Oil & Gas Bulletin
▸ 10.02.2017

Russian President Putin ratifies TurkStream project

AA Energy Terminal, *07.02.2017*

Russian President Vladimir Putin ratified the TurkStream natural gas pipeline project agreement with Turkey on Tuesday. Russia's Federation Council, the upper house of the parliament, ratified the TurkStream on Feb. 1, after the State Duma, the lower house of Russia's parliament, ratified the project on Jan. 20.

Turkey's General Assembly ratified the bill for the TurkStream agreement on Dec. 2 and President Recep Tayyip Erdogan consequently approved it. Following the approval of the Turkish President, the decision of the Ministerial Cabinet was issued on Jan. 24, in the Turkish Official Gazette.

The TurkStream, which was announced by Russian President Vladimir Putin during a 2014 visit to Turkey, is set to carry gas from Russia under the Black Sea to Turkey's Thrace region. The agreement between Turkey and Russia was signed on Oct. 10, 2016. One line, with 15.75 billion cubic meters of capacity, is expected to supply the Turkish market, while a second line will carry gas to Europe.

Turkey's natural gas sector to grow in 2017

AA Energy Terminal, *04.02.2017*

Turkey has a strategic role in natural gas transit because of its position between the world's second-largest natural gas markets, the U.S. EIA said on Thursday.

The country located between Asia and Europe is strategically placed for the transfer of natural gas reserves of the Caspian Basin and the Middle East to markets in continental Europe. In its country analysis published early February, the U.S. administration stated that as of Jan. 1, 2016, the Oil and Gas Journal estimates Turkish natural gas reserves at 177 Bcf. Turkey produces only a small amount of natural gas, with total production in 2015 amounting to 14 Bcf.

The analysis underlined that the country is an important consumer of natural gas as well as having potential to become an important natural gas transit country. Compared with European countries, Turkey is one those where natural gas consumption continues to show strong growth.

This situation has helped the country develop multiple pipelines to both import and export natural gas. The report underlined that the country is increasingly dependent on natural gas imports because its domestic consumption, especially in the electric power sector has recently experienced significant growth.

“Natural gas consumption in Turkey has increased rapidly over the past decade, reaching a new high of 1.7 trillion cubic feet (Tcf) in 2014 compared to 1.7 Tcf in 2015, and declining less than 0.1 Tcf from 2014,” the report showed.

Natural gas is mainly used in power generation, which accounted for almost half of total natural gas consumption in 2014. Most of the remaining consumption is roughly evenly split between the buildings sector (residential and commercial) and the industrial sector. Consumption growth is expected to remain strong as industrial sector growth and rising electricity consumption continue to spur demand.

Through LNG and multiple pipeline connections, Turkey has a reasonably diversified supply mix. In 2015, Turkey imported 1.7 Tcf of natural gas, accounting for 99 percent of total natural gas supply. “However, Russia’s Gazprom is by far the largest single supplier; accounting for 56 percent of Turkey’s total natural gas supply in 2015. Turkey is Russia’s second largest export market for natural gas after Germany. In 2015, BOTAŞ (Turkey’s state-owned crude oil and natural gas pipelines and trading company) exported just 22 Bcf of natural gas,” according to the report

“Because of rapid demand growth, Turkey’s annual natural gas consumption is approaching the annual capacity limits of the country’s import infrastructure (pipeline and LNG),” the analysis underlined. Companies importing natural gas into Turkey are required to hold rights to storage capacity equal to 10 percent of their annual imports.

However, Turkey currently has just one operating underground storage facility with total storage capacity of about 5 percent of Turkey’s imports of natural gas. For comparison, the 28 countries of the European Union collectively have storage capacity equal to about 20 percent of total annual consumption. If all of the storage capacity currently proposed in Turkey is realized, capacity will amount to about 20 percent of current annual imports for domestic consumption, the analysis shows.

Turkey to launch gas trading platform in summer

AA Energy Terminal, *08.02.2017*

TURKISH OIL AND GAS PIPELINES
Novorossiysk
Supsa
Tbilisi
Istanbul
Samsun
Erzurum
Ceyhan
Tabriz
Erbil
Kirkuk
Natural gas pipelines
Oil pipelines

The start up of Turkey's gas exchange is planned around July or August and market operator Exist will take over settlement and balancing.

Exist will manage both the settlement and balancing of the market. The previous plan was for settlement to remain under the state-run trading firm and system operator Botas and Exist would have only managed the balancing. The operator has finalised the draft regulation to be sent for approval to regulator EPDK. It will develop and test the software in the coming months and the exchange start-up is expected around July or August.

A 54-hour trading window will open at 08:00 local time on the day before the start of the relevant gas day and end at 14:00 on the day following the relevant gas day. This will allow participants to trade day-ahead, intra-day and ex-post gas, relevant to three different gas days in a single day.

Participation in the exchange will be compulsory for all companies that book capacity with system operator Botas. But firms may choose to balance their positions by trading in the over-the-counter (OTC) market or through bilateral agreements.

There will be no tolerance levels for daily imbalances and all participants will have to balance their positions within six hours after the gas day ends — that is, by 14:00 the next day. The system operator will set off any imbalances in the system each day, and companies will be charged a balancing buy price for negative imbalances and a balancing sell price for positive ones. Revenues will be distributed to all participants at the end of each month, at a rate proportional to their entry and exit point capacity.

Currently participants can balance their positions for one 20th of each month by the 26th of the month and the rest of the days by the 6th of the following month, and a monthly balancing price is determined by Botas. But the ex-post trading will be allowed only on the exchange up to six hours after the gas day closes with the start of the exchange.

A reference gas price (GRF) will be determined for each gas day, as the weighted average price of all deals made on the exchange within that day. The gas day starts at 08:00. Companies will be charged balancing buy and sell prices for their negative and positive imbalances respectively.

With the launch of the new platform, distribution companies will submit metered data for the day by 10:00 the following day. This will enable a four-hour ex-post trading window for companies to sort out any imbalances from the previous day. Distribution companies currently have to submit metered data by 15:00 local time each day.

But regulator EPDK is expected to gradually bring the timing forward before the exchange is launched. Firms will pay three types of collateral: the starting, the deals and imbalances collateral. The starting collateral needs to be paid to have an account at the exchange. It will be set at around 150,000-200,000 lira ($40,100-53,500) and firms need to provide half the amount in cash and can pay the rest by other means such as shares, gold or other commodities.

The trades collateral is defined as the highest net purchased volumes within the 54-hour trading window in the past 30 days multiplied by three. The imbalances collateral is defined as the highest negative imbalance multiplied by the highest balancing price in the past 30 days — and this is multiplied by four.

Each participant's collateral will equal the sum of all the three. Exist will warn companies that fall below the minimum collateral threshold. Their portfolio would risk being dissolved if they fail to pay the full collateral within four days after being warned.

Turkey's BOTAS to partially lift gas supply curbs

Argus, *03.02.2017*

Turkish state-controlled grid operator Botas will lift restrictions on gas supplies to independent gas-fired power producers (IPPs) from 08:00 local time (05:00 GMT) on 7 February, but maintain limits on supplies to state-controlled utilities, it said.

