

Turkey prioritizes future energy diversification

AA Energy Terminal, 08.03.2017



Turkey's main goal in the energy sector is diversification, Energy Minister Berat Albayrak told a U.S. conference Tuesday.

"More than half of our electricity generation is from gas," he told the IHS CERAWeek energy conference in Houston, Texas. "This can't be sustainable, so we changed this strategy. "We are aiming to diversify our natural gas portfolio in the following years." The last 15 years have seen Turkey's GDP rise from \$200 billion to more than \$800 billion, while public debt to GDP ratio shrunk from 80 percent in 2002 to around 30 percent today.

"You have to invest in energy to meet this growth and your growth targets," Albayrak said. "Turkey invested more than \$75 billion in energy during this period... Total installed electricity capacity moved from approximately 30,000 megawatts in 2002 to almost 80,000 MW right now."

Turkey's average annual electricity growth currently stands at more than 6 percent, making it the leading country within the Organization for Economic Cooperation and Development, Albayrak said. The country is investing heavily in liquid natural gas and ships to transfer the fuel and has largely moved from the domestic use of coal to natural gas.

"We ended up having huge diversification in the last 10-15 years," Albayrak said, referring to the gas market. "Today, in 78 cities out of 81, we have a gas infrastructure." Turkey consumed close to 50 billion cubic meters of natural gas last year, more than half of it from Russia.

"Instead of relying on specific sources, we are aiming at diversification right now," the minister said. "We need to increase supply security. This is crucial for the region and for European markets as well."

Albayrak also explained that energy projects in Turkey were crucial to regional peace and stability. "We are working towards bringing gas via pipeline from the eastern Mediterranean to Turkey's internal market and then to European markets," he added.

Albayrak said nuclear energy would play a significant role in energy diversification. Two nuclear plants are currently under construction at Akkuya on the Mediterranean coast and Sinop on the Black Sea. "Nuclear should be at least 10 percent of total electricity generation capacity," he said. "By 2023, the first reactor on our first nuclear plant will become operational and the second plant's first reactor will be launched around 2025." Turkey also has significant potential to exploit renewable energy sources. Albayrak added.

While the cost of renewable energy has dropped significantly in recent years, Turkey's investment has increased in these projects, the minister said. "In 2016, we installed 1,400 megawatts in the system."

When complete, the Konya-Karapinar Renewable Energy Resources Area Project is expected to be one of the largest solar farms in the world, with a capacity of 1,000 megawatts. "It will have a 15-year purchase guarantee without any currency risk," Albayrak said.

"It is a very investment-friendly project. In mid-summer, we are going to launch a solar and wind tender, with an additional 1,000 megawatts each. For the next 10 years, we are aiming for at least 10,000 megawatts each for solar and wind from private business initiatives."

Albayrak said Turkey aims to get at least two-thirds of its energy from local sources and invited investors to participate in the country's energy sector. "In the last 15 years, most of the private investors made a significant return on top of their investments," he said. "We created an investment-friendly environment that is financially feasible, in which investors, people and the government win."

Minister: Turkey to seismic explore in Med., Black Sea

AA Energy Terminal, 09.03.2017



Turkey will begin seismic exploration of oil and natural gas resources in the Mediterranean and the Black Sea this year, Energy and Natural Resources Minister Berat Albayrak said.

"We will take steps this year towards exploring and drilling in the Black Sea and the Mediterranean Sea," the minister told Anadolu Agency at the IHS CERAWEEK 2017 energy conference in Houston. "After our first seismic exploration vessel Barbaros Hayrettin Pasa, our second vessel will actively conduct 2-D and 3-D seismic exploration in both of our seas," Energy and Natural Resources Minister Berat Albayrak added.

Barbaros Hayrettin Pasa explored oil and natural gas resources two years ago off the coast of the Cyprus Island, but its activities were interrupted in March 2015 when tensions rose between the Greek Cypriot administration and the Turkish Cypriot government over ownership of the resources.

The Turkish Republic of Northern Cyprus has since stated that the resources of the island belong to both communities. Albayrak emphasized that more than 60 percent of the world's oil and natural gas resources are in the region of Turkey, and that the country is entering a new era to realize new investments by taking significant steps in the energy sector. "With the responsibility of being the most stable and strongest country in the region; Turkey, which is surrounded by rich energy resources, will continue to work decisively and intensively in the forthcoming period," he said.

Albayrak underlined that Turkey has made significant investments in recent years on natural gas storage and in the diversification of energy sources, and noted that the Turkish Energy Ministry has recently accelerated oil and gas exploration.

The minister noted he held fruitful talks during the CERAWEEK conference with various parties, and added that investors have much interest in Turkey. “I have seen that foreign investors have a lot of desire for Turkey. This is very promising to reach our goal of ‘Great Turkey’ in the future,” he added.

Albayrak highlighted the importance of CERAWEEK in providing opportunities for attendees -- global energy companies, countries and ministers to participate, discuss and formulate policies and trade every year.

“We have conducted many critical talks. In our meetings, we had much dialogue with foreign and local actors [in energy], and assessed critical topics about energy policies in our region,” the minister said. “We exchanged important opinions about Turkey’s position in the region, and held various talks about materializing different investments in Turkey’s energy sector,” he concluded.

Turkey, Russia to jointly establish investment fund

Daily Sabah, 09.03.2017



Russian Energy Minister Alexander Novak said a significant number of agreements have been prepared for the Turkey-Russia High-Level Cooperation Council (HLCC) meeting in Moscow today.

He revealed that the agreements, set to be signed at the meeting, will not just address the economy, but will also deal with technical and cultural fields. Speaking ahead of the HLCC meeting that will bring together President Erdoğan and Russian President Putin, Minister Novak highlighted commercial and economic cooperation between Turkey and Russia has recovered after a series of unfortunate events.

