

Turkey's April gas balancing price above expectations

Argus, 29.03.2017



Turkey's state-owned gas system operator Botas has set the April balancing price above market expectations, in line with increasing import costs in the second quarter of this year.

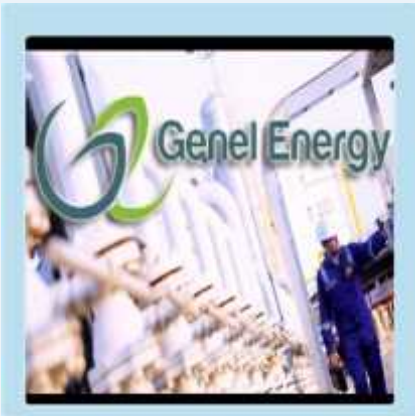
The April balancing price was set at 740.20 lira/000m³ above the March price of TL709.16/000m³. Most participants expected the April price to be set around the regulated industrial tariff level of TL704.15/000m³. The rise is in line with higher oil-indexed prices expected for the second quarter. Participants expect Botas' weighted average import costs to be above \$200/000m³. This is higher than estimated Botas costs for this quarter for any supplying country.

Temperatures are expected to be below seasonal norms in the first week of April, but the higher balancing price may encourage firms to avoid negative imbalances. But total April demand is expected to be lower than March.

Botas needs to buy all the unused gas in the system at the balancing price minus a 5pc penalty fee for the positive imbalance in April. The higher-than-expected April balancing price may encourage some participants to remain in positive balance. But Botas reserves the right to instruct companies to balance their positions if they exceed tolerance levels.

Genel Energy's revenue decreases by 45% in 2016

AA Energy Terminal, 30.03.2017



Genel Energy's revenues decreased by 45 percent to \$190.7 million in 2016 from \$343.9 million in 2015, the company announced.

Genel said that production of 53,300 barrels of oil per day (bopd) was significantly reduced compared to last year's 84,900 bopd. It noted that the combination of lower production and lower capex, which lowered oil costs by 44 percent, resulted in a reduction in revenues. The company's chairman said in a written statement that there is now greater stability in the oil industry and opportunities in Genel's portfolio to provide clear reasons for optimism going forward.

Hayward said that following a difficult 2015 for the entire oil industry and after hitting a low in February 2016, oil prices and the operating environment improved across the remainder of the year. "Despite the disappointment associated with the further impairments to our balance sheet, there remains significant value potential in the portfolio," he said and added that, "maximizing the recovery of oil from our fields, the recovery of our full receivable entitlement, as well as the development of our gas assets, remain key priorities for Genel going forward."

Genel Energy said that following a hiatus in drilling activity in the second half of 2015, development activities at both Taq Taq and Tawke resumed in early 2016 as the Kurdish Regional Government's (KRG) payment announcement provided confidence of ongoing cash receipts

"Investment at Tawke helped to offset natural well declines at the field, with drilling activity at Taq Taq only partially mitigating natural well decline. During 2016, the majority of production from both fields was exported by the KRG through the Turkey pipeline," the company said.

Production at the Miran and Bina Bawi gas fields in northern Iraq and across the industry accelerated in 2016 and saw a greater adoption of natural gas usage, with the Middle East recording the strongest regional growth rate.

"Turkey continues to be one of the largest gas consuming markets in the world, and its willingness to diversify supply away from the 88 percent it gets from just three countries provides a compelling reason for Turkey and the KRG to drive forward the development of Genel's fields," the company said.

"Miran and Bina Bawi alone have the potential to help meet a meaningful percentage of this demand," it added. The Miran and Bina Bawi fields in northern Iraq hold 300 to 400 billion cubic meters (bcm) of proven gas reserves in total.



The Bina Bawi field is estimated to hold 200 bcm of gas and 17 million barrels of oil, while the gas-rich Miran fields hold around 120 billion cubic meters of raw gas and 62 million barrels of oil, according to Genel Energy. Genel Energy is an independent oil and gas exploration and production company headquartered in London with offices in Ankara and Erbil.

Turkey: BP's strategic partner and key country

AA Energy Terminal, 28.03.2017



Investments in Turkey, as a strategic and a key partner country for BP, will continue to grow, according to BP Turkey President on Tuesday.

“Air BP is present at 12 airports throughout the country, and is looking at opportunities to grow at the new Istanbul Grand Airport. Our Castrol Lubricants business, which produces oils in Turkey and exports from Turkey to 11 countries, is looking to expand its presence at the plant in Gemlik, Bursa. Our fuels business will add 20 or more new stations this year,” President Mick Stump said during his speech at the BP Energy Outlook Report 2017 Turkey launch in Ankara.

Stump declared that 2017 represents BP's 105th year in Turkey. In the upstream sector, which includes the exploration and production of oil and gas, and pipelines, the Southern Gas Corridor, in particular, is one of the largest energy projects in the world, Stump said.

“When this \$40-billion project is complete, natural gas from the Caspian Sea will reach Europe for the first time in history,” he said. “Turkish companies are playing an important role in this project. Turkish Petroleum (TP) is the second largest partner in the Shah Deniz field after BP, while BOTAS is a key partner in the TANAP pipeline,” Stump added.

“With our long-standing relationship with Turkey, our regional presence and our participation in the full value chain of the Southern Gas Corridor, we would certainly like to be Turkey's foreign partner of choice in the many opportunities that exist, to meet Turkey's growing energy needs,” Stump concluded.

World Bank loan due for Turkey's Salt Lake gas storage

AA Energy Terminal, 28.03.2017



Turkey aims to soon sign a credit agreement with the World Bank for the expansion of storage capacity in the Salt Lake gas storage facility from 1 billion cubic meters to as much as 5 billion cubic meters per year, Turkey's Energy Ministry Undersecretary Fatih Donmez said on Tuesday.

Speaking at the presentation of the BP Energy Outlook Report 2017, which was held in cooperation with the Association of Energy Experts, Donmez said that even the simplest investment in the energy sector will have a 20-year lifespan and infrastructure investments of at least 50 years.

"As a result, investment decisions in this market will impact the near term and the long term," he said. Turkey's main priority is to build a mature energy system with a flexible and storage infrastructure, Donmez said, adding that, "Turkey put the first floating LNG plant (FSRU) into use in January. Also, we are completing two more FSRUs and when completed, the Turkish natural gas system will reach an important point in terms of both short and long term energy security."