Independent gas-fired power producers IPPs were instructed to reduce their gas use to 50pc of contractual levels on 25 January. But the restrictions will be removed as milder weather and LNG cargo deliveries in the coming days are expected to ease the strain on the gas transmission system.

Minimum temperatures in Istanbul are forecast at 10.7-11.4°C — 7.3-7.9°C above average — over the weekend of 4-5 February, but are projected to fall gradually to 9.6°C on 6 February and to 2.6-5.5°C for the rest of next week. The 140,000m³ Arctic Discoverer unloaded an LNG cargo at the Aliaga floating storage and regasification unit (FSRU) today. The 126,190m³ Mourad Didouche is expected to unload at Marmara on 5 February, followed by the 154,000m³ Trinity Arrow at Aliaga on 6 February and the 116,568m³ LNG Finima II at Marmara on 8 February.

Botas manages transmission through linepack management during high demand periods. Regulator EPDK set the minimum linepack level at 320mn m³ for this gas year. Botas can instruct power plants to reduce their gas use if it falls below this amount. Large industrial users may also be instructed to reduce demand, if limitations on utilities are insufficient. Gas supplies to utilities were also restricted in January as well as in November-December last year to prioritize for residential gas use.

World Bank, Turkey sign $400M credit for TANAP

AA Energy Terminal, *08.02.2017*

The World Bank signed a $400 million finance agreement with Turkey's Petroleum Pipeline Corporation (BOTAS) for the Trans-Anatolian Natural Gas Pipeline (TANAP) project on Wednesday.

Among the attendees for the signing ceremony was Cyril Muller, vice president of the World Bank's Europe and Middle East region, Burhan Ozcan, BOTAS general director and Turkey's Energy and Natural Resources Minister Berat Albayrak. The credit agreement will have a five-year grace period and a repayment period of 19 years, according to Ozcan, BOTAS' general director.

TANAP, the 850 kilometer-long natural gas pipeline, is 65 percent complete, Ozcan added. Multilateral Investment Guarantee Agency, a member of the World Bank group, will also offer a "guarantee envelope of up to $1.2 billion, which will help to raise part of the $2 billion in private sector financing beyond BP's own $1 billion shareholder contribution," Muller said.

In addition to the World Bank, Asian Infrastructure and Investment Bank and other International Finance Institutions also support TANAP with $2.4 billion, Muller said. TANAP plans to be operational in 2018 with an initial capacity to carry 16 billion cubic meters (bcm) of Azeri gas through Georgia to Turkey. While 6 bcm is destined for Turkey's domestic gas consumption, the rest is intended for transfer to Greece, Albania, and Italy and further into Europe in 2020.

Azeri energy giant State Oil Company of Azerbaijan (SOCAR) holds a 58 percent interest in TANAP, BOTAS has a 30 percent share while BP owns a 12 percent stake. The World Bank also gave the Azerbaijani government a 30-year-long credit for $400 million on Jan. 17.

Turkey is increasing its energy security through projects like TANAP, Albayrak said and added that the natural gas storage facility in Tuz Golu (Salt Lake) will officially commence on Friday. Turkey plans to realize energy projects with $3 billion in finance in 2017 with support from the World Bank along with other international financial organizations, Albayrak added.

Turkey’s strategic position in energy gains prominence

Daily Sabah, *05.02.2017*

Baku - Tbilisi - Ceyhan
Kirkuk - Ceyhan

The U.S.-based Energy Information Administration released its energy report on Turkey, in which the administration confirmed that Turkey is increasingly becoming an important transit hub for oil and natural gas supplies, as the country provides access to Europe and other Atlantic markets from Central Asia and the Middle East.

According to the report, which draws attention to Turkey’s increasing consumption of oil and other liquid fuels in parallel with its growth over the past decade, Turkey’s proved oil reserves stand at 312 million as of Jan. 1, 2016, citing a study by the Oil and Gas Journal.

Highlighting Turkey’s strategic position at the crossroads between oil rich regions - such as Russia and Middle East countries - and European demand centers, the report indicates that Istanbul and the Dardanelles Straits are one of the busiest chokepoints in the transport network, and that in 2015 more than 2 million barrels of crude oil per day flowed through the Turkish straits along with other petroleum products. In addition to the straits, the report also points to Ceyhan Port, which in 2015 transferred more than 650,000 barrels per day (b/d) of Caspian crude oil and more than 400,000 b/d of Iraqi crude oil to Europe.

Yet, Ceyhan Port and the straits are not the only way Turkey transports Caspian and Iraqi crude oil exports. There is also the Baku-Tblisi-Ceyhan oil pipeline, which operates on 1.2 million b/d of crude oil from Azerbaijan, Turkmenistan and Kazakhstan, and the Kerkuk-Ceyhan pipeline, which has two branches, though only one of which operates due to security reasons. Moreover, the Kurdish Regional Government (KRG) pipeline joins the existing pipeline to Ceyhan and operates on a capacity of 700,000 b/d.

Apart from Turkey’s position as an oil transit point, the EIA report emphatically underlined Turkey’s strategic role in natural gas transit given its position between the world’s second-largest natural gas market, Europe, and the profound natural gas reserves of the Caspian Basin and the Middle East.

As the report reveals, while the estimated volume of Turkey’s natural gas reserves is 177 billion cubic feet (Bcf), total production was 14 bcf in 2015 and consumption stood at 1.7 trillion cubic feet (Tcf).

The report confirms that Turkey has reasonably diversified its supply mix through liquified natural gas (LNG) and various pipeline connections, with in-process natural gas pipeline projects such as Turk Stream, which will carry Russian gas to Europe through Turkey, and TANAP, which should start operating before 2018. One of the natural gas supply sources of Turkey is LNG, with two land terminals located in Tekirdağ’s Marmara Ereğlisi and in Aliağa terminal in İzmir.

While Marmara Ereğlisi has an annual capacity of 280 Bcf, the Aliaga terminal is owned by EgeGaz and has an annual capacity of 210 Bcf of natural gas. But the report unfortunately does not mention the other LNG terminal projects and FSRU projects in Turkey. Moreover, it says, “Although Turkey is encouraging natural gas transit across Turkey via pipelines, it is discouraging LNG transit.” At this point, the EIA report fails to provide a complete update on Turkey’s direction to become an energy hub with diversified supply sources in natural gas.

Fully aware of the importance of supply security to become an energy hub in the region, Turkey is working to ensure supply diversity through facilities such as storage, LNG and floating storage regasification units (FSRU).

In addition to the first FSRU, which was opened in December 2016 with a capacity of 5 billion cubic meters (cbm) of natural gas for an investment of TL 330 million ($100 million), the Lake Tuz underground natural gas storage facility has 12 different storage caverns, each with a capacity of 630,000 cubic meters, and will start operations soon.

Moreover, Turkey is planning other FSRU projects, which have not been publicly announced yet, as the country is aware of the importance of LNG to sustain supply security and realize its ambition to become a hub.

Speaking to Daily Sabah Professor Erdal Tanas Karagöl, the Energy Director at the Foundation for Political, Economic, and Social Research (SETA), noted that Turkey has recently realized the significance of LNG in the global energy market and acknowledges its vital importance to contribute to the country’s goal to become an energy hub whilst expanding supply security.