Pointing out that a significant number of agreements have been prepared ahead of the HLCC meeting, Novak said the meetings will cover technical and cultural fields as well as the economy and commerce. Announcing that a medium-term commercial, economic, scientific and cultural cooperation program, covering 2017-2020, will be signed between the two countries, Novak said, “Another critical agreement to be signed at the meeting will be a protocol on the establishment of a joint investment fund, between the Russian Investment Fund and the Turkey Sovereign Wealth Fund.” “We have a very good level of communication with the HLCC co-president and our valuable colleague Economy Minister Nihat Zeybekci, in terms of increasing business cooperation in all fields,” Novak said, suggesting that the decline in trade between the two countries should be improved in a way that will benefit all parties.



He also said 2019 will be declared as a year of mutual culture and tourism, with an agreement to be signed between the Turkish and Russian Ministries of Culture and Tourism at the meeting. The minister also informed that a series of other agreements will be also signed and suggested that projects aiming to remove the obstacles in bilateral trade in agriculture and industry were also in progress.

Underlining that the TurkStream natural gas pipeline project has progressed according to the determined schedule, Novak said, "We would like to thank our Turkish partners in this regard. The legal basis required for the construction of the first line is fully established. AllSeas, a Swiss company, with which we had an agreement regarding the construction of the second line, will use the world's most modern equipment in the laying of the pipeline."

Novak said the first line will enter service by the end of 2019, adding that there were ongoing discussions over the schedule and the route of the second line that will reach the border between Turkey and Greece.

"With Greek DEPA and Italian Edison companies, we are analyzing the issue of natural gas delivery to Italy through the Poseidon pipeline. We know that countries in Southeast Europe, such as Hungary and Serbia, are also interested in this project," he said.

He added that if there were guarantees of purchase, volume and schedule for the natural gas, the decision to build the second line will be taken promptly, within the scope of the agreement between Turkey and Russia.

Referring to Gazprom's announcement that they will increase prices of natural gas sent to Europe this year, Novak said natural gas prices are determined in line with agreements signed between companies, and the figures are often priced in accordance with a basket of petroleum products. "The stability we have seen in the oil prices towards the end of last year will be followed by natural gas prices," Novak said.

The Russian Energy minister also noted that Russia leans towards cooperating with Turkey in the exploration and production of energy resources, adding that if suitable projects emerge in the field of upstream (production and exploration) with Turkey, Russian companies will evaluate it carefully.

Expressing his gratitude towards Turkey for the positive communication it has maintained with Russia within the framework of the project, Novak said, "We expect the project to be granted the status of strategic investment so that it attracts more investors. We would like to include Turkish investors in the project in compliance with intergovernmental agreements."

Indicating that Turkey's natural gas transmission system is in good condition, Novak added that the ongoing investments in underground natural gas storage capacity have increased Turkey's mobility in fluctuations experienced in natural gas consumption.

Azeri gas flows to Turkey halted

Argus, 06.03.2017



Gas flows to Turkey from Azerbaijan stopped yesterday because of a technical problem on a production platform, but should resume, gradually, from tomorrow.

Turkish state-owned gas firm Botas has a supply contract with Azeri state-owned Socar for 6.6bn m³/yr (18mn m³/d) — deliveries were 19.2mn m³/d in December and are set at a similar level for March. But milder weather in Turkey, resulting in lower heating demand, and LNG deliveries to the country last week may limit the need for alternative gas imports to offset the halt in Azeri flows.

Turkish gas Demand fell to 147mn m³/d on 4 March from around 168mn m³/d at the start of this month. Average temperatures in Istanbul were about 12°C over the weekend, and were forecast at 11.9°C today — 3.9°C above average — and 14.2°C tomorrow.

The 140,000m³ Arctic Discoverer delivered an LNG cargo to the Aliaga terminal on 2 March and the 126,190m³ Ramdane Abane arrived on 3 March at Marmara Ereğlisi. Azerbaijan was Turkey's third-largest gas supplier last year, delivering 6.5bn m³ or 14pc of total imports, up from 6.2bn m³ or 12.7pc in 2015.

Turkish gas displaces coal for power generation

Argus, 03.03.2017



Turkish gas-fired output gained on coal in February as restrictions to gas supply for power plants came to an end. Hourly combined-cycle gas turbine (CCGT) output rose by 1.5GW month on month to 12.4GW. Gas-fired output gained by 2.5GW year on year as strong hydropower generation led to renewables displacing gas for power in February last year.

Turkish state controlled gas grid operator BOTA removed limitations on gas supply for independent power plants on 7 February. The limitations had been in place since the end of November to prioritize residential use amid below average temperatures.

Hourly coal-fired generation declined by 0.6GW from a month earlier to 11.1GW in February as a 600MW unit at the 1.2GW imported coal-fired power plant stayed off line because of an unplanned outage in mid-January. Imported coal-fired output stood at 6.5GW, from 6.1GW in January. Imported coal-fired utilities started optimising by offering less power to the day-ahead market in off-peak hours this year.

Lower spot prices owing to weaker power demand and higher hydropower generation with snowmelt in March and spring months may lead to lower output by coal and gas-fired utilities. Imported coal-fired power plants face higher costs because of firmer coal prices in global markets and domestic currency depreciation. Lira depreciation against major currencies and higher crude prices may lead to a hike in regulated gas tariffs in the second half of this year, which would lift costs for gas-fired utilities.

Renewable output fell by 1.1GW on the month to 9.5GW, the lowest in three months as generation by state-controlled utility Euas fell by 1.3GW. Euas, which has a hydropower installed capacity of 13GW, ramped up hydropower generation in January to make up for restrictions to gas supply.

Erdoğan, Putin to discuss energy issues in Moscow

Daily Sabah, 07.03.2017



President Recep Tayyip Erdoğan will pay a visit to Russia on March 10 to attend a high-level meeting with Vladimir Putin where the TurkStream natural gas pipeline project and Akkuyu Nuclear Power Plant will be discussed, according to a statement released by the Kremlin on Tuesday.

During the meeting, bilateral relations between Ankara and Moscow are expected to be discussed “extensively,” the statement said. The High-Level Cooperation Council (HLCC) is usually headed by President Erdoğan and his Russian counterpart Putin and includes government ministers from both states.

The statement added that the leaders will exchange views on regional and international issues, particularly Syria. “Several agreements will also be signed during the visit, which is expected to contribute to the development of Turkish-Russian relations,” it said.