Turkey's ongoing work to increase gas storage capacity will ensure the country can double its reverse production capacity in the short term, he said. "We have come to the end of the capacity expansion work at Salt Lake and in the loan negotiations with the World Bank, and we aim to sign the contract as soon as possible," he said.

Turkey's Salt Lake gas storage facility, based in Aksaray province in Central Anatolia, currently has 1 billion cubic meters of gas storage capacity per year. It is be able to inject around 40 million cubic meters of gas to Turkey's gas system per day.

Turkey currently has two LNG terminals -- the Aliaga and Marmara Ereğlisi. The Aliaga has a capacity of 25 million cubic meters (mcm) of gas transfer per day while the Marmara Ereğlisi has 18 mcm. Turkey's BOTAS Pipeline Corporation plans to increase the Marmara Ereğlisi LNG Terminal's daily capacity to 27 mcm by 2017.

Eni looks at capacity linked to Turkish Stream

Argus, 29.03.2017



Italian energy company Eni may need some capacity linked to Russian state-controlled Gazprom's planned 31.5bn m³/yr Turkish Stream natural gas pipeline.

"If Turkish Stream is built and part of the gas is delivered to Tarvisio through a southern route we will need capacity there," Eni chief executive said. Turkish Stream is expected to have two legs. The first 15.75bn m³/yr line is planned to deliver to Turkey while the second would require an onshore continuation through southern Europe. Gazprom may not be able to use all of any onshore continuation of Turkish Stream, unless it receives exemptions from third-party access rules.

Delivering gas at the Turkish border to Eni or other firms that agree to receive supply there would limit the amount of capacity that Gazprom would need on any onshore continuation. Eni's aim is to bring cheaper gas to Italy, which would be the case with a southern route, Descalzi said.

"To acquire capacity you either buy a small stake in the project or you buy just the capacity," he said. "It is a hypothesis that we should investigate further, it depends on who builds the project." Redirecting part of Eni's Russian supply through a new pipeline along the southern route would imply a renegotiation of the delivery point in Eni's long-term contracts with Gazprom, Descalzi said. Eni has three long-term contracts with Gazprom for delivery at Baumgarten on the Austria-Slovakia border.

But any renegotiation of delivery points could be linked to discussions over price. Eni "does not want to lose money" and is "discussing this with Gazprom", Descalzi said. The firms recently signed an initial agreement for the development of a southern route for Russian gas.

Gazprom has considered the proposed ITGI Poseidon or the 10bn-20bn m³/yr Trans-Adriatic Pipeline (Tap), which is under construction. The first 10bn m³/yr of Tap capacity is earmarked for supply from Azerbaijan's Shakh Deniz phase 2 project, but an expansion of the pipeline could also carry Russian gas.

Descalzi ruled out Eni's participation in Gazprom's planned Nord Stream 2. It would create a hub that is more expensive for Italy and the PSV is "already about 10pc more expensive" than other European hubs, he said.

Gazprom establishes TurkStream office in Istanbul

AA Energy Terminal, 29.03.2017



Gazprom established a branch of the South Stream Transport B.V. in Istanbul to implement the TurkStream gas pipeline project, Gazprom's CEO Alexey Miller said on Wednesday. Miller told Anadolu Agency that the TurkStream project is progressing in line with its timetable and its construction is ongoing.

He said that the office was opened in Istanbul to ensure effective coordination with Turkey in the project. "This is a very important decision and through this, all conditions for the construction of the sea part were achieved in the project," he said.

Miller noted that the pipeline route's environmental impact assessment has been concluded while hydrographic exploration is taking place in Turkish waters. He stressed that Gazprom will begin the offshore laying of the TurkStream in the second half of 2017 and has plans to complete the construction of the two lines of the pipeline by the end of 2019.

The TurkStream natural gas pipeline project agreement between Turkey and Russia was signed on Oct. 10, 2016 and was ratified by Russian President Vladimir Putin on Feb. 7. The project, which was announced by Putin during a 2014 visit to Turkey, is set to carry gas from Russia under the Black Sea to Turkey's Thrace region. 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.

TANAP expected to narrow Turkey's current account deficit

Daily Sabah, 30.03.2017



Anar Mammadov, the general manager of Petkim Petrokimya Holding A. ., announced the TANAP will help to address the current account deficit, the most serious problem in the economy, and provide the country with gas supply security.

Mammadov said that the SOCAR is now Turkey's biggest foreign investor, saying that they do not feel like outsiders to Turkey, and that Turkey is a very close and friendly country to them. Noting that SOCAR has invested in many countries around the world as an international company, but the largest volume of these investments is concentrated in Turkey, Mammadov stressed that they trust the Turkish economy.

The Petkim general manager also said that in Turkey, which they regard as having great potential, they have invested a total of \$18 billion. He went on to say that \$11 billion of that has been completed and they plan to complete all their projects by 2020.

Anar Mammadov stressed that TANAP, which aims to transfer the natural gas produced in the Shah Deniz 2 field in Azerbaijan's Caspian Sea and other fields in the southern part of the Caspian Sea primarily to Turkey and then to Europe, will also make significant contributions to the two countries.

Stating that first stage will be commissioned in 2018 and is planned to be completed in 2020, Mammadov underscored that TANAP and other projects will help reduce the current account deficit, which is the most important problem in the Turkish economy.

According to Mammadov, only the SOCAR Turkey Aegean Refinery (STAR) will facilitate a 3.5 percent decrease in the current account deficit and that the Petkim Container Port (PETL M) will enable higher tonnage vessels to come to the Aegean region thanks to its depth, therefore reducing transportation fees.

Funding worth \$2.15 billion in external financing for the Trans Anatolian Natural Gas Pipeline (TANAP) project, which is estimated to cost \$8.5 billion, has been secured. Additional financing of approximately \$1.5 billion from the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB) is expected to be approved for the project in the upcoming period.

Petroleum Pipeline Corporation (BOTA) for TANAP, was signed between Cyril Muller, vice president of the World Bank's Europe and Central Asia region, and BOTA General Manager Burhan Özcan, under the auspices of Energy and Natural Resources Minister Berat Albayrak.

