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Russia ready for long energy game in Europe

AA Energy Terminal, *22.08.2016*

Neither short term volatility in foreign relations with Turkey nor changes in a pipeline consortium will alter Russia's primary objectives for the European energy market, said Andreas Goldthau, professor at the department of Politics and International Relations at the Royal Holloway University of London.

Goldthau told that the consortium members of the Nord Stream II gas pipeline have expressed their firm intention to foster the project."Yet legally, it will become very difficult for them to remain partners in the project. If they ignore the Polish authorities' ruling, they risk litigation," he said.

The Nord Stream II project is essentially an extension of the Nord Stream I which transfers gas from Russia to Germany with a capacity of 55 billion cubic meters. Poland's anti-monopoly watchdog (UOKIK) said on August 12 that the planned joint venture to build the Nord Stream II gas pipeline between Gazprom and five European companies E.ON, Wintershall, Shell, OMV and Engie to pump Russian gas to Germany, could hurt local competition.

"Given the stakes Shell et al have in Poland and the European market more generally, they will carefully consider any step. At present it will take a lot of imagination to see a viable way for the European companies to remain part of a formal Nord Stream II consortium," Goldthau explained.

He reminded that Gazprom's main goal is to enhance transit security to service its vital European export market. "To achieve this, Russia has demonstrated great flexibility in the past when it comes to export routes, and it will remain flexible in the future," he noted.

"We might well see a smaller enhancement of the Nord Stream I, e.g. in the shape of one additional line, and the Turkish Stream partially revived," he stressed. Announced by Putin in December 2014 during a visit to Ankara, the Turkish Stream plans to carry Russian gas via the Black Sea and Turkey to southeastern Europe. The project was shelved following the crisis in November 2015 when a Turkish Air Force warplane shot down a Russian jet over the Turkey-Syria border.

"In fact, now that relations with Turkey started to improve, the economics of the Southern route may suggest that the Turkish Stream may be part of a potential solution to Gazprom's Nord Stream II dilemma. Gazprom is in for the long game. So neither short term volatility in foreign relations with Turkey nor changes in a pipeline consortium will alter its primary objectives on the European market," he commented. In a statement on August 12, the five companies other than Gazprom announced their withdrawal of their applications for a merger to realize the Nord Stream II project after Poland failed to agree to their request to form the joint venture.

Poland argued that it could lead to significant restrictions in competition and strengthen Gazprom's dominant position in the gas transmission market. Russia's Gazprom owns 51 percent of the shares in the project that plans to deliver gas with a capacity of 55 bcm beneath the Baltic Sea through a 1,200 kilometer-route to Germany. The project is estimated to total around $10 billion.

Turkey's Botas to take over gas storage facility

Argus, *22.08.2016*

Turkish state-owned gas company Botas will take over the operation of the country's only gas storage facility at Silivri in September. The facility, currently operated by TP, has a capacity of 2.7bn m³ which is equivalent to 5.4pc of Turkey's gas consumption in 2015. State-controlled Botas has 2.1bn m³, while 500mn m³ is allocated to private-sector companies.

The Silivri facility's maximum withdrawal capacity will be expanded to 25mn m³/d from 20mn m³/d by the 2016-17 winter. Its maximum injection capacity is 16mn m³/d, which will remain unchanged.

Botas will be responsible for the operation of all future storage capacity, while TP will run gas exploration and production activities in the country. Turkish private-sector companies that have imported gas for five years or more have to reserve space equal to 10pc of their contracted annual gas import volumes. But this could be extended to a maximum of 20pc as the country's storage capacity increases, according to new rulesapproved in June.

The first phase of the 1bn m³ Tuz Golu underground gas storage facility in central Turkey is expected to come on line in mid-2017, while completion of the 500mn m³ second phase is expected in 2019.

Turkey plans gas exchange

Argus, *15.08.2016*

Turkish energy market operator Epias aims to launch an exchange for gas trading in the first half of 2017 that will allow for day-ahead, within-day and ex-post trading. Energy market regulator Epdk and Epias have carried preparatory work on draft secondary legislation that will soon be opened for consultation with market participants.

The regulator has proposed a law for the structure of the exchange, which it has submitted to the energy ministry for approval. Epias will administer the new platform and draft rules and procedures. The regulator aims to create a market-based balancing regime.

State-run gas company Botas and private sector participants will be able to trade on the exchange to balance their positions. Botas' trading and grid operator arms will be eligible to participate. Trade on the gas exchange will be voluntary and participants may also choose to balance their positions in the over-the-counter market or through bilateral agreements.

The new platform is planned to allow for continuous trading with a 56-hour trading window for each gas day, which will include day-ahead, within-day and ex-post trading. The exchange will provide screen-based anonymous gas trading and a price will be calculated based on trades made through the platform.

Contracts traded in the exchange will be physically settled, while financially settled products may become available for trading at the Istanbul Bourse's futures trading platform Viop at a later stage. Trade in the Turkish gas market remains thin. The market is dominated by Botas, which accounted for around 84pc of the 48.4bn m^3 imported in 2015.

Iraq resumes pumping oil via Kurdish region to Turkey

Hurriyet Daily News, *19.08.2016*

Iraq has resumed pumping oil from fields operated by state-run NOC via a (KRG) pipeline to Turkey, a spokesman for the oil ministry in Baghdad has said.

About 70,000 bpd are being pumped through the pipeline controlled by the Kurdistan regional authorities, spokesman told, giving no further details. Pumping stopped in March due to a dispute between the government in Baghdad and the KRG over the control of Kurdish oil exports. The resumption of crude flows through the KRG pipeline should ease the financial burden on the autonomous government in Arbil that was hard hit by the collapse of oil prices two years ago.

KRG officials in February warned that the economic crisis could increase desertions from their Peshmerga fighters that are battling the Islamic State of Iraq and the Levant (ISIL) which controls vast swathes of territory just west of their region.

The new oil minister in Baghdad, Jabar Ali al-Luaibi, expressed optimism on the day of his appointment on April 15 that the problem with the KRG could be resolved. The KRG said on Aug. 17 it was ready to resume talks with the Iraqi government to reach a consensus on the issue of oil. KRG spokesman Safeen Dizayee said he welcomed remarks from the new Iraqi minister of oil. The KRG forces took full control of the long-disputed Kirkuk and its oilfields in June 2014 after the Iraqi army's northern divisions disintegrated in the face of the advancing ISIL. The Peshmerga and the Iraqi army have taken back territory from the militants in northern Iraq and are preparing the final onslaught on their capital Mosul, with the backing of a U.S.-led international coalition.

Iranian-backed Iraqi Shiite militias are also fighting ISIL near the Kirkuk fields. Former Oil Minister Adel Abdul Mahdi in March demanded that the KRG return to a previous oil agreement or sign a new agreement in order to resume pumping through their pipeline.

The previous agreement called for the KRG to transfer 550,000 bpd produced in their region to Iraq's central state oil marketing company, in return for a 17 percent share in the federal budget. The Kurds stopped oil transfers to the government last year, at which point they also stopped receiving federal funds.

OPEC's second-largest crude producer after Saudi Arabia, Iraq produces 4.6 million bpd, of which about 500,000 bpd from the Kurdish region and the rest from the oil-rich south. In comments on Aug. 18, al-Luaibi said he would focus on increasing the nation's oil and natural gas output and also develop its refining capacity in order to cut its fuel imports bill, the ministry said in a statement.