The last Erdoğan-Putin meeting was held last August after Turkey and Russia patched up the fallout from the November 2015 downing of a Russian jet over the Turkey-Syria border. Since the summer, Russia has relaxed the sanctions imposed on Turkey in response to the jet incident and the countries have worked together to bring a cease-fire and political solution to the conflict in Syria. A cease-fire agreement in Syria had been reached under guarantees from Russia and Turkey in December.



Energy and Natural Resources Minister Berat Albayrak paid a visit to the construction field of the Akkuyu Nuclear Power Plant, which will be the first nuclear energy plant in Turkey, announcing that the plant would be operational by 2023. “We plan to take Akkuyu into service in 2023,” Minister Albayrak said in the beginning of February.

Examining the field, Albayrak underlined that the plant will have the highest of international security standards and will use 3+ technology. The nuclear plant in the southern province of Mersin is the first of three nuclear power plants Turkey currently plans to build to reduce its dependence on imported energy from exporters.

Turkey launched the construction of its first nuclear power plant in negotiations with Russia in 2010 for greater energy independence. The \$20 billion project will consist of four units, each of which will be capable of generating 1,200 megawatts of electricity.

Rosatom is constructing the Akkuyu power plant and it is expected that the facility will produce approximately 35 billion kilowatt-hours of electricity per year once completed. Its service life is estimated to last 60 years. The Akkuyu power plant is forecast to begin operating in 2023 at the latest.

Turkey and Russia signed an inter-governmental agreement on realizing the construction of the planned Turkish Stream gas pipeline to pump Russian gas under Turkish waters in the Black Sea toward Europe in October at the World Energy Congress.

The agreement was signed by Turkish Energy Minister Berat Albayrak and his Russian counterpart Alexander Novak, in the presence of Russian President Vladimir Putin and President Recep Tayyip Erdoğan after their talks in Istanbul. Russian President Vladimir Putin ratified the deal with Turkey over the TurkStream natural gas pipeline project in February.

Parliament ratified the deal on Dec. 2, 2016 and President Recep Tayyip Erdoğan approved the agreement on Dec. 5, 2016. The project was announced by Putin during a December 2014 visit to Turkey and is estimated to cost around 11.4 billion euros. It will carry gas from Russia under the Black Sea to Turkish Thrace. One line, with a 15.75 billion cubic meter capacity, is expected to supply the Turkish market with a second line carrying gas to Europe.

TANAP to allocate grants for several projects in Turkey

Azernews, 06.03.2017



Several projects in Turkey's Gumushane province will receive grants as part of the implementation of the TANAP project, Turkish media outlets reported.

The grants will be allocated within the TANAP Social and Environmental Investment Programs (SEIP) for various spheres as development of local handicrafts, fruit and vegetable juice production, processing, packaging and marketing of local products and others. Municipalities, NGOs, nonprofit cooperatives, foundations, national and international non-profit organizations and others can be the beneficiaries of these grants.

SEIP is a program that supports investment and development projects implemented along TANAP route. The main objective of Social and Environmental Investment Programs launched out in 2015 is to develop a coherent ecosystem along TANAP and to contribute to maintaining the economic and social development and preservation of natural resources.

TANAP project envisages transportation of gas from Azerbaijan's Shah Deniz field to the western borders of Turkey. The length of TANAP is 1,800 kilometers with the initial capacity of 16 billion cubic meters. Around six billion cubic meters of the gas will be delivered to Turkey and the remaining volume will be supplied to Europe.

The gas will be delivered to Turkey in 2018 and after completion of the Trans Adriatic Pipeline's construction the gas will be delivered to Europe in early 2020. TANAP shareholders are Azerbaijan's state oil company SOCAR (58 percent), BOTAS (30 percent) and BP (12 percent).

Israel's Shapir weighing bid for natural gas license tender

Bloomberg, 07.03.2017



Shapir Engineering and Industry Ltd., which develops residential, commercial and industrial construction projects in Israel, is considering expanding its operations into offshore energy exploration.

The Petach Tikvah, Israel-based company is mulling a bid to drill for oil and gas in the 24 new blocks opened for exploration in the country's economic waters, a company spokeswoman told Bloomberg. Israeli waters hold an estimated 2,200 billion cubic meters of undiscovered gas, about two and a half times the amount contained in known fields, according to a report by Beicip-Franlab SA.

Israel opened the fields for exploration in November and is trying to attract large energy explorers amid skepticism in the industry that major players will come to Israel after years of regulatory hurdles.

Shapir, which does not have any energy expertise, may need to find a partner to move ahead, much like Delek Group Ltd.'s partnership with Noble Energy Inc. in Israel's two biggest natural gas finds, the Leviathan and Tamar reservoirs.

Shapir shares have risen 62 percent in the last 12 months, ahead of the 23 percent average of global peers compiled by Bloomberg. The company is controlled by the Shapira family and is involved in key projects in Israel, including construction of a section of the Route 6 national highway and the new Haifa port. The stock rose as much as 1.7 percent, before paring gains to 1.2 percent to 9.725 shekels at 11:35 a.m. Shapir was among the best performers on Israel's TA-125 Index, which was up 0.2 percent.

Saudi Arabia, Russia offer united front on oil supply cuts

Bloomberg, 07.03.2017



Saudi Arabia and Russia, the architects of an oil production cut that has stabilized prices, presented a united front on compliance just as rising U.S. inventories have sparked doubts about the OPEC and non-OPEC deal.

Khalid Al-Falih, the Saudi energy minister, acknowledged that global crude inventories aren't draining as quickly as he expected, opening the door for an extension of the production cuts into the second half of the year. The potential rollover is a subtle yet significant shift from just six weeks ago, when the minister said that an extension probably wouldn't be needed.

Al-Falih's concern about the slow pace of stockpile reductions was echoed by Suhail Al-Mazrouei, the oil minister for the United Arab Emirates. Since the Organization of Petroleum Exporting Countries and some of its rivals, including Russia, agreed to cut output in late 2016, oil prices have stabilized at around \$50-\$55 a barrel, up from \$45-\$50 a barrel before. Yet, prices are struggling to rise further as U.S. crude stocks increased to record levels.