Another \$400 million was allocated to the South Gas Corridor Inc. (SGC), the biggest shareholder in the project. In addition, \$600 million in financing was approved for the SGC by the Asian Infrastructure Investment Bank (AIIB), which was co-founded by Turkey in an initiative led by China.

Turkey, Israel ties ‘balanced’, says presidential advisor

Daily Sabah, 30.03.2017



President Erdoğan’s key adviser and International Relations Professor at Yıldız Technical University, Gülnur Aybet, stated that the normalization of Turkey’s relations with Israel is a part of a broader normalization process between Turkey and the other regional states at a conference in the U.S..

At the “New Beginnings at Turkish-Israeli relations: Expectations and Realities” conference organized by the Turkish Heritage Organization (THO), Aybet pointed to the terror threat against Turkey in the region, particularly mentioning the Democratic Union Party (PYD), the People’s Protection Units (YPG) and Daesh.

“Because of the security concerns, Turkish and Israeli interests have converged and accelerated the reconciliation process,” said Aybet, indicating that apart from the terror threat, Iran has also increased its influence in the region, especially after the Nuclear Treaty.

“Reconciliation with Israel is an indicator of creating a balance between pragmatic realpolitik and the spiritual hinterland,” Aybet added. Pointing out the importance of natural gas for both countries, Aybet said Turkey is the best route for Israel’s natural gas for reaching Europe. She also added that natural gas may both start and sustain stability in the region.

Jordanians really don't want Israel's gas

Al Monitor, 29.03.2017



Voices opposed to a gas sales and purchase agreement (GSPA) signed in September between Jordan's National Electric Power Company and the operator of an Israeli gas field got louder March 20 when the Jordanian parliament obtained a copy of the agreement, whose details had been kept secret.

Those against the contract are calling on the parliament to reject it. Houston-based Noble Energy holds the concession for developing Israel's largest offshore gas deposit, the Leviathan natural gas field, 50 miles off the coast of Haifa in the Mediterranean.

The agreement, expected to enter into force in 2019, has sparked demonstrations because many Jordanians view it as tantamount to normalization with Israel. According to the GSPA, Jordan will import 300 million cubic feet of gas per day from the Leviathan field for 15 years at a cost of \$10 billion.

Noble has a nearly 40% working interest in the field, while Israeli companies hold the rest. In a related development, Jordanians opposing a gas deal signed in 2014 recently discovered that they had failed to stop the gas from flowing from the Israeli Tamar field to Jordan, as deliveries began in January.

"Israel has begun quietly exporting natural gas to Jordan after two Jordanian companies — Arab Potash and Jordan Bromine — were connected to Israel's national pipeline network," the Israeli newspaper Haaretz reported March 2.

The Jordanian government had been keen to keep the two agreements confidential. Energy Minister Ibrahim Saif described the GSPA as exempt from disclosure under Article 13 of the law guaranteeing the right of access to information. He told Al-Monitor, "Some trade details are difficult to disclose to the public, as they are confidential information concerning the financial interests of the partner."

The detractors against normalizing relations between Israel and Jordan see this secrecy as an attempt by the government to keep the Jordanian street from mobilizing against the agreement, which the government views as salvation from dependence on Egyptian gas, whose suspension — following 13 separate attacks on the GASCO feeder pipeline to el-Arish — has since 2011 increased the budget deficit annually by 30%, or an annual average of \$2.5 billion. Despite assorted commercial and political dealings between Jordan and Israel, 23 years after the signing of the peace treaty with Israel, Jordanians still boycott Israeli products. In October, as part of a campaign called The Enemy's Gas Is Occupation, Jordanians protesting the GSPA with Noble Energy turned the electricity off in their homes from 9 p.m. to 10 p.m. to send a message to the Jordan Electricity Company demanding that the state refrain from importing Israeli gas.



Protesters also staged a series of sit-ins and marches, including a sit-in in January against Arab Potash, accusing it of paying \$500 million for gas viewed as stolen from Palestine and whose proceeds would in part revert to Israel and therefore help fund the occupation and war.

Campaign coordinator Hisham al-Bustani told Al-Monitor, “We reject this agreement for several reasons. We believe Israel is a colonial, occupying state, and this gas is stolen from the land of the people that it displaced and killed. We refuse to support Zionism, and 56% of the proceeds of this deal will revert to the Israeli treasury, armies and settlements, colonialism and war activities.”

Bustani further stated, “The deal was agreed to under pressure exerted by the US government, as US companies hold stakes of 36% in the Tamar gas field and 39% in the Leviathan field.

The US has political interests in seeing Israel integrated into the region and finding customers for the gas it produces.” Citing alternatives to importing gas from Israel, Bustani called on the Jordanian government to invest the \$10 billion in local energy projects involving solar, wind and oil shale and for the development of natural gas fields in the kingdom.

Under popular pressure, Jordanian parliamentarians are trying to shed light on the gas agreement. The reform bloc, affiliated with the Muslim Brotherhood, had called for a March 14 legislative session to discuss it. Questions raised in the parliament about the terms of the agreement are what pushed the government to send a copy to the speaker March 20.

Ali Khalayleh, chairman of the parliament committee on energy, told Al-Monitor, “When the committee receives the full details of the agreement, it will review them and submit a report to the parliament, which will be followed by a session to discuss this agreement. The secret articles will be discussed in a secret meeting.”

According to the Energy and Mineral Resources Ministry, the kingdom imports about 97% of its energy, accounting for 23% of the country’s gross domestic product. According to the ministry’s 2016 annual report, natural gas imports account for 80% of the total energy used for generating electricity.

Abdullah al-Sawalha, head of the Center for Israeli Studies in Amman, told Al-Monitor, “The agreement is important for Jordan given the proximity between the gas production fields and the kingdom and due to the diversity of energy sources. The agreement will allow Jordan to dispense with the production of electricity using fuel, which will reduce the budget deficit.”

Sawalha ruled out an opposition-promoted scenario in which Israel would use the agreement to control Jordan’s access to energy. He explained, “The Israeli gas to be imported barely covers 17% of Jordan’s total energy needs. Therefore, the theory that Israel aims through this agreement to strong arm and blackmail Jordan and monopolize the Jordanian energy market is not economically viable.” Regarding the opposition’s impact on the future of the agreement, Sawalha asserted, “The government’s response to the political demands of the people is minimal, and the ability of the Jordanian citizen or political groups to escalate their demands, whether through official channels, such as the parliament, or through popular protests and demonstrations, is weak in light of the lack of ability to mobilize.”