In accordance with that goal, Turkey needs to diversify its sources and supply channels to be able to re-export natural gas to other countries, particularly in Europe, Karagöl said. LNG comes to the fore as an alluring option, as it would increase the storage and re-export capacity of Turkey, if conditions for more LNG were maintained, according to Karagöl.

Moreover, Salihe Kaya, an energy researcher at the SETA Foundation, said that Turkey could not just depend on pipelines in terms of energy supply security. Currently, Turkey imports energy from Russia, Iran, and Azerbaijan and LNG from Qatar, Nigeria and Algeria along with other spot LNG markets.

As opposed to natural gas through pipelines, LNG does not require long-term contracts that are binding for Turkey, as it has to meet contract terms even if the country does not buy the amount specified in the contract, a point Kaya highlighted to emphasize the importance of LNG for Turkey’s natural gas reserves.

Although Turkey has been a little behind in the LNG market, it has started to take initiatives to raise the capacity of existing terminals, add new terminals like FSRU or to launch new storage facilities because it has to store more than it consumes to become an energy hub. Therefore, current discussions around ways to reinforce Turkey’s position as an energy transit point are focusing on storage facilities and terminals without letting bureaucracy hinder alternative supply sources.

Strategic country in energy

Yeni Safak, *09.02.2017*

The advantage its geographical location provides Turkey has started to become most prominent in the energy sector. A strategic advantage is in question. This advantage not only gives Turkey the opportunity to provide energy to meet its own needs at a reasonable cost, but also allows Turkey to shine in terms of security for the supply of energy to Europe and the Balkan countries.

Turkey serves as a bridge between countries that own energy resources, like some countries in the Caspian, the Middle East, the East Mediterranean, and the countries in Europe that demand energy.

However, serving only as a bridge between the two sides is not enough for Turkey. I insist on this issue because, if Turkey uses its geographic advantage strategically, it will become a transit country and also become – and should become – a trade center for energy.

Because in the past we previously experienced that geographic location alone is not enough for the economic goals we want to achieve. Steps taken in the energy field will also increase Turkey's economic and political power in the region. Therefore, whatever the heading in the political and economic agenda, the unchangeable topic should always be energy.

Countries in the Caspian, the Middle East and East Mediterranean own two-thirds of energy resources. Europe is second on the list of energy consumption. A fixed point is needed to establish a secure relation between the two variables, the consumer and the producer.

Even if owning energy resources gives an important degree of wealth and strategy, it is more important that these energy resources are transported to the consumer countries. We saw how having energy resources alone was not enough for economic value in Iran's case.

Then there is the reality of natural gas prices changing accordingly after the drop in petroleum prices. In such a situation, becoming dominant in international competition and the expenses of the transportation route of natural gases being low, determines the competition between the countries that possess energy resources.

When the issue is perceived from this aspect, it is clear that the most secure and low cost transportation route of natural gas is possible via Turkey. Both the natural gas transported to Europe and the unrefined petroleum products transported through the Istanbul (Bosporus) and Çanakkale (Dardanelle) straits strengthen Turkey's role of being the center and transit route of energy trade. We are not the only ones to say this. Even those who drew up the energy balance in the past (and did not want to see Turkey in this balance) now accept and openly admit that Turkey has an important role in energy trade.

According to the report published by the U.S.'s Energy Information Administration (EIA), it is mentioned that Turkey has been an increasingly significant country in the transmission of oil and natural gas to Europe and that its strategic location is of great importance.

Of course this report only mentions the transmission of these resources. Because this is what they expect and want. They want Turkey to be content with transmission alone. However, it is clear that this should not be enough for Turkey and that this should be followed up like a national policy. Turkey is not only a transit country in energy but will also be an energy trade center.

This aim is not limited to natural gas only. The popularity of liquefied natural gas (LNG) is increasing by the day. There is a developing and increasing relationship between Turkey and Qatar, the world's biggest LNG exporter.

The development of relations and cooperation between Turkey and the other LNG countries as well will help Turkey become an energy trade center instead of only being a transit hub. The physical conditions and the infrastructure of terminals and depots to transmit LNG and turning liquid gases back into gas should be fast tracked.

If we are to talking about the aim of becoming a strategic country in energy, everything from energy resources to pipelines, from terminals to nuclear plants, from cooperation between countries to the stock markets and all variables in energy should take part in the system in a way that they will affect each other positively. LNG, the natural gas pipelines, nuclear plants, the energy stock market are all milestones that will carry Turkey toward achieving its goal of becoming the center of energy trade.

Saudi Arabia raises March crude oil pricing for all buyers

Hurriyet Daily News, *06.02.2017*

On Jan. 24, Turkey's ambassador to Azerbaijan, Erkan Özoral, announced the construction of TANAP was ahead of schedule. Now expected to be operational in 2018, TANAP is the keystone in Ankara's ambition to enhance Turkey's strategic position by becoming the main clearinghouse for Middle Eastern and Central Asian natural gas to reach Europe.

However, the welcomed news for the visionary pipeline project may have been upended a week later by the announcement of impending new natural gas discoveries in Egypt.

If new Egyptian gas finds are announced in 2017, then Turkey's carefully crafted regional energy diplomacy may have to be recalibrated. TANAP is the main pipeline for the Southern Gas Corridor extending from Azerbaijan to Greece, Albania and Italy and is earmarked to transport natural gas from the Caspian Sea to the European Union.

With the inclusion of natural gas from the Kurdish region of Iraq and Israel (which would have to cross Cyprus' exclusive economic zone), the Turkish market would then become a chief organizing framework for the distribution of natural gas from the Caspian Basin and Middle East to Europe. Given sufficient domestic market reforms, Turkey could even become a regional energy hub, with all the economic benefits and political clout that being an energy hub entails.

However, Ankara's ambition to position Turkey as a regional energy player in the greater eastern Mediterranean region became more complicated on Feb. 2 when Egypt's oil minister, Tarek el-Molla, publically indicated that Egypt may announce new discoveries of natural gas during the second half of 2017. Along with the oil minister's remarks, Mohamed el-Masry, the chairman of the state-owned Egyptian Natural Gas Holding Company, told reporters in Cairo that Egypt would start exporting natural gas in 2019.

In 2015, Italian energy giant Eni announced the discovery of the Zohr natural gas field in the Shorouk concession off Egypt's coast. The largest gas find in the eastern Mediterranean, Egypt's Zohr field contains 850 billion cubic centimeters of natural gas, although not all of it is recoverable.

While most of the gas produced at Zohr is slated for Egypt's domestic market, new finds of recoverable natural gas in the Shorouk concession could supply Egypt's dormant liquefied natural gas (LNG) plants.

Natural gas supplies from any new finds, especially if combined with gas from neighboring suppliers such as Israel and Cyprus, could indeed render Egypt a net natural gas exporter and significant supplier of LNG to Europe once more.

The strategic picture for Turkey is further complicated by Russia's recent acquisition of a major stake in Egypt's gas industry. On Dec. 12, 2016, Eni agreed to sell a 30 percent stake in the Zohr field to Russia's Rosneft for US$1.575 billion, making Moscow the second largest stakeholder in Zohr.