With the market starting to believe the cuts were backfiring by reviving U.S. oil production, Al-Falih and his Russian counterpart Alexander Novak called a news conference in Houston after a round of meetings to offer a united front, and insist the cuts will work.

"The market had low expectations, which we have exceeded by a large degree," Al-Falih said about the compliance level. "We are definitely on the right track and are picking up speed in terms of delivery."

Novak, who personally negotiated the cuts with Al-Falih in meetings and late night phone calls last year, said that compliance with the curbs will improve in the next three months. Novak promised that Moscow will cut production further. The Iraqi oil minister and Mexico's deputy energy minister, alongside the OPEC secretary general, joined the news conference, repeating similar upbeat messages.

For all the theatrics on the sidelines of the CERAWEEK by IHS Markit conference, which each year gathers thousands of oil executives, bankers and investors in Houston, OPEC and non-OPEC ministers appear to be concerned that their cuts are stoking a new shale boom. Novak said he and the other ministers discussed compliance, the possibility of an extension, and U.S. production in their meetings this week. The U.S. Energy Information Administration on Tuesday lifted its forecast for U.S. crude oil output, saying next year it will top the all-time record set in 1970.



Output will average 9.21 million barrels a day in 2017, up from 8.98 million projected in February, the agency said. For 2018, U.S. production will rise to an average 9.73 million barrels a day, up from 9.53 million barrels projected last month, and it will exceed 10 million barrels a day in December 2018.

The nation's crude stockpiles expanded by 11.6 million barrels last week, the ninth consecutive gain, according to people familiar with data from the American Petroleum Institute Tuesday. The EIA will publish inventory data Wednesday that is also forecast to show an increase.

"The green shoots in the U.S. are growing too fast," Al-Falih said earlier at a plenary session of the Houston meeting, prompting laughs in the audience. Soon afterward, the head of ConocoPhillips, Ryan Lance, quipped U.S. shale wasn't just green shoots, but actual "trees."

Saudi Arabia also put a price to continue its new-found cooperation with Russia and other oil producers. While Al-Falih didn't rule out extending the duration of the supply cuts, he insisted the kingdom wouldn't act alone.

"It is not going to be fair or acceptable that some countries will carry the burden for all," he said, referring to how Saudi Arabia is cutting more than it promised. "We've been willing to do it for the front end but we expect our friends and partners to pick up the slack as we move forward."

Russia and Iraq, the two largest producers involved in the deal after Saudi Arabia, have so far reduced output less than promised. Jabbar al Luaibi, Iraq oil minister, said there were "some differences here and there" about the cuts, but that Baghdad was "resolved 100 percent to solve those problems."

Russia gave assurances that it will cut another 40,000 barrels a day from supply this month, Al-Falih said. That would put the largest non-OPEC producer participating in the agreement about halfway to the 300,000 barrel-a-day cut that it pledged to implement by April or May.

Saudi Aramco poised for complex call on IPO venue

Financial Times, 10.03.2017



Saudi Arabia's initial public offering of state energy giant Saudi Aramco planned for late next year is likely to be the largest ever, surpassing the \$25bn raised by Alibaba in 2014.

Deep and active markets are essential for the one or two foreign stock exchanges chosen to host the shares, alongside a listing on the kingdom's domestic market, the Tadawul. Amin Nasser, chief executive of Saudi Aramco, this week said the company was evaluating different venues. While New York and London are favourites to lead an international listing, according to sources, the company is studying others, including Hong Kong and Tokyo.

Smaller rivals in Toronto, Europe and Singapore are also pitching for a role. The big four offer access to great reserves of investor cash, but they also come with different sets of rules and requirements for officials to consider as they prepare a sprawling state enterprise for life as a public company.

Saudi Aramco's history might lead it stateside. Before nationalisation in the 1980s, it was controlled by a consortium of US oil companies. The company has ExxonMobil governance structures, and generations of Saudi executives attended American universities.

The pageantry of ringing the opening bell at the New York Stock Exchange is also a lure, alongside commercial arguments. "NYSE has historically been the deepest market and deepest not just in terms of trading volume, but also deepest in terms of the [investor and analyst] communities that assist the listed company," says Ettore Santucci, a partner at law firm Goodwin.

As a foreign private issuer, the company would also be exempt from some onerous reporting requirements imposed on US companies: for instance, the need to avoid selective disclosure of non-public information to analysts and investors.

Home country or international accounting is acceptable, with a reconciliation to a US-style presentation. Practices can differ from US requirements, such as the need for a majority of independent board members, with an explanation where home market regulations differ from those of the US. However, the Sarbanes-Oxley Act, passed in 2002 after several accounting scandals, requires robust internal controls at US-listed companies. Regulators are strict on calculation of proven and probable oil reserves, requiring an independent review process to test the figures. Saudi Arabia's oil reserves have long been a state secret, beyond an unchanging published reserve number, but Khalid al-Falih, the energy minister, has said the kingdom will reveal the figures. He confirmed this week the partial completion of a third-party audit.



Politics could still intervene. A recent ruling to allow families of 9/11 victims to sue the kingdom — 15 of 19 hijackers were Saudi citizens — cannot be ignored. President Donald Trump has opened the door to better relations, but the fluidity of US foreign policy, particularly towards Middle Eastern countries, is seen as a potential wild card.

Saudi Arabia has long shopped in the UK for everything from racehorses to fighter jets — it is the largest buyer of British arms. Extensive diplomatic ties suggest the London Stock Exchange, home to some of the world's biggest resource companies, is a natural choice.

The Financial Conduct Authority is also consulting on a new form of foreign listing, an “international segment” with looser rules than for the premium listing almost every company seeks. “It may be there is slightly more keenness to be open as an exchange following Brexit,” says Nicholas Holmes, partner at law firm Ashurst.

A premium listing usually requires board independence and other investor protections: equivalence between ownership and voting rights, pre-emption rights requiring UK shareholders be offered stock in future rights issues or sales of new shares.