A state of languor currently characterizes the relationship between Israel and Jordan, emanating from differences over the Palestinian issue. Statements made by Prime Minister Benjamin Netanyahu at a joint conference with US President Donald Trump in February appeared to be the nail in the coffin for the two-state solution.

The relationship also experienced strain in light of Jordanian concerns amid statements on transferring the US Embassy to Jerusalem, in a move that the Hashemite kingdom sees would be a blow to their treaty, which officially recognizes Jordan's custodianship over certain holy sites in Jerusalem.

In addition, in February 2016, Netanyahu had announced a plan to install a security fence between Jordan and Israel. Regardless, the Jordanian government continues to see the gas agreement as a "strategic option" allowing it to diversify energy sources.

Banks secure key adviser roles on Saudi Aramco IPO

Financial Times, 30.03.2017



Saudi Arabia has appointed banks to conduct preparatory work on the initial public offering of Saudi Aramco, the world's largest oil producer, which is aiming to become the most valuable listed company.

The state-controlled company has hired JPMorgan, Morgan Stanley and HSBC as financial advisers for the listing, said four people briefed on the matter. This initial role suggests these banks will ultimately be the lead underwriters for the IPO, working as global coordinators, added two of these people. Saudi Aramco did not respond to a request for comment.

The banks have signed contracts with Saudi Aramco that run until the end of the year, after which, depending on performance, their mandates will be renewed, said one person with knowledge of the arrangements.

"This is unlike any other IPO," added this person. "Of course these banks are in pole position to be the global coordinators and lead underwriters but the situation is very fluid." Saudi Arabia is looking to sell as much as a 5 per cent stake in Saudi Aramco, in a listing that could value the company at \$2tn, according to officials in the country.

Even if the company is worth just half of that amount it would still set a record for the amount raised in an IPO. The Financial Times reported last month that JPMorgan, Morgan Stanley and HSBC were set to win leading roles on the IPO. Reuters first reported their formal appointments on Thursday.

With Saudi Aramco preparing to hold its IPO late next year, Moelis & Co and Evercore have been hired by the company as independent financial advisers, said three people briefed on the appointments.

Moelis and Evercore have been mapping out a path for the IPO and defining the scope of relevant work. JPMorgan, Morgan Stanley and HSBC have been assigned various work streams. These include where Saudi Aramco should list its shares.

The three banks' roles on the IPO have been recommended by Saudi Aramco's senior leadership, and approved by the country's authorities. Former star Citigroup banker Michael Klein is also working with the authorities on a broad range of matters including the IPO.

The IPO is at the heart of a plan to overhaul Saudi Arabia's economy and reduce its reliance on oil. Proceeds raised from the listing are due to ploughed into non-oil industries including technology. On Monday, in an eagerly awaited announcement, Saudi Arabia said it was cutting the tax rate for large oil producers, including Saudi Aramco, from 85 per cent to 50 per cent.

This step should help Saudi Aramco in its efforts to achieve a high valuation, because the company will have more earnings to distribute as dividends to shareholders. Meanwhile, White & Case, Saudi Aramco's law firm for decades, has also been hired to advise on the IPO, said people with knowledge of the appointment. JPMorgan, Morgan Stanley, Moelis and White & Case declined to comment. HSBC and Evercore did not immediately respond to a request for comment.

Oil set for biggest weekly gain in 2017 as OPEC eyes extension

Bloomberg, 31.03.2017



Oil headed for its biggest weekly increase this year amid speculation OPEC will extend its deal to curb output and ease a global glut.

Futures are up 4.5 percent in New York, climbing back above \$50 a barrel after Kuwait Oil Minister reiterated support for prolonging a six-month deal to trim supply past June. Still, prices are down 6.6 percent this quarter, their biggest three-month loss since late 2015, as U.S. crude stockpiles continue to pile up. The latest comments are bolstering confidence in OPEC's commitment to drain swollen stockpiles ahead of the group's next formal ministerial meeting on May 25 in Vienna.

Five producers from the Organization of Petroleum Exporting Countries joined with non-member Oman on Sunday to voice support for an extension. Optimism over the cuts had wavered recently amid a surge in U.S. supply, with the nation boosting crude output last week to the highest in more than a year.

“OPEC is fully aware that running down the crude overhang will take more than six months, so a rollover of the deal is still the most likely outcome,” said Amrita Sen, chief oil analyst at Energy Aspects Ltd. “Overall balances are heading in the right direction, but only crude stock draws will help prices break out of the current range-bound trading.”

West Texas Intermediate for May delivery was at \$50.16 a barrel on the New York Mercantile Exchange, down 19 cents, at 9:45 a.m. in London. Total volume traded was about 24 percent below the 100-day average. The contract gained 84 cents to \$50.35 on Thursday, closing above \$50 for the first time since March 8.

Brent for May settlement, which expires Friday, slipped 28 cents to \$52.68 a barrel on the London-based ICE Futures Europe exchange. The global benchmark crude traded at a premium of \$2.51 to WTI. The more-active June contract fell 25 cents to \$52.88.

Kuwait and fellow OPEC members Iraq, Venezuela, Angola and Algeria backed an extension of the cut agreement while meeting in Kuwait City over the weekend to discuss compliance with the pledged reductions. The supply curbs are gradually restoring the market to balance, the group’s Secretary-General Mohammad Barkindo said in a statement this week.

OPEC be warned: Russia prepares for oil at \$40

Bloomberg, 24.03.2017



Perhaps the Bank of Russia knows something the world doesn’t. As the Organization of Petroleum Exporting Countries and its allies prepare to meet for a review of their production cuts this weekend, the central bank of the world’s biggest energy exporter is hunkering down for years of oil near \$40 a barrel.

While analysts in a Bloomberg survey see the price of benchmark Brent crude -- which trades at a small premium to Russia’s Urals export blend -- rising 16 percent from current levels by the end of the year, oil’s 10 percent decline in March alone amid supply woes is making the market nervous.