As Egyptian President Abdel Fatah el-Sisi's office stated, Moscow's acquisitions of a share of the Zohr field was part of Cairo's commitment "to cooperate with Russian companies in all spheres, including [the] oil and gas sector[s], taking into account the immense experience and potential of Russian companies."

While TANAP will turn Turkey into a strategic transit corridor for non-Russian natural gas to reach the EU, competing Egyptian LNG exports to Europe may hamper Turkey's hopes of becoming a regional energy hub. Russia's growing involvement in an expanding Egyptian natural gas industry will likewise impact a range of thorny issues from the Turkish Stream project to the Cyprus reunification negotiations. As 2017 progresses, Ankara's energy diplomacy will likely be challenged once again to adapt to rapidly changing geostrategic conditions of the region.

Jordan gas deal could be delaying Noble financing

Globes, *09.02.2017*

Almost two months after the first date on which the market expected Noble Energy to announce the financing for development of the Leviathan natural gas reservoir, and one month after the deadline for making the announcement, the gas partnerships are still dismissing questions about the reason for the delay.

It now emerges that the reason is the ongoing negotiations between Israel and Jordan over a framework agreement to guarantee the 15-year commercial agreement for exporting 3 BCM of gas annually from Leviathan to the Jordan Electric Power company.

A senior figure in the Ministry of National Infrastructure, Energy, and Water Resources responded to a query about the state of the negotiations by saying, “We are not talking about it,” and the ministry’s official response was “No response.”

The purpose of the framework agreement between the two countries is to guarantee political stability for the long-term contracts, so that the contract will not be terminated in the middle of its period, as happened with the contract with Egypt. As with Egypt, there is also concern about sabotage of the gas pipelines and other facilities, and questions arise about security and financing for repairs, if needed.

The negotiations for exporting gas to Turkey can also go through only after the respective governments sign a framework agreement. Minister of National Infrastructure, Energy, and Water Resources Yuval Steinitz and his Turkish counterpart, Berat Albayrak, agreed on April this year as a target date for reaching an agreement, but a delay of at least 2-3 months is likely.

Ministry of National Infrastructure, Energy, and Water Resources director Shaul Meridor was quoted in this context as saying that the future agreement with Turkey should be hedged against a possible recurring worsening in relations between the two countries.

According to an announcement to the Tel Aviv Stock Exchange (TASE) by Delek Group Ltd. (TASE: DLEKG) and Avner Oil and Gas LP (TASE: AVNR.L) on November 27, 2016, in which they announced a $1.5-1.75 billion financing agreement for the development of Leviathan, the partnerships have until February 20 to notify the financing banks, HSBC and JP Morgan, of the cancelation of their letter of undertaking for taking the loan. If the lack of clarify persists beyond this time, the partnerships are likely to request an additional extension from the banks. The Leviathan partners said in response, “The Leviathan partnerships are moving forward with their plans, and there are no delays in the project to supply natural gas to Israel in 2019.”

Israel's Delek offers to buy all of Ithaca energy to expand North Sea assets

Haaretz, *06.02.2017*

In a move that would greatly expand its North Sea energy holdings ahead of a planned London listing, Delek Group said it was offering to buy the rest of Ithaca Energy it doesn't already own in a deal valuing the oil producer at $646 million.

Ithaca, listed in Toronto and London, said its board had recommended the Israeli conglomerate's cash offer of 1.95 Canadian dollars per share. Delek, with natural gas exploration and production activities in the eastern Mediterranean, already owns 19.7% of Ithaca. The offer, a premium of about 12% to Ithaca's closing price of C$1.74, implies an enterprise value of about $1.24 billion, Ithaca said.

Ithaca has its headquarters in the Scottish city of Aberdeen and is focused on North Sea oil and gas. Shares of Delek were up 0.45% to 821.70 shekels ($217) in late trading on the Tel Aviv Stock Exchange.

The market for North Sea assets has heated up in recent months as oil prices have steadied above $50 a barrel. Last month Chrysaor, backed by private equity, said it would buy many of Shell's North Sea assets for up to $3.8 billion and EnQuest agreed to buy a 25% stake in BP's Magnus oil field.

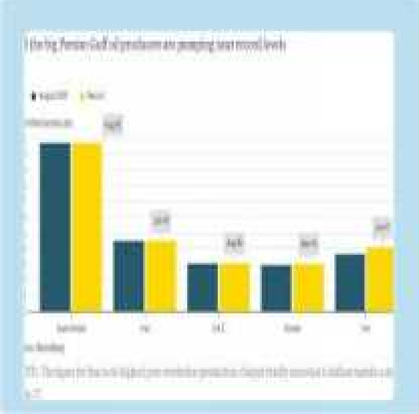
Delek itself bought a 13.18% stake in Faroe Petroleum, another North Sea operator, for 43 million pounds ($53.7 million) in December. Delek's $524 million bid for 80% of Ithaca values the company's shares at $646 million and is conditional upon more than 50% of shares not held by Delek accepting the offer. "This is a full and fair offer from a very credible buyer who have the financial resources to complete the transaction," said Ithaca CEO Les Thomas. "They are knowledgeable, they are credible, they can back up the offer and complete the transaction."

Delek CEO Asaf Bartfeld said the Ithaca deal would contribute to the company's growth and to solidifying its position in the international market. A spokesman for Delek said the company plans to list in London this year but could not say whether new shares would be sold or give further details.In August Delek said it was considering spinning off its holdings in the large Tamar natural gas field into a separate company traded abroad. Under a deal reached with the Israeli government to boost competition in the sector, Delek has about five years to sell its 31.25% stake in the offshore field.

Ithaca is a partner in 25 projects and is the operator in 12 of them, including the Stella field in the North Sea which is expected to begin production later this month. Delek said Stella will be a big step up for Ithaca in terms of production amounts.BMO Capital Markets analyst David Round said Ithaca has been seen as a takeover candidate. "This looks like a reasonable price, although Delek is clearly retaining some upside, particularly around Ithaca's 'pre development' portfolio as well as its attractive tax loss position," he said.

The agreement between OPEC and non-OPEC countries

Modern Diplomacy, *09.02.2017*



OPEC, which is the cartel of the 14 major oil producers, has recently adopted a policy that is bound to change all future political, strategic and economic equilibria.

With a view to contributing to support the oil barrel price, the Vienna-based organization of the major Middle East oil producers has agreed to accept a very considerable output reduction, together with the Russian Federation and other countries, which is worth at least fewer 1.8 million oil barrels per day. Also all the non-OPEC countries shall follow suit and play along, otherwise the six-month agreement - which can be renewed indefinitely - will have no value.

Obviously Russia plans to reduce its oil output and it is worth recalling that, in 2014, it was exactly the excess of Russian and North American oil supply to bring down the cost of crude oil below $ 100. Currently, after Russia's victory in Syria, it is precisely geopolitics which is knocking on the door of those who manage oil prices.

Russia wants to resume its growth pathway and recover the costs of the war in Syria and of its future power projection onto the Middle East. The Sunni and the Shiite world want either to grow and diversify or recover from the long season of international sanctions - as is the case for Iran.

