Oil & Gas Bulletin

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One line of Turkish Stream gas pipeline feasible

AA Energy Terminal, *12.08.2016*

Russia's Turkish Stream gas pipeline project through Turkey has been put firmly back on the agenda following the meeting between Turkish President Erdogan and Russian counterpart Putin in St. Petersburg where energy was discussed.

One line of the Turkish Stream natural gas pipeline project can be accomplished, but more than one line will depend on the improvement in Russia-EU relations, according to Professor Jonathan Stern. Speaking to Anadolu Agency following the meeting between Erdogan and Putin, Stern asserted that one line of the Turkish Stream project serving Turkey would be feasible.

"Two lines would require regulatory agreement with the EU with a pipeline crossing an EU border; this was the problem with the [redundant] South Stream project and has never been resolved," he said. In remarks made during a joint news conference with Putin in St. Petersburg following their meeting, Erdogan said that Turkey and Russia's cooperation will accelerate in the energy sector.

Putin said that Turkey has already taken concrete steps to realize the Turkish Stream project to meet its own needs. He added that the second phase to carry natural gas to Europe should be discussed with European authorities. Russian Energy Minister Alexander Novak said after the meeting that the Turkish Stream may start in 2019 with the possibility of having the intergovernmental agreement signed by this October.

"For one line, these dates are possible but any delay to the October date would create problems for the 2019 completion," Stern said, adding that from a market point of view, it makes more sense for the Russians to build one line of the Turkish Stream and one line following the planned but cancelled route of the South Stream project.

"But, as I said before, this depends very much on regulatory agreement between Russia and the EU. If this proves impossible or takes a long time, then one line of the Turkish Stream is all that can be built," he stressed. Michael Camarda, the associate director of Energy Politics in Eurasia Masters' Program at the European University at Saint Petersburg in Russia told Anadolu Agency that the Turkish Stream project is far more important for Russia than it is for Turkey.

"I have no doubt Russia wants to build this primarily as another way around Ukraine for its gas to Europe, not so much to expand its Turkish market," Camarda said. Since the July 15 failed coup in Turkey, Ankara has been both looking to restore relations with its old partners, as in Russia, as well as developing new ones, according to Camarda. "Pipelines are more permanent than good relations. Project financing, and whether this pipeline's gas will be allowed to cross into Europe, are two big factors that will affect the speed of its construction," Camarda said.

He advised that the initial proposed capacity for the Turkish Stream was 63 billion cubic meters (bcm) but this was reduced to 32 bcm last fall. Russia's Gazprom believed that with the extension of the Nord Stream project - the Nord-Stream II - with a subsea Baltic pipeline to its biggest single client Germany, they would reduce the amount of gas needed for the Turkish Stream.

"Russia looks at its overall position in Europe when making these decisions. I think the Nord Stream II is a lot more politically viable as a project right now in Brussels than the Turkish Stream is, as Germany supports it, albeit with conditions," he noted.

Putin said on Tuesday that Russia has initially considered the Turkish Stream not as an alternative to the South Stream but "as an opportunity to expand our cooperation in the area of gas supplied both with Europe and with Turkey." Camarda contended that if the Turkish Stream is realized, then it will merely replace the South Stream project.

"If the Turkish Stream is built, then Russia will logically insist on a much cheaper gas connector to the EU rather than build an entirely new subsea trans-Black Sea pipeline," he said "Let us remember that the EU's gas growth is very small, and with global LNG set to boom in the next five years, Russia wants to get pipelines into Europe and lock in contracts if it can. This will secure its market share against the coming LNG tide, as pipeline gas is generally cheaper than LNG," Camarda said

Erdogan declared on Tuesday that the Turkish Stream natural gas pipeline would now be complete "as fast as possible."Announced by Putin in December 2014, the pipeline will carry Russian gas via the Black Sea and Turkey to southeastern Europe. The project was shelved following the jet crisis between Russia and Turkey last November.

Turkish Stream IGA to be signed in October

Natural Gas Europe, *11.08.2016*

Russia has submitted to Turkey its road map for building the Turkish Stream project, energy minister Alexander Novak told. The aim is to sign an IGA in October, he said.

"We have already prepared a road map – a detailed plan and schedule of events for construction of infrastructure and submitted it to the Turkish side. In the near future we will work out this issue with them to sign this road map," he said. The plan is to start work on the first 15.75bn m³/yr string of the Black Sea pipeline project as soon as all required permits are received.

He added that the sides have agreed to create a working group to build the Turkish Stream. A working group will prepare and negotiate the draft of the intergovernmental agreement on construction of at least one string along the Black Sea bed to Turkey with possible expansion of a second string. The first string could be built in the second half of 2019. Further strings remain possibilities.

The Turkish Stream project was announced by the Russian government as replacement of the South Stream on December 1, 2014. It was planned that the offshore section of the Turkish Stream will have four equal strings and 660 km of the line will be a part of the old South Stream corridor. The remaining 250 km will be built towards the European part of Turkey, reported Tass agency.

Russia's president Vladimir Putin said there were no doubts that Turkish Stream will happen and work could start soon. He was speaking at a joint press conference with Turkey's president Recep Tayyip Erdogan August 9. Putin said that the second part of the Turkish Stream project relating to gas export to Europe would have to be negotiated with the European Commission.

Putin to set Turkish Stream terms

Natural Gas Europe, *10.08.2016*

Russia's president Putin held talks in St Petersburg with his Turkish counterpart, Recep Tayyip Erdogan. But while the Turkish leader said after meeting the Turkish Stream project under the Black sea to Turkey project would indeed be implemented, the actions of Russia's leader would appear to indicate that he still keeping his options open.

"The Turkish Stream project will be implemented," Russian agency Tass quoted Erdogan as saying after the meeting, "We'll be taking the necessary steps to back Russian gas supplies to Europe via this gas pipeline together with involved ministries and departments," he added.

Turkey's ambassador to Russia, Umit Yardim, managed expectations the day before, saying he did not expect the two sides to sign an agreement on Turkish Stream in the near future. "The talks have been going on, but we are still far from signing the agreement," he told Russia 24 TV channel.

And Russian sources, commenting just before the meeting, told Russian agency Tass that "the issue of discounts for the Russian gas supplied to Turkey has long been on the top of the agenda." Only four days before meeting Erdogan, Putin was in contact with Bulgaria, discussing a possible revival of the South Stream project that would have seen a Black Sea gas pipeline terminate in Bulgaria. And just 24 hours before the meeting, he was in Baku discussing tripartite cooperation between Russia, Azerbaijan and Iran on energy issues.

Overall, it still seems likely that Russia will seek to monetize its extensive investment in its own infrastructure to carry gas to the Russkaya compressor station at Anapa on its Black Sea coast by constructing the Turkish Stream pipeline onward from Anapa to a landfall at Kiyikoy, on the coast of Turkish Thrace.

However, the very fact that, according to Bulgaria's prime minister Boyko Borissov, Russia and Bulgaria have agreed to set up working groups to look at the possible resumption of work on South Stream – the project that Putin himself discarded in place of Turkish Stream – means Moscow has additional leverage in negotiations with Ankara.

There is a very strong rationale for at least the first two strings of the originally planned 4-string 63bn m^3/yr Turkish Stream system. The physical pipe for the initial two strings has already been delivered, either in full or in great part, and is on the dockside at the Bulgarian port of Varna.

And although Russia has signalled that it does not expect an absolute end to all transit of gas through Ukraine once current transit contracts come to an end in 2019, it is clear that Russia wants to wind down transit through Ukraine to the absolute minimum. One 15.75bn m^3/yr string of Turkish Stream can replace current gas deliveries flowing to Bulgaria, Greece and, above all, Turkey, across Ukraine and via the Trans-Balkan pipeline.

A second 15.75bn m^3/yr string can be used to meet an expected increase in Turkish gas demand over the next several years. It also can be used to deliver around 10bn m^3/yr of gas to customers in the European Union if Gazprom should seek space on the Trans-Adriatic Pipeline (TAP) now under development from Turkey's border with Greece to southern Italy.