Can Turkey-Russia trade reach $100 billion target?

Al-Monitor, *22.08.2016*

During the landmark St. Petersburg summit between Turkish President Recep Tayyip Erdogan and his Russian counterpart, Vladimir Putin, on Aug. 9, the two leaders expressed desire to boost their volume of trade to $100 billion annually.

But bearing in mind the highest level of trade volume between the two countries was $38 billion in 2008, achieving the new goal will not be easy. Reviewing the past 20 years of trade volume, we see that in 1997 the volume was $4.230 billion. Until the end of 2002, the highest level reached was about $5 billion.

In 2003, it was $6.8 billion; in 2004, $10.8 billion; in 2005, $15.2 billion; in 2006, $21 billion; and in 2007, $28.2 billion. The upward trend peaked at $37.847 billion in 2008. Because of the global economic crisis, the volume regressed to $22.6 billion in 2009, and it hasn't reached the 2008 level since.

The trade volume was $26.2 billion in 2010, $29.9 billion in 2011 and $33.3 billion in 2012. Numbers reveal that the downward trend in Russia-Turkey volume of trade began before the shooting down of the Russian fighter jet in November 2015. The volume declined to $32 billion in 2013 and to $31.2 in 2014. In 2015 — because of the economic crisis in Russia and excessive parity loss of the ruble — the volume of trade fell to $23.9 billion. Following the November 2015 crisis between the two countries, trade hit bottom in 2016. In the first six months of the year it sunk to $8.5 billion. Worse for Turkey, of that $8.5 billion, $7.7 was our imports from Russia, mostly natural gas. Turkey's exports to Russia in that period were a meager $737 million.

The first six months of 2016 were the worst in terms of export performance for Turkey on record since 2004. The most striking aspect of the trade with Russia is that from the outset it has been in Russia's favor — that is, Russia sells us more than we sell to them.

Of course our dependence on Russian natural gas is one main factor of this imbalance. If the volume never exceeds $100 billion, that could mean Turkey is selling more to Russia than before because our natural gas purchases are not likely to increase in the coming years.

Turkey's list of main exports to Russia include fruits and vegetables, fish, chicken, nuts, automobiles, factory-made clothing, leather, fur, carpets, chemical products, machinery, textiles, iron, steel, jewelry, water heaters, soap, salt, spice, wires, cement, refrigerators, furniture and tobacco. In return, Turkey buys from Russia natural gas, barley, wheat, rice, metal goods and oil products. But how to hike up the volume of trade?

From contacts between the two capitals, it is understood that there will be concerted efforts to boost cooperation in energy, contracting, defense industry and tourism. Turkey’s anger with the West because of its apathetic attitude toward the failed coup suggests relations with Russia can develop faster and be more diversified. This was very important to establish at Russian-Turk Joint Investment Council for joint investments in third countries. Also in sight is the potential reconstruction of Syria.

Turkey’s Ministry of Economy says Turkish companies have about $10 billion of investments in Russia. On their part, Russians focus on tourism, and oil and gas production storage opportunities in Turkey. The Akkuyu nuclear power station is the biggest Russian investment, worth $25 billion.

Turkish contractors until now have contracted projects in Russia totaling $64 billion. Only in 2015, Turkish contractors were awarded contracts totaling $4.3 billion. A Turkish Exporters Assembly poll of 487 companies indicate that Russia is now No. 2 in desired markets by companies going into the export business. Russia was previoulsy not even cited among the first five countries desired as a market. The priority target market for exports at all times is the United States.

Tuncay Ozilhan, the chairman of the Turkey-Russia Business Council, is optimistic about the $100 billion goal. He said, “Very key decisions were made. There are new inter-ministerial committees. We can reach the $100 billion goal in 2019 or 2020. When mega projects get going, it won’t be a dream to reach that level.” Referring to the importance of the formation of the Turkish-Russian Joint investment Fund, Ozilhan said, ‘‘Major projects in energy and the defense industry will be supported by that fund.”

The Turkish-Russian trade volume could enter an upward trend in the coming years. But we have to watch carefully whether Turkey’s increasingly booming ties with Russia in political, military and economic fields will have negative effects on our relations with the West. We can’t forget that Turkey’s biggest trade and investment partners are European countries.

Huge East Med gas reserves are focus of international interest

Globes, *24.08.2016*

The major natural gas reservoirs that have been discovered off the Mediterranean shores in recent years have made the region a focus of international interest. The past few months have been especially lively, with Lebanon, Egypt, Cyprus, and Israel simultaneously issuing new exploration licenses.

The American Geosciences Institute estimated in 2010 that the Eastern Mediterranean basin, which includes the territorial waters of Israel, the Gaza Strip, Lebanon, Syria, and Cyprus, has 3,450 BCM of natural gas and 1.7 billion barrels of oil. These reserves are likely to have substantial economic and environmental consequences.

The discovery of these reservoirs in the their territory has given countries that were previously dependent on energy imports an opportunity to develop gas fields, achieve energy independence, and earn money by exporting gas to other countries.

The potential of this gas, however, is also posing challenges, such as competition for new remote markets, attracting strong international operators, technical difficulties in building the infrastructure for gas exports, and commercial and geopolitical questions.

Gas industry sources said that competition is not necessarily between the operating companies, but between the countries seeking to attract those companies: what agreement the country will offer, how much it is willing to contribute to the costs, the size of its market, and whether it is guaranteeing governmental and regulatory stability. Given the renewal of exploration, “Globes” will try to draw a map of the regional interets.

The countries in the region have different points of departure, and their reservoirs are in different states of development. We will start with Lebanon, which has been left behind in the discoveries and drilling in its territory.

In March 2013, the country began a process of pre-selection for oil and gas companies wishing to operate there. 12 international operators made it through this stage, and 34 more non-operator companies also underwent the process required for acceptance as partners.

Lebanon intended to issue 10 marine licenses, but a lack of regulatory and political stability in the country caused a delay in issuing them. Now, following the sale of the Karish and Tanin reservoirs to Energean, the Lebanese are concerned that gas will be pumped from their blocks, which are particularly close to the Karish reservoir, and this event could expedite the publication of the licenses tender there. Activity is currently taking place on a far larger scale in Egypt, Greek Cyprus, and Israel, but these countries differ from each other in development, consumption, and interests.

While the gas reservoirs discovered in Israeli and Cypriot territory are enough to supply their needs for the next 30 years with a surplus for export, Egypt has to import gas, despite its 3,000 BCM in proven gas reserves, triple the size of Israel's proven reserves.

European energy giants BP and ENI announced the discovery of gas off Egypt's shores in June. ENI estimates that the new discovery will increase volume of gas in the Nooros area to 70 BCM. This discovery comes on top of the Zohr discovery reported by ENI in August 2015, which contains an estimated 850 BCM.

Egypt currently produces 40 BCM a year, and needs an additional 10-20 BCM for its own needs. It is therefore importing 13 BCM in liquefied natural gas (LNG) annually. Egypt needs to import gas because of a string of government decisions that caused gas prices to fall too low, causing the energy companies to halt their operations, with gas production falling precipitously as a result. Projections in Egypt are that gas production will catch up to local consumption only in 2020-2021.

"One of the reasons for the Mubarak administration's economic collapse was energy subsidies, which amounted to 40% of the state budget," says Eco Energy CEO, economic and strategy consultant, and Herzliya Interdisciplinary Center Institute for Policy and Strategy fellow Dr. Amit Mor.

