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Adnoc Gas awards \$8.2bn in contracts to spur growth as earnings beat estimate

[The National + NewBase Energy](#)

Despite operational constraints, Adnoc Gas has continued to execute its long-term growth strategy this year. It has taken final investment decisions and awarded engineering, procurement and construction contracts for Phases 2 and 3 of its Rich Gas Development, it said.



"This is a defining moment for Adnoc Gas. With the final investment decision and contract awards for the Rich Gas Development Project, we are not only accelerating one of the world's largest gas-processing growth programmes," Fatema Al Nuaimi, chief executive of Adnoc Gas, said.



"These strategic investments will significantly expand our natural gas processing and export capacity ... and position Adnoc Gas at the heart of the UAE's energy future."

Adnoc Gas has awarded \$8.2 billion in EPC contracts, part of its largest-ever capital investment, for Phases 2 and 3 of the rich gas project – \$3.9 billion for Phase 2, and \$4.3 billion for Phase 3, the company said.

These contracts build on Phase 1, announced in June 2025, expand key processing units to increase throughput and improve operational efficiency across multiple gas assets.

Net income reaches \$665m despite war disruption

Adnoc Gas's second-quarter net profit beat estimates as it restored processing capacity at its Habshan Complex to 85 per cent ahead of schedule and invested \$8.2 billion investment to spur future growth.

Total comprehensive income for three months to the end of June reached \$664.65 million, ahead of the company's estimated \$400 million to \$600 million range, "despite exceptional external disruption during the period", the company said in a statement on Monday.



"We delivered above guidance, despite the challenge; we recovered Habshan ahead of plan; and we continued to invest in the future; and that's why I'm confident about where Adnoc Gas is heading," said chief executive Fatema Al Nuaimi during an earnings call on Monday.

The quarterly profit, however, fell from the record \$1.38 billion reported at the end of the second quarter a year earlier, dragged lower due to adverse market conditions amid Iran's strikes on the UAE's energy infrastructure and attacks on tankers in the Strait of Hormuz.

Revenue for the reporting period fell by more than 33 per cent to \$3.11 billion, down from \$4.65 billion in the three-month period last year.

While export operations suffered due to war disruptions, domestic gas demand in the Arab world's second-largest economy helped Adnoc maintain healthy revenue.

For the third quarter, Adnoc Gas expects net income of between \$600 million and \$800 million, "based on the assumption that maritime routes through the Strait of Hormuz continue to be disrupted".

With price realisations normalising, the company expects full-year net income to range from \$3.5 billion to \$4 billion.

"Bear in mind there are many uncertainties, and if we look at the higher end of the [estimates] range, then we assume that our maritime operations are restored during the fourth quarter," said chief financial officer Peter van Driel.

"If I look at the uncertainty, I believe that will remain with us. But [for] the second half, we are very confident that we have a strong operational position and that our strategy, including the Ebitda [earnings before interest, taxes, depreciation and amortisation] growth of 60 per cent remains in place."

Habshan recovery

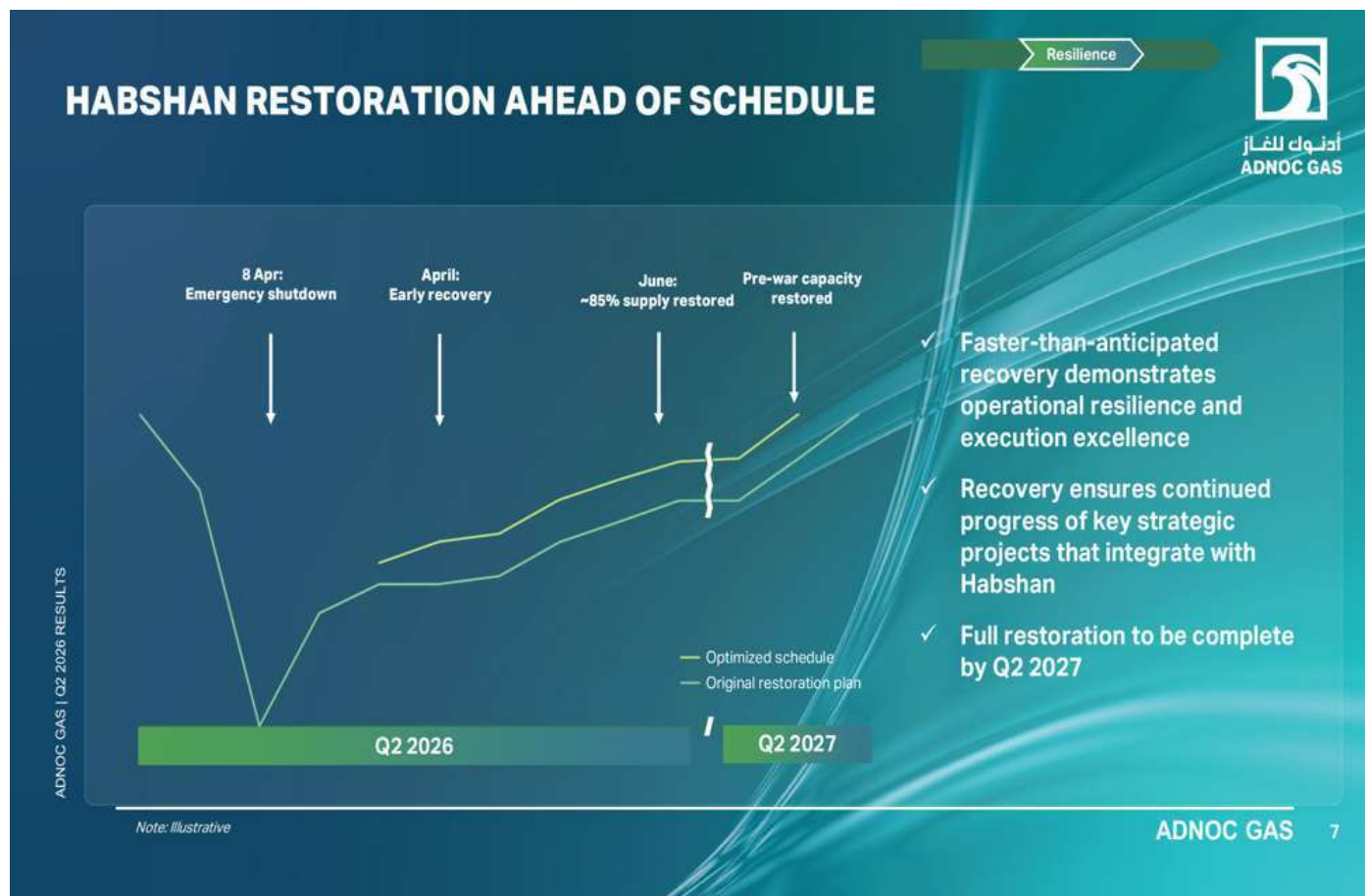
Iran launched attacks on energy infrastructure across the Middle East in response to US-Israeli strikes that began on February 28. Energy sites across the region, including in the UAE, Saudi Arabia, Iraq, Bahrain and Qatar, were attacked, with missile strikes on Qatar knocking out about 17 per cent of its LNG export capacity.