Although this has been a theoretical possibility ever since Turkish Stream was first proposed in December 2014, Gazprom does not appear to have approached the shareholders of TAP about such a move. Turkish Stream would also help to cement a strategic alliance, at least in energy issues, with Turkey, and put an end to the kind of dreams, entertained by Erdogan during the nadir of Turkish-Russian relations last autumn, that somehow Turkey could do without Russian gas altogether.

Putin's visit to Baku, where he and the Azeri president, Ilham Aliev, held trilateral discussions with Iran's president, Hassan Rouhani, yielded another element in an increasingly intriguing puzzle: a joint statement in which the three leaders specifically agreed to work together on the shipment and delivery of gas. Putin himself, according to Russian reports, commented that realization of projects on exploration and development of oil and gas fields was the priority aim in cooperation between the three countries.

Turkey-Russia rapprochement spells bad news for Azerbaijan

WSJ, *09.08.2016*

Russia and Turkey signaled that they would resuscitate the development of a natural-gas pipeline between them, potentially undermining European efforts to reduce reliance on Russian energy with fuel piped in from Azerbaijan.

Presidents Vladimir Putin and Recep Tayyip Erdogan, in a meeting Tuesday in St. Petersburg, indicated the way was clear again for the pipeline known as TurkStream, which would bring gas from Siberia under the Black Sea. The project had been sidelined after Turkish jets shot down a Russian warplane near the Syrian border in November, causing a diplomatic rupture.

When complete, the pipeline would have the capacity to pump more natural gas into Turkey than it could consume, making the country a potential hub for sending Russian gas into Europe. That would be a blow for Azerbaijan. President Ilham Aliyev has said he wants to make his country a major gas exporter.

The country needs to replace revenues from oil production, which is declining. Azerbaijan and European officials had touted the development of a southern gas corridor, a 2,200-mile network from the Caspian Sea through Turkey and then across Greece and into Italy.

In May, Maros Sefcovic, the European Commission's vice president and leading spokesman on energy policy, called the corridor "vital for reaching the EU objectives" of diversifying its energy sources. The U.S. State Department in 2013 called it "an important contribution to global energy security."

Russia already is the source of a third of the European Union's natural-gas supply, mostly piped through Ukraine. European officials have complained that Russia uses energy as a political weapon, especially against Eastern European countries, and has set a policy of finding new sources.

Pipelines for the southern corridor are under construction and the first gas deliveries to Europe are expected in late 2019, but with TurkStream back on track to come online the same year, it might not make commercial sense to expand its capacity as planned. "The realpolitik is that if you're on the ground in Turkey thinking where will your gas come from, in the end it's Russia that has the gas and can deliver it," said Jonathan Stern, chairman of the Oxford Institute of Energy Studies. Azeri energy officials didn't respond to requests to comment.

In the past decade, Azerbaijan's gas output has roughly doubled, according to the BP Statistical Review, with investment from big companies like BP PLC. But its hopes for more were already fading with collapsed oil prices slowing fossil-fuel investments in the Caspian Sea. The price of Brent crude was trading around $45 a barrel on Tuesday, down from more than $100 a barrel for several years before a collapse that began in 2014.

Many of Azerbaijan's gas fields require billions of dollars of foreign investment because they are offshore and involve reserves that are difficult to produce. "It's difficult to make gas work from a commercial point of view, and in the current oil-price environment it's even more challenging," said Wood Mackenzie's head of Caspian research, Samuel Lussac.

Growing domestic demand has also been eating into Azerbaijan's ability to export its natural-gas riches. Russia has long scoffed at Azerbaijan's ability to compete with its huge reserves. A few years ago, the deputy chairman of Russian gas giant Gazprom Alexander Medvedev told investors that Azerbaijan "had just enough gas to heat a barbecue."

Other projects that would bring non-Russian gas to Europe through Turkey are sputtering. Companies operating in Iraqi Kurdistan have yet to sign a deal with a Turkish partner for the billions of dollars needed to develop gas fields there and get it to market. Iranian officials have said they can't afford the costly infrastructure required to send gas by pipeline to Turkey.

Turkey saved $50 billion from low oil prices

Daily Sabah, *10.08.2016*

Turkey has benefited from the decline in oil prices over the past three years, managing to save $50 billion in the import of oil over the same period.

Ata Yatırım prepared a report on Turkey's oil imports. The report reveals through data collected that Turkey has been one of the biggest beneficiaries from the fall in oil prices over the past three years. According to the report, the fall in oil prices since 2013 has decreased Turkey's total imports by $50 billion. Figures reveal that the current account deficit, which corresponded to 10 percent of GDP in 2011, will drop to 4.4 percent in 2016.

Oil prices hovered around $100 and $120 per barrel for a long time before July 2014. However, they went into a decline with the expectations that supply would exceed demand, and stood at $57 at the end of 2014.

The average price per barrel of Brent crude oil fell to $54 in 2015 from $99 in 2014. Because of the ongoing supply pressure and the gap between supply and demand, the average price of one barrel of Brent crude has stood at $42 since the beginning of 2016.

As an energy importing country that mainly purchases oil and natural gas, Turkey has been positively affected by the falling energy prices. Turkey's 12-month cumulative energy imports, which reached $60 billion in December 2012, gradually declined to $30 billion in June 2016. The ratio of energy imports to total imports dropped to 15.1 percent in June from the highest level of 25.2 percent in December 2012.

Especially due to the fall in energy prices, Turkey's 12-month cumulative current account deficit tumbled to $27 billion in May 2016 and its ratio to Gross National Product (GNP) was actualized at 3.9 percent. Ata Yatırım specialists expect oil prices to continue to remain under pressure in the upcoming period. They estimate the price of crude oil will be around $45 per barrel and the ratio of current account deficit to GNP will stand at 4.4 percent in 2016.

Gas exploration to resume in Israeli waters

Globes, *09.08.2016*

The Petroleum Council reports to the Ministry of National Infrastructures, Energy and Water Resources has approved the granting of new exploration areas in economic waters.

The Council's made its recommendation after four years in which the sea was closed to new exploration, and following Minister of National Infrastructures, Energy and Water Resources Yuval Steinitz's instruction that exploration should be renewed. The Council recommends the minister to offer 24 blocks initially, in which energy companies will be called on to bid in an auction and participate in exploration for oil and natural gas in Israel's economic waters.

The Council selected 24 potential blocks, each up to 400 square kilometers in area. Some of the blocks are close to the large gas discoveries in water depths of 1.5-1.8 kilometers. In accordance with the strategic environmental survey carried out by the ministry, the blocks will be at least seven kilometers from the shoreline.

The Council's recommendation was based on independent research recently commissioned by the ministry that found that at a best guess there were resources totaling 6.6 billion barrels of oil and 2,137 billion cubic meters of natural gas as yet undiscovered in Israel's sea basin. “The Council's recommendations on areas for oil and gas exploration in Israel's economic waters represent a significant and vital step towards the development of Israel's natural gas industry.

Oman says to change Iran gas pipeline route to avoid UAE

Reuters, *10.08.2016*

Oman and Iran have agreed to change the route and design of a planned undersea natural gas pipeline to avoid waters controlled by the United Arab Emirates, Oman's Minister of Oil and Gas Mohammed bin Hamad al-Rumhy said.

The planned pipeline would connect Iran's vast gas reserves to Omani consumers as well as liquefied natural gas (LNG) plants in Oman that would re-export the gas. After international sanctions on Tehran were lifted in January, the two countries renewed efforts to implement the project, but it has also been delayed by disagreements over price and U.S. pressure on Muscat to find other suppliers.