"In an attempt to stabilize the Egyptian economy, Egyptian President Abdel Fattah el-Sisi has increased natural gas prices and set a tariff according to the type of drilling ($3.50 per mmbtu on land, $4.20 in marine drilling, and $5.90 in deep water drilling)."

It now appears that the Egyptian effort to induce international companies to invest in natural gas projects is yielding results. In recent days, Egyptian Minister of Petroleum and Mineral Resources Tarek El Molla announced that he planned to issue 10 more licenses for gas exploration and production by the end of the current year, following his announcement three months ago of the distribution of 28 new blocks. Over the past 30 months, Egypt has signed a total of 66 new license issuing agreements.

The country is also now in negotiations with the International Monetary Fund for a $12 billion loan, some of which will be used to repay Egypt's debts to oil and gas companies for LNG imports, but it is doubtful whether this loan can rescue the country from its severe shortage of foreign currency, which is creating difficulties for international energy companies operating in its territory.

The possibility of Israel exporting gas to Egypt was considered for a while, but the memoranda of understanding signed between the two countries did not produce a final agreement. It now appears that Cyprus island is a more realistic source for imports, but the new discoveries in Egypt may nevertheless still provide a basis for cooperation with Israel in building infrastructure for gas exports to Europe and Asia.

Mor says that future cooperation between the countries depends on solving the dispute between Egypt and EMG, after Egypt halted the supply of gas to the company, which it was sending to Israel Electric Corporation (IEC) (TASE: ELEC.B22). International arbitration found that Egypt owes $1.8 billion in compensation, and Egypt has appealed the ruling.

In contrast to Egypt, potential consumption in Cyprus island is fairly small 1.7 BCM annually, and its challenge is therefore to find remote markets. In competition with Israel's Leviathan and Tamar gas reservoirs, Greek Cyprus has some advantage since it needs little gas for its own consumption, Greek Cyprus does not faces the same pressure to retain the gas in the country that Israel does, and has greater flexibility in setting gas prices.

Four months ago, Greek Cyprus began issuing its third round of gas licenses. In the first round in 2007, Delek Group Ltd. (TASE: DLEKG) and Noble Energy discovered the Aphrodite reservoir, estimated to contain 125 BCM, in Block 12 the only reservoir discovered in the country to date, located 170 kilometers south of Greek Cyprus, which is currently a partner with Delek Group and Noble Energy in this field. In the second round in 2012, 33 companies competed for nine blocks.

Among others, the winners included French energy company Total (two blocks) and ENI and Kogas (three blocks). In the current round, Greek Cyprus has marketed three of 13 blocks, and is slated to decide on the identity of the operators by the beginning of 2017. The largest energy companies - Statoil, Royal Dutch Shell, Total, and Action - are waiting for information.

Ironically, from the operating companies' perspective, a peace agreement in Cyprus ending the 40-year conflict between northern Cyprus, occupied by the Turks, and the Greek-speaking population in southern Cyprus (some believe that an agreement could be signed in the coming year) is liable to upset the relative geopolitical stability in the country, following regulatory changes caused by a peace arrangement, in addition to potential disputes between the two sides involving the ownership of the gas reservoirs.

Former Ministry of Foreign Affairs director general Alon Liel doubts whether any peace agreement will be signed. "Peace talks have been going on for 40 years, and when it will happen is unpredictable," he says, but adds that Israel will profit from it. "Israel will be able to benefit from direct access to Greece and Turkey, which currently is still a problem."

Meanwhile, Cypriot gas is destined for Egypt. Early this week, the in-cyprus news website reported that El Molla would visit Cyprus this week for a meeting with his Cypriot counterpart, Yiorgos Lakkotrypis, in order to sign an agreement for the sale of Cypriot gas to Egypt.

This agreement, together with two other bilateral agreements slated for signing in the near future, involve an arrangement for transporting gas from Cyprus island to Egypt. The Cypriot website claimed that this development "paves the way for the construction of an undersea gas pipeline between Cyprus and Egypt, not Turkey, as third parties, including Israel, are trying to promote." According to Mor, the cost of building this pipeline casts doubt on the economic viability of the agreement, and the agreement could be mainly an attempt to improve political positions.

Israel is looking for markets to export gas, and several agreements with Jordan are currently on the table: one, already signed, involves exporting gas in 2017 from the Tamar reservoir to Jordanian Dead Sea enterprises, and another agreement, which as far as is known is ready and waiting for signing, involves exports of gas from Leviathan to the Jordan Electric Power Company (JEPCO). Under this agreement, which is supported by the US government, the US Overseas Private Investment Corporation (OPIC) will provide a financial guarantee for JEPCO's purchase of 3 BMC of gas a year from Leviathan for a 15-year period.

Exporting gas to the Palestinian Authority is also a possibility, but the big story, Mor says, is the possibility of exporting 10 BCM of gas annually to Turkey in the second stage of Leviathan's development.

"The agreement should be extremely worthwhile, but a great deal of geopolitical and diplomatic work is obviously required, including obtaining permission from the government of Greek-speaking Cyprus to lay the pipeline in its waters.

In the commercial aspect, Israel and the Leviathan owners will have to negotiate with European and Turkish companies, and compete with the gas suppliers in Turkey, headed by Russian company Gazprom, which currently supplies 27 BCM annually to Turkey - 57% of Turkey's gas consumption - and with gas from Iran and Azerbaijan, and soon also Kurdish region."

The real challenge facing the Israeli economy and the relevant government ministries is converting the Israel economy to gas and substantially increasing demand. According to the Ministry of National Infrastructure, Energy, and Water Resources, demand for natural gas is slated to develop in the transportation and petrochemical sectors, and demand in Israel for natural gas is projected to rise gradually in the coming years, from 5 BCM annually in 2010-2011 to 12 BCM in 2020 and 18 BCM in 2030. The demand forecast for 2013-2040 is 436 BCM.

Where development of the reservoirs is concerned, the coming year is likely to be significant for Israel. Only last week, Delek and Avner Oil and Gas LP (TASE: AVNR.L) reported to that Greek company Energean had signed an agreement to buy the Karish and Tanin reservoirs for $148 million, plus future royalties.

The Israel Petroleum Council in the Ministry of National Infrastructure, Energy, and Water Resources is scheduled to approve the agreement within 45 days of its signing. Its implementation will serve as a test case for attracting new investors in the gas reservoirs and shaping Israel's image as an attractive investment target.

The most significant development, however, is the Petroleum Council's announcement of the distribution of oil and gas exploration licenses in a tender procedure for 24 blocks in Israel's economic waters.

The decision to begin this procedure is based on independent research recently commissioned by the Ministry of National Infrastructure, Energy, and Water Resources, which found that Israel's marine basin contained undiscovered resources total 6.6 billion barrels of oil and 2,137 BCM of natural gas. This November, the government and the Antitrust Authority are due to publish the threshold conditions for potential bidders in the tenders.

"This is a very important measure, which is expected to encourage international energy companies to invest in the natural gas sector in Israel," Minister of National Infrastructure, Energy, and Water Resources Yuval Steinitz declared. It is indeed an extremely important measure, since the cumulative financial strength, size and experience of the companies that will compete in the tender will to a large extent determine the future of the gas sector. "We will apparently not see the majors (biggest gas companies, N.S.) entering into the initial phases, but we will see lower-level international players.