Tankers carrying oil and gas through the Strait of Hormuz, through which about 20 per cent of the world's oil and gas passed before the war, have also come under attack, hitting energy export operations across the Gulf region.

Operations at Habshan, one of the world's largest gas processing sites, were suspended in early April after it was damaged. One person was killed and four injured after falling shrapnel from intercepted Iranian strikes caused two fires at the complex on April 3. The company reported "significant damage" at the time. The site in Abu Dhabi had another incident on April 8.

In May, the company said it expected to restore 80 per cent of processing capacity at the Habshan complex by the end of the year.



On Monday, Adnoc Gas said it responded swiftly to the security-related incidents at the Habshan site, prioritising safety and minimising disruptions to customers.

"The company has concluded its technical assessment of the impact from these incidents and recovery has progressed ahead of schedule, with gas supply already restored to 85 per cent, surpassing the year-end target set in May," it said.

Alternative route

Adnoc Gas, like its oil and gas peers in the Gulf region, is also looking at alternatives to circumvent the strait. In May, the UAE announced the expansion of the West-East crude oil pipeline to be completed by 2027, with the project expected to double export capacity through Fujairah.

The 48-inch pipeline has the capacity to transport up to 1.5 million bpd of crude oil, representing a substantial share of the country's total oil exports. "We cannot miss the bigger picture and the fact that we need to de-risk ourselves and see how do we find alternative routes," Ms Al Nuaimi said.

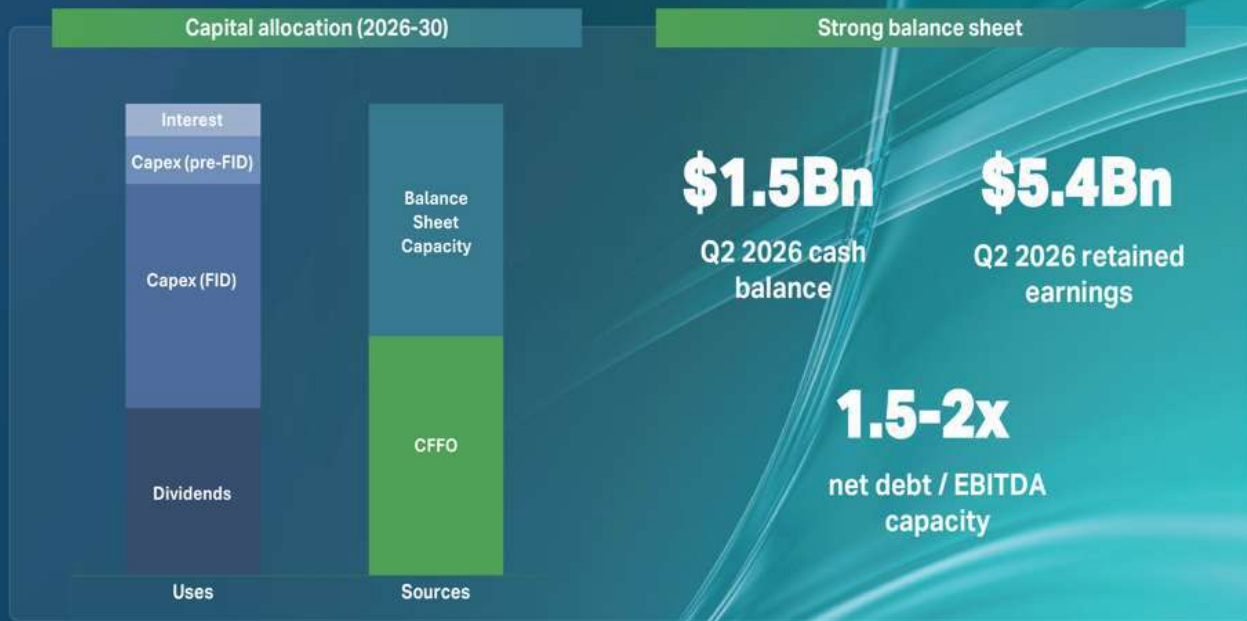
"This is something that we are studying at this stage, and looking at different options. We are not in a position where we talk about it, but ... we cannot be in this environment and not look at alternatives."

Continued growth

BALANCE SHEET STRENGTH SUPPORTS DIVIDENDS AND GROWTH IN CAPEX



ADNOC GAS | Q2 2026 RESULTS



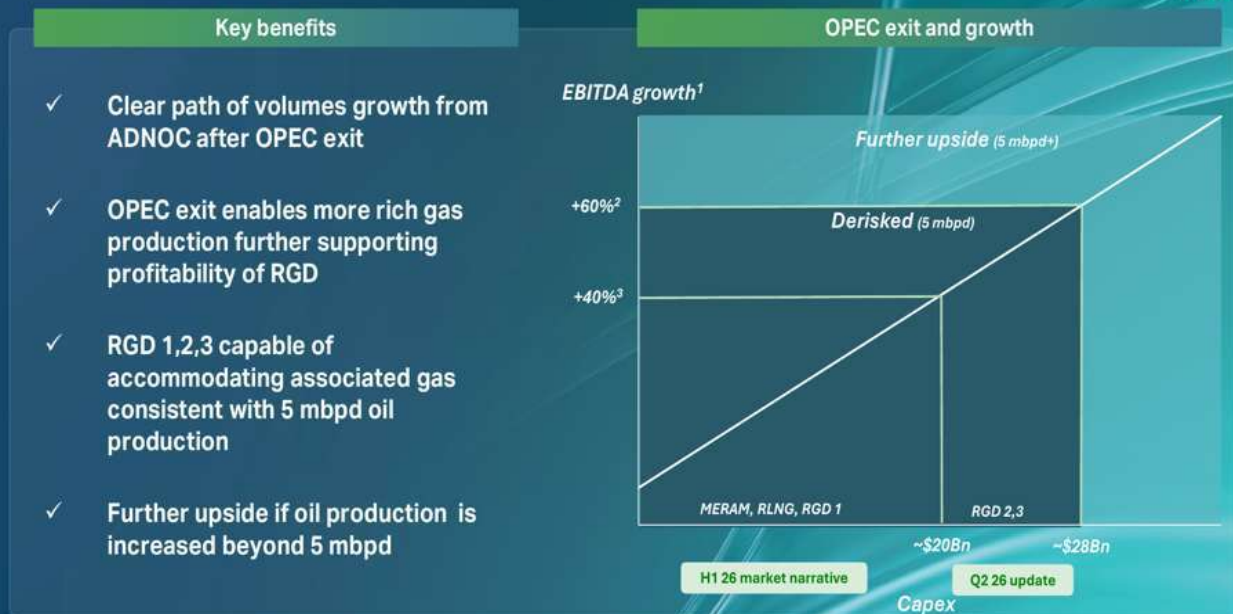
Note: Illustrative

ADNOC GAS 24

RGD INVESTMENT DERISKED FOLLOWING UAE's OPEC EXIT



ADNOC GAS | Q2 2026 RESULTS



(1) Assuming an oil price environment of \$70/bbl, EBITDA refers to a non-IFRS measure incl. proportionate consolidation of JVs.
(2) 2030 vs 2023
(3) 2029 vs 2023