Some flexibility in these rules already exists. Companies can take a comply or explain approach to the corporate governance code, and the authorities can waive a requirement to sell at least 25 per cent of shares if the market will be deep enough to operate properly, as it would probably be with Saudi Aramco. Merlin Entertainment, owner of Madame Tussauds, listed with an initial free float of 20 per cent in 2013, for instance.

A question, however, is the importance officials place on membership of prominent stock market indices. For a group incorporated outside the UK, a 50 per cent free float is required to join the FTSE 100. “Would it all be in vain if they can't get suitable indexation?” asks Mr Holmes.

Charles Li, head of the Hong Kong Stock Exchange, said last month that the world's largest listings venue for the past two years was working “very hard” to secure a part in the Saudi Aramco float. Positioned as the gateway for China, Hong Kong's Stock Connect trading scheme is the only direct link between the outside world and the Shanghai and Shenzhen markets — the world's second-largest pool of equity capital after New York.

The city already hosts three state-owned energy champions in PetroChina, Sinopec and Cnooc. “Hong Kong, London and New York are frankly the only markets with the knowledge of the sector, the peer group and the depth of liquidity to handle a float like this,” says Keith Pogson, senior partner in EY's Asia-Pacific financial services practice. “Hong Kong's added advantage is we have tradition of working with state-owned enterprises and managing through the governance issues of that.”

Bankers also say Hong Kong's political stability may be an attraction, and technical requirements are unlikely to be an issue. Hong Kong demands a free float of 25 per cent of a company's equity but this is regularly waived for deals over \$1bn. Last year for example, Postal Savings Bank of China floated 15 per cent to raise \$7.4bn in the biggest IPO worldwide since Alibaba.

One sticking point could be the strict one-share-one-vote stance, which saw Hong Kong lose Alibaba to a New York market tolerant of a self-selecting management structure. Japan is going all out for Saudi Aramco, with orders from “very high in the government” to make it happen, if at all possible, say officials.

Luring the Saudi group to the Tokyo Stock Exchange, the third largest equity market by capitalisation after the NYSE and Nasdaq, would help boost the “Abenomics” economic revival plans of Prime Minister Shinzo Abe.

A big part of reform rhetoric has been improving the appearance and standards of corporate governance, to promote the equity market as a rock-solid destination for foreign investors and the millions of Japanese hoarding savings in cash.

Yet the TSE has very little record of attracting foreign listings: just five foreign companies appear across its two main boards, and one of the largest, Bank of America, is to be delisted shortly. While disclosure and reporting requirements are broadly similar to foreign rivals, one of the main drags on efforts to convince foreign companies to list in Tokyo is the obligation to present a constant stream of disclosure documents in Japanese.

Saudi Arabia says Opec deal is invigorating US shale industry

Financial Times, *07.03.2017*



Saudi Arabia’s energy minister told executives in Houston that its participation in an international agreement to cut crude output was reinvigorating rivals in the US shale patch, a development that could undermine efforts to stabilise a weak oil market.

The comments of Khalid al-Falih by IHS Markit conference stood in stark contrast to those of his predecessor at the same venue a year ago. Then, minister Ali al-Naimi bluntly warned shale producers that they must trim their costs or risk bankruptcy. In November the Opec, led by, joined 11 other producers to reduce output in the first six months of 2017.

Oil prices have rebounded from less than \$30 a barrel in early 2016 to more than \$56. Mr Falih said that the cuts were taking effect more slowly than he expected and added that the agreement was helping sow “green shoots” in the industry, mainly in the US.

As oil prices have increased, US producers have deployed more drilling rigs, threatening a rebound in supplies unbound by the output pact. He acknowledged that Saudi Arabia had a hand in “watering of the green shoots”, and welcomed the return of investment in US shale.

He added: "I am optimistic about the global market outlook in the weeks and months ahead, though I caution that my optimism should not tip investors into irrational exuberance or wishful thinking that Opec or the kingdom will underwrite the investments of others at our own expense."

Saudi Arabia has reduced its own output to less than 10m barrels a day. Mr Falih said that any decision to extend the agreement would be predicated on how quickly oil inventories were falling back to average levels as well as the extent of other countries' compliance with the deal.

"Conformity by all member countries is going to be a criteria," said Mr Falih, who added that some countries had yet to fulfil their pledges as part of the supply cut deal among global producers. "Saudi Arabia will not allow itself to be used by others. My colleagues have heard that privately, and I am saying it publicly. This is for the benefit of all and needs to be achieved by the contributions of all," he said.

Opec alone would no longer cut supply as the group only represented a third of global production and many countries did not have the flexibility to raise and lower production as they once did, he said. Opec ministers will meet to discuss the deal in May.

Mr Falih also offered an olive branch to the Trump administration, which has pledged to make the US independent from Opec supplies by loosening regulations on domestic drilling. Saudi Arabia is the largest foreign oil supplier to the US after Canada.

"We welcome the new administration's attention to strategic energy issues, in particular its pragmatic and inclusive approach to developing all sources to build a diverse energy portfolio, and also their pro-business and pro-petroleum sector policies," he added.

Iraq and Iran agree to resolve dispute on joint oil fields

Al Monitor, 05.03.2017



The Iraqi Oil Ministry signed a MoM with the Iranian Oil Ministry to settle disputes over oil fields and examine the possibility of building a pipeline to export crude oil from the Kirkuk fields through Iran. The ministry also wants to study moving Iraqi crude oil to the Iranian Abadan refinery.

According to an Iraqi Oil Ministry statement, Iraqi Oil Minister Jabbar al-Luaibi agreed with his Iranian counterpart Bijan Zanganeh during the latter's visit to Iraq on coordinating their stances in the OPEC to achieve balance in the global oil markets, support oil prices and study the construction of pipelines to export crude oil from Kirkuk fields through Iran.



Five Iraqi oil fields are situated along the border with Iran: Dehloran, Shahr, Paydar Gharb, Aban and Al Noor. Baghdad and Tehran share the fields of Majnoon, Abu Ghraib, Bazerkan, Al-Fakkah and Khana. These fields contain huge reserves of light crude oil close to the earth's surface and reserves exceeding 95 billion barrels. This is the largest reserve of hydrocarbons in the Middle East.