In an interview, Rumhy said Oman and Iran were at an advanced stage of designing the pipeline and had agreed on a deeper option than originally envisaged to avoid crossing any third country's borders. "Instead of the shallower option at around 300 meters (985 feet) deep, the pipeline is to plunge close to 1,000 meters below the sea's surface. And it will be slightly shorter," he said.

Rumhy did not say why the pipeline would avoid UAE waters. Omani and UAE officials have discussed the project but it is not clear if the UAE has given its blessing to the project or has objected to a route that would pass through its waters. UAE officials have not discussed the matter publicly.

Oman still expects to invite companies before the end of 2016 to bid for the engineering, procurement and construction part of the project, Rumhy said without giving an estimate for the cost. The pipeline would be financed on a 50-50 basis by Oman and Iran. "Oman has started talking to Japanese, Korean and Chinese parties to raise finance. And this option has been received very well. We are looking to receive finance for LNG as per the initial understanding.

"So finance will not be an issue, but we won't have to go to the ministry of finance. We are looking at it as a self-funding project," Rumhy said. The minister predicted the pipeline would be commissioned two years after the award of contracts, but conceded that the level of gas prices might delay the project, adding that the pipeline would not be profitable in today's market environment. "I am not optimistic about the future of oil and gas prices, and we have an understanding with our partners that the market is not very encouraging." In 2013, the two countries signed an agreement supplying gas to Oman through the pipeline in a deal that would be valued at $60 billion over 25 years.

Iran may store its gas in Azerbaijan

Azernews, *11.08.2016*

Iran may pump its gas to the underground gas storages of Azerbaijan in the nearest future, said Amir Hossein Zamani Nia, Iran's Deputy Oil Minister for International Affairs. He said the issue was on agenda of the meeting between Iran's Oil Minister and President of the Azerbaijan's energy giant SOCAR.

"The issue is of great importance for Iran, and the Iranian gas will likely be pumped to the gas storage facilities of Azerbaijan soon. Currently, there are two underground gas storage facilities in Azerbaijan, the capacity of which is five bcm of gas, but about a third of the total volume is empty.

Gas consumption in Iran significantly increases in the winter season, therefore storage of Iranian gas in the gas storages of Azerbaijan is considered to be an interesting offer for Iran," he said. He also mentioned that the two countries are discussing the possibilities of development of oil and gas deposits in the Caspian Sea, but the talks have not yielded any concrete results yet.

"Iran, Azerbaijan and Russia have a huge potential for the cooperation in the sphere of energy at the international level. We have also opportunities for the cooperation, which may allow to create a balance of demand and supply in the world oil market," he added, mentioning that Iran is ready for holding discussions with Iran and Russia on the export of Iranian gas to European countries, despite the fact that the export of compressed natural gas (CNG) to more remote destinations is a priority for the country.

"Iran will be able to export some 200 million cubic meters of gas per day soon. At the same time, such destinations as the countries of the region and East Asia still remain priority for Iran. Main directions in the cooperation with Azerbaijan and Russia are extraction of hydrocarbon resources, their transportation, the sphere of petrochemistry and CNG.

Iran possesses oil and gas projects in the Caspian Sea, which will be presented to foreign investors in the short run." Iran's gas production in winter is less than the consumption in the country. But in summer Iran produces several billion cubic meters of surplus gas. The country stores some of the surplus gas in Shoorijeh and Sarajeh gas storage facilities.

The two facilities located in Azerbaijan store only three billion cubic meters of gas, so Iran could store around 2 billion cubic meters of its surplus gas in the facilities, and receive them back in winter. Kalmaz storage is located 75 km southeast of Baku and was put into operation in 1955, while Garadag storage is located 25 km southeast of Baku and it was launched in 1954.

Three Caspian states pledge mutual support

Natural Gas Europe, *11.08.2016*

Iran wants to expand energy cooperation with all its neighbours, including Azerbaijan, said its oil minister, Bijan Namdar Zanganeh, at a summit in Baku August 8. Zanganeh made the remarks during a meeting with Socar's president, Rovnag Abdullaev, as energy ministers of three Caspian states – the other being Russia – discussed co-operation.

While nothing concrete was announced, the sentiments expressed showed a degree of solidarity that could block the access of other Caspian states to key gas export routes. During the meeting they discussed mutual interests and the prospects for cooperation, the statement said.

Co-operation in the gas sphere, especially the long-discussed possibility for using Socar's underground gas storage faciliteis for Iranian gas, was discussed during the meeting, Socar sources told NGE. Socar and Iran rely on swaps to bring gas to the remote Nakhchivan autonomous region: Azerbaijan delivers 1.3mn m^3/day to Iran which in turn supplies about 15% less (as transit cost) to Nakhchivan.

Azerbaijan has two underground gas storage sites: Galmaz and Garadag. After the upgrade their total volume went from 3.5bn m^3 to 5bn m^3. According to Socar sources, these facilities might be used 'virtually.' "There is no physical means for delivering Iranian gas and pumping it into UGS near Baku.

But we can pump our additional gas into storage and supply it to Iran's northern region during winter, when they experience gas shortages," they said. Iran will supply the same amount of gas to the southern regions of Azerbaijan in summer and Nakhchivan. There are other options too, said the sources adding that the final decision yet has to be made. Iran officials earlier also confirmed that the discussions of how to store Iran's gas in Azerbaijan's UGS are under way.

Russia is also proposing a gas exchange with Iran using Azerbaijan's UGS, according to Russian energy minister Alexander Novak. He said Iran normally supplies gas to its northern regions from the south of the country and the proposed swap deals would help to cut its transportation costs.

"In the gas industry, we now consider promising swap gas supplies to northern Iran via Azerbaijan with the possibility of building a liquefaction plant in southern Iran in order to receive enough LNG for sale to markets in southeast Asia," Novak told reporters in Baku August 8. "We have long relationships in energy cooperation with Baku and Tehran on a bilateral basis," Novak added. "All three countries are leading oil and gas exporter countries, have significant hydrocarbon reserves, so there is great potential to integrate and synchronise our efforts and gain synergy effects," he said.

The presidents of Azerbaijan, Russia and Iran – Ilham Aliyev, Vladimir Putin and Hassan Rouhani – signed a joint declaration in which as well as joint efforts to work for regional stability, they affirmed their countries‘ commitment to expanding cooperation in gas production, supply and transport.

It also said that the greater use of natural gas, as a cost-effective and environmentally friendly fuel, would greatly improve the environment, as well as facilitate the Paris agreement to reduce greenhouse gas emissions.

Some analysts see possibilities for setting up a gas cartel between Russia, Azerbaijan and Iran. A research fellow at the Institute of Oriental Studies, Russian Academy of Sciences, Stanislav Pritchin said that three countries “could defend their gas export interests together.”

Russia is already a major gas supplier for Europe; Azerbaijan is working towards that and Iran could become one in near future, he said. “If they compete with each other, Brussels will strengthen its position, and Moscow, Baku and Tehran will suffer financial losses. All parties will benefit if they have a common approach to the construction of gas pipelines, as well as an agreed policy on excessive competition in the southern markets of EU,” Pritchin said.

Swiss court orders Israel to pay Iran $1bn in oil pipeline ruling

Financial Times, *12.08.2016*

A Swiss court has ordered Israel to pay Iran about $1.1bn after it lost an appeal over an oil pipeline that predates the 1979 Islamic revolution.

The Swiss Federal Tribunal’s verdict, ruled in favour of Iran in regard to the EAPC, an Israeli-Iranian joint venture set up in 1968. The Swiss court ruling also ordered Israel to pay Iran $461,700 in court costs and legal fees. The decision is a blow for Israel in its secretive court battle with Iran over proceeds from the pipeline company, which was set up as a way for Tehran to pipe crude from Red Sea to Mediterranean via a cheaper and less politically volatile route than Suez Canal.

Israel nationalised the company after the Islamic revolution in 1979, but has pursued Iran in court in France and Switzerland for billions of dollars of damages for assets and revenues it alleges it lost in the years since.