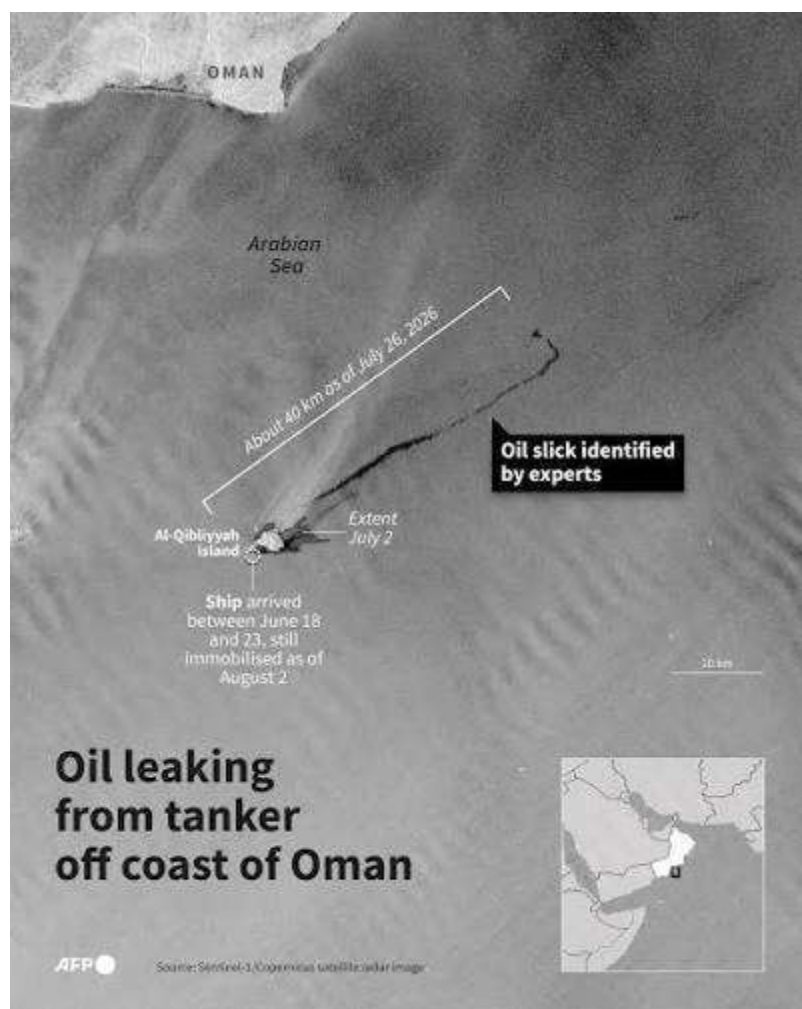
ADNOC GAS 5

Oman Handles Oil Slick More Than 6 times the Size of Manhattan

Bloomberg + NewBase

Oman is dealing with a widening oil slick covering about six-and-a-half times the land area of Manhattan after a tanker ran aground off an island near the country's southeastern coast. An oil slick escapes from the wreck of the tanker Caroline Bezengi off Oman's Hallaniyat Islands on Aug. 7, 2026 .

The spill covers about 390 square kilometers (150 square miles) and occurred after the Caroline Bezengi was grounded off the Hallaniyat Islands, according to a report from the state-run Oman News Agency citing the sultanate's Environment Authority.



Omani authorities announced on August 10, 2026, that the massive slick has moved to within **7 kilometers (4.4 miles)** of the mainland coast.

Current Situation and Impact

Slick Expansion: The oil slick currently extends up to 400 square kilometers, roughly six-and-a-half times the land area of Manhattan.

Movement Direction: Driven by atmospheric and marine conditions, the spill is actively moving northeast towards the mainland coast.

Environmental Threat: The leak is spreading directly inside a protected marine area near Al-Qibliyyah island, endangering local ecosystems and wildlife.

The Stricken Tanker

Vessel Details: The *Caroline Bezengi* is an aging vessel widely identified as part of Russia's "shadow fleet," used to bypass Western sanctions on oil exports. It was reportedly carrying close to **one million barrels of Russian crude oil** bound for Asia when it suffered damage.

Timeline of the Crisis: Maritime security sources indicate the ship initially encountered issues or experienced a blast as early as June 8, 2026, off Yemen. It has been stranded off Oman for over a month, with salvage delays ultimately exacerbating the ongoing leak.

Emergency Response Efforts

The Oman Environment Authority is leading emergency containment operations in the Dhofar Governorate to limit the environmental footprint. Specialist teams are deploying containment booms and tracking the slick using aerial surveillance, though regional experts warn that the long-term ecological and financial cleanup costs could be steep.



The *Caroline Bezengi* loaded at Russia's Black Sea port of Novorossiysk in April and passed through the Suez Canal at the end of May, ship-tracking data shows. Built in 2001, it is part of the so-called shadow fleet of older oil tankers used by Russia which lack Western insurance cover and sail under the flags of various nations to obscure their true ownership.

It was listed on public shipping databases as flying the Cameroon flag but was among 39 vessels de-listed from Cameroon's ship registry in June. The ship is subject to sanctions imposed by the European Union, Ukraine, the UK, Canada and Switzerland.

U.S.A: Oil in SPR falls below 300 MBarrels, lowest since 1983

NewBase Energy + New Agencies USA

Crude oil stockpiles in the U.S. Strategic Petroleum Reserve have fallen below 300 million barrels, the lowest level in more than four decades, as global inventories stay under pressure due to the Iran war.

The SPR fell by 6.1 million barrels to 298.7 million barrels last week, according to data released by the Department of Energy on Monday. The reserve, created in 1975, is at its lowest level since January 1983.



In an aerial view, the Strategic Petroleum Reserve storage at the Bryan Mound site is seen on October 19, 2022 in Freeport, Texas.

- *The Strategic Petroleum Reserve fell by 6.1 million barrels to 298.7 million barrels last week, according to the Department of Energy.*
- *President Trump ordered the release of 172 million barrels in March after Iran choked off oil exports through the Strait of Hormuz.*
- *The minimum amount of oil needed to safely operate the SPR is about 70 million barrels, an Energy Department spokesperson told CNBC.*

President Donald Trump ordered the release of 172 million barrels in March after Iran choked off oil exports through the Strait of Hormuz, triggering the largest disruption of crude oil supplies in history.

The drawdown in the SPR, whose authorized storage capacity is 714 million barrels, has raised questions about whether U.S. government stockpiles are on the verge of depletion. The minimum amount of oil needed to safely operate the SPR is about 70 million barrels, an Energy Department spokesperson told CNBC in July.

There is enough oil left in the SPR to do another release if needed, said David Goldwyn, who served as a State Department special envoy for international energy affairs under President Barack Obama.

"I'm not worried about the stability of the reserve or our ability to do another drawdown, if we needed to," Goldwyn told CNBC.

