Gas Strategies
Information Services

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All tweet, no action: Trump's call for US oil and gas bailout fails to materialise

On 20 April 2020, West Texas Intermediate (WTI) crude oil traded negatively for the first time in history, falling to a record low of negative USD 37.63/barrel, as US oil producers, faced with brimming crude storage on the back of declining demand due to Covid-19, were left with no option but to pay buyers for volumes they could not store.

On 21 April, US President Donald Trump announced plans – via Twitter – to bail out the US oil and gas industry, but two months later, talk of a federal bailout for struggling producers has yet to materialise. A bailout for the oil and gas industry would not only be politically controversial, industry commentators explain, but also propagate inefficiencies within the sector. Instead, the crisis US oil and gas currently faces ought to be treated as an opportunity to address these inefficiencies and, rather than a bailout, is more likely to lead to consolidation within the segment.

As far as struggling 'second wave' US LNG projects are concerned, there is very little the Trump administration can do to support them in their quest for final investment decision (FID), say LNG industry experts. For greenfield projects that are dependent on third-party sales to reach FID and have limited cash resources to keep going, a bailout would only be kicking the can down the road.

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