The image Israel has acquired as a result of its zigzags in recent years and the changing and retroactively applied policy are still an Achilles heel. It will take time before international confidence in Israel and regulation here is restored," GKH Law Offices energy and infrastructure partner Anat Klein told "Globes."

"There were several major companies on the verge of beginning substantial activity in Israel," Klein adds. "According to what was published, at least, they chose not to enter the gas business in Israel because of the government's conduct. Another difficulty faced by an international player is the fact that Israel is not joining the Energy Convention as a member, which could have provided a recognized framework for large players and international rules providing a layer of defense."

Marine engineer and Tamuz Group oil and gas director and energy consultant Eyal Schneider believes that Israel has advantages over its neighbors. "The regulatory environment is clearer than in the past, and Israel is politically stable. Egypt has had revolutions that exacted a huge price from the energy companies, and they are still in legal proceedings against the administration," he said.

According to Schneider, Israel's small size is also an advantage, because of the relatively short distances between the marine drilling platforms and the endpoint, which saves on development costs. At the same time, he adds, "The operators are aware of the potential in Israel, but they are wary of entering it. It appears that one of the main reasons is the bad impression made by the collapse of the Leviathan-Woodside deal and its accompanying consequences."

Schneider believes that before publishing the threshold conditions in November, the state should provide easy digital access to geological surveys. "It is necessary to make sure that all the particulars and the Ministry's demands are written very clearly in English," he says.

Klein adds that before the threshold conditions are published, it is important to establish the marine boundaries, so that potential developers will not be afraid that a license granted to them will make them hostages in a political struggle between Israel and its neighbors.

"New players will come to Israel only if they believe that projects are economically worthwhile," sources at the Association of Oil and Gas Exploration Industries in Israel said, "so increasing competition in the gas sector requires the formation of an energy policy by the Israeli government and protection for infant industries in order to encourage development of small and medium-sized reservoirs in the existing licenses and in new licenses."

Saudi Arabia’s biggest Asian oil buyers await crown prince visit

Bloomberg, *26.08.2016*

China and Japan, Saudi Arabia’s biggest oil buyers in Asia, are preparing for a visit by the kingdom’s Deputy Crown Prince Mohammed bin Salman, an opportunity to deepen energy ties as the world’s largest crude exporter prepares what’s expected to be the biggest IPO ever.

Selling about 5 percent of the oil producer Saudi Arabian Oil Co., which is estimated to raise about $100 billion, is key to the deputy crown prince’s plan to expand the nation’s economy beyond petroleum. The company also intends to invest in Asian refineries to lock-in buyers in countries including China, India, Indonesia, Malaysia and Vietnam.

“The relationship with Asia is going to be absolutely critical over the coming years as demand increasingly shifts in this direction,” said Neil Beveridge, a Hong Kong-based analyst at Sanford C. Bernstein & Co. “Getting the Chinese to invest either in Aramco directly through the oil majors, or potentially listing in Asia, would be another way of deepening ties.”

Given its size and the potential appetite by public and private investors in Asia, the initial public offering for the state oil company, known as Saudi Aramco, will likely be part of the discussions, said John Sfakianakis, director of economic research at the Gulf Research Center. The kingdom hasn’t decided where the company will be listed.

“Almost all the major exchanges have approached us. Everybody is vying for Aramco to be listed,” Khalid Al-Falih, Saudi Arabia’s minister of energy and industry said in an interview Thursday in Los Angeles. “Each of these jurisdictions brings some strengths, but also brings some limitations and in some cases some risks.”

Prince Salman will visit China Aug. 29-31 and again on Sept. 4-5 to attend the Group of 20 Summit, according to the Chinese foreign ministry. In between, the prince will meet Prime Minister Shinzo Abe during his Japan visit from Aug. 31 to Sept. 3, according to the Japanese foreign ministry. The Saudi government hasn’t responded to requests for comment on the details of the deputy crown prince’s visit.

Highlights of the energy relationships China and Japan have with Saudi Arabia include:

China:

Imported about 1.07 million barrels of oil a day in the first half of the year from Saudi Arabia, accounting for about 14 percent of the country’s overseas supply. State-owned, Sinopec Group is said to be identified by Saudi Arabia as a strategic investor in Saudi Aramco.

Russia has challenged Saudi Arabia for the top-supplier spot due to its direct pipeline link and Pacific Ocean export terminal. China's independent oil refiners, known as teapots, have become a new source of customers, with Iran emerging as a competing crude supplier. Aramco is in initial talks with PetroChina Co. about partnering in the company's Yunnan refinery.

Japan:

Aramco holds 22.5 percent of a refining and fuel marketing company in Fujian, while Saudi Basic Industries Corp. holds a 50 percent stake in a polycarbonate complex in Tianjin with Sinopec Group. In Saudi Arabia, Sinopec Group's China Petroleum & Chemical holds a 37.5 percent stake in the Yanbu refinery.

Saudi Arabia's oil shipments to Japan in the first half of the year rose 8 percent to 1.2 million barrels a day, keeping it the country's largest supplier. Japan plans to discuss renewing an agreement allowing Aramco to store about 1 million kiloliters (6.29 million barrels) of crude on Okinawa island, as well as other economic initiatives, people with knowledge of the matter said last week.

Aramco holds 14.96 percent of oil refiner Showa Shell Sekiyu KK, the largest shareholder after Royal Dutch Shell Plc. Aramco is close to finishing a petrochemical plant within its joint refinery with Japan's Sumitomo Chemical Co. in Rabigh.

Iranian oil production stalls ahead of OPEC talks

WSJ, *25.08.2016*

Iran's revival as a crude-oil exporter appears to have stalled, seven months after Western sanctions over its nuclear program were lifted, casting uncertainty over the country's willingness to cooperate with other producers on limiting output.

Iran's production has taken on heightened significance in recent weeks as the Organization of the Petroleum Exporting Countries gets ready for talks next month on oil output. Iran has previously refused to consider joining fellow OPEC members in action to lift crude prices by curbing output until its exports and production reach presanctions levels.

But the country's ability to reach presanctions levels above four million barrels a day are now in question. Iran has been pumping 3.85 million barrels a day this month, the country's oil minister Bijan Zanganeh said Saturday, little changed from above 3.8 million barrels a day he cited in June. That is up from less than three million barrels a day from before sanctions were lifted in January but short of the country's stated goals. The International Energy Agency says Iran's crude production actually fell in July, to 3.6 million barrels a day.

Iran’s crude-oil exports have also plateaued after nearly doubling from January to May. Mohsen Ghamsari, the head of oil marketing at the National Iranian Oil Co, told state media last week that the country was still short of pre-sanctions exports by 200,000 barrels a day.

Iran has told OPEC that it plans to participate in next month’s talks, national delegates to the cartel said, but the country hasn’t said it would soften its conditions for actually joining in production limits. Mr. Zanganeh confirmed Thursday he would attend the informal gathering, according to Iran’s oil-ministry news agency Shana. Iran and fellow OPEC member Ecuador talked Wednesday about stabilizing oil prices, Ecuadorean official said.

Iran’s stalled production “will complicate the negotiations,” said John Hall, chairman at U.K. consultancy Alfa Energy and longtime observer of OPEC. “It’s going to be difficult. The Iranians are not going back down.”