The SPR stood at around 415 million barrels before the U.S and Israel attacked Iran on Feb. 28. U.S. government stocks will fall to around 243 million barrels when the release Trump ordered is completed.

The SPR's operational capability is at risk due to aging infrastructure, according to a May report from the Government Accountability Office. More than a quarter of its inventory was "not available for drawdown due to a combination of construction outages and cavern outages" as of December 2025, GAO investigators found.

That implied that a minimum of 103 million barrels in the SPR today are not available for use, according to a July analysis by Rapidan Energy.

"The SPR's drawdown, distribution and fill capabilities are currently limited and are at risk going forward due to longstanding issues with aging infrastructure compounded with ongoing major construction intended to address them," the GAO warned in the report.

U.S. presidents have ordered massive releases from the SPR with growing frequency in recent years. President Joe Biden deployed 180 million barrels to address energy market volatility after Russia invaded Ukraine in early 2022. That was the largest release in the history of the SPR.

The GAO described the release in response to the Ukraine war as an "unplanned stress test" for the SPR. "When you do a drawdown, then you accelerate kind of the degradation of the wells themselves and some of the equipment," Goldwyn said. "It's like anything else — you use it a lot, you have to maintain it."

2026 U.S. Strategic Petroleum Reserve (SPR) Release Allocations

Category / Phase	Authorized Amount (Barrels)	Key Details & Status	Source
Total 2026 Authorized Release	172,000,000	Full commitment under the International Energy Agency (IEA) joint response.	Al Jazeera
Initial Phase Offer	86,000,000	Offered in March 2026; roughly half was fully subscribed and awarded in the initial round.	Argus Media
First Phase Awarded Contracts	45,200,000	Total actual volume initially contracted to oil companies across three SPR sites.	Argus Media
— Bayou Choctaw Site (LA)	10,000,000	Fully subscribed allocation of sweet crude.	Argus Media
— Bryan Mound Site (TX)	15,700,000	Contracted volume out of 42 million barrels of sour crude offered.	Argus Media
— West Hackberry Site (LA)	19,500,000	Contracted volume out of 34 million barrels of sour crude offered.	Argus Media
Subsequent Tender Release	92,500,000	Additional tranche released by the DOE in May 2026 to accelerate market flow.	The Energy Year
Estimated Return Volumetrics	~210,000,000	Total expected volume to be returned between late 2026 and 2029, tracking an 18% to 24% premium.	Plainview Energy

Current Impact on Inventory

As a result of the ongoing 172 million-barrel drawdown, total crude oil in the U.S. SPR fell below the **300 million barrel** threshold in August 2026. This marks the **lowest inventory level recorded since January 1983**.

WHEN DOES THE U.S. SPR RUN DRY?

Updated with EIA data released May 28, 2026 (week ending May 22)

SPR at 365.1 mb after ~9.1 mb weekly draw · Cumulative draw since March 1: 50.3 mb (29% of 172 mb authorized)

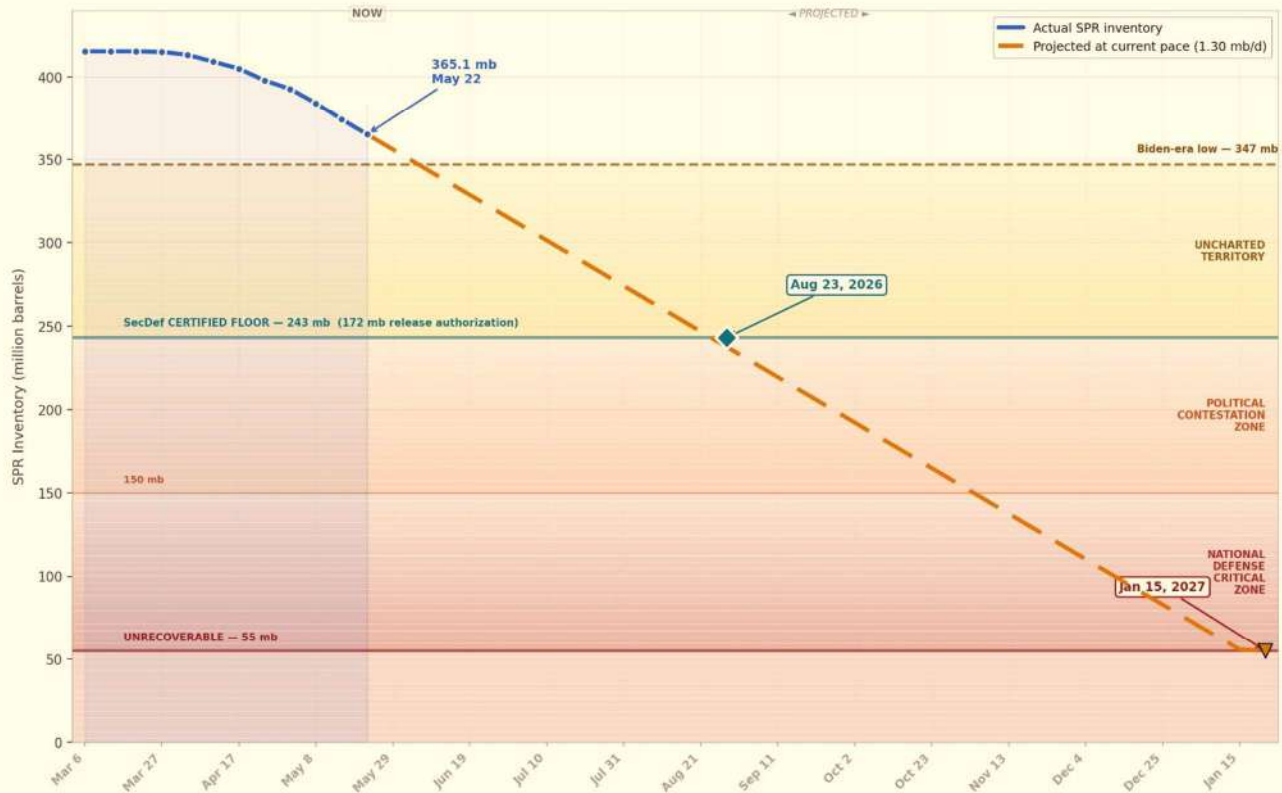
~310 mb extractable · ~55 mb unrecoverable (DOE 10% residual + 12 mb roof oil + sediment/wellbore losses)

CURRENT PACE: 1.30 mb/d

Certified floor hit Aug 23, 2026

Extractable oil exhausted Jan 15, 2027

4.0 mb/d theoretical max not shown —
unsupported by operational evidence (see notes)



365.1 mb

Current Level

May 22, 2026

~9.1 mb

Weekly Draw

1.30 mb/d

~310 mb

Extractable Oil

Revised (DOE 2016 LTSR)

Aug 23

Certified Floor Hit

At current 1.30 mb/d

Jan 2027

Oil Exhausted

At current 1.30 mb/d

SecDef CERTIFIED FLOOR (243 mb):

The 172 mb release authorization implies SecDef Hegseth has certified under EPCA §161(h) that drawing to 243 mb "will not impair national security." This is the only confirmed policy floor. Further releases require fresh certification.