On Feb. 2, Iranian companies resumed drilling 20 new oil wells in the southern Azadegan field, which is one of the shared oil fields between Iraq and Iran. Oil and Energy Committee member of parliament Ahmad Madloul told Al-Monitor that most disputed oil wells are Iraqi, according to the maps that were published before the Iran-Iraq war.

But Iran believes otherwise. The agreement will be decisive for settling the dispute. He said, "If a joint committee is not formed, the oil wells will bring bigger problems in the future for both countries."

He asked that the committee identify, when formed, the proprietorship of the lands first to find out who rightfully owns the oil wells on the shared borders. Iraq and Iran occasionally accuse each other of overstepping when it comes to the shared oil fields. As a result, the formation of a committee to solve the disputes was requested.

The Institute of Development Studies, based in London, indicated in its 2012 report that Iraq lost around \$17 billion due to Iranian violations of the shared oil fields, which means around 14% of the state's yearly revenues. The report noted that Iran extracts around 130,000 barrels a day from four shared fields — Dehloran, Shahr, Paydar Gharb and Aban.

Oil experts at the Iraqi Ministry underlined the importance of the agreement with Iran. Hamza al-Jawahiri, an oil expert, told Al-Monitor, "The activity in these fields must be specified in an agreement to allow for its development from both Iraq and Iran."

As for building oil wells between Kirkuk and Iran, Madloul said, "Kurdistan would not allow this because the pipeline would have to pass through Sulaimaniyah in the Iraqi Kurdistan region." He added, "If Iran and Iraq implement the above idea, the federal government in Baghdad will make do without the pipelines under the Iraqi Kurdistan region's control, which transfer oil from the north of the country to Jihan Port in Turkey. Then, it is loaded on board ships.

Jawahiri said that a pipeline between Kirkuk and Iran would be highly beneficial because Iraq needs more ways to export oil. Moving Kirkuk's oil through Iran would give Iraq more flexibility in exporting the oil from northern fields if the Turkish Jihan pipeline is out of order.

He added that if Sulaimaniyah refuses to build the pipeline, the Iraqi government will resort to peaceful ways to convince it, noting that military force can be legally used against Sulaimaniyah if it does not cave in.

Kurdish members of parliament have another opinion in the issue of building a pipeline through Iran. Tareq Sadiq, a member of parliament with the Kurdistan Alliance, told Al-Monitor, "Extending a pipeline from Kirkuk to Iran is impossible. The project will not go through due to its high cost, political situation and partisan disputes that would impede it. Sulaimaniyah will not allow it."

According to Zanganeh, Iran wants to implement several strategic projects to enhance its cooperation opportunities with Iraq. He seemed reassured about the improvement of global oil prices, following OPEC's decision to reduce production in December.

Strategic expert Abdul Rida al-Hamid, an academic at the Faculty of Management and Economics at the University of Baghdad, said that the agreement was signed with Iran because successive Iraqi governments have not adopted clear economic policies, in general, and oil policies, in particular.

The state lacked a specific identity. He told Al-Monitor, "The Iraqi government's oil policy faces many challenges, including international willpower, the domestic political situation and the connection between the state's existence and the oil pipelines."

He added, "The government will not resort to exporting oil through a long and costly pipeline. It can make up for this by establishing a pipeline from Kirkuk to Basra, which is more efficient economically and less costly. It would also shield the Iraqi economy from political fluctuations and would open thousands of job opportunities for the unemployed." Hasty governmental solutions that the Iraqi government has been adopting to rescue itself from the various crises will only multiply its woes and will not stabilize the Iraqi economy.

Rosneft and Russia's evolving oil strategy explained

Diplomat, 10.03.2017



Rosneft is deploying its preferred long-term prepayment model to political effect in Kurdistan and Libya, distributing risks between producers and consumers and taking advantage of its access to state money.

That model has also earned it closer ties to trading houses like Glencore and Trafigura. The firm applied the same approach to securing a customer for its Venezuelan production—another risky market—in India with its acquisition of Essar Oil. Rosneft has shown a growing commitment in tandem with Glencore to expand activities in markets where other firms have shown greater caution.

While tempting to assume the narrative that these moves are primarily driven by Russia's anti-western aims in the Middle East, that premise proves to be rather limited in explaining the full value of Rosneft's most recent deals — including \$3 billion in oil prepayments for cash-starved and war-stressed Kurdistan and a preliminary deal with Libya's National Oil Corporation (NOC) to invest in Libya's upstream, part of Libya's national strategy to increase oil production from 700,000 barrels per day (bpd) to 2.1 million bpd by 2022.



Rather shifts in Russia's market strategy, rising production in Kazakhstan, and fears of China's expanding Middle East influence seem better suited in explaining Rosneft's economic rationale for its recent dealings in Kurdistan and Libya.

Some of Russia's compliance with OPEC cuts has come from extremely low temperatures and weather in Western Siberia. Russian production dips annually in Q1 and Q4 due to the winter. Numbers show that Saudi Arabia is bearing more of the cuts than the deal stipulates, with Saudi production dipping to roughly 9.75 million bpd in January.

Despite this, Saudi Arabia and Angola overtook Russia as the top suppliers to the Chinese market in January. But China does not publish data on when oil was shipped and some increases may be the use of stored reserves. Russia gained more on the Japanese market but the most interesting development is a change in Ural blend's access to Asian markets.

Russian Ural blend — an export mixture of heavy sour oil from the Ural and Volga regions with lighter Western Siberian oil — gained market share in South Korea because of rising costs for OPEC supplies. Ural blend is normally traded by vessels that can transit the Suez Canal, which limits its competitiveness on Asian markets since OPEC can use larger tankers from other ports. The South Korea trades are evidence that the OPEC cuts are creating new opportunities in the East for Russian producers. But that window is limited by future declines in Western Siberian and Ural production and Rosneft's customer base.

Rosneft alone provided Europe 20 percent of its oil import needs in 2015. By investing in production in Libya and using its trading arm to ship Kurdish oil to its refineries in Germany, Rosneft can try and continue riding this most recent development as a means of increasing Ural blend's market share in Asia while pushing back against attempts by Saudi Arabia to take a larger share of European markets.