On the other hand, some within OPEC said, Iran hitting a natural ceiling on its output might be enough to persuade rival Saudi Arabia to join an output agreement next month. Saudi Arabia has pumped its own production up to record levels this summer and may be more inclined to make a deal next month if Iran seems weak.

A government oil official at a Persian Gulf nation said the situation could make it easier for OPEC members to mend fences. “Iran’s production seems to be stuck at a certain level and not rising like before,” the official said. Iran has faced two significant obstacles in its quest to return to pre-sanctions production levels: a lack of foreign investment and its own unwillingness to undercut rivals on pricing.

Lingering American sanctions on Iran over terrorism, human rights and weapons continue to make it difficult for Iran to do business with European crude-oil buyers, whom the Islamic Republic had been counting on to lift its exports. The American sanctions ban dollar transactions with Iran, requiring European companies with U.S. business to go to great legal lengths to do deals there.

“Other exporters took Iran’s place during the sanctions,” said Erfan Ghassempour, an adviser to foreign oil companies in Iran. “Now it will take time for Iran to take back its old friends.” A case in point is Italy, which was Iran’s largest oil importer in the European Union before the bloc embargoed its crude in 2012. Italy didn’t buy any Iranian crude in the first five months of the year, according to statistics released by industry body Unione Petrolifera last month.

Sardinia-based refiner Saras SpA was forced to delay its first Iranian cargo to June “because of the difficulties of establishing financial and banking lines to operate effectively with Iran,” its general manager, Dario Scaffardi, told analysts on Aug. 1. An official at the company said most banks had initially refused to handle the transactions because they feared they could violate remaining Washington’s sanctions.

Obama administration officials have repeatedly told European banks they can deal with Tehran. Despite the banking issues, Iran has refused to discount its oil against other producers, according to European refiners and Iranian officials. Saudi Arabia has aggressively cut the price of its oil, and Iran has matched those cuts—though they have never gone deeper to make up for the hassle of obtaining financing to buy its crude.

“In this context, Iran is just too expensive,” an Italian refinery official said. An Iranian oil official said Tehran doesn’t want to sell its oil off on the cheap, seeing it as a precious and finite national resource. Iran also has a more diverse economy than many of its rivals, with petroleum revenue accounting for about 29% of its national budget.

Reaching presanctions levels is a key goal of moderate Iranian President Hassan Rouhani as he tries to woo the opinion over the merits of the international deal that lifted restrictions on Tehran’s exports in January but also placed curbs on the country’s nuclear program.

That could prove challenging. Apart from competition from rivals, underinvestment in Iranian oil fields is also capping exports, said Hamid Hosseini, a board member of Iran’s oil exporters’ association.

Homayoun Falakshahi, an oil-industry analyst at consultancy Wood Mackenzie, said that oil production initially ramped up faster than expected because pressure was high in wells that had been shut for years. But Iran will struggle to pump more because the fields have high depletion rates and now need significant investment at a time when Iran remains cash-strapped, said Mr. Falakshahi, who visited key oil-producing facilities in Iran this spring.

Look past OPEC freeze hype to really understand oil’s advance

Bloomberg, *25.08.2016*

For all the feverish speculation of OPEC action that’s roiling oil markets, the real reason for crude’s recent recovery probably lies elsewhere. Oil futures have rallied more than 10 percent since the OPEC said it would hold informal talks in Algeria in late September, fueling expectations it could revive a pact on freezing production.

Banks from Citigroup Inc. to Bank of America Merrill Lynch see a simpler explanation for the rebound: the global oil oversupply is finally dissipating. A narrowing discount on immediate supplies of Brent crude is the “clearest indicator” that the two-year glut is fading, Credit Suisse Group AG said.

The spread between the first monthly Brent futures contract and the sixth has contracted more than 40 percent in the past month, data from the ICE Futures Europe exchange show. “OPEC remains very dysfunctional,” Francisco Blanch, head of commodities research at Merrill Lynch in New York, said in a Bloomberg Television interview.

“The reality of the matter is in the last six months we’ve moved from a massive surplus to a balanced market, and now we’re moving into deficit. The market is tightening -- you see it in Brent spreads.”

Coming just days after oil fell to a three-month low near $40 a barrel, OPEC’s Aug. 8 announcement that it would hold “informal talks” in Algiers fostered a rebound in prices, even though most analysts doubt the group will agree on any production limits. While markets have been fixated on OPEC speculation, robust demand is whittling away brimming oil inventories, according to Blanch.

OPEC is unlikely to agree on a freeze next month as the same political rivalry between Gulf members Saudi Arabia and Iran that thwarted a similar initiative in April remains an obstacle, analysts from Citigroup to Commerzbank AG say.

Signals from producers that the group may act are simply “jawboning” to push prices higher, Ed Morse, head of commodities research at Citigroup in New York, said in a Bloomberg Television interview. “I suspect that there’s not going to be much happening” in Algiers, Morse said. More importantly, declines in the “huge oversupply” of crude and products mean “the market is really moving into balance.”

The front-month Brent contract on the ICE Futures Europe exchange was about $1.80 barrel cheaper than the sixth month, compared with a spread of $3.08 barrel on July 29. It’s still hard to deny that OPEC’s verbal intervention has been effective, spurring a “sharp reversal” in sentiment, said Jeff Currie, head of commodities research at Goldman Sachs Group Inc. Hedge funds pulled bets on falling oil prices at the steepest rate on record in the week to Aug. 16, according to data for the U.S. benchmark, West Texas Intermediate, from the Commodity Futures Trading Commission.

There’s also no consensus among analysts that the market is on the mend. Demand for crude oil remains “anemic,” gasoline consumption is slowing around the world and disrupted supplies from troubled OPEC members Iraq and Libya may be poised to recover, Morgan Stanley says.

“Improved fundamentals are not a key reason for the recent price rebound,” said Adam Longson, commodity research analyst at Morgan Stanley in New York. “We see poor or deteriorating fundamentals in many areas. Supply has also returned and appears set to surprise to the upside.”

The strengthening of the market may be obscured as inventories in regions with the clearest data, such as the U.S., remain excessive, said Citigroup’s Morse. Yet in other places, such as in OPEC leader Saudi Arabia or even on tankers where crude is stored at sea, stockpiles are indeed “pulling down,” he said.

With crude production in the U.S. retreating amid reduced drilling, total oil inventories in industrialized nations will finally decline in both the third and fourth quarters, after accumulating for the past two years, said Jan Stuart, global energy economist at Credit Suisse Securities LLC. “OPEC and talk and noise -- wake me up when the Saudis begin to talk for real,” Stuart said in a Bloomberg Television interview. “Markets rally, Brent structure strengthens -- maybe it’s that simple.”

Iran closer to rolling out new oil project contracts

Al Monitor, *24.08.2016*

Dispute remains ongoing over whether parliamentary approval is required for the Iran Petroleum Contract (IPC), a new oil and gas contract model rolled out by the government for upstream projects. Conservative lawmakers want to make further changes to the strategic contract model, arguing that the version approved Aug. 3 by President Hassan Rouhani's Cabinet includes articles that go against Iran's national interest.

The IPC is the framework for about 50 upstream oil and gas contracts expected to be signed with foreign investors in coming months

The draft contract, which is aimed at attracting $185 billion in foreign investment in oil and gas production and refining, was first presented to energy investors for feedback last November in Tehran. Since then, the Petroleum Ministry has made 150 changes to it in an attempt to assuage domestic critics.