UNCHARTED TERRITORY (243-347 mb):

Below the 2023 post-Biden low (347 mb) and heading toward the SecDef certified floor (243 mb). No modern precedent exists for SPR operations at these levels. DOE modelling (2016 LTSR) shows drawdown rate degradation beginning around 300 mb from a pristine reserve.

POLITICAL CONTESTATION ZONE (150-243 mb):

Below the certified floor, further releases require fresh SecDef certification and Congressional tolerance. No statutory floor exists (the original EPCA 150 mb fill target was repealed in 1994). Bipartisan scrutiny intensifies as inventory drops.

NATIONAL DEFENSE CRITICAL ZONE (55-150 mb):

DOD consumes ~85 mb/yr peacetime (~233k b/d), up to ~145 mb/yr wartime (~395k b/d). Below 150 mb, the SPR cannot simultaneously sustain military operations and buffer domestic supply. No capacity remains for a second crisis (hurricane season, ally request, escalation).

UNRECOVERABLE FLOOR (~55 mb):

Based on DOE 2016 LTSR: DOE operational residual (10% of inventory per DOE modelling) + ~12 mb roof oil (required to prevent cavern roof collapse, per DOE) + sediment-trapped crude + wellbore destruction losses. 8 of 11 single-cycle ESR caverns (~130 mb capacity) have only one drawdown remaining — oil drawn from these is permanently lost storage capacity.

WHY NO THEORETICAL MAX LINE:

4.4 mb/d nameplate (DOE 2016 LTSR Fig. 15) assumed pristine 695 mb reserve. No DOE scenario below 430 mb. Biden-era drawdown caused \$280M damage (DOE Oct 2025). Current 1.30 mb/d exceeds prior maximums. 4.0 mb/d unsupported by evidence and removed.

Sources: EIA WPSR (WCSSTUS), May 28, 2026 · DOE Long-term Strategic Review of the SPR (Aug 2016), Fig. 15, Table 12, Ch. 2 · DOE SPR Quick Facts · DOE Oct 2025 solicitation (\$280M damage) · EPCA §161(h) · Sandia/AAPG cavern studies · JPMorgan Commodities (Kaneva)



Oil price special coverage



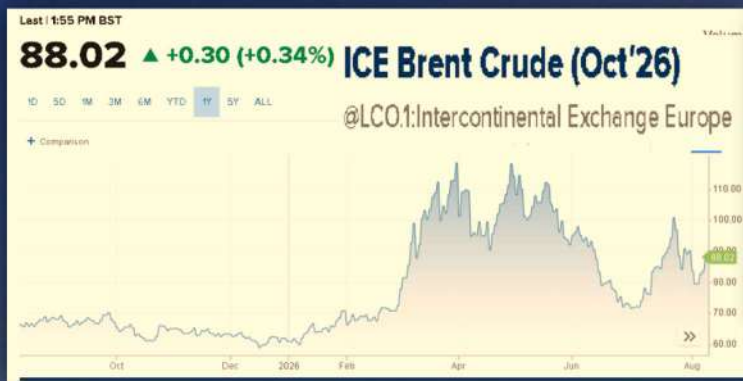
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Oil pares gains as traders weigh Oman-Iran talks

[Reuters + NewBase Energy](#)

Oil prices pared gains on Tuesday after hitting their highest for more than a week as signs of progress in talks between Oman and Iran over shipping through the Strait of Hormuz were weighed against ongoing disruption to Middle East energy flows.

Brent crude futures rose 30 cents, or 0.34%, to \$88.02 a barrel by 13.38 GMT. U.S. West Texas Intermediate crude futures were up 49 cents, or 0.6 %, at \$82.09.



WTI Crude (Sep'26)

@CL1:New York Mercantile Exchange

Last | 8:57 AM EDT

82.62 ▲ +0.49 (+0.60%)

- **Brent and WTI hit highest since July 31**
- **Hopes for Hormuz deal fade as Trump demands Iranian reparations**
- **Gulf shipping traffic via Strait of Hormuz falls to six vessels**
- **Cargo ship attacked in the Red Sea, sources say**

Both benchmarks hit their highest since July 31 earlier in the session, with Brent rising as high as \$90.03 a barrel and WTI touching \$84.61.

Talks between Oman and Iran on the future of shipping in the Strait of Hormuz are now at an advanced stage, Qatar's foreign ministry spokesperson said on Tuesday.

"Any signs of de-escalation or any signs of a deal are good news for risk assets and bad for oil, obviously. But it's all talk at the moment. It's all headlines. There's no meaningful progress," said Fawad Razaqzada, analyst at City Index and FOREX.com.

Both contracts had jumped more than 5% on Monday after U.S. President Donald Trump responded to Iran's conditions for a peace deal with his own demands that Iran pay compensation for people killed in wars, attacks and protests, which is likely to complicate efforts to reopen the Strait of Hormuz.

"I don't see oil going below \$80 any time soon, unless there's a surprise announcement of a deal that reopens the Strait of Hormuz, because the oil market is tightening," Razaqzada added.

GEOPOLITICAL RISK CONTINUE

Shipping data showed that traffic through the Strait of Hormuz dropped to six vessels on Monday, compared with a 10-day average of about 11 vessels.

In a note on Monday, Barclays analysts said that crude oil and refined product net exports through the Strait of Hormuz averaged 3 million barrels per day (bpd) in the week ending August 7, down from 4.4 million bpd the previous week.

Before the Iran conflict began in late February, about a fifth of global daily oil and liquefied natural gas supplies passed through the Strait of Hormuz.

A cargo ship was attacked on Tuesday by Yemen's Iran-aligned Houthis in the Bab el-Mandeb Strait, killing three crew members, said two Yemeni coast guard sources and two military officials in the government.

"The chokehold risk around both the Strait of Hormuz and the Bab el-Mandeb remains highly significant. Even intermittent restrictions or the threat of further incidents keep insurance costs elevated and force longer shipping routes ... hence energy flows look likely to stay constrained near term," said Tim Waterer, chief market analyst at KCM Trade.

Elsewhere, the Ukrainian military said on Tuesday that it had attacked an oil refinery in Orsk, the second-largest city in Russia's Orenburg region and an important industrial hub.