Parviz Mina, a Paris-based consultant and former official at Iran’s national oil company before the revolution, said Israel has also sought redress against Iran for its embassy and other assets that were seized by the Islamic republic. “There are claims and counterclaims on both sides,” Mr Mina said.The EAPC, based in Ashkelon, operates under an Israeli state decree that shrouds its affairs — including the company’s earnings — in secrecy.

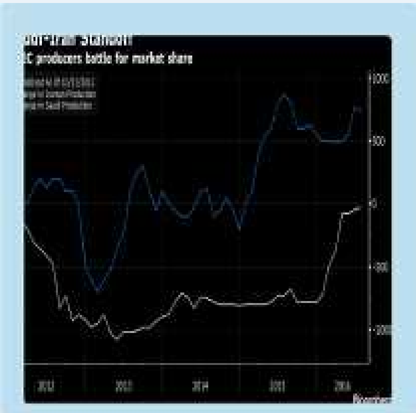
News reports relating to it in Israel are subject to military censorship. Israel says the secrecy order is in place for national security reasons, but does not specify what they are. There has also been no public reaction to the ruling in Iran. Israel, which sees Iran's nuclear programme and threats made by Iranian officials against it as a paramount security threat, classifies the country as an "enemy state". It is unclear whether it will repay the money ordered by the court.

When the Swiss court originally ruled in Iran's favour last year, Israel's finance ministry said that laws of trade prohibited it from transferring funds to an enemy country. Last year's conclusion of the US-led nuclear deal with Iran — which Israel vocally opposed — and the subsequent easing of sanctions on the Islamic republic, has raised speculation among people who follow the pipeline dispute that Iran might now find it easier to collect on any financial claims against Israel.

An Israeli government spokesman declined to comment on Israel's loss of the appeal. In December 2014 the oil pipeline, which the EAPC uses to transport crude from other countries, sprang a leak in southern Israel, causing the worst environmental disaster in Israeli history. The spill is the subject of a civil suit.

Saudi-Iran rivalry heats up as OPEC seeks to stabilize price

Bloomberg, *10.08.2016*



Saudi Arabia and Iran are giving no ground in their market share war, just days after OPEC announced an informal meeting to discuss ways to stabilize falling prices.

Oil's return to a bear market last week prompted a flurry of words from members of the Organization of Petroleum Exporting Countries. The group's president Mohammed Al Sada announced plans on Monday to hold an informal meeting in Algiers next month to discuss stabilizing the market, while Venezuelan President Nicolas Maduro said Tuesday he spoke to Saudi Arabia's king about boosting prices.

The actions of some of the group's biggest producers, however, were distinctly bearish. Saudi Arabia, the world's largest crude exporter, boosted oil output to a record 10.67 million barrels a day in July, according to OPEC data published Wednesday. In Iran, production has risen to 3.85 million barrels a day -- the highest since 2008 -- according to comments from Oil Minister Bijan Namdar Zanganeh reported by the Fars news agency.

"It only gives one signal to the markets, that the Saudis are not here to scale back, especially in the face of Iranians bringing more oil to the market," Abhishek Deshpande, an analyst at Natixis SA in London, said in a Bloomberg television interview. When OPEC meets in September "I doubt there's going to be any concrete agreement."

Saudi Arabia typically pumps more oil in the summer to meet higher domestic energy demand from air conditioning. The kingdom is also engaged in a battle for market share with rival Iran and has cut prices to its customers in Asia, the biggest market for both exporters. Kuwait on Wednesday also cut its pricing to Asia, widening the discount to the regional benchmark to $2.65 a barrel for September from $1.70 a barrel in August.

Iran is pushing for a longer-term increase in its output following the loosening of international sanctions in January. The nation approved a new model for oil contracts on Aug. 3 and the government hopes foreign companies will invest as much as $50 billion a year in its oil industry. Production will expand to 4.6 million barrels a day in five years, Oil Minister Zanganeh told parliament, according to Fars.

OPEC’s smaller members have driven calls to cap the group’s output after prices began to slump in 2014. President Maduro of Venezuela, the sixth-largest producer in the group, is reaching out to the heads of state of fellow producers Saudi Arabia, Russia, Iran and Qatar to stabilize prices that fell to a four-month low last week.

A similar effort to freeze output in April collapsed after Saudi Arabia demanded that Iran be part of the deal. At the group’s June meeting, another proposal for production targets went nowhere. Iran opposed any limits on its production then and is still seeking to reclaim its pre-sanctions share of OPEC’s total output before joining any freeze, according to an OPEC delegate who asked not to be identified.

OPEC nations aren’t pushing to revive the aborted April proposal, two delegates from the group said last week, and analysts don’t expect any deal to be reached in September. The interventions from Maduro and Al Sada, who is also Qatar’s energy minister, were prompted by renewed weakness in global oil markets. This market lull may persist as demand slows seasonally and fuel inventories remain abundant, OPEC said in its monthly report Wednesday.

Brent futures traded down 0.4 percent at $43.88 a barrel at 1:35 p.m. Hong Kong time. The international benchmark fell as low as $41.51 a barrel last week. “These planned OPEC discussions may be viewed by some as a cheap possibility to try and stabilize the market,” said Eugen Weinberg, head of commodities research at Commerzbank AG in Frankfurt. “It’s more likely to be a way of further destroying the market’s confidence in OPEC, as the organization cries wolf once again.”

New Iranian oil contracts unlikely to attract big oil

Oilprice, *10.08.2016*

Following the end of international sanctions against Iran, the Islamic Republic has ramped production up from existing fields faster than many thought would be possible.

In the year that followed the Iranian nuclear deal, Iran increased production 814,000 bpd to 3.6 million bpd, but in order to reach its self-proclaimed goal of 5 million bpd, Iran will need the help of foreign investment, a task the newly-designed IPCs are hoped to achieve. When the terms of the IPCs were laid out in December, 2015, hardliners in Iran began posing opposition to contracts, saying the IPCs gave too much control of Iranian oil assets to foreign companies.

The IPC originally required that international oil companies (IOCs) working in Iran formed a joint venture with an Iranian partner, typically the National Iranian Oil Company (NIOC), with the Iranian party acting as owner and supervising planning and operations. Even with this requirement, resistance to the IPC was so great that hardliner groups protested outside Iran's oil ministry in February, 2016.

To help design an IPC that was more palatable to hardliners and still attractive to IOCs, a new version of the contract was drafted, and approved by the Iran's cabinet last week. "The draft of the general conditions, structure and patterns of the upstream petroleum and gas contracts which included more than 150 minor and major changes … was given final approval in today's cabinet meeting," the Iranian oil ministry's news agency, SHANA, said.

These changes are, for the most part, minor, Dr. Iman Nasseri, a senior consultant with Facts Global Energy (FGE) told Oil & Gas 360. The majority of the changes made from the last draft of the IPCs concern the language and definitions in the IPC, said Nasseri, but a few important alterations were made.

"The main changes are, first and foremost, with regards to the local partnerships," said Nasseri. "In the early drafts of the contracts, this was mandatory for companies looking to bid on oil and gas upstream assets in Iran. Now that requirement is up to the discretion of the foreign company, if and when they want to bring on a local partner to the project," he explained.

Another major change made in the latest draft of the IPC is how the specifics for each project are negotiated with IOCs. "The IPC is a framework. It does not have fees or individual terms. Those are going to be negotiated between the foreign company and the NIOC. Initially, it was supposed to be one open tender in which they put up all the fields to which they hoped to attract foreign developers, and then have the IOCs select the fields that interested them, and then have them go and bid.

“They changed the guidelines though so that it is not mandatory anymore. They have selected the most attractive fields for closed, or limited tender. They have put these aside, and they have selected a number of companies, and sent them an invitation to submit their interest in those fields, and that’s based on previous interests shown by those companies in those projects and fields.