Last year, Russia launched trades of Ural blend futures on the Moscow Exchange in an attempt to decouple Ural blend's prices from Brent crude benchmarks. Russia is stuck trading Ural blend with a discount off of the Brent benchmark. The endeavor is unlikely to succeed, but if Russia can maintain trades of the blend on Asian markets, the potential pricing power of a new benchmark would look more attractive.

Last October, Kazakhstan's Kashagan field finally came onstream. Kazakhstani production is expected to climb from around 1.3 million bpd to 1.8 million bpd as investments in Kashagan and sister field Tengiz pay off.

Due to growing internal political pressures, fear of potential malign Russian actions, and a need for new export capacity, Kazakhstan has begun pushing for a Trans-Caspian oil pipeline with Azerbaijan that would connect to the Baku-Tbilisi-Ceyhan pipeline. Kazakh crude could then be sent to Ceyhan, where it could be shipped elsewhere. Kazakhstan's exports are currently limited by reliance on pipelines running to the Russian Black Sea port of Novorossiysk, reducing their competitiveness for markets outside of Europe and the Mediterranean due to restrictions on the volume of shipping through the Bosphorus strait and tanker capacity. Russia has shifted its exports towards Baltic ports in recent years, using Kazakh and Azeri crude supplies for the Black Sea basin.



In 2014, roughly 90 percent of Libyan production went to European markets and this dynamic has likely not changed. As production rises in Libya, it will strain the competitiveness of Kazakhstan's oil exports on European markets, further pressuring Kazakhstan to gamble on a Trans-Caspian pipeline that will likely incur political responses from Moscow.

Kurdish region's production also transits through Ceyhan and Kurdistan may see new investments should Rosneft's moves encourage confidence. If the Kirkuk-Ceyhan pipeline from further south in Iraq is restored, the oil terminal at Ceyhan will be too crowded without major investment.

Rosneft acquired Iraqi assets to compete with Gazprom and Lukoil when it bought out Bashneft and will directly benefit as the economic logic of expanding pipeline capacity for Central Asian crude supplies will diminish. Russia can then try and force Kazakhstan to provide yet more to the Black Sea basin, continue its shift of exports towards the Baltic and, ideally, invest in greater pipeline capacity in the Far East. These factors hinder Kazakhstan's overtures to Azerbaijan, whose oil production is entering sustained decline.

China's expanding infrastructure investments across Eurasia pose the largest political challenge for Russia's attempts to maintain dominance in its non-European periphery and project power further abroad. The Eastern Mediterranean and Middle East form a potential bottleneck for China's expanding influence in Eurasia if Russia plays its cards right. Chinese shipper Cosco acquired a 51 percent stake of Greece's port of Piraeus last August, pledging to invest another \$551 million into the port through 2021.

The purchase was a masterstroke in the region. China has also exploited Egypt's hopes of attracting investment by including the Suez Canal in the One Belt, One Road initiative as Chinese firms buy or build crucial transport and import-export infrastructure across the globe.

Lacking substantial financial reserves or trade, Russia has turned to the role of oil in the region's political economy as a means of influence. In December, officials from the NOC met with Egyptian oil and gas officials in Cairo to discuss future cooperation. Rosneft is helping to midwife agreements to bring stability and further show Cairo that, after having bought into the Zohr field, Rosneft is an able partner that can deliver. Egypt prefers Haftar from his potential counterparts in Libya.

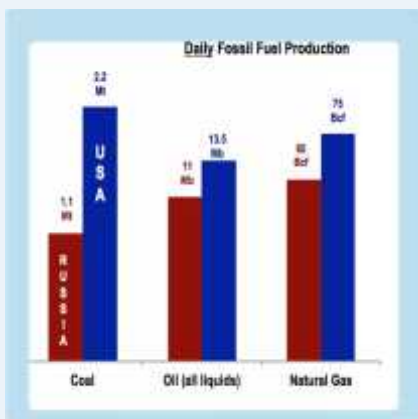
The Libyan Civil War has also led to a huge expansion of illicit trade flows, which Russia will have more leeway to influence thanks to person-to-person contacts and trades via Libya's ports. The latter gives Russia a subtler means of leveraging its considerable criminal contacts and organizations for policy ends. Rosneft may also increase the small but useful flow of tens of millions of dollars' worth of remittances from Egyptian oil workers in Libya by helping spread oil wealth among Libyan elites. Russia has also targeted crucial grain exports to Egypt — the world's largest grain importer — making it indispensable for the regime's bread subsidies that feed tens of millions.

The economic rationale of Rosneft's decision goes beyond Russia's regional ambitions, touching on Russia-OPEC oil relations, Kazakhstan's dependency on Russian export infrastructure, and Russian attempts to have an ear in Cairo given the vital role of the Suez Canal. Prepayment decisions in Kurdistan fit into a broader market strategy that Rosneft has trumpeted for years and increase its access to oil production in Libya and Kurdistan that will serve European markets.

As a result, Rosneft is likely hoping to sell Ural blend crude to Asian consumers and improve Russia's ability to set its own pricing benchmark. These moves also help secure continued Kazakhstani dependence on Russia's export infrastructure to the Black Sea, preserving Russia's ability to control oil flows as a principle instrument of its foreign policy. In short, not everything hangs on snubbing Washington.

Russia's oil giants are headed in different directions

Bloomberg, 10.03.2017



Investing in Russian oil has become a choice, and Lukoil PSJC looks like the richer side of the bet. Russia's oil producer has watched as rival Rosneft came to command the nation's industry, then the \$54 billion acquisition of TNK-BP in 2013, and finally last year's purchase of Bashneft PJSC.

Despite its odd-one-out status, the smaller company looks like a better choice for cash-conscious investors. While Igor Sechin appears set on building an overseas empire to complement his dominance at home, Lukoil's steady investment in new fields is expected to feed through into rising cash flow and dividends.