HAWK ENERGY

Oil & Gas Services





- Hawk Energy revises Oil at averaging \$82-\$85 This Year 2026 with positive Growth
- That's a 'foreseeable & sensible range,' Hawk Energy CEO M. Al Shihabi says
- Demand set to grow (1.2 MBD) from 105.3 to 106.5 MBD in 2026: Al Awadhi says





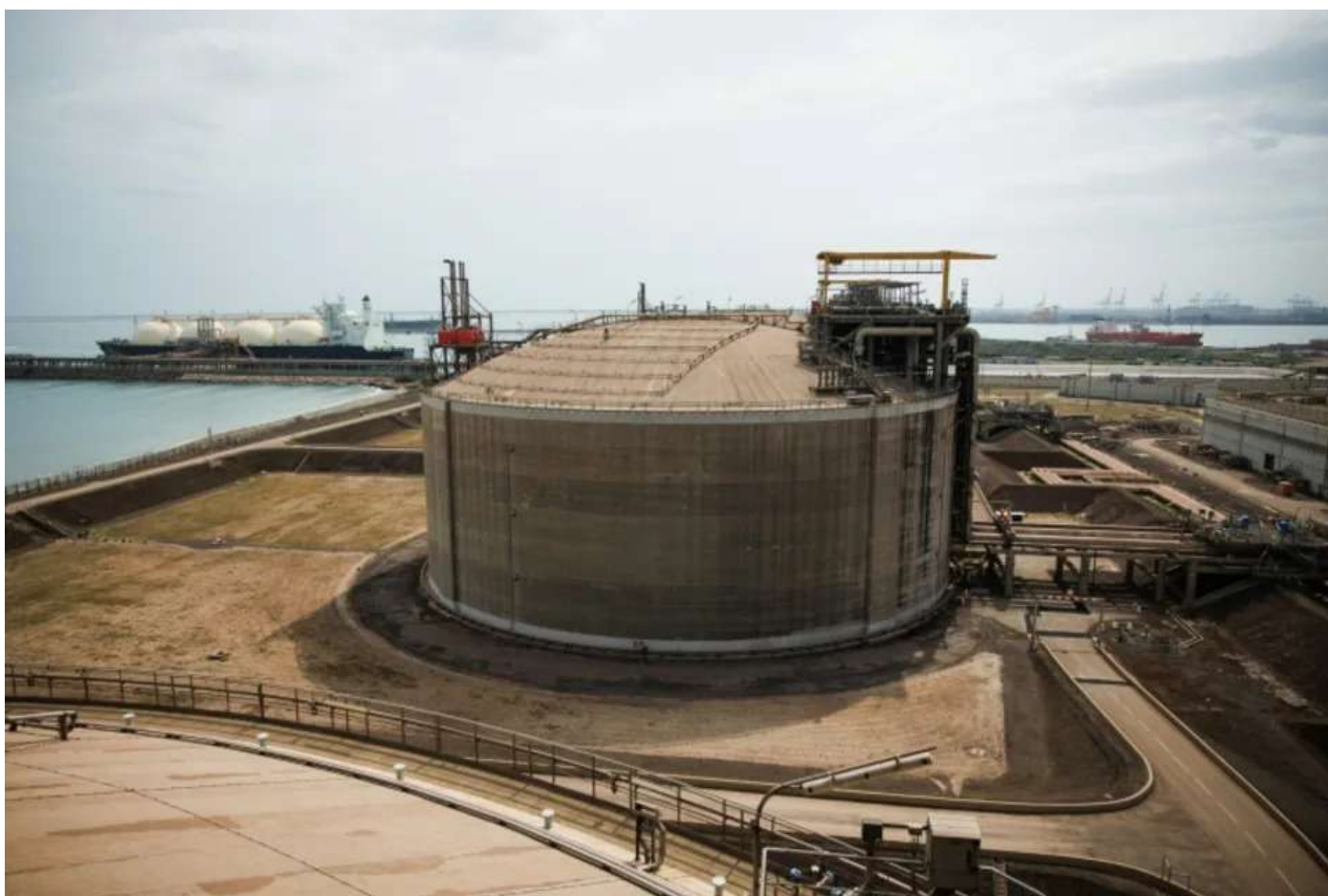
Winter is coming, will Europe run out of gas? **Europe wary as gas stocks languish at lows while winter looms**

NewBase Energy + Bloomberg

Four years after Russia's invasion of Ukraine set off an energy crisis, European countries face new questions about natural gas security as the war in the Middle East drags on.

Surging prices due to Iran's closure of the Straits of Hormuz are keeping liquefied natural gas (LNG) stocks unusually low, with winter just months away.

That raises the spectre of both supply difficulties and prices remaining well above pre-crisis levels, just as colder Continental weather drives up demand.



A liquefied natural gas storage tank at the terminal in Fos-sur-Mer near Marseille, southern France

- Stockpiles slump -

Besides its use in heating and producing electricity, gas also powers many factories across Europe.

Summer is traditionally when energy firms take advantage of lower prices to fill LNG storage tanks, preparing for higher winter demand.

In a typical year, storage sites would be filled to "around 75 to 80 percent", said Anne-Sophie Corbeau, a researcher at the Columbia University's Center on Global Energy Policy.

Currently the level is just 58 percent -- the lowest since 2021 -- according to Gas Infrastructure Europe, an industry association cited by the resources consulting firm Kpler.

- Why? -

"The European Union ended last winter with underground gas storage at only 28 percent, significantly lower than in previous years," said Ronald Pinto, an analyst at Kpler First.

European imports were curtailed by the US and Israeli strikes against Iran, which led Tehran to effectively close the Strait of Hormuz to Gulf tanker traffic.

That halted gas shipments from Qatar, a key European supplier, driving up prices of contracts for future delivery, the main way of buying LNG on global markets.

"Italy, Poland, and Belgium, contracted buyers of Qatari LNG, have borne the direct losses, as they have been unable to import any Qatari LNG volumes since April 2 -- the date on which Italy received its last vessel loaded with Qatari LNG," Pinto said.

- Pricing pain -

European buyers had hoped prices would ease by summer, allowing them to fill storage tanks later for less.

The Dutch TTF contract -- the benchmark for European gas -- for September delivery is currently trading around 55-58 euros per megawatt-hour.

The cost was just 30 euros before the Middle East war, and as low as 15-20 euros before the war in Ukraine.

An EU Commission spokesperson expressed confidence that filling storage tanks to 80 percent of capacity "is sufficient to secure winter supply and it is technically achievable".

Europe has significantly ramped up its import capacity since the war in Ukraine, which prompted it to slash its Russian gas supplies.

Russia still supplies around 12 percent of the bloc's gas imports, according to the European Council, but by the end of 2027 it will ban them completely.

"It is also worth noting that EU gas demand has decreased by 17 percent compared to pre-crisis levels" before 2022, the spokesperson added.

"Supply risks to Europe remain elevated amid reduced LNG availability from the Middle East," Rystad Energy analyst Antonia Syn said in a recent market update.

Gas infrastructure routinely experiences breakdowns or technical disruptions that halt flows.

And severe cold in the United States -- now Europe's biggest single supplier -- could divert its supplies to domestic buyers.

Asian countries that usually buy from Gulf suppliers could also turn to US or other sources, driving up prices to painful levels for European buyers.

So the longer Europe waits to fill up storage sites, the bigger the risks.