Nevertheless, immediately after the Cabinet's approval of the IPC, the ultraconservative newspaper Kayhan published an editorial arguing that the amendments only added to the contract's "disadvantages." In a separate story published in the same issue, Kayhan implied that both the Joint Comprehensive Plan of Action and the IPC are bad deals that will harm the Iranian economy, thus threatening the national interest.

The conservative news website Alef reported Aug. 14 that a group of 14 lawmakers had sent a letter to Speaker Ali Larijani asking him to put a series of questions to Petroleum Minister Bijan Namdar Zangeneh, a staunch and outspoken supporter of the IPC.

The questions mainly focused on, among other things, the need to use local contractors in the production process and the long-term nature, about 20 years, of the contract model's validity, which right-wing parliamentarians believe will weaken Iran's sovereignty over its oil reserves. Conservatives argue that local contractors will be denied upstream projects as a result of having to compete against multinational giants, and they claim a prolonged presence by foreigners could pave the way for their corralling resources.

Despite calls for parliament's involvement, the Guardian Council, the body charged with ensuring that approved legislation is compatible with the constitution and Sharia, announced Aug. 20 that it does not have the competence to oversee the Cabinet's decision. Meanwhile, Larijani has voiced support for the Rouhani administration's position, dismissing calls for parliament to have a legal say over the IPC.

The broader context is that the Rouhani administration sees the lifting of nuclear-related sanctions as an opportunity that must be immediately seized upon to overcome the isolation of Iran’s energy sector. In this vein, the new contract model — which is said to be similar to the buyback contracts that Iran offered to foreign investors in the past — is seen as an important element in Iran taking advantage of the opportunity presented.

In a recent interview with the Shana News Agency, Gholamreza Manouchehri, the head of engineering and development at the National Iranian Oil Company, tried to assure opponents that his employer would not make a deal that could damage Iran’s national interest. “The new model is just a means to attract more foreign investment,” he said, urging groups and individuals not to politicize the case.

“Scaffolding and the construction of pipelines will not be outsourced, and the engineering, procurement, construction and finance [EPCF] contracts will be offered to local companies,” Manouchehri also stated, rejecting complaints that the only available contract would be the IPC model.

Further trying to assure those concerned about over-reliance on foreign firms, Manouchehri said, “Foreign companies will solely be involved in technical issues, reservoir engineering and financing affairs.” He also claimed that upstream projects that in the past might run eight to 10 years would be finished in four years under the IPC and at a lower cost.

Mostafa Khoee, the president of Dana Energy’s exploration and production division, views the situation similarly, emphasizing that the government will be offering a basket of contracts, including buyback and EPCF contracts, especially for smaller upstream projects that can be handled by local companies.

Only eight local exploration and production companies, however, have so far been authorized by the Petroleum Ministry to team up with multinational giants, another area of concern that ultraconservatives have highlighted as the ministry’s attempt to deliver more projects to insiders.

Opponents cite the low number of authorized companies as a problem and are wary of one company whose top executives have close relations with the Petroleum Ministry. The companies given the go-ahead are the Petropars Group, the National Iranian Oil Engineering & Construction Co., Dana Energy, the Petroiran Development Co., the Mapna Group, the Khatam ul-Anbiya Construction Camp, the Industrial Development and Renovation Organization of Iran, and the Persia Oil & Gas Drilling Co.

Despite the harsh and ongoing criticism, Zangeneh seems determined to use his authority to reject the “unprofessional remarks,” as described by Reza Padidar, a senior oil expert and member of the Tehran Chamber of Commerce.

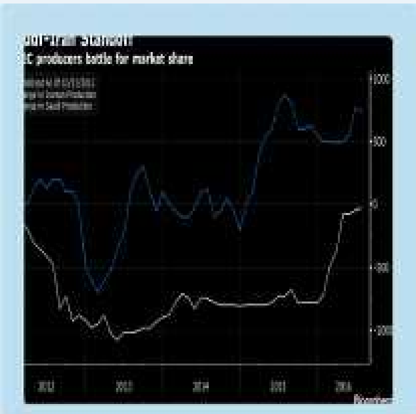
If the dispute continues, however, it could cast a shadow over Iran’s business atmosphere in the post-sanctions era, and that might be why, in an Aug. 15 meeting with Larijani, the oil minister had agreed to further amend the Cabinet-approved version of the IPC. According to the Sedaye Iran website, however, Zangeneh emphasized that the amendments should only be reviewed and confirmed by the parliamentary leadership board, not the rank and file.

In a move to accelerate resolution of the dispute, Zangeneh also agreed to join lawmakers in a closed-door meeting on Aug. 21. According to Zangeneh, as reported by the Aftab News website, he told the legislators that his team had addressed all the criticisms raised by the supreme leader's office and other supervisory bodies. He noted that the IPC has several major advantages when compared to previous contracts, including that Iran can refuse to pay foreign entities that suspend operations in the case of new sanctions going into force against Iran.

Nonetheless, the media is reporting that some 50 lawmakers continue to campaign against the Petroleum Ministry's effort to use the IPC, a struggle that seems doomed to fail given the political affinity of a large number of parliamentarians, including the members of the parliamentary leadership board, with the Rouhani administration.

US Vision for Mideast stability runs through gas pipelines

Bloomberg, *17.08.2016*



The potential to benefit from new gas discoveries has created a rare opportunity for eastern Mediterranean countries including Israel and Turkey to forge closer ties, according to U.S. Secretary of State John Kerry's envoy on energy affairs.

Countries in the region must work together if they hope to unlock multibillion dollar gas discoveries in Israel and Cyprus island, US diplomat Amos Hochstein said. As Israel looks to develop its offshore Leviathan gas field, it's considering a pipeline to Turkey -- a strong energy consumer as well as a portal to European markets -- while mulling an undersea pipeline to Egyptian liquefaction terminals.

"My analysis is that there's enough gas in Leviathan to do both," said Hochstein, whose shuttle diplomacy helped broker the June reconciliation deal with Israel that the Turkish parliament ratified Saturday.

"I think we're just beginning to open the spigots of what is the potential for the broader region." Large discoveries in recent years off the shores of Cyprus, Egypt and Israel have positioned the eastern Mediterranean as a source of potential energy exports. Even as the region struggles with regulatory uncertainty and an abundance of geopolitical risks, the U.S. is seeking to turn it into another corridor for gas supplies to Europe, which is trying to diversify its sources away from Russia.

Israel would benefit from having multiple export destinations -- including to Turkey, Egypt and Jordan -- as well as diversity in the form of supply, "meaning you can have pipe gas via Turkey to Europe and you can have LNG gas via Egypt to Europe," Hochstein said. For Turkey, which already gets gas from Russia and Azerbaijan, deals with Israel and Cyprus would create diversity of supply.

"Adding eastern Mediterranean gas to the picture really rounds out Turkey as one of the most important energy countries in a broader sense," Hochstein said. One stumbling block is the fact that a pipeline from Israel to Turkey would need to traverse Cyprus, where Turkish forces have occupied the northern part of the island since 1974.

"Conditions are very ripe for an agreement on Cyprus, but there have been moments like this in the past," said Brenda Shaffer, a senior fellow at the Washington-based Atlantic Council research institute's Global Energy Center who specializes in oil and gas policies. Still, she added, "I think Ankara is very serious about a settlement. It fits in with their wider diplomatic shift in the region."