It is worth noting that the non-OPEC producers or, better, oil extractors, are Canada, Mexico, the United States, Bahrain - where only 8% of its GDP is generated by oil and gas, although it is a great centre of Islamic finance and aluminium production - Oman and, in Asia, China, Kazakhstan and obviously the Russian Federation, as well as, in Europe, Norway.

Saudi Arabia will account for approximately 50% of the expected total reduction in oil production, that is 486,000 out of the 10 millions produced every day. Iran, which is very tried by sanctions, accepts the reduction which is implicit in the agreement between Russia and Saudi Arabia, but drops from 3.975 million barrels per day to 3.797. OPEC will cut production by 1.2 million barrels per day, thus reaching 32.5 at the end of January 2017. If the cut had not been made, the oil price per barrel would have fallen below 30 dollars, but currently the most reliable analysts estimate that oil prices may grow from 50/65 US dollars up to 70.

The higher cost of crude oil is quickly reflected in all related prices, thus favouring the start of inflation that many people - again with some naivety - are waiting in Western economies. Incidentally, Russia does not trust much of OPEC promises but, together with other countries such as Kuwait, Algeria and Venezuela (all OPEC members), Oman (non-OPEC member), and Russia, it manages the "Review Committee on the evaluation of production agreements". As a result of the agreements, also Russia has cut production by 100,000 barrels per day.

In this regard, it is also worth recalling that the agreement between OPEC and non-OPEC countries would enable the US shale oil producers to stabilize production or even to increase it. At strictly technical level, Iran participates in the operation only considering the strategic situation in the Greater Middle East, while it would even need to increase its oil supply by at least one million barrels per day so as to regain its position and recover from the long period of sanctions. However, as also the Iranian authorities know all too well, the country's oil production is even on the wane, from 3.85 to 3.60 barrels per day.

After the end of the embargo, the Iranian ayatollahs have succeeded in increasing production only from 2.8 to 3.8 million barrels per day, but the problem is that, in such a market, the increase in supply immediately depresses the oil barrel price.

In fact, operators naively expected an unlimited oil flow from Iran which, however, failed to increase production and, indeed, OPEC itself has recently recorded a drop in the oil extracted by Iran from 3.85 to 3.60 million barrels a day, a clear sign of damage to the extraction system and of technological obsolescence - problems which cannot certainly be solved in a day.

The booming prices, caused by a substantial oil barrel market manipulation, will also benefit the Iranian Shiites, without diminishing Saudi Arabia's economic and military chances. At qualitative level, which is not a secondary aspect in these situations, the production of light and sweet crude oil typical of US oil fields has not much favoured the recent excess of production, unlike the OPEC sulphurous and medium-quality oil.

In recent years, the OPEC increase in oil production has originated over 50% of its excess supply exactly from Saudi Arabia and Iraq, namely 1.5 million oil barrels a day, while shale oil - which is the main enemy of the Vienna-based cartel - has decreased by over 500,000 barrels a day, considering that it is more sensitive than other sectors to the profitability guaranteed by its high price.

It is equally true that currently the increase in the oil barrel price favours even the US and Canadian shale oil, which becomes economically viable only above 60 US dollars per barrel. Some analysts even maintain that currently 60% of the remaining world oil production is precisely in the US shale oil sector, whose companies should gain a competitive advantage over the next five years. Furthermore, it is worth noting that in recent years the production cost of the US oil barrel has dropped by 30-40%, while it has declined by only 20% in the OPEC area.

Hence, paradoxically, a clearly anti-American geoeconomic choice becomes an asset for the new US economy - halfway between oil and domestic manufacturing companies - according to Donald J. Trump's designs. Moreover, currently Saudi Arabia has reached its maximum production level, but it may have technological capabilities to increase it by 25% for a short lapse of time.

Today, after the agreement between OPEC and non-OPEC countries, the Brent futures maturing in February 2017 have temporarily exceeded 57 US dollars - a rise by over 5% compared to the closing of last Friday. According to Merrill Lynch, the agreement between the two groups of oil producers - an agreement that Russia has developed for years (and it is worth recalling Putin's statements in favour of Russia's becoming an OPEC member) - will make the oil barrel price rise to 70 dollars by mid-2017.

Hence speculative capital will come back on oil markets, thus temporarily abandoning the other alternatives: non-oil commodities, currencies, gold and precious metals, as well as many government bonds. Behold, Italy shall recalibrate its supply of public debt securities. It will not be an easy task.

Nothing, however, is yet decided and stable. In fact, you may recall the underground war against OPEC waged by Kuwait in 1985, when the OPEC countries reported much larger oil reserves than the real ones because this boosted their production quota.

In principle, the OPEC reserves are supposed to be only 0.8 billion barrels as against the 1.3 billion barrels reported by the Vienna-based cartel. In general terms, all OPEC official oil reserves could be larger than the actual ones by over one third.

Not to mention the fact that the real data on Saudi oil and gas reserves is still a state secret in the country. Therefore the current OPEC's policy line is to attract in the cartel, at least indirectly, all the external oil production, by marginally favouring even the US and Canadian production, which had been the target of the long bearish fight of Middle East oil countries.

The geopolitical effects are before us to be seen: much of the Middle East is united in adhering to the Russian strategies, while the United States - not to mention the ludicrous EU - are left at the starting post.

Egypt will receive one million Iraqi oil barrels a day, at a much lower price than Saudi Arabia's, which had been initially promised to Al Sisi in the framework agreement envisaging 23 billion US dollars of aid on a yearly-basis.

Saudi Arabia did not implement the agreement with Egypt so as to punish it for its participation in the Russian-Alawite system in Syria. Al Sisi has even reopened the hidden channels with the Lebanese Hezb'ollah and will contribute to the construction of an oil pipeline from Iraq to Egypt through Jordan - not to mention the fact that Egypt is already training four Iraqi army units for anti-terrorist operations.

Moreover, Egypt is fighting actively against the “Islamic State” in Libya, and especially in the Sinai region, and Daesh can now hit Egypt from its bases in Southern Libya. Hence Al Sisi has envisaged to strengthen his ties with Algeria, which has similar problems. In fact, this is exactly where the new oil proceeds will be channelled. They will be used to defend the extreme lines against the jihad – hence Egypt, Jordan, Iraq and Syria.

They will also be used to stabilize the situation in Syria and the increase in crude oil price will also fund the modernization and diversification of the Russian economy. Europeans will not jump on the bandwagon and, like the kids living in the outskirts, will remain in the railway stations to watch the trains leaving.

Moelis chosen as sole independent adviser on Saudi Aramco IPO

Reuters, *02.02.2017*

Moelis & Co has been chosen as the sole independent adviser for the planned initial public offering of Saudi Aramco, according to three people familiar with the process, scoring the New York boutique investment bank the biggest equity advisory mandate to date.

Winning the hotly contested mandate represents a coup for the independent firm. Other banks are still in the race to underwrite the offering. Saudi officials hope to turn the state-owned oil group into the world's most valuable publicly traded company, which they believe could carry a valuation of about $2tn.

Those close to the IPO planning have said the sale of a 5 per cent stake — potentially worth about $100bn — should happen next year, although the number of shares sold could increase, and the timing could slip.

