41	€28.26	▲	+4.07
Shell	£40.38	£38.89	▲	+3.84
TotalEnergies	€84.60	€79.98	▲	+5.78
EQT Corp. (*see p4*)	$54.54	$54.67	▼	-0.24
SLB (*see p6*)	$53.81	$49.55	▲	+8.60

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