Russia, a key partner in the deal and a participant in the talks in Kuwait, might only add to those jitters. “The Finance Ministry, the cabinet and the central bank are leaning on the cautious side in terms of their expectations regarding growth, driven still to a large degree by oil,” said Piotr Matys, an emerging-market currency strategist at Rabobank in London.

“It’s better to be conservative and to be surprised on the upside than too optimistic and end up disappointed.” Policy makers in Moscow said on Friday they see Urals at an average of \$50 a barrel this year, but falling to \$40 at end-2017 and then staying near that level in 2018-2019.



As the central bank honed its forecasts, it also gingerly resumed monetary easing, pointing to the “uncertainty” in the oil market as a factor for its “conservative” forecasts. Russia’s Finance Ministry similarly highlighted the \$40 level in January when it announced that the central bank will start buying foreign currency on its behalf when crude exceeds that level in order to insulate the exchange rate from oil volatility. The price of \$40 is additionally being used to calculate the country’s budget in 2017-2019.

Even as oil has recovered, Russia’s tendency to stick with the more conservative scenario is “positive” as it “leaves room for upside surprises,” according to Viktor Szabo, a bond fund manager at Aberdeen Asset Management Plc.

Forecasting oil is no game for the Bank of Russia. Its 65 percent plunge in 2014 and 2015 battered the nation’s currency, forced an emergency rate increase in the middle of the night and pushed Russia into recession. The share of oil and gas revenue was at 36 percent of budget income in 2016.

Even as the historic OPEC supply-cut deal helped halt oil’s collapse, pushing it up to \$55 a barrel and setting the stage for Russia’s economic recovery, the central bank is taking nothing for granted. The correlation between the ruble and oil has declined this year, falling to the lowest since August 2015, according to data compiled by Bloomberg. As crude slid below \$50 a barrel this week, the Russian currency barely budged, weakening less than 1 percent, because its carry-trade appeal largely offset the dimming outlook for energy.

While OPEC won’t formally decide until May whether to prolong the deal, which lasts through June, officials will meet this weekend in Kuwait to discuss its progress. Oil will tumble to \$40 if OPEC doesn’t extend its agreement later this year, one of the most prominent producers in the U.S. shale patch said this month.

“Once (actually more than once) bitten, twice shy,” said Elina Ribakova, an economist at Deutsche Bank AG in London. “The central bank and the Finance Ministry are sticking to the conservative \$40 oil scenario because they want to be ready for and protect themselves against the worst-case scenario.”

The Saudi Aramco oil put problem

Bloomberg, 24.03.2017



Speaking at an energy conference earlier this month, Saudi Arabia's energy minister echoed none other than Alan Greenspan: I am optimistic about the global [oil] market outlook in the weeks and months ahead.

Though I would caution that my optimism should not tempt investors into what I would call irrational exuberance, or wishful thinking, that OPEC, or the Kingdom [of Saudi Arabia], will underwrite the investments of others at our own expense. Yet Khalid Al-Falih's warning also unintentionally emphasized another parallel with the former Federal Reserve chairman.

Instead of a Greenspan put in stocks, there now appears to be a Saudi Arabian put in oil. Al-Falih's appointment last May came amid a shift in Saudi Arabia's strategy. Under his predecessor, Ali Al-Naimi, the country opened the taps, relying on its cash reserves to take the strain of lower oil prices as it squeezed out higher-cost producers.

That strain was evidently too much, though, especially as Deputy Crown Prince Mohammed bin Salman was simultaneously pushing a radical reform program, including the once-unthinkable IPO of national champion Saudi Arabian Oil Co., known as Saudi Aramco. By November, an old-style deal for a supply cut had been reached between OPEC and some other countries.

A committee to monitor the cuts meets this weekend. Ministers across the OPEC countries, meanwhile, have been trying out their Greenspan voice. Only this week, Venezuela's President Nicolas Maduro said he was discussing a new plan aimed at getting oil back above \$70 a barrel. Brent was, understandably, unmoved by this latest declaration from Caracas. In truth, Al-Falih's voice is the only one that counts.

Even so, as any central banker knows, jawboning the market into submission isn't easy. Al-Falih's speech at that conference delivered a decidedly nuanced message, telling the global oil industry it must invest to meet long-term demand -- but not too much and only in the right kind of projects -- and that Saudi Arabia was sacrificing supply to support prices, but wouldn't be played for a sucker.

The added complication concerns that Aramco IPO slated for next year. Saudi Arabia may threaten to scuttle the supply deal if others don't pull their weight. But those others are aware the Kingdom also cannot allow a slide in oil prices to jeopardize the success of a deal so loaded with fiscal and political baggage. Oil prices must be seen as strong and getting stronger if Aramco is to be valued anywhere close to the fantastical figures thrown around so far. You can't put something up for sale while simultaneously trashing the market that thing relies on. Imagine an investment banker during the tech bubble fretting in public about peaky multiples. So as intrigue mounts ahead of May's meeting on whether to extend the supply cuts, the Aramco IPO is a critical variable.



If Saudi Arabia remains committed to it, then it will ensure the supply deal is maintained. And if that's the put in the oil market, then the guys who will make use of it are the irrationally exuberant crowd: U.S. shale producers and their financiers. Besides severe cost-cutting and working smarter, E&P companies have kept themselves going through the crash by raising cash. In that latter respect, though, this is nothing new; the sector hasn't lived within its means for many years:

Notice how equity issuance filled in when high-yield markets did buckle briefly in 2016. So far this year, new high-yield issues from the sector have averaged \$514 million each, the highest since at least 1999, according to figures compiled by Bloomberg.

On the equity side, investors on Thursday handed \$900 million to a blank-check company backed by Riverstone Holdings LLC to go out and acquire E&P assets. Besides providing a psychological tonic, the supply cuts gave a brief boost to oil futures. It is imperative for OPEC to at least flatten out the oil curve if it is to clear the glut of inventories weighing on the market (see this for an explanation). But the side-effect was providing an opportunity for E&P companies to hedge some production at higher levels:

There is also private equity to contend with. As of last June, there was \$156 billion of dry powder sitting in energy-focused funds, according to a report published this month by Preqin, an alternative-assets research firm based in London.