“After that, they will move on the second-tier fields and hold an open tender.” The third major change made to the language in the IPC is that the specific framework set forth in the document is no longer the exclusive petroleum contract available to foreign companies looking to operate in Iran. IOCs can choose to bid using an IPC, or buyback contract, or any other that NIOC feels fits the project, said Nasseri.

While the IPC has been approved by Iran’s cabinet, much could change depending on the outcome of Iran’s presidential elections. “This is the final framework,” said Nassari, “but there is still opposition. We believe the IPCs had to be endorsed [by the government] in order to keep moment going. They wanted to show the international community that this had not stagnated. But in reality, it make take several months before it is fully accepted by all parties and the opposition stops criticizing these negotiations.”

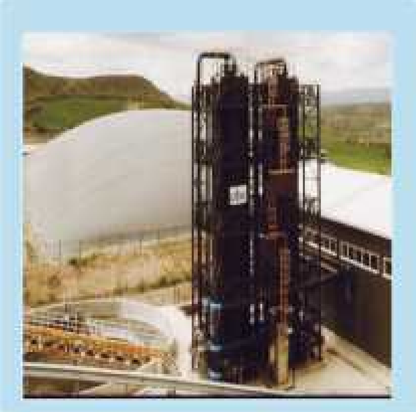
“In fact, one of the main critics is the Head of the Energy Committee in the Parliament. As long as that continues, we don’t expect to actually see a contract signed,” said Nasseri. “IPC is just a framework. The individual contracts will need to be signed by the Minister of Petroleum, and he may not be able to do that until all parties are finally on board.”

The growing concern that Iranian President Hassan Rouhani might lose a reelection could also derail the IPCs, as well as other reform Rouhani and his party have tried to move forward while he has been in office, including the Iran nuclear agreement.

And because of the analysis still being done on Iran’s oil and gas assets, it could be six months to a year before contracts are ready to be signed. If Rouhani loses reelection, and no contracts have been signed, it will be much simpler for a new president to scrap the IPC framework without worrying about international arbitration.

Iran set to lose India oil market share as Rosneft elbows in

Bloomberg, *09.08.2016*



Iran's biggest oil buyer in India is ready to throttle back imports from the Persian Gulf nation once a new supply deal kicks in.

Essar Oil Ltd. expects to lower purchases from Iran after shipments from OAO Rosneft begin once the Russian state producer completes a deal to buy a stake in the Indian company, according to Lalit Kumar Gupta, Essar Oil's chief executive officer. The refiner doesn't plan to import any crude under the agreement this year and it's undecided which country or project Rosneft will source the crude from, he said.

"When they are on board we will see how much to buy, what to buy" from Rosneft, Gupta said in an interview. The company will buy less from Iran when the supplies begin, he said. Essar bought more than 148,000 barrels a day from Iran in the first six months of this year, accounting for more than 40 percent of the country's purchases from the Persian Gulf nation, according to shipping data obtained by Bloomberg. The company gets about one-third of the crude it needs for its 20 million-tons-a-year refinery from Iran, Gupta said.

The international affairs office in Tehran of National Iranian Oil Co., the state producer, wasn't able to comment. India is Iran's biggest oil buyer after China, according to the shipping data. Rising supply under the Rosneft deal complicates Iran's efforts to hold on to its expanded market share in Asia, particularly in India, where the International Energy Agency expects demand growth in the decades ahead to outstrip all other nations. Iranian shipments to India surged 63 percent in the first half of the year after international sanctions that restricted its supplies were eased in January.

At nearly 403,000 barrels a day, Iran was India's fourth-biggest supplier in the April-June period, trailing Iraq, Saudi Arabia and Venezuela, according to data from the Indian oil ministry. India isn't a regular buyer of Russian crude and supplies during the quarter were about 8,000 barrels a day.

In July 2015, Rosneft signed a 10-year crude-supply deal with Essar Oil and a non-binding pact to buy a 49 percent stake in the company, which is controlled by India's billionaire Ruia brothers. As part of the deal, the Russian producer will supply 10 million metric tons of crude a year, or about 200,000 barrels a day, for Essar's Vadinar refinery in the western state of Gujarat. It never specified where the crude would be sourced from.

Gupta declined to comment on when the deal could be finalized or on the value of Rosneft's stake, saying the owners of the family-controlled company are in charge of negotiations with Rosneft. Essar Oil, when it delisted from the Bombay Stock Exchange in December, had a market capitalization of about 380 billion rupees ($5.7 billion).

Russia delays $10 billion Rosneft privatization due to low oil prices

Oilprice, *11.08.2016*

As low oil prices continue to put pressure on the Russian budget, the government in Moscow continues to look for ways to make up budget shortfalls, including the privatization of part of the state's interest in Russian oil majors.

The proposed sale of part of the state's oil interests, along with privatization of other sectors, had been the government's answer to raising 1 trillion rubles ($15 billion) to help prevent spending from the country's reserves, but now the Russian government may postpone the sale of Rosneft, the country's largest oil producer, as it waits for prices to improve.

The Russian government plans to raise at least $10 billion from the sale of a 19.5 percent stake in Rosneft. Currently, the state owns 69.5 percent of the company through its parent Rosneftegaz. "For now, the plan is to sell Rosneft (ticker: RNFTF) this year, but there is a chance it could be postponed," a senior official said, according to The Moscow Times. If the sale does not go through, the government will need to increase the budget deficit.

If the sale does not happen, and oil prices stay below $40 per barrel for the rest of the year, the government will need to spend nearly all of its reserves. The Kremlin currently needs to spend roughly $35.4 billion from its reserves this year, but if the Rosneft sale is postponed, that number could increase to $46.1 billion, according to Deputy Finance Minister Maxim Oreshkin. At that pace, the country's reserves will fall to roughly $5.5 billion by the end of 2016, according to the Finance Ministry.

The Economic Development Ministry has received a schedule for privatizing Rosneft and must now make its final decision, according to Economic Development Minister Alexei Ulyukayev. Italian bank Intesa is serving as financial consultant on the sale.

The idea is that the bank will present officials with a list of potential buyers by fall, but rushing any privatization deal would only work to the buyer's advantage as oil prices, and Rosneft's value, remain depressed, according to an investment banker involved in the consultations.

Along with the potential sale of Rosneft, the Russian government is also looking to monetize a portion of its interest in Russian oil producer Bashneft. The Kremlin hopes to sell its 50 percent stake in the company for roughly $4.7 billion, but there has been some question as to whether or not the Kremlin would really let go of its control of the company. Rosneft applied to take part in the privatization, sparking uncertainty about the sale, reports The Moscow Times.

Russian President Vladimir Putin has forbidden Rosneft, which is run by long-time Putin ally Igor Sechin, from taking part in the sale, but other companies involved in the process have strong ties to Russia's largest oil producer.

Strong contenders for the sale include Lukoil (ticker: LKOH), which says it now generates 16 percent of Russian crude oil production (97 million tons in 2014) and 15 percent of Russian crude oil refining, and which Forbes tagged Russia's largest privately owned company—meaning not a government owned company, and Independent Petroleum Company, or IPC, according to a government official cited by Russian newspaper Vedomosti.

IPC says it presently has 2.5 million tons of oil production, 1.4 billion cubic meters of gas production, 5 million TPA refining capacity, 280 petrol stations, 3 jet fueling stations and 1,440 rail cars. The company was founded in 2012. As of 1 January 2015, IPC held 53 exploration and production licenses for "subsoil plots located in eight constituent territories of the Russian Federation and in Kazakhstan," the company said.

"IPC has often been billed as a Rosneft affiliated player," President of the Institute of Energy Policy, Vladimir Milov, wrote in The Moscow Times. Yet even if IPC succeeds in winning the initial privatization, Rosneft may, further down the road, step in to buy off all or most of the "privatized Bashneft assets," he said.

Yield hunters targeting Russia drive wedge into Ruble's oil link

Bloomberg, *09.08.2016*

The ruble's correlation with oil fell to a seven-week low as global investors seeking higher-yielding assets ignored weakness in Russia's biggest export earner.