The IPO proposal is the centrepiece of an ambitious strategy by the hard-charging deputy crown prince Mohammed bin Salman to overhaul the country's economy, using a broad-based privatisation programme to boost employment and diversify the kingdom away from oil.

Riyadh hopes to use the IPO proceeds for investments in non-oil industries in order to wean the country off its most precious resource. Banks, advisory firms and consultancies have scrambled to secure work on the IPO since Saudi officials announced their intention a year ago.

JPMorgan, which has been Saudi Aramco's commercial banker for years, and Michael Klein, a former star Citigroup banker, are working with the Saudi authorities on a broad range of matters including the IPO. Other banks have provided informal advice to the company on the prospective IPO and have made several visits to Saudi Arabia in an attempt to get a slice of the action.

Moelis declined to comment, and Saudi Aramco did not immediately respond to requests for comment. It would be no ordinary listing for advisory firms and banks overseeing the selling of shares in the group that supplies one in every nine barrels of oil produced in the world.

The offering would be complicated largely due to how entwined Saudi Aramco, the kingdom's biggest revenue generator, is with the state. Besides managing vast oil reserves, it acts on behalf of the government constructing schools, hospitals and sports stadiums. In preparation for the IPO, Saudi Aramco has sought advice on matters ranging from which exchange to list on, regulatory exposure, disclosure rules and dividend policy. The world's largest stock exchanges are also gearing up to try to gain pole position as a listing venue. Advisers selected by Saudi Aramco's top ranks have to also be approved by the highest authorities in the kingdom.

Exchanges from New York to London, Tokyo and Hong Kong are among those being considered by the Saudis as possible places for a listing alongside the Tadawul in Riyadh. New York was initially seen as contentious given US legislation that allows families of victims of the 9/11 attacks to sue Saudi Arabia. But the selection of a New York firm may suggest a US listing could be back in favour. Saudi officials have said a listing could take place across multiple exchanges, giving hope to smaller exchanges in Singapore and Canada.

Landing an IPO of this magnitude would be a major catch for any of the exchanges, with jockeying expected to intensify in the coming months. For Mr Moelis and his eponymous advisory group, landing the Saudi Aramco IPO vindicates a strategy that has focused on dealmaking the old-fashioned way with a global footprint.

Since Moelis secured its first big advisory roles in 2007, including working on Hilton's $26bn sale to Blackstone, the veteran banker has successfully expanded its operations in growth markets such as Germany, India and the United Arab Emirates.

While other boutique advisers remained anchored in New York or Silicon Valley, Moelis put a premium on hiring experienced bankers in regions where it expected its mergers and acquisition, restructuring and IPO business to grow at a robust pace.

An energy giant bigger than Exxon in the shadow of Saudi Aramco

Bloomberg, *09.02.2017*

Qatar Petroleum is the hidden giant of the global energy industry, overshadowed by its neighbor Saudi Aramco. Yet, the country's colossal natural gas resources allow the state-run company to pump more oil and gas than Rosneft PJSC or Exxon Mobil Corp.

After almost two decades of breakneck growth, the company needs to change tack. QP plans to expand abroad as domestic crude output declines and the government bars new drilling in the offshore North Field, home to the gas that made Qatar the world's leading supplier of liquefied natural gas.

QP will have no problem paying for overseas expansion. Qatar's energy minister, Mohammed Al Sada, said this week that almost all the country's domestic LNG terminals have been paid for. And despite a near-term glut, he said the commodity will be in short supply by 2021. What follows is a portrait of QP and its weight in world energy markets. Qatar's energy story, as with its peers in the Persian Gulf, began with oil. The desert nation of 2.6 million residents started drilling wells in 1939 and exported its first oil 10 years later.

In 1971, Royal Dutch Shell Plc discovered the offshore North Field, which, together with the connected South Pars deposit in Iran, is the world’s biggest reservoir of non-associated gas. The find was a disappointment at the time because it showed no crude.

It took more than twenty years for Qatar Petroleum to partner with Exxon Mobil, Shell, Total SA and ConocoPhillips -- as well as with Japanese customers Mitsui & Co. and Marubeni Corp. -- to start building 14 plants that chill gas into a liquid for shipment to Asia and Europe. By 2006, Qatar was the biggest exporter of liquefied natural gas, and it shipped 78 million tons in 2015, or 32 percent of global supply that year, according to the International Group of Liquefied Natural Gas Importers.

By more than doubling gas and oil production since 2006, Qatar has become the world’s fourth-biggest energy supplier and wealthiest country by per capita income. Qatar Petroleum has overtaken Rosneft and Exxon in total output, according to data compiled by Bloomberg, and the company makes and sells more LNG than any other. QP ranks behind Saudi Arabian Oil Co., Gazprom PJSC and National Iranian Oil Co. for energy production.

Qatar Petroleum, through its LNG-producing divisions Qatargas and RasGas and other investments in related businesses, holds stakes in the companies that extract, process, ship and receive gas. This integrated supply chain helps make Qatari LNG the cheapest in the world to produce, an advantage QP plans to exploit as competitors in Australia and the U.S. dethrone it as the top producer by volume.

Qatar doesn’t have a space program, but one molecule trapped in the North Field is used by NASA. Helium has given Qatar Petroleum more to brag about as the world’s biggest exporter. RasGas, QP’s joint venture with Exxon that will be merged with Qatargas this year, has two plants with capacity of 2 billion cubic feet per year, and it’s building a third facility.

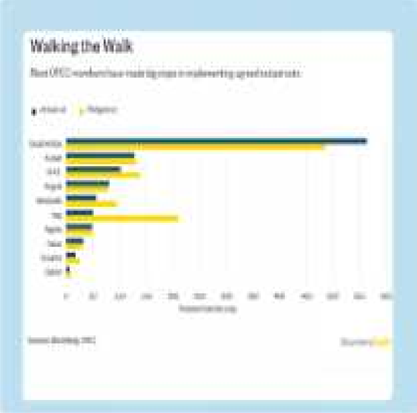
Aging oil fields and a dearth of large discoveries have weighed on QP’s crude output. Qatar pumped 615,000 barrels a day of crude in January, down from a peak of 880,000 in June 2008, data compiled by Bloomberg show.

Condensate and other natural gas liquids surpassed Qatar’s oil production in 2010 and by 2015 had risen to almost double the amount of crude it was pumping, according to the data. These gains -- in addition to LNG, pipeline exports of gas to the United Arab Emirates and Oman, and gas-to-liquids fuels produced in partnership with Shell and Sasol Ltd. -- far exceeded the decline in crude output and have generated financial surpluses that make Qatar one of the world’s top global investors.

Qatar Petroleum owns a minority stake in Nebras Power QSC, the international investment division of a local power company. Nebras, which backs wind, solar and potentially also coal projects, isn’t primarily focused on using Qatar-produced fuel to generate electricity. But its November agreement with Japan LNG buyer Jera Co. points to a strategy of building gas-fired power plants to help soak up the current glut of LNG and keep a price floor beneath QP’s main exports. Qatar Petroleum also has majority holdings in domestic refineries, petrochemicals and aluminum companies.