The vast majority of that money is targeted at North America. Assuming leverage of one-for-one, that is at least \$300 billion or so of firepower to scoop up oil-and-gas assets or companies, financing potential production that might otherwise go begging. Some of that cash may never be invested or will be used to buy things like pipelines or power plants instead. Even so, the dry powder alone is bigger than the value of all North American E&P acquisitions by private equity over the past decade:

As of February, Preqin was tracking 252 natural resources funds on the road aiming to raise another \$105 billion, with most of that likely to target the energy sector, too. And yet, the rewards hardly seem to warrant such, er, exuberance.

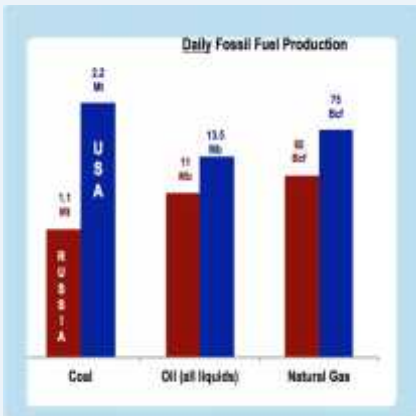
The median rate of return on funds that began investing between 2005 and 2013 hovers around 5 percent, with a few vintages rising into the high single digits, according to Preqin's data. The boom in energy-sector valuations prior to the crash weighs on funds that got to work post-2012. Nevertheless, new money kept on pouring in:

Given that 2010-vintage funds scored by picking up assets in the aftermath of the financial crisis, perhaps the current enthusiasm makes sense. As with public equity and debt markets, though, the Aramco put is also keeping animal spirits alive.

Even if the formal IPO roadshow hasn't started yet, the informal one in the oil market has -- providing free marketing for Aramco's shale-focused rivals to raise money for more drilling. This is Saudi Arabia's quandary. In order to make others look truly irrational for their exuberance, it would have to let oil prices sink to a level that make its own expectations for Aramco's value, or even the very idea of an IPO, look equally irrational. For now, at least, the put is in.

Russia and Iran say will continue efforts to curb oil output

Reuters, 28.03.2017



Russia and Iran have pledged to continue efforts to rein in oil production and stabilize markets, the presidents of both countries said in a joint statement on Tuesday.

The Organization of the Petroleum Exporting Countries (OPEC) and other large producers, led by Russia, had agreed in December to cut their combined output by almost 1.8 million barrels per day (bpd) to reduce bloated oil inventories and support prices. Iran, however, successfully argued that it should not limit production that was slowly starting to recover after the lifting of international sanctions in January last year.

“Russia and Iran will continue cooperation in this sphere (in oil output cuts) in order to stabilize the global energy market and ensure stable economic growth,” the statement from Russian President Vladimir Putin and Iranian counterpart Hassan Rouhani said.

They two presidents met in the Kremlin and also discussed Syrian crisis among other issues. Russia has pledged to cut oil output by 300,000 bpd in the first half of the year. On Sunday OPEC and non-OPEC oil ministers, including Russian Energy Minister Alexander Novak, discussed the implementation of the December deal but stopped short of recommending that cuts be extended into the second half of the year.

Earlier on Tuesday Iranian Oil Minister Bijan Zanganeh told reporters in Moscow that a global deal is likely to be extended, but time was needed to discuss the subject thoroughly. “It seems that most of the OPEC and non-OPEC (countries) are going to extend the agreement, but time is needed to evaluate the situation and to have face-to-face meetings and discussions with others,” Zanganeh said.

Asked whether Iran would be ready to cut its own output under the possible extension, Zanganeh said: “I think it is necessary that all members comply with their commitments.” Iran’s oil production stands close to 3.8 million bpd, he said.

EU seeks to negotiate with Russia over Nord Stream 2 gas pipeline

Reuters, 24.03.2017



The European Union is seeking a mandate from members to negotiate with Russia over objections to its plans to build a second pipeline to pump more gas to Europe via the Baltic Sea to Germany, an EU document showed, as some EU states worry it will make Europe too reliant on Russian gas.

Gazprom which supplies around a third of the EU's gas is keen for Nord Stream 2, when it must renegotiate gas transit fees with Kiev. But the plan has bitterly divided the EU. Eastern European and Baltic Sea states fear a new pipeline will increase their dependence and undermine Ukraine's role, while Germany and other beneficiaries back the plan.

The European Commission and German regulators are at odds over whether EU law should apply to the pipeline. In a March 28 letter addressed to Denmark and Sweden, the Commission said it was inviting all EU states to voice their concerns and would seek a mandate from EU energy ministers to negotiate an agreement with Moscow on behalf of the bloc.

"It is our view that a specific legal regime would need to be established for the offshore section, and that such specific legal regime should include some fundamental principles stemming from EU energy law," the Commission said. "It cannot be built or operated ... in a legal void."

Discussions would focus on how EU rules aimed at ensuring competitiveness and transparency in the gas market could be applied to the offshore pipeline, the Commission said. The March 28 letter followed a request made this year by Denmark and Sweden for Brussels to intervene on Nord Stream 2 before the two states decide on permits for it to pass through their waters. EU diplomats said there was little scope for either nation to block the plan.

Denmark said it was studying the "complex issues" presented by the Commission's response. "We are pleased that the government's effort to get the commission's assessment has borne fruit," a spokesman for Denmark's foreign ministry told Reuters.

EU diplomats, however, said the Commission might struggle to secure enough support from member states given the project has the backing of Germany, the bloc's biggest economy that will host the end-point for the 55 billion cubic meter a year pipeline.

Germany, which rejects broaching questions over the legality of the project at an EU-level, maintained its stance that the project was a purely commercial one on Thursday. "As soon as the EU Commission presents proposals to the member states, we look to study them carefully," a spokeswoman for the economic ministry said.

“The construction, planning and operations of Nord Stream 2 naturally have to be carried out according to laws in place in Germany and Europe.” The Commission does not yet have a timeline for bringing its proposal to member states, EU officials said.

Under EU rules two thirds of the 28 EU member states representing two thirds of the bloc’s population would need to back the offer for the EU to open talks with Russia, they said. The Commission has negotiated a legally-binding treaty with third countries on a pipeline on behalf of EU members in the past, when it held talks with Azerbaijan and Turkmenistan over the Trans-Caspian pipeline.