The extent to which Russia's currency moves in the same direction as oil declined to 0.55 on Tuesday, down from 0.64 a month ago, according to data compiled by Bloomberg. The ruble has been outperforming crude this quarter as money flowing into emerging markets at a record pace has favored Russian bonds that offer higher returns. The currency was little changed at 64.6075 by 5:44 p.m. in Moscow as government debt rallied for a fourth day.

Capital flows "remain favorable for the ruble," Dmitry Polevoy, ING Groep NV's senior economist for Russia, said in e-mailed comments. "But any external instability could ruin this balance of flows." Carry traders who borrow in dollars to buy ruble-denominated debt have taken home 21 percent returns this year, benefiting from benchmark interest rates that surpass 10 percent in Russia. That's distracted attention away from the ways that oil's slide in the past year has worsened the government's budget deficit and exacerbated a recession.

"Given the high local interest rates, local ruble bonds have become extremely popular, which has driven a wave of new portfolio flows into the country," Luis Costa, Citigroup Inc.'s head of fixed-income and foreign-currency strategy for central and eastern Europe, the Middle East and Africa, said by e-mail.

The yield on 10-year Russian debt fell 3 basis points to 8.32 percent. Ruble bonds have returned 23 percent in dollar terms this year in part as the central bank cut interest rates to shore up the economy. The Micex Index of stocks was unchanged at 1,956, within 13 points of a record high.

Poland takes aim at Putin's pipe dreams

Foreign Policy, *05.08.2016*

This summer hasn't seen a lot of setbacks for Russia, not even for its Olympic hopefuls. Crimea has been annexed and fully absorbed, with the blessing of Republican presidential front-runner Donald Trump, who also calls NATO "obsolete." Russian intelligence services have allegedly been pawing through the emails of U.S. political parties, and releasing them at their leisure. Turkey, in the wake of a failed coup attempt, is rushing to mend fences with Moscow.

All of which makes last month's decision by the Polish antitrust regulator to file a formal objection against Russia's proposed "Nord Stream 2" gas pipeline more noteworthy.

That regulatory spanner could be Europe's last and best chance to halt construction of a pipeline that critics say will divide Europe, beggar Ukraine, and reinforce Moscow's energy dominance for another generation. For years, Russia has sought to keep Europe dependent on its exports of energy, especially through natural gas pipelines.

But Moscow is also desperate to cut out potentially meddlesome middlemen, like Ukraine, which sits smack between Russia's natural gas fields and millions of European consumers. That gives Kiev the ability to interrupt Russian gas flows headed to Europe, infuriating Moscow, but also earns Ukraine billions of dollars in much-needed transit fees.

A decade ago, Russia enlisted former German Chancellor Gerhard Schröder to help it build a pipe across the Baltic from Russia to Germany, sidestepping Ukraine: Nord Stream. Then Russia tried to build another pipeline, "South Stream," across the Black Sea from Russia to Bulgaria, also bypassing Ukraine, but that was quashed by the European Union in 2014.

Then, Moscow invented the idea of a "Turkish Stream," another proposed Black Sea pipe, one landing in Turkey, outside of Brussels's reach. But last fall, Turkish F-16s shot down a Russian jet, and with it hopes of any immediate Russo-Turkish energy cooperation. "They've had anything but success at bypassing Ukraine," said Sijbren de Jong of the Hague Center for Strategic Studies.

“They keep launching very large, very capital-intensive infrastructure projects, time and time again,” with little to show for it, he said. This sent Russia back to basics — and to the Baltic — with the announcement last year of Nord Stream 2. The project proposed to double the existing, under-utilized pipeline that would directly connect Europe’s biggest gas supplier and Russia’s biggest gas customer, Germany.

The project, a 10 billion-euro brainchild of Russian gas giant Gazprom and a handful of Western energy companies, has unleashed torrents of political abuse. Politicians in central and Eastern Europe — who’d suffer the most if Ukraine is cut out as a transit country — have railed against the pipeline for a year.

The European Union’s top energy official has gone red in the face opposing Nord Stream 2, especially since it would directly undercut the EU’s entire energy strategy. Just this week, America’s top energy diplomat, Amos Hochstein, said the pipeline would “resurrect” the Cold War divisions in Europe.

Germany, though, loves the idea, which could turn it into Europe’s gas hub. Top officials including Chancellor Angela Merkel and Sigmar Gabriel, the economic and energy minister, publicly and privately back the project.

The European Commission has said that Nord Stream 2 must comply with all European laws and regulations, but has not taken any steps to block the pipeline, even though those laws and regulations are what sunk South Stream. The pipeline’s backers say they aren’t feeling any pressure from the European Commission. Nordic countries through whose waters the pipeline must travel have been mum.

But the Polish Office of Competition and Consumer Protection last month determined that Nord Stream 2 — which wouldn’t even touch Polish territory — could harm consumers. “The Office found that the concentration might lead to restriction of competition,” it tentatively concluded, adding that the project could “further strengthen” Gazprom’s “dominant position.”

The regulator has until the end of the year to make a final decision on the project. Gazprom and its partners on the project have one month to answer the Polish regulator’s objections; at the very least, the antitrust concerns threaten to set back construction of the pipeline.

“Poland basically threw a wrench down the pipe, so to speak,” said de Jong.”Poland basically threw a wrench down the pipe, so to speak,” said de Jong. “Gazprom is trying very hard to circumvent all these pesky transit states but they keep biting back. Some days you’re the dog, some days you’re the tree.”

Why does a gas pipeline raise so much dander on both sides of the Atlantic? For U.S. officials, who have spent a lifetime trying to help Europe reduce its dependence on Russian energy — and the geopolitical leverage that comes with it — Nord Stream 2 is the opposite of helpful.

For many in central and Eastern Europe, who’ve repeatedly been subjected to Russian strong-arming, often times with their gas supplies cut off entirely, giving Moscow a direct route into the heart of the Continent is downright scary.

And for plenty of folks in Brussels, which has spent the better part of a decade trying to liberalize the Continent’s energy markets, Nord Stream 2 represents a frontal challenge to EU law; even before Nord Stream 2, the EU competition office was investigating Gazprom for alleged non-competitive behavior throughout the European market.

Alan Riley, a British law professor and fellow at the Atlantic Council, has argued that the pipeline likely violates crucial EU regulations, especially rules meant to pry open the energy sector and reduce the power of monopolies.

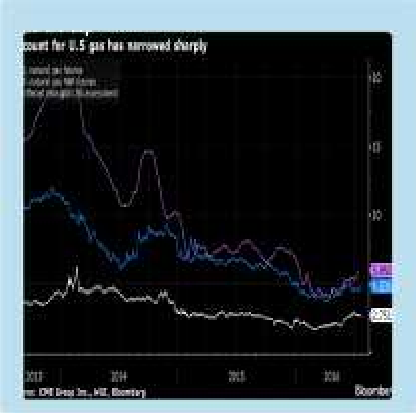
But some energy experts say that an expanded pipeline straight into Germany could actually help competition, by bolstering and expanding central Europe’s gas markets, making them function more like U.S. gas markets. One recent study, funded by the companies hoping to build Nord Stream 2, says the project amounts to a test case for European regulators, who have to decide whether to apply rules impartially, or with a political agenda.

Ultimately, if Europe does manage to knit together its fragmented energy market by laying new pipelines connecting one country to another, then another Gazprom pipe might not be that big a deal. If Europe were fully interconnected, other sources of gas — such as liquefied gas shipped over from the United States or Qatar, or even the eastern Mediterranean — could be pumped throughout the continent, wherever they are needed, and consumers would benefit from low prices. Without that connective tissue, though, Nord Stream 2 could just tighten Moscow’s stranglehold even more.