Oil’s promised land slips away on OPEC leaks

Bloomberg, *09.02.2017*



It’s just one month into OPEC’s deal to cut production, and this could be as good as it gets for the group’s attempt to rebalance the market. Rising output from those not included in the accord and from the U.S. is already undermining the effectiveness of the deal.

The prospect for this leakage to worsen means we may now be seeing the beginning of the end of the march upward in prices. When OPEC members agreed to cut output by around 1.2 million bpd, that target included an exception for Libya, Nigeria and Iran. So far those countries have mostly taken bigger steps towards obligations than analysts thought.

Saudi Arabia has cut output by even more than it pledged -- perhaps reflecting much lower domestic demand as gas supply increased and temperatures fell from summer highs. The outlier in this is Iraq, which has cut supply by only around a quarter of the amount it agreed to.

The effectiveness of these cuts in rebalancing the oil market is being undermined, though, both from within OPEC and outside. Rising supply from the three countries excused from the agreement is offsetting the cuts made by the rest, reducing the size of the overall reduction in OPEC output to little more than 800,000 barrels a day.

In the coming months compliance from the ten countries bound by the deal might get a bit better than it was in January, but probably not by much. It is difficult to see Saudi Arabia being prepared to keep production below 10 million barrels a day -- once domestic consumption begins its seasonal climb towards its summer peak, output will have to rise in order to maintain exports, which is where they make their money. Iraq, already short of its target, is planning to raise exports from the south of the country this month to a near-record level.

If prices, which have already risen on the promise of cuts, stop increasing, producers may be less willing to toe the line in the coming months. History shows that, after an early burst of enthusiasm, compliance with OPEC output cuts typically wanes as time passes.Add to this the prospect of further recovery in production from Libya and Nigeria and some small growth in Iran, and we may see total OPEC supply starting to creep back up.

That would probably undermine the willingness of the group’s non-OPEC friends to fulfill their part of the bargain. Russian production fell by 117,000 barrels a day last month, putting it ahead of its own schedule to satisfy its agreement with OPEC, but that may not last if the group’s compliance begins to slip.An even bigger threat to market rebalancing is coming from outside the group.

U.S. supply is rising rapidly and is already up more than 400,000 barrels a day since October, according to preliminary weekly data. That is not anywhere near as much as OPEC output has fallen over the same period, but it is still a work in progress.

Monthly data for December and January are estimated based on average uplift from weekly figures over the last six months. While OPEC cuts diminish, the volume produced by the U.S. is likely to keep climbing -- and the pace is already faster than during the first shale gale of 2014-15. And that's before President Donald Trump acts on his America First Energy Plan, aimed at lowering energy costs and "freeing us from dependence on foreign oil.

"That plan, whatever form it takes, is clearly intended to boost U.S. production even further. Will it be enough for rising U.S. output to entirely offset OPEC's output cut? Probably not, but the rebound in production from shale and from the Gulf of Mexico will continue to undermine OPEC's attempt to rebalance the oil market, making it difficult for prices to rise much beyond their current level.

Russia's Baltic Sea pipeline scares the life out of Ukraine

Forbes, *09.02.2017*

Despite opposition from anti-trust authorities in Poland, Russia is not backing down. Gazprom insists it will build the Nord Stream II pipeline through the Baltic Sea even if it has to do it alone. The pipeline will sit right beside Nord Stream I.

"As it is, Russia is moving its traditional Ukraine transit to Nord Stream I," says Andriy Kobolyev. "If you look at the numbers on gas consumption in Europe out to 2020, it is obvious to me that if we get a Nord Stream II and if we get the expansion of Turkish Stream, with two pipelines, then that will mean Ukrainian transit of Russian gas into Europe with equal zero."

Naftogaz is Gazprom's Ukrainian door to Europe. Ukraine isn't currently importing Russian gas for its own market's consumption. But it is receiving payment for shipping Gazprom's gas through pipelines that cut across the full length of the Ukrainian landscape. The money received from Russia to pay for that transit is equal to about 10% of the Ukrainian budget, according to government estimates. If it vanished, it would be a big problem for the Ukrainian economy.

"The gas going to Europe through Ukraine is still Gazprom's," says Kobolyev in a phone interview from London this weekend. "Russia is our only partner. But those pipelines are interdependent. On one hand, we want to keep Gazprom as a client and they still need us to get into Europe. But the other hand is all Russia's. Because if Nord Stream II happens, they will no longer need our pipeline, or will surely use us a lot less."

Naftogaz and Ukraine are currently locked in a legal dispute over transit fees amounting to roughly $70 billion. Their case against the Russian energy giant is the largest arbitration case ever heard by the International Court in Stockholm.

With Donald Trump in the White House now, it is unlikely that Washington will make a lot of noise about the perils of Nord Stream II for Ukraine. The European Union, pressured by its own oil giants, including those from Angela Merkel's Germany, appears to be softening its stance on the new Baltic line.

Companies like Shell and Basf have argued that the pipeline is needed to secure Russian natural gas into northern Europe. Southern European countries complain that it benefits the north. But now they are getting the Turkish Stream pipeline, which is quickly turning into Turkish Stream I and Turkish Stream II. In terms of real estate, Russia is building double the amount of pipelines into Europe. Even if consumption were to double there over the next decade, where would Ukraine fit as a supplier of Russian gas?

For its part, Naftogaz is currently working on energy trading arrangements with the E.U. so both sides can keep Ukraine as a source going forward. There's been nothing concrete yet. Tim Boersma of Columbia University's Center on Global Energy Policy was quoted in Foreign Policy magazine on Wednesday saying that the secondary gas line is not the end of the road for Ukraine. "When Nord Stream I was completed it didn't turn out to be a geopolitical disaster," he said.

"History's proven the majority of those concerns and grand geopolitical scaremongering proved unfounded." But this time might be different. Ukraine and Russia have been at each other's throats since Feb. 2014. That's when a pro-Russian president was run out of town in the so-called Euromaidan revolution.

The theme of that revolt, one of many in Ukraine's recent post-Soviet history, was to move Ukraine closer to the European Union. In the Kremlin, that meant moving Ukraine closer to NATO. Russia reacted, took over the Crimean peninsula, inspired a separatist movement by ethnic Russians in eastern Ukraine and got sanctions slapped on it by Brussels and Washington. The former cultural and political allies head to divorce court later this year in Stockholm. Depending on how that arbitration hearing turns out, Russia and Ukraine will either mend fences, or break apart even more.

Last week the European Commission released its second 'State of the Energy Union'. According to the report, the EU remains well on track to reach its 2020 targets for reducing greenhouse gas emissions, energy efficiency and renewables. But, as Sijbren de Jong, a Russian gas expert from The Hague Centre for Strategic Studies, has warned many times, Nord Stream II is not really a necessity in that regard. The report doesn't even mention the secondary Baltic pipeline for energy security.

"The project only contributes to route diversification for Gazprom as it seeks ways to reduce its dependence on Ukraine and cements the company's dominance in the German gas market by raising its market share to over 50 percent," says de Jong. Seeing how Nord Stream I is already a major route, a twin pipeline would mean that over half of Russian gas into Europe comes from the Baltic Sea. Many of the power players are pulling out of the deal. Gazprom is either close to, or already, the majority owner of the project.