EU diplomats said Russian President Vladimir Putin would have to take any decision to abandon or modify plans by Gazprom, which has gas export monopoly. The Nord Stream 2 project company on Thursday rejected the Commission’s suggestion that the project undercut its drive for a single EU energy market. “It is not up to the European Commission to make a political judgment on whether investments are needed by the market or not,” the company said in a statement.

Russia needs data on oil supply, markets to decide on more cuts

Bloomberg, 26.03.2017



Russia isn’t ready at the moment to support a possible extension of oil-supply cuts into the second half of the year, even as more crude producers acknowledge they will probably need to do so to achieve their goals of balancing the market and firming up prices.

Five members of the OPEC have signaled their support for a possible extension, along with non-member Oman, which joined the deal on output cuts that OPEC and 11 other suppliers reached. OPEC’s biggest producer Saudi Arabia has indicated it’s willing to extend the agreement if global stockpiles remain above their five-year average.

Ministers from seven of the 24 countries participating in the cuts deal met Sunday in Kuwait City to monitor compliance. They called on OPEC to present recommendations next month on whether to extend the accord, which took effect in January, beyond its initial six-month term.

Russia needs more time to assess the market, inventories and production in the U.S. and other non-OPEC countries, Russia’s Energy Minister Alexander Novak said in an interview with Bloomberg television.

The monitoring committee discussed the option of extending the cuts “but we have decided that in order to make any decision like this or even any recommendations there needs to be a ministerial meeting.” OPEC ministers are due to meet in Vienna on May 25.

Russia has cut its production by 185,000 barrels a day compared with a target of 300,000, Novak said Saturday. It was always the plan to implement the reductions in output gradually, and Russia's progress has been faster than anticipated, he said on Sunday. Much of Russia's oil production is in the hands of listed companies, giving the state less control over production than a state-run monopoly such as Saudi Arabian Oil Co., known as Saudi Aramco.

"We are monitoring companies on a weekly basis for their production plans," Novak said. "At the moment, all companies are conforming to their obligations. Companies don't want to stand out among a group that is conforming."

Novak declined to speculate on oil prices, after Russia's central bank said last week that it saw a risk of oil prices falling to \$40 a barrel by the end of this year without an extension in the deal and then staying close to that level in 2018-19. Benchmark Brent crude closed Friday at \$50.80 a barrel.

"The Finance Ministry always bases the budget on very conservative numbers," Novak said. "In real life we might see different numbers." Russia will hold an energy dialogue meeting with OPEC in Moscow on May 31, Novak told reporters in Kuwait.

EU stalls Russian gas pipeline, but probably won't stop it

Reuters, 26.03.2017



Russia has the European Union in a bind. The bloc is divided between eastern European and Baltic Sea countries that see a new pipeline carrying Russian gas across the Baltic making the EU a hostage to Moscow - and those in northern Europe, most especially the main beneficiary Germany, for whom the economic benefits take priority.

The result, EU sources say, is that the EU executive, the Commission, sensing that there may ultimately be no legal basis to block approval of Nord Stream 2, is delaying it as long as possible, hoping to get past 2019 - the date when Russia must renegotiate a gas transit deal with Ukraine.

"There's a difference between not supporting the project and having a legal basis to stop it," said one EU diplomat, adding that the aim for now was "a break to avoid the project going anywhere in 2019". And for now, that means doing nothing, to the intense frustration of members such as Denmark, whose prime minister challenged the Commission at a summit of EU leaders this month to make good on strong words criticizing the pipeline.

Last summer, seven eastern member states, all formerly dominated by Moscow and at the center of an EU antitrust case accusing Gazprom of abusing its market dominance, sent a letter of protest to Commission President Jean-Claude Juncker. They too are still waiting for a clear response.



EU sources say the Commission is in fact cultivating uncertainty by hinting that the pipeline may fall foul of EU rules, in the hope of scaring off Western investors, for a time at least. And in fact, last July, Gazprom's Western partners - Uniper (EONGn.DE), Wintershall (BASFn.DE), Shell (RDSa.L), OMV (OMVV.VI) and Engie (ENGIE.PA) - did withdraw from pledges to provide 1.2 billion euros of equity for the pipeline, a twin to Nord Stream 1, which began pumping in 2011.

Germany is also not actively promoting the pipeline for now, with a parliamentary election looming this autumn. "The feeling is: 'Why use up political capital to defend it?'" said one EU diplomat. Broadly, the plan to bring more Russian gas to Europe plays into deep divisions between EU nations over whether to do more business with Moscow while countering its military power plays in Ukraine and Syria.

Germany itself has taken a firm stance on maintaining economic sanctions against Russia over its annexation of Crimea and its support for rebels in eastern Ukraine. But it also argues that EU market rules guarantee that the pipeline remains a purely commercial project, while eastern and Baltic states accuse President Vladimir Putin of exploiting energy exports as a geopolitical tool.

Meanwhile, littoral states that feel increasingly threatened by Moscow's military posturing in and around the Baltic Sea want clarity from Brussels before going ahead with routine environmental assessments of Nord Stream 2.

"This has lots of geopolitical questions and it is not fair that one country should answer alone whether this is an good idea," Danish Foreign Minister Anders Samuelsen said last month. "This is not a question only for Denmark but for the European Union."

Russia already accounts for one-third of EU gas imports, and that could rise with the help of Nord Stream 2, as Gazprom fights for market share with the EU's domestic supplies decreasing. It would also sharply reduce the need for Russia to export gas through Ukraine, where the EU is trying to support stumbling economic reforms. This would deprive Kiev of lucrative transit fees, and of a lever in its tortured relations with Moscow. Hence the Commission's desire to at least stall approval until 2019.

But sooner or later, EU sources grudgingly admit that Russia's determined push for Nord Stream 2 looks set to carry it over the numerous legal and financial hurdles in its path. Gazprom's Western partner firms say they are looking for new ways to share the financial burden, notwithstanding the uncertainty. "If it isn't stopped politically, its commercial logic will prevail," one industry source said.

Gazprom is busily ordering steel pipes, renting facilities in Sweden, Finland and Germany and applying for permits to lay the 1,225 km (760 mile) pipe. And Germany, by hosting the end-point of the 55 billion cubic meter a year pipeline, stands to grow into a gas hub for central, eastern and southern Europe, alongside the Dutch and British markets.