“It’s certainly Russia’s right to be able to choose how it wants to deliver its gas to Europe, so long as whatever pipelines it builds conform to EU regulations,” said John Roberts, an energy consultant at Methinks Ltd. and also a fellow at the Atlantic Council. The project is fine, he said, “so long as it’s not simply reinforcing a monopoly in southern and Eastern Europe, and to avoid that, more has got to be done.”

Gazprom first-quarter profit falls

WSJ, *10.08.2016*



Russian state-controlled gas giant PAO Gazprom said net profit fell 5% in the first quarter despite higher revenues, as the price in its most-lucrative European contracts dropped and expenses rose.

Net profit was $5.6 billion as revenues climbed 5% to 1.74 trillion rubles from the same period last year, the company said. Gazprom is suffering from weak prices for its gas in Europe, where its contracts track the price of oil with a time lag of around nine months. That means the price could bottom out in the third quarter, as global crude prices dipped below $30 a barrel for the first time in more than a decade.

“Don’t hold your breath. We expect it to get worse,” said Alexander Kornilov, energy analyst at Aton brokerage in Moscow, adding that capital expenditures are likely to increase following the first quarter, as the company is ramping up spending on a gas field and pipeline that will supply China.

Gazprom boosted sales volumes to Europe in the first quarter by 49% compared with last year, when Europe had plenty of gas in storage and companies were waiting for a cheaper price to snap up supplies. Revenues from those sales were up only 22%, as the average price fell.

The company has ambitious plans to build new pipelines to Europe under the Baltic Sea to Germany and under the Black Sea to Turkey. But some European countries have opposed the plans. Analysts and Western diplomats say Gazprom doesn’t need to build the pipelines as it has plenty of export capacity via Ukraine, and that attempts to circumvent its neighbor have a political aim. Gazprom has for years said that Ukraine is an unreliable transit country.

Aton’s Mr. Kornilov said competition in Europe is looming from liquefied natural gas from North America and Asia, which could redirect volumes to Europe given small premiums in Asia. Gazprom is also under pressure in its domestic market because of low demand from Russia’s recession-hit economy and competition from other producers. Sales revenues in Russia were up 2% to 292 billion rubles, but sales volumes slipped 6%. Weak demand from Ukraine meant that revenues from former Soviet countries were down 25% as volumes and prices fell.

Gazprom said that operating expenses for the first quarter were up 24% to 1.45 trillion rubles. The company said the jump was mainly caused by an increase in expenses for gas relating to an asset-swap agreement between Gazprom and Wintershall AG, a unit of German conglomerate BASF SE. Gazprom’s bottom line was also hit by a foreign-exchange loss of 25 billion rubles as the ruble weakened from a year earlier.

Return of funds driving new growth in cleared European power and gas markets

Bloomberg, *26.07.2016*

Return of financial funds to energy commodity trading has driven growth in volume at two major European exchanges, senior executives from both companies have said.

After years of declining Nordic power volume on the Nasdaq futures platform, the trend shifted for the first time since 2010 into year-on-year growth in the first half of this year. Vice-president Bjorn Sibbern said the rebound was a sign the market may have hit the bottom in late 2015, when Nordic wholesale power prices reached record lows mainly driven by oversupplied hydropower stocks and declining energy commodity prices.

“We have found a new positive momentum. There is a renewed interest for the Nordic power markets,” Sibbern said in an interview at the exchange’s London office. Some of this interest comes from financial funds, Sibbern added.

And echoing those comments, Steffen Kohler, chief operating officer at commodity derivatives platform EEX declared recently that “the banks are back”. This was in reference to growth in volume being traded by financial funds in the German, French and Italian power derivatives markets via banks that offer direct market access. “Funds are coming back and investing into the market,” Kohler said.

Since the financial crisis in 2007-08, the turnover of financially-settled power contracts traded on Nasdaq has fallen every year, with the exception of 2010. In the first half of 2008, Nordic power volume peaked at close to 748TWh. Seven years later, in 2015, turnover was half this. However, during the first seven months of 2016, from January to the end of July, electricity traded in the Nordic futures market rose year-on-year by 11% from 386TWh to 429TWh, latest exchange data showed.

Nordic power futures liquidity has been aided by growing volatility in fuels prices since the start of this year, which has seen a rebound in the Brent crude benchmark since February coupled with growing coal prices. “For many years, [financial funds] have been less interested because of a lack of volatility and falling power prices, but now I see this is swinging back,” Sibbern said.

“I have heard anecdotally about old power traders who were out of the market that are now coming back.” Kohler echoed, affirming that financial funds look for liquidity and, to a lesser extent, volatility. Therefore growth in volatility has encouraged liquidity which has pulled in the funds. Financial institutions account for around a third of the market share on Nasdaq, while utilities and physical participants continue to dominate with almost two thirds of traded volume, according to data.

On EEX's power futures, the numbers would be broadly similar for the more liquid markets such as German power, Kohler said. Elsewhere in Europe, Sibbern sees potential for further growth into markets that have long been dominated by over-the-counter trade, such as Germany and France, much of which will be driven by the broker-cleared segment.

"When we went into the German market [in 2008], only 15% of the market was cleared, whereas in the Nordic region we had been used to almost 100%. Today, cleared trading accounts for more than 40% of the German market," he said.

The growth of broker-cleared trade in some markets, which limits counterparty risk by clearing transactions entered into on broker screens through a central clearing house, has also aided the exchange business model. By extension, it also has the potential to grow the broker business. While many market participants are at odds with a tougher regulatory regime under MiFID II, scheduled to be in effect from January 2018, Nasdaq's vice-president acknowledged that a growing need to clear trade will assist part of its business.

"It is too early to say something clear on MiFID [II] before we have all the details ready. For Nasdaq, it is good that more trades are cleared. The regulator's push towards cleared trading is helping us in new markets like Germany and France." But, Sibbern added: "There is no upside in the Nordic region since almost all power is cleared already."

Oil indexation, more financials and gas-fired power

Natural Gas Europe, *05.08.2016*

News of another gas contract renegotiation surfaced this week, with the buyer, the Danish marketer Dong, having successfully claimed over $500mn in refunds from one or more of a range of suppliers, including the Danish Undergound Consortium, Russian Gazprom and Hess.

Local press however identified Gazprom as the counterparty in talks earlier in the spring. Most of the lump-sum amounts were paid out in first half 2016, said Danish marketer Dong, with the remainder due later this year. With hub trading in northwest Europe so extensive, there cannot be many contracts in the region linked to oil that might need to be indexed off gas instead.

Dong buys 2bn m³/yr from Gazprom in two contracts and at the time the contracts were signed, oil indexation was still the norm. Nord Stream was the means and the Denmark-Germany border the transfer point. Indications from Dong are that this has either been re-indexed to hub pricing, or soon will be, as it refers to unwinding oil hedges.

But as well as indexing gas contracts to hubs, Gazprom is in other cases solving the problem by lowering the base price so that the new price better reflects gas market conditions – at least in the early stages.

The last few reported arbitration results have gone the seller's way, with Dutch GasTerra and Gazprom announcing that they were justified in extracting the price charged to Italian Eni and Lithuania's Lietuvos Dujos respectively. So there are risks to mounting legal challenges to the contract price, even in today's oversupplied gas market, although Eni is not taking the defeat lying down.

Dong's victory emerged from its 2Q results, the tail-end of the reporting season that was dominated by red ink as companies struggled against the headwinds of weak demand and rising debts, with a few bright spots on the horizon.

Among them was news of Indonesian state-owned Pertamina deciding to take an African position with a bid for French independent explorer Maurel & Prom. There was also a big crop of bidders for gas-prone blocks offshore Cyprus in the island's third round with Exxon and Qatar Petroleum teaming up for a joint bid in one block, Eni bidding for all three blocks, and Statoil and Cairn also in the running.

The UK refused to be bounced into an early approval of the French-Chinese investment at Hinkley Point C, a decision that at least admits the possibility that it will not be approved as the government seeks to draw a line under the past.