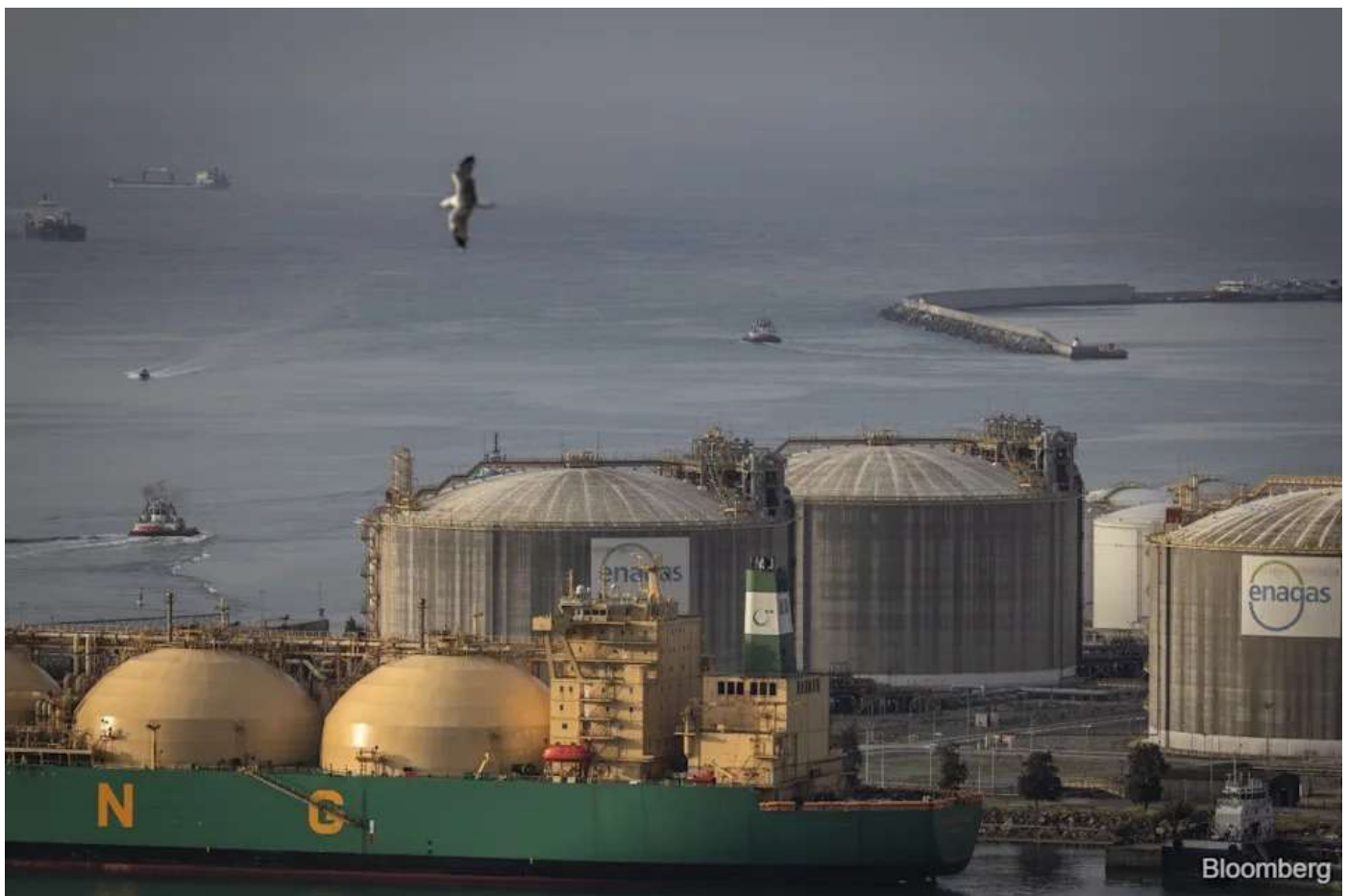
"We believe this wait-and-see approach has kept TTF prices from reflecting a scenario of extreme gas scarcity during the winter period," said Pinto at Kpler First.

He expects average monthly prices to remain at 55 to 62 euros per MW/h through the rest of the year.

"For now we're seeing LNG go more to Asia than to us, because prices are even higher there," Corbeau said.

"If stocks are down, if the winter is rough and some other problem happens, we'll have to start thinking about conservation measures," she warned, as was the case across Europe in 2022.

European gas prices rally as Hormuz deal prospects remain murky



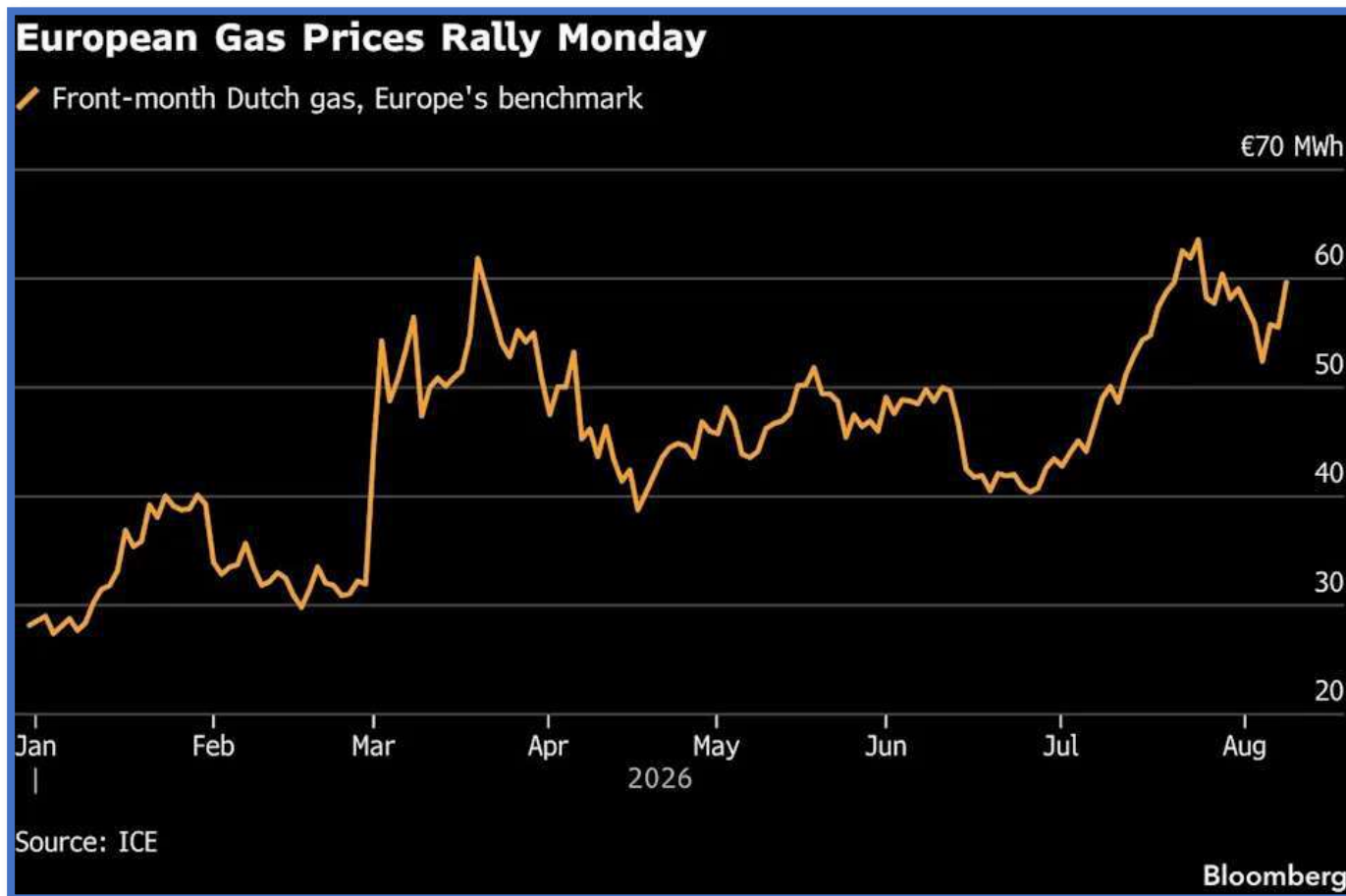
European natural gas prices jumped as discussions between Iran and Oman to reopen the Strait of Hormuz failed to convince traders that a deal would lead to a quick resumption of global LNG flows.