With Cyprus island now attracting large explorers to its own economic waters, the energy incentives may finally lead to a diplomatic resolution of that conflict, Hochstein said. "If we can reach an agreement on the future status of the island, we unlock not only Israel-Turkey, we unlock Cyprus's future production and destinations," he said. "What gives us a reason for optimism is we have smart and committed leaders on all sides of the Cyprus conflict. The energy incentive is very clear for everyone."

Business in brief: Tamar gas field sales rose 25% in the second quarter

Haaretz, *25.08.2016*

Zadik Bino won permission from the government to sell his 23% controlling stake in Paz Oil to the public. Bino faces a deadline under the Business Concentration Law to reduce his stake in either Paz or First International Bank of Israel, in which he has a 48% stake, to 5% by the end of 2019.

Because Paz controls one of Israel's two oil refineries, it is regarded as a strategic asset that needs government clearance to be sold. It is unclear whether Bino will opt to sell his stake in the stock market or try to find a single buyer. The latter would likely put a higher value on Paz, but because of its "strategic asset" status finding a buyer will be difficult.

Meanwhile, Paz reported a 34% drop in net profit in the second quarter to 161 million shekels. Paz shares ended down 2.7% at 616.60 shekels. The partners of the Tamar natural gas field, Israel's biggest in operation, took in a combined $434 million in revenues in the second quarter before paying royalties to the government, an increase of 25% from a year ago.

Industry sources estimated the partners, which are led by Texas-based Noble Energy and Israel's Delek Group, earned about $250 million in profits. The big gain in revenue was due to shrinking reliance on coal by Israel Electric Corporation, Tamar's main customer, and the addition of new customers for its gas. That was offset partly by a 3.3% drop in the average price of natural gas, to $5.35 per mmbtu, although that is much higher than the $1.75 average in the United States.

With reserves of about 310 billion cubic meters of gas and 13 million barrels of condensate, Tamar began production three years ago. The government's stake in the quarter was $50 million, or 12% of revenues.

Israel's TowerJazz and China's SMIC are forecast to display the highest sales growth in 2016 among the world's top 10 pure-play foundries, IC Insights said in a report released Tuesday. With annual sales expected to rise 30%, TowerJazz will edge out rival Powerchip for the fifth spot among so-called pure play semiconductor foundries — companies that make chips on order for other companies — albeit with just a 3% market share.

"TowerJazz and SMIC have been on a very strong growth curve over the past few years. TowerJazz is expected to grow from $505 million in sales in 2013 to $1,245 million in 2016 (a 35% compounded annual growth)," the U.S. market-research firm said. Eight of the top 10 pure-play foundries are based in the Asia-Pacific region, with TowerJazz and U.S.-based Globalfoundries the only ones outside the region. TowerJazz shares ended up 0.3% at 58.29 shekels ($154.48).

The Tel Aviv Stock Exchange's TA-25 index ended a four-day run of gains to close lower Wednesday. The blue-chip index finished 0.3% down at 1,467.88 points, while the TA-100 lost 0.2% to 1,293.62, as 1.05 billion shekels ($280 million) in shares changed hands. Mylan continued to be pressured over its EpiPen pricing policy in the United States, losing 1% to 172.60, and Opko Health fell 2.1% to 35.93.

Middle East Tube soared more than 62% to close at 6.25 after it said it had sold land near Ramle for 389 million shekels. Perion Network finished up 7.8% to 5.10 amid reports that Ronen Shilo, a major shareholder, was seeking to oust its CEO citing five years of losses at the company. Energy stocks ran against the market trend, ending higher, with Isramco pacing gains in heavy trading. It ended up 1.5% at 75 agorot. Formula Systems led TA-100 shares higher with a 3.9% advance to 155.230 shekels.

EU energy chief plans gas talks in Russia, Ukraine next month

Bloomberg, *23.08.2016*

European Union's energy chief Maros Sefcovic will hold talks in Russia and Ukraine next month, testing the political appetite of the two countries for EU-brokered negotiations that could fend off the risk of a gas supply disruption in the coming winter.

As tensions heat up between the two former Soviet allies over the transit of Russian gas to Europe via Ukraine, Sefcovic will travel to Kiev on Sept. 2 and to Moscow on Sept. 11-12, according to the European Commission. In the past two years, the EU mediation has helped divert threats to smooth supplies of Russian fuel to Europe.

One objective for the trip by the commission's vice president for energy union is "to explore interest in trilateral talks ahead of energy supplies in winter 2016/2017," the Brussels-based commission said in response to questions from Bloomberg News. ""These visits have been intended for a while and preparation started before summer."

The Russian Energy Ministry's press service didn't immediately answer calls or respond to a texted request for comment. Concerns about the safety of gas supplies started resurfacing after Russian gas exporter Gazprom PJSC reduced gas shipments through Ukraine last month, citing lower demand from some clients and prompting complaints from NAK Naftogaz Ukrainy.

The Kiev-based company said in a statement Monday that Gazprom is repeatedly violating its transit agreement as pressure at Sudzha, a key border point, fell below contractual levels. Gazprom declined to comment.

Naftogaz halted purchases of Russian gas in November as the companies argued over pricing and supply terms. Transit has continued. Gas price and debt disputes between Russia and Ukraine disrupted deliveries to Europe during freezing weather in 2006 and 2009.

Ukraine carries about 40 percent of Russia's EU-bound gas across its territory, or more than 10 percent of Europe's demand for the fuel, making it a linchpin in the continent's energy security. Current flows to Europe are normal amid lower demand in the summer season, according to the commission.

Gazprom, which plans to increase its exports to Europe via the Nord Stream pipeline under the Baltic Sea, reiterated yesterday that it sees risks to Ukrainian gas transit. Its Nord Stream 2 project, which would also bypass Ukraine, suffered a blow earlier this month when the Polish competition watchdog blocked the creation of a joint venture with European companies such as Royal Dutch Shell Plc and EON SE's unit Uniper.

The Polish decision will not affect the schedule for Nord Stream 2, according to the partners, which also include Engie SA, Gazprom, OMV AG, and BASF SE's Wintershall AG. The companies said in a statement on Aug. 12 they "believe that the project is crucial for the European energy system and each of them will therefore individually contemplate alternative ways to contribute to it."

Why Arctic oil is crucial for Russia's future

Oilprice, *23.08.2016*

The Arctic has shattered the expansion dreams of oil company by proving to be too difficult and expensive to tackle. And Arctic exploration is target of major environmentalist opposition to any intervention in wasteland that is in fact home to unique and very fragile eco-systems.

Neither cost, nor environmentalist opposition, however, has stopped Gazprom from making the first steps in Arctic oil and gas exploration. Its Prirazlomnaya platform, producing oil from a field of the same name in the Sea of Pechora, is the first active Russian oil and gas Arctic project, but it will certainly not be the last.

Russia is currently the largest crude oil producer in the world, though sometimes it swaps places with Saudi Arabia. It's also the world's second-largest gas producer, after the U.S. About half of Russian government revenues come from oil and gas sales, which makes the energy industry essential for the country's survival. In this context, the fact that a lot of Russia's onshore fields are aging and depleting, after decades of pumping, is a top concern for the government.

So, Russia is looking north. Exploration there is tough, and it requires a lot of money and technological know-how. The Western press enjoys posting regular reminders that sanction-trapped Russia has no access to Western oil and gas exploration technology and expertise, and this is a major hurdle for its energy explorations plans in the Arctic. That's true enough, but as usual, it's not the whole truth.