This could ultimately lead the European Commission to reject the pipeline if they see the local companies no longer holding a vested interest. Russia's message to Naftogaz is, "don't panic. This is strictly a business decision."

Kobolyev doesn't think so. Nor does de Jong, a frequent critic of all things Russian. He wonders why Gazprom and its partners have been so keen to rent out Swedish harbors in the Baltic Sea instead of those in Kaliningrad, which is Russian. It would be cheaper than Sweden, and if they had to go in and revamp the ports it would be a boon to the Russian economy there.

"It would make sense to do this from a market perspective as it would undoubtedly lower project costs," says de Jong. "Doing so would fit neatly in the Russian government's strategy of stimulating local production. After all, Nord Stream II is purely business, right?"

UK set to receive first LNG import from Peru

Bloomberg, *10.02.2017*

The UK is set to import its first ever cargo of liquefied natural gas from Peru as a pricing dispute forces shipments to Europe, with growing supplies of the supercooled fuel carving out new export routes.

Peru LNG loaded a vessel this week that has its destination listed as the UK, according to data on Lima-based Perupetro's website. It is carrying about 61,146 metric tonnes of LNG. The shipment comes as growing supplies of LNG, which are set to expand by almost 50 per cent between 2015 and 2020, press prices and make it more competitive against coal and other power sources.

Royal Dutch Shell, which has a 100 per cent offtake agreement with Peru LNG, has had to divert supplies away from Mexico as lower international prices have provoked a price dispute between the two countries.

The shipment from Peru set for the UK would beat the US, whose bumper supply of shale gas is set to turn it into a major exporter. With Australia and Russia also preparing to export more, north-west Europe is predicted to see growing supplies by 2020.

The Peruvian government's margins have been pressed by a 15-year deal with Mexico. The contract has tracked US Henry Hub prices, which have more than halved over the past several years as shale gas supplies ballooned. Efforts to change the terms of the linked contract have been unsuccessful. The Gallina LNG tanker will come from Peru via the recently expanded Panama Canal.

Industry analysts say they believe that the cargo is probably being taken by Shell to the Dragon LNG facility terminal in Wales, where it now has a 50 per cent stake after the acquisition of BG Group. It could still be diverted to another buyer.

Mexico, in the meantime, has issued tenders for LNG from other suppliers. Ed Cox, editor of Global LNG Markets at ICIS, which provides pricing information and market analysis, said the shipment, while noteworthy, may just be a “one-off”.

“Shell has a large mix of buyers globally and access to import terminals so this is unlikely to be the start of a trend of more Peruvian cargoes coming to the UK.” Shell declined to comment on the Peru shipment.

The shipment to the UK comes as UK natural gas prices recently reached the highest in more than two years. UK LNG imports have fallen this winter as Qatar, the biggest exporter of the fuel, has diverted deliveries to customers in Asia where cold weather has boosted prices further.

Although analysts say the UK is still adequately supplied by stored and pipeline gas — the country has taken in supplies from Belgium and Netherlands — prices have crept higher in recent weeks. The price of natural gas trading in Europe, as measured by the UK National Balancing Point (NBP) front month hub price, hit $7.47 (£6.12) per million British thermal units on February 3, the highest since November 2014.

But the price, which has traded at lower levels than elsewhere in Europe and East Asia of late, has since fallen to $6.68/mmbtu on milder weather forecasts. Thierry Bros, Senior Research Fellow at the Oxford Institute for Energy Studies, said the UK and Europe would benefit from the coming glut of LNG and could boost imports.

“We need something more consistent, particularly as we diversify away from Russian piped gas. This means we need to attract whatever foreign supplies we can,” Mr Bros said. Swiss commodity trader Trafigura is planning to reopen an LNG import terminal in the north-east of England next year, which will give it greater access to the UK market.

Announcements & Reports

► *Towards a Balkan Gas Hub: The Interplay Between Pipeline Gas, LNG and Renewable Energy in South East Europe*

Source : OIES
Weblink : https://www.oxfordenergy.org/wpcms/wp-content/uploads/2017/02/Towards-a-Balkan-gas-hub-NG-115.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

► *Iran LNG & Gas Summit*

Date : 14 – 16 February 2017
Place : Frankfurt, Germany
Website : http://www.iranlngandgas.com/

► *Australasian Oil & Gas Exhibition & Conference (AOG)*

Date : 22 – 24 February 2017
Place : Perth - Australia
Website : http://aogexpo.com.au/

► *LNG Summit*

Date : 23 – 24 February 2017
Place : Houston – United States
Website : http://lng-usa.com/

► *Nigeria Oil & Gas Conference & Exhibition*

Date : 27 February 2017
Place : Abuja - Nigeria
Website : http://www.cwcnog.com/

► *15th Global Oil & Gas Turkey*

Date : 15 – 16 March 2017
Place : Istanbul - Turkey
Website : http://www.global-oilgas.com/Turkey/Home/

► *New Zealand Petroleum Conference 2017*

Date : 21 March 2017
Place : New Plymouth - New Zealand
Website : http://www.petroleumconference.nz/

► *International LNG Summit*

Date : 24 - 25 April 2017
Place : Barcelona, Spain
Website : http://lngsummit.org/

► *CIS Oil & Gas Summit*

Date : 26 – 27 April 2017
Place : London, United Kingdom
Website : http://cissummit.theenergyexchange.co.uk/

► *FLAME*

Date : 08 – 11 May 2017
Place : Amsterdam, The Netherlands
Website : https://energy.knect365.com/flame-conference/

► *Iraq Petroleum 2017*

Date : 22 – 23 May 2017
Place : London, United Kingdom
Website : http://www.cwciraqpetroleum.com/

► *Turkmenistan Gas Congress*

Date : 23 May 2017
Place : Turkmenbashi, Turkmenistan
Website : http://www.oilgas-events.com/TGC

► *Turkmenistan Gas Congress*

Date : 31 May – 03 June 2017
Place : Baku, Azerbaijan
Website : http://www.caspianoilgas.az/en-main/

► *Future Oil & Gas*

Date : 06 – 07 June 2017
Place : London, United Kingdom
Website : http://www.futureoilgas.com/

► *Offshore West Africa*

Date : 06 – 08 June 2017
Place : Lagos, Nigeria
Website : http://www.offshorewestafrica.com/index.html

► *Big Gas Debate 2017*

Date : 14 June 2017
Place : London, United Kingdom
Website : http://www.theenergyexchange.co.uk/big-gas-debate/

► *International Conference on Oil & Gas Projects in Common Fields*

Date : 02 July 2017
Place : Amsterdam, The Netherlands
Website : http://www.waset.org/conference/2017/02/amsterdam/ICOGPCF

► *Cuba Oil & Gas Summit 2017*

Date : 02 July 2017
Place : Havana, Cuba
Website : http://www.cubaoilgassummit.com/

► *22nd World Petroleum Congress*

Date : 09 - 13 July 2017
Place : Istanbul, Turkey
Website : http://www.22wpc.com/22wpc.php

► *7th Iraq Oil & Gas Conference*

Date : 28 – 30 November 2017
Place : Basrah, Iraq
Website : http://www.basraoilgas.com/Conference/