"What Germany wants, Germany gets," said one official in Brussels. In an opinion seen by Reuters, it the Commission argued last January for EU gas market liberalization rules to be applied to Nord Stream 2, citing "serious diversification and security of supply concerns". But that was rejected by the EU's own lawyers as well as the German energy regulator, the Bundesnetzagentur.



Responding this month to a missive from Brussels, the Bundesnetzagentur said Nord Stream 2 should simply be treated as an import pipeline like Nord Stream 1, Algeria's Medgaz and Libya's Greenstream.

To subject it to internal EU energy market rules would be "just as inappropriate as it would be improper", the agency's president, Jochen Homann, wrote in the March 3 letter, seen by Reuters. Commission Vice President Maros Sefcovic said on Tuesday that talks with the agency were far from over, insisting that EU rules to promote competition passed since Nord Stream 1 was built should apply to the new pipeline.

"Key EU legal principles must also be respected in the offshore part of the pipeline," he told Reuters. "We'll negotiate with the German regulator how to secure that." He said the legal tussle should be dealt with via an intergovernmental agreement between Putin and German Chancellor Angela Merkel - which both sides have eschewed.

That would give the EU a chance to vet the deal under new rules, adopted on Tuesday, that give Brussels the power to vet oil and gas deals with outside countries to guard against anti-competitive practices and supply disruptions.

There are also legal questions over Eugal, a smaller pipeline intended to feed gas from the offshore Nord Stream 2 to Germany and beyond. German regulatory sources say they will not approve Eugal until Europe's highest court decides whether to uphold a deal between EU regulators and Germany to remove limits on Gazprom's access to a similar pipeline running from Nord Stream 1.

That ruling could take up to two years, although an interim ruling is expected to give a signal within weeks. Ultimately, the pipeline means big business. Building up a case to comply with German regulation, five pipeline operators ran an auction this month that indicated demand from shippers for almost the full capacity of the Eugal pipeline over 20 years from 2019.

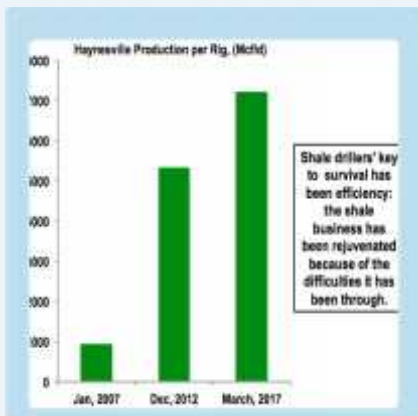
When Sweden's government voiced national security concerns over Gazprom using the island of Gotland as a base for construction, several other ports stepped forward hoping to win the business. The chosen site, Karlshamn, stands to benefit from 100 million SEK (\$11.3 million) worth of business.

"Money talks," said one EU diplomat. "If it's not illegal, then politically there's little we can do." One senior German industry source put it bluntly: "I don't care where the gas comes from as long as they are pumping more."



A natural gas reemergence in the Haynesville shale

Forbes, 26.03.2017



As an aging, dry, but nowhere near dead, natural gas titan in Northwest Louisiana and Eastern Texas, the Haynesville is our third largest shale play, now yielding around 6.3 Bcf/d and potentially holding nearly 500 trillion cubic feet of gas (here). With only a few oil-directed rigs, the Haynesville accounts for less than 1% of U.S. shale oil production, but 13% of shale gas production.

In recent years, the Haynesville was nudged out of the market a bit in favor of the lower cost supply in the Marcellus, Utica, and associated gas from oil production, the latter accounting for 20-25% of total U.S. gas output.

But pipeline bottlenecks in the critical Northeast that keep prices lower and shut-in production are breathing new life into the Haynesville. Rig counts in the play are up 21 to 37 since mid-November, and “re-fracturing immediately increases gas rates 700% and sustains a 400% increase for three months in the Haynesville”.

The Haynesville has some advantages over other U.S. gas plays. Located near several major pipelines, there’s no transportation bottleneck like there is in the Marcellus/Utica region. Public opinion wise, producers in both Texas and Louisiana have an underrated edge because oil/gas production is ingrained in the culture, as opposed to Ohio and Pennsylvania, where major development is relatively new.

Export hubs to Mexico and soon to be mushrooming LNG plants are all geographically close to the Haynesville. “These advantages keep differentials low, with combined gathering, processing and transport expected to amount to \$0.37/Mcf in 2017”.

Supporting local gas development, at least six U.S. LNG export facilities will be up and running by 2022, most within easy reach of the Haynesville: Cheniere’s Sabine Pass trains 1-5 in Louisiana, Cameron trains 1-3 in Louisiana, Freeport trains 1-3 in Texas, Kinder Morgan’s Elba Island trains 1-10 in Georgia, and Cheniere’s Corpus Christi trains 1-2 in Texas. LNG exports from the Gulf could surge 5-fold over the next five years.

More focus on gas production in the Haynesville comes as forward prices at the nearby Henry Hub are supporting drilling economics, steadily rising to the mid-\$3.50s by January 2018 (here). Breakeven costs are very difficult to gauge and vary by producer and location, but breakeven gas in the Haynesville could now be about \$3.00, less than half of what it was in November 2015. Hedging is a vital aspect of the return to the Haynesville, offsetting some of the risks like short-term price volatility (e.g., January contract expired at \$3.93, March expired at \$2.63).



Looking forward though, it will be interesting to see if the Haynesville can maintain its comeback given that perhaps as much as 11-12 Bcf/d of new takeaway capacity could be coming to the mighty Marcellus region, which, again, is easily our most vital source of new gas supply.

With remarkably flat dry production in the past few months (70-71 Bcf/d), it's rising exports via LNG to the world and piped gas to Mexico that make \$4 gas possible. And the truth is that higher gas prices would actually help our energy system by helping our suppliers, who have been hampered by still historically low prices.



Announcements & Reports

The IPO of Saudi Aramco: Some Fundamental Questions

Source : OIES
Weblink : <https://www.oxfordenergy.org/publications/ipo-saudi-aramco-fundamental-questions/>

Russian LNG: Progress and delay in 2017

Source : OIES
Weblink : <https://www.oxfordenergy.org/publications/russian-lng-progress-delay-2017/>

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

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>

24th Caspian International Oil & Gas Exhibition

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/>