Russia has never suffered a shortage of engineers, and energy companies now have solid government support: Moscow is painfully aware just how important the exploitation of Arctic oil and gas reserves is for the sustainability of its sacred cow, the energy industry. So, any idea or project that offers some way of making this exploitation more viable gets the full support of the authorities.

Universities and science lab researchers are working on things such as super magnets and mathematical models to optimize oil extraction from Arctic deposits, as well as sensors that would help control oil spills in remote Arctic regions and technologies for cleaning up such spills below the ice. In short, government support is coupled with a major scientific and innovative drive. These efforts are helped greatly by the sad but inevitable melting of the ice caps. Prirazlomnaya shipped its first oil back in April 2014. Now there are four production wells, yielding a combined 6,000 tons of crude or 50,700 barrels every day, according to Gazprom Neft.

And this is just the beginning. Eventually, Gazprom Neft plans to have 32 operating wells at the field, which has estimated recoverable reserves of more than 70 million tons of crude. According to estimates from the U.S. Geological Survey, the total untapped oil and gas reserves in the Arctic stand at 89.983 billion barrels of crude and 1,669 trillion cubic feet of natural gas.

The Russian continental shelf contains a substantial portion of these, and the country is even trying to expand its territory, naturally angering other countries with rights in the area, such as Norway, Denmark, Canada and the U.S. This makes it unlikely that Russia will get what it wants regarding the expansion of its territorial exploration rights, but even so, it will continue to do the best with what it has to conquer the Arctic. Survival is the greatest motivator, after all.

Oil up on U.S.-Iran scare, dollar; Saudi output stance cuts gains

Reuters, *25.08.2016*

Oil prices rose 1 percent on Thursday on U.S.-Iran military tensions in the Gulf and speculation the dollar will fall on a monetary policy speech due from the U.S. Federal Reserve chair. The market, however, gave back some gains after an interview by Saudi Arabia's energy minister with Reuters raised fresh doubts about a potential OPEC output freeze.

Crude futures rallied toward the close after a U.S. defense official said a U.S. Navy ship fired three warning shots after an Iranian fast-attack craft approached two U.S. ships in the northern Gulf. The United States had reported on Wednesday another incident where it said Iranian vessels harassed a U.S. warship near the Strait of Hormuz earlier this week.

"These reports of confrontation between U.S. and Iranian vessels are giving cause again for oil markets to think about geopolitical tensions in the Middle East and what potential disruptions those could cause to oil traffic there," said Phil Flynn, analyst at the Price Futures Group in Chicago.

Earlier, oil prices rose on expectations that Friday's Fed policy speech in Jackson Hole, Wyoming by central bank Chair Janet Yellen would hint at further delays in U.S. rate hikes. The dollar weakened slightly on Thursday and could fall further on Friday, traders said, boosting prices of oil and other commodities denominated in the currency. [FRX/]

Brent crude futures LCOc1 settled up 62 cents, or 1.3 percent, at $49.67 a barrel. U.S. crude's West Texas Intermediate (WTI) futures CLc1 rose 56 cents, or 1.2 percent, to settle at $47.33. Oil pared some gains after Saudi Energy Minister Khalid Al-Falih told Reuters he did not believe any significant oil market intervention was necessary as demand for crude was "picking up nicely" around the world. The Organization of the Petroleum Exporting Countries and other oil producers, as well as consumers, are to meet in Algeria on the sidelines of the International Energy Forum.

Speculation has been rife that the meeting will agree to some sort of output curbs, after a similar effort for a production freeze failed in April. Al-Falih said there had been no "discussions of substance yet" on OPEC production levels.

His comments reinforced the belief of many market participants that the September meeting will not resort to any production curbs, especially with recent data showing the Saudis and fellow OPEC member Iran were pumping as much as they could. "OPEC is producing at record high levels and the market is paying them to do it, with the way prices have risen today despite what the Saudi minister said," said Tariq Zahir, crude trader at Tyche Capital Advisors in New York.

OPEC freeze will not push up crude prices, Goldman says

AA Energy Terminal, *23.08.2016*

An OPEC production freeze and weak dollar would not be able to keep oil prices higher, according to Goldman Sachs. The global investment bank said potential for those conditions helped oil prices recover earlier this month but "neither will be sufficient to support prices much further".

Since meeting in November 2014 to discuss falling oil prices, OPEC 's strategy has been to refuse to trim production to keep prices low until high-cost producers such as the U.S. are pushed out of the market. If OPEC decides to freeze its output at an informal meeting in Algeria at the end of next month, Goldman said it would be "self-defeating" and it would not help the global oil market.

"An OPEC freeze which would leave production at record highs could prove counter productive if it supported prices further and incentivized activity elsewhere," the bank said in a report late Monday.

Goldman also emphasized that since two regional rivals, Saudi Arabia and Iran, focus on their individual market share, it would be "unlikely to unilaterally accept a freeze or implement a jointly agreed one".

Iran refused to cut its production the last time OPEC countries and Russia met in Doha in April to discuss how to stabilize oil prices. After Iran's refusal, Saudi Arabia walked away from the negotiation table. Goldman expects the international benchmark Brent crude to average $45-$50 a barrel through next summer, but it lowered its price projection for West Texas Intermediate. The bank now expects the American benchmark to average $45 a barrel, instead of $52.5 due to 500,000 barrels a day of increased output that could return from previous supply disruptions.

EIA: US tight oil output to rise 45% by 2040

AA Energy Terminal, *23.08.2016*

Tight oil production in the U.S. is expected to increase by 45 percent by 2040, according to the country's Energy Information Administration (EIA). The U.S.' tight oil output is forecast to reach 7.08 million barrels per day (bpd) in 2040, from 4.89 million bpd in 2015, the EIA said.

Although the administration noted that tight oil production is anticipated to decrease by 700,000 bpd until 2017 due to low oil prices, it stressed "production declines will continue to be mitigated by reductions in cost and improvements in drilling techniques." "The use of more efficient hydraulic fracturing techniques ... will allow producers to recover greater volumes from a single well.

As oil prices recover, oil production from tight formations is expected to increase," it added. This increase in output is to be led by the Bakken formation in North Dakota, which is forecast to produce 2.3 million bpd of tight oil by 2040 to become the largest tight oil-producing formation in the U.S., and produce almost a third of the projected total tight oil output in the country by that time. The EIA projects the international benchmark Brent crude oil spot price to average $136 per barrel by 2040, from the current price range of $45-$50 a barrel.

Announcements & Reports

► *Energy Relations between Russia and China: Playing Chess with the Dragon*

Source : OIES
Weblink : https://www.oxfordenergy.org/publications/energy-relations-russia-china-playing-chess-dragon/

► *Oil and Gas: LNG at the Crossroads*

Source : Deloitte
Weblink : https://www2.deloitte.com/content/dam/Deloitte/us/Documents/energy-resources/us-er-oil-and-gas-lng-at-the-crossroads.pdf

► *Hydrocarbon Developments in the Eastern Mediterranean*

Source : Atlantic Council
Weblink : http://www.atlanticcouncil.org/images/publications/Hydrocarbon_Developments_in_the_Eastern_Mediterranean_web_0801.pdf

► *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

► *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+

► 23rd 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

► 15th 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

► 21st 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