There are a number of possible grounds for concern, including the very high price of the electricity that is sold – relative to where the wholesale price is today – and the prospect of a financially-crippled EDF either leaving an ugly building site or needing to be bailed out by its Chinese partners, effectively putting 7% of UK power output under the ownership of the Chinese communist party. UK prime minister Theresa May also raised security concerns about Chinese involvement at Hinkley Point in her previous job as interior minister.

China's dismissive attitude to the UN court ruling on its activities in island-building and land grabs in the South China Sea, and its human rights record at home, could be reasons for the UK to take a more arms-length relationship than that advocated by the last finance minister, George Osborne, whom May found 'gung-ho' where Chinese investment is concerned. Osborne is now in the political wilderness. The decision is now due early autumn, when the secretary of state for energy, Greg Clark, has combed through the reputed 90,000 pages.

Building gas-fired plant instead would be a quicker, cheaper and less controversial way of filling the UK's supply gap, with a multitude of traders able to deliver gas to the network by pipeline or LNG tanker at a much lower price than that implied by Hinkley Point C's £92.50/MWh.

Carbon emissions would be higher with gas than the zero obtained at point of generation from nuclear – absent a sufficiently high carbon price to make carbon capture and storage work – but the decommissioning would be cheaper and safer. But the government may be watchful of gas's share of generation -- which in 1Q 2016 reached 38%, half as much again as a year ago, as coal plants were retired – rising too steeply.

Not all countries are anxious about capping gas in power generation. Malta is anxious to start LNG imports and a new floating storage facility will arrive there next month. The island is now commissioning a modern gas-fired plant to wean itself off dirtier diesel-burning power plants. Malta and Greek Cyprus are the only two EU states without access to natural gas – but that won't continue for long.

Weekly crude inventories rise in US

AA Energy Terminal, *11.08.2016*

Crude oil inventories in the U.S. increased for the week ending Aug. 5, according to the EIA. Commercial crude oil stocks rose by 1.05 million barrels, or 0.2 percent, to reach 523.6 million barrels, the EIA data showed. However, the market consensus was that inventories would decrease by 1.02 million barrels.

After the EIA's announcement of an increase in weekly crude stocks against market expectations, oil prices dived on Wednesday, falling by around three percent. American benchmark West Texas Intermediate fell to as low as $41.42, while international benchmark Brent crude dipped as low as $43.81 during trading hours.

"Last week's build in crude stocks came despite a further decrease in domestic production," said London-based research consultancy's U.S. Weekly Petroleum Status Report. "What's more, net imports of crude also decreased ... However, these were offset by a drop in crude inputs to refineries," noted Simon MacAdam, assistant economist at Capital Economics and author of the report.

Domestic crude production fell modestly by 15,000 barrels per day (bpd) to 8.44 million for the week ending Aug. 5. Oil imports decreased significantly, by 334,000 bpd, to reach 8.40 mbpd, according to the EIA.

Announcements & Reports

▸ MOMR August 2016

Source : OPEC
Weblink : http://www.opec.org/opec_web/en/publications/338.htm

▸ Natural Gas Weekly Update

Source : EIA
Weblink : http://www.eia.gov/naturalgas/weekly/

▸ This Week in Petroleum

Source : EIA
Weblink : http://www.eia.gov/petroleum/weekly/

Upcoming Events

▸ The Oil & Gas Conference

Date : 14 – 18 August 2016
Place : Denver, USA
Website : www.theoilandgasconference.com/

▸ Asia Pacific Drilling Technology Conference & Exhibition

Date : 22 – 24 August 2016
Place : Singapore
Website : www.spe.org/events/apdt/2016

▸ Ultra - Deepwater & Onshore Technology Conference

Date : 22 – 24 August 2016
Place : Texas, USA
Website : www.rpsea.org/events/503

▸ FSRU Asia Summit

Date : 06 – 07 September 2016
Place : Amara Sanctuary Resort Sentosa, Singapore
Website : http://www.fsrusummit.com/

► 23rd Annual India Oil & Gas Review Summit & International Exhibition

Date : 09 – 10 September 2016
Place : Mumbai, India
Website : www.oilgas-events.com/india-oil-gas/

► Rio Oil & Gas Expo & Conference

Date : 14 – 16 September 2016
Place : Rio de Janeiro, Brazil
Website : https://www.whereinfair.com/rio-oil-gas-expo/rio-de-janeiro/2016-Sep/

► Operational Excellence in Oil and Gas Europe

Date : 19 – 21 September 2016
Place : London, UK
Website : http://www.opexinoilandgasemea.com/

► Iran International Petroleum Congress (IIPC)

Date : 19 – 21 September 2016
Place : Tehran, Iran
Website : www.iranpetroleumcongress.com/

► 2016 Deloitte Oil & Gas Conference

Date : 21 September 2016
Place : Houston, USA
Website : www2.deloitte.com/us/en/pages/energy-and-resources/events/oil-and-gas-conference.html

► Global Oil & Gas - Black Sea and Mediterranean

Date : 22 – 23 September 2016
Place : Athens, Greece
Website : www.iene.eu

► Global Oil & Gas South East Europe & Mediterranean Conference

Date : 28 – 29 September 2016
Place : Athens, Greece
Website : www.oilgas-events.com/Global-Oil-Gas-Black-Sea-Mediterranean-Conference/

► Kazakhstan International Oil & Gas Conference (KIOGE) 2016

Date : 05 October 2016
Place : Almaty, Kazakhstan
Website : www.kioge.kz/en/conference/about-conference+

► 23^{rd} World Energy Congress

Date : 09 - 13 October 2016
Place : Istanbul, Turkey
Website : http://wec2016istanbul.org.tr/

► International Conference on Oil Reserves & Production

Date : 17 - 18 October 2016
Place : London, UK
Website : www.waset.org/conference/2016/10/london/ICORP

► 15^{th} ERRA Energy Investment & Regulation Conference

Date : 17 - 18 October 2016
Place : Budapest, Hungary
Website : http://erranet.org/InvestmentConferences/2016

► The 8th Saudi Arabia International Oil & Gas Exhibition (SAOGE)

Date : 17 - 19 October 2016
Place : Dammam, Saudi Arabia
Website : www.saoge.org

► 21^{st} IENE National Conference "Energy and Development 2016"

Date : 24 - 25 October 2016
Place : Athens, Greece
Website : www.iene.eu

► SPE Russian Petroleum Technology Conference & Exhibition

Date : 24 - 26 October 2016
Place : Moscow, Russia
Website : www.spe.org/events/rpc/2016/

► Asia Pacific Oil & Gas Conference & Exhibition (APOGCE)

Date : 25 - 27 October 2016
Place : Perth, Australia
Website : www.spe.org/events/apogce/2016/

► International Conference & Expo on Oil & Gas

Date : 27 - 28 October 2016
Place : Rome, Italy
Website : www.oil-gas.conferenceseries.com/

► *4th Iran Europe Oil & Gas Summit*

Date : 01 – 03 November 2016
Place : Berlin, Germany
Website : www.iransummit.com/

► *2nd International Conference & Expo on Oil & Gas*

Date : 02 – 03 November 2016
Place : Istanbul, Turkey
Website : www.oil-gas.omicsgroup.com/

► *European Autumn Gas Conference 2016*

Date : 15 – 17 November 2016
Place : Hague, Netherlands
Website : http://www.theeagc.com/

► *21st Annual Oil & Gas of Turkmenistan (OGT) Conference 2016*

Date : 16 – 17 November 2016
Place : Ashgabat, Turkmenistan
Website : http://www.ogt.theenergyexchange.co.uk/

► *Project Financing in Oil & Gas*

Date : 21 – 22 November 2016
Place : London, UK
Website : www.smi-online.co.uk/energy/uk/conference/Project-Financing-in-Oil-and-Gas

► *5th Greek Cyprus Energy Symposium*

Date : 29 - 30 November 2016
Place : Nicosia, Greek Cyprus
Website : www.iene.eu