European natural gas prices jumped as discussions between Iran and Oman to reopen the Strait of Hormuz failed to convince traders that a deal would lead to a quick resumption of global LNG flows.

Benchmark futures rose more than 10% on Monday. Over the weekend, Iran said an agreement was "very close," but signalled that a deal wouldn't immediately reopen Hormuz, tempering hopes for a swift restoration of flows that would help Europe to replenish its gas stockpiles.

US President Donald Trump indicated that he is prepared to let economic pressure on Iran build rather than launch fresh military strikes to force a reopening of the strait. The president's comments mark a shift from his repeated threats to escalate the bombing campaign against Iran.

Traders are also tracking the impact of prolonged supply cuts at Norway's Ormen Lange gas field. The country is Europe's biggest piped-gas supplier and any disruptions may increase price swings.



As deliberations in the Persian Gulf drag on and uncertainty mounts, Europe is running out of time to fill up its gas storage sites ahead of winter. The continent is now less than three months from the start of its heating season, and the prolonged supply disruption sets it up for intense competition with Asia for fuel.

Europe's gas storage sites recently hit the lowest seasonal levels in records going back to 2009, exacerbating worries about winter supplies. The facilities are just below 59% full, falling short of the five-year seasonal norm of 76% for this time of year.

Citigroup Inc strategists including Maggie Xueting Lin expect storage levels of about 74% by the end of October if Middle East LNG exports gradually resume as of mid-August. Yet they also see risks of sharper-than-usual demand spikes this winter if the El Nino weather phenomenon leads to extreme cold spells.

Dutch front-month futures, Europe's gas benchmark, rose to 61.24 a megawatt-hour by Monday 6.02pm in Amsterdam. US natural gas futures rose by the most in more than two months as an unusually large swing in weather forecasts triggered a wave of short-covering among money managers who were the most bearish on gas since 2020.

Italy becomes EU's top LNG importer as purchases elsewhere lag

Italy became Europe's top importer of liquefied natural gas in July as traders made use of government incentives to keep buying cargoes despite soaring prices, while neighbouring countries held back on costly purchases and allowed storage levels to lag.

The divergent strategies amount to opposing bets on how Europe's gas crunch will evolve before winter. If Middle East disruptions persist and prices keep climbing, Italy's expensive stockpiling could prove prescient while countries with thin inventories may face even tighter supply in winter and higher costs. If fuel flows recover and prices fall, Italy risks having filled storage with costly gas at billpayers' expense.



Italy became Europe's top importer of liquefied natural gas in July as traders made use of government incentives to keep buying cargoes despite soaring prices, while neighbouring countries held back.

War and supply disruptions in the Middle East have caused European gas prices to roughly double so far this year, crimping LNG buying across the region even as it's under pressure to build up inventories for winter. Italy was a rare exception, leapfrogging its peers this month for the first time in ship-tracking data compiled by Bloomberg going back to 2017.

The country's power sector is the most reliant on gas in Europe, and saw energy needs jump during recent heat waves. But its traders also kept making use of incentives to buy LNG for refilling Italy's storage sites, giving it a leg up on nations like Germany and France, which are lagging behind. Italy's storage regulation contains strict refilling targets and fines for not meeting them.

The development is likely to sharpen the question of whether other European governments should intervene to support purchases if shipping from the Persian Gulf remains shut. Other major buyers

in Asia have also been pulling away cargoes from Europe, potentially fuelling a bidding war in the months ahead if the supply situation doesn't ease.

"It's likely that gas prices will continue to be in tension over the coming months, starting in the next few weeks," Agostino Scornajenchi, chief executive officer of Italian gas network operator Snam SpA, said in an interview this week. Germany and other European countries will likely have to accelerate storage injections soon, he said. The company confirmed it's on track to reach its 90% refilling target.

European gas futures have added more than 30% so far this month with the US launching fresh strikes on Iran in recent days and global markets grappling with continued uncertainty.

Winter gas contracts are trading slightly below those for summer, making stockpiling uneconomical for most traders. Still, many analysts have warned of mounting winter risks, with Goldman Sachs Group Inc seeing the possibility of prices shooting up to 100 a megawatt-hour in December - 75% above current levels - if the market remains tight.

For the time being, Italy's gas storage sites are 75% full - below a five-year seasonal average, but the highest among Europe's top markets. Germany's facilities are at 47%, the lowest share of utilised capacity for this time of year in records going back to 2009. France's gas inventories are 56% full after it faced some capacity restrictions at LNG terminals this summer.

Asian liquefied natural gas (LNG) prices rose to the highest since late March, as fresh hostilities in the Middle East deepened concerns that shipping through the key Strait of Hormuz will remain disrupted for longer.

Spot LNG traded at about US\$20.2 per million British thermal units, according to traders, after surging about 10% over the past week. The conflict has intensified in recent days as the US and Iran feud over control of the strait, a key conduit for about a fifth of global LNG supply.



The US carried out more strikes on Iran to pressure Tehran to stop attacking vessels and reopen the Strait of Hormuz. Iran's Islamic Revolutionary Guard Corps said Wednesday that the passage will stay shut until the US ends its strikes and the blockade of Iranian ports.

Renewed tensions have already pushed Asian buyers to seek more cargoes. Pakistan purchased its most expensive spot shipment in four years at around US\$20.70/mmbtu, according to traders, as a planned delivery from Qatar was cancelled due to Hormuz disruptions. Other countries including India, Thailand and Bangladesh have also recently issued tenders for supplies.



Ship movements have slowed to a near standstill since the US resumed its naval blockade of Iran after a wave of attacks on commercial vessels, although a handful of them have still made the crossing. A prolonged disruption would keep LNG supplies tight, particularly for Asia, where buyers rely heavily on Qatari cargoes. Spot LNG is now trading at roughly twice its pre-war level.

"For Asian buyers, this further delays the hopeful return of Qatari volumes," Evan Tan, an LNG analyst from ICIS, said. "Assuming geopolitical tensions continue into the next couple of months, a storage-short Europe and firm Asian demand will have both regions bidding up spot prices through later parts of the year," he added.



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