"Lukoil's yield is an anchor for the stock," said Ildar Davletshin, an oil and gas analyst at Renaissance Capital. "The market wants dividends." At current share prices, Lukoil investors can look forward to a return of 6 or 7 percent this year, potentially reaching 9 percent by 2020, according to analysts including Goldman Sachs Group Inc. In contrast, the yield for Rosneft from 2016 earnings is set to be below 2 percent, according to Bloomberg calculations based on the company's earnings. It also plans a second interim dividend this year from 2017 profits.

The divergence between Russia's biggest producers looks set to continue. While Rosneft has pledged to pay out 35 percent of its net profit to shareholders, it will continue to gobble up assets. The company has set aside \$9.2 billion for closing acquisitions of an Indian refinery, an Egyptian gas field and shares tendered by the remaining minority investors in Bashneft, according to a presentation of fourth-quarter results.

Rosneft's growing influence comes at a cost. The company's total debt rose to about \$59 billion last year -- the largest for any Russian company. International sanctions imposed after President Vladimir Putin annexed Crimea and supported a separatist insurgency in Ukraine mean Rosneft is cut off from European Union and U.S. lenders, reducing its financial flexibility.

Rosneft is paying out the highest proportion of its net income to shareholders among Russian oil producers and state-led companies, its press service said by email. Dividends have grown faster than the majority of its competitors over the past five years, it said.



After years of heavy investment to maintain its production, Lukoil is now completing projects, the largest of which is the Filanovsky field in the Caspian Sea. That means spending could be 10 percent lower this year than in 2014, potentially boosting cash flow, Bank of America Merrill Lynch said in a March 6 research note.

Both companies will benefit by pumping more from new tax-exempt deposits -- including Filanovsky -- which allow them to capture a greater share of the gains from higher oil prices. Lukoil's tax-exempt output will more than double to 10.2 million tons this year, while Rosneft's will more than triple 10.6 million tons, according to the Bank of America note.

Meanwhile, Lukoil has responded to Russia's December production-cuts agreement with the Organization of Petroleum Exporting Countries, which initially raised international prices by about 20 percent, by reducing output at its least-profitable and highest-taxed fields.

Shirking acquisitions, selling assets and focusing on production mean Lukoil can now expect higher dividends and free cash flow, and lower capital expenditure, Goldman Sachs analysts Geydar Mamedov, Elena Malareva and Georgii Gorbатов wrote in a Feb. 22 research note.

European peers may offer similar cash-flow yields, but they come at the expense of big cuts in investment for the future, which isn't the case for the Russian companies, Bank of America said. Lukoil and Rosneft have dropped this year, along with other Russian equities, as the possibility that U.S. President Donald Trump's administration would remove sanctions became more remote. The state-run oil giant has fallen faster, losing 20 percent compared with a 14 percent decline for its smaller rival.

The share slide offers "a particularly good opportunity to buy," said Bank of America analysts Karen Kostanian and Anton Fedotov. The yield on Lukoil's payout right now looks to be one of the most attractive in Russian oil and gas, said Alexander Kornilov, an analyst at Aton LLC. "If you are a dividend seeker, Rosneft isn't for you," he said.

IEA forecasts oil shortages and sharp price rise by 2020

Forbes, 07.03.2017



Oil companies' lean investment over the past two years as prices struggled could trigger a return to demand outstripping supply and sharp rise in pricing volatility by 2020, the IEA said in its five-year oil market forecast Monday.

The report, *Oil 2017*, predicts three years of balance for the market but a drop in supply growth as companies' spare production capacity falls to a 14-year low by 2022. The agency expects to see U.S., Canada and Brazil leading production growth, which could stall if investments in bringing production capacity back online, which have lagged in 2017, do not increase.

In 2016, companies spent \$450 billion worldwide on upstream projects, about 25% less than they need to meet demand growth and fill in for the decline in existing oil fields. Fatih Birol, executive director of the International Energy Agency (IAE), speaks at the LNG Producer-Consumer Conference 2016 in Tokyo, Japan, on Thursday, Nov. 24, 2016.

If OPEC members agree to cut production and oil rises to near \$60 a barrel, there may be a significant increase in production from other countries including U.S. shale producers, Birol said on Bloomberg Television. Photographer: Kiyoshi Ota/Bloomberg

U.S. shale oil production will compose the bulk of new supplies, dependent heavily on price. Growth of 1.4 million barrels per day could occur by 2022 at price around \$60 per barrel. At \$80 per barrel, it could grow by 3 million barrels per day in five years and at \$50 per barrel, it could fall starting around 2020.

Demand meanwhile will reach 104 million barrels per day by 2022, up by 7.3 million barrels per day, with all of the growth coming from developing countries and Asia and demand in India starting to outpace China, leading to a tight market.

"We are witnessing the start of a second wave of US supply growth, and its size will depend on where prices go," said Dr Fatih Birol, the IEA's Executive Director. "But this is no time for complacency. We don't see a peak in oil demand any time soon. And unless investments globally rebound sharply, a new period of price volatility looms on the horizon."

Platts simultaneously released a survey Monday showing that OPEC countries had reached 98.5% of their 1.2 million barrels per day in combined cuts agreed to late last year, increased from 91% in January. Saudi Arabia has curbed more than its agreed upon production, while other OPEC countries have not met their targets, such as Venezuela, the UAE and Iraq.



Iran is unlikely to cut back production without further investment, which has been crippled by U.S. sanctions and not yet releasing details of its new petroleum contract. In February of last year, oil prices plunged below \$27 per barrel as a glut in production flooded market. At the time, the IEA said in a monthly report that it saw no significant rise in prices over the short term. Oil stocks lost roughly 36% from their high in June 2014 through their low in September 2015, but soared 27% in 2016.

The S&P 500 sector rose 0.3% on Monday, bringing its year-to-date decline to 5.2%. In the fourth quarter stock purchasing, investors tracked by GuruFocus favored: Chesapeake Energy Corp., EnSCO PLC, Kinder Morgan Inc., Occidental Petroleum Corp. and Schlumberger Ltd.



Announcements & Reports

Nord Stream 2 and Ukraine: Costs Should Decide

Source : Brussel Energy Club
Weblink : http://brusselsenergyclub.org/get_file/id/nord-stream2final.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

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/>

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/>