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Strong power spot supports Turkish gas burn

Argus, *13.04.2017*

Turkish gas burn for power rose on 3-9 April from a week earlier, and support to power prices from a change in state utility power trading strategy may encourage fiercer competition between gas and coal-fired units this month.

Gas burn for power and its share of aggregate demand rose last week. Gas burn for power on 1-9 April — the latest data available — also turned higher compared with the previous two years. Gas-fired power generation on 1-11 April was also higher than its average in April last year (see chart). The rise partly offset lower hydropower generation and stronger demand amid below-normal temperatures this month.

Stronger power prices as state-run utility Tetas reduced output (see table) also encouraged gas-fired output. Grid-operator Teias asked Tetas to reduce output at plants in western regions, to ensure grid security as run-of-river output is expected to rise with snowmelt in eastern and Black Sea regions, according to some participants. This could not be confirmed with the utility.

Tetas could also be supporting spot prices through block-bidding in the day-ahead market regardless of fundamentals, some traders said. The spot has delivered above previous market expectations so far this month, averaging 154.55 Turkish lira/MWh ($42.22/MWh) on 1-13 April, from its mean forecast of TL138.77/MWh for April in an Argus survey last month.

Given the favourable price environment, gas plants may compete with coal-fired units further this month. Front-month spark spreads for a 55pc efficient plant using the regulated Botas industrial gas tariff have picked up since end-March, as strong spot supported prices in the prompt market.

Dark spreads for a 38pc efficient plant using the Iskenderun cif price lost some of their previous gains in the first week of April as the Iskenderun cif price rose in line with higher European prices. But spreads picked up again this week, as the Turkish lira appreciated against the dollar.

Imported-coal generation fell (see chart) although installed capacity is 1.4GW higher compared with April last year after the Zetes 3 plant started operating in August. This is probably because of utilities undertaking maintenance as higher fuel costs this year compared with 2016 may not be justifying generation. A second 615MW unit at the 1.2 GW Zetes 2 plant started maintenance work ahead of its previous schedule, on 8 April, and the plant will be fully off line until 16 April.

Lignite-fired output was higher year-on-year (see chart) although installed capacity is flat from the end of March last year. The rise is probably because of state-backed sales guarantees for around a third of Turkey's domestic coal-fired output, launched in August last year.

Southern Gas Corridor project proceeding with no interruptions

Daily Sabah, *18.04.2017*

The founding director and chairman of the Atlantic Council Global Energy Center, Richard L. Morningstar, stated that the energy cooperation between Turkey and the West is continuing without letup.

"The construction process of the Southern Gas Corridor (SGC) is advancing without interruption," Morningstar said. Functioning as a bridge in energy, Turkey has been accomplishing a considerable number of new projects in many areas. Speaking to the Sabah newspaper, Morningstar emphasized that the energy cooperation between Turkey and the western countries "will be sustained."

"Regardless of the difficulties experienced in the bilateral ties between Turkey and the U.S., energy cooperation has been an essential element in the relations between the two countries," the chairman noted.

Turkey and the U.S. have successfully categorized the matter of energy as a unique matter to assess," he stated and stressed his belief that the cooperation in energy issues will and must continue. "Because collaboration in energy has the capacity to remedy the strained relations between any parties," he said.

The chairman of the Global Energy Center, which is to hold an energy summit in Istanbul on April 27-28, also pointed out that the natural gas in the Kurdistan Regional Government in Iraq can compete with the natural gas resources in the Eastern Mediterranean and can be directly linked to the Southern Gas Corridor.

"But this prediction is not plausible for the near future," he further added. Meanwhile, Morningstar also emphasized that the Turkey-Israeli energy talks has strengthened Turkey's existence in the Eastern Mediterranean.

The chairman also expressed his belief that the ease in regulations, which will be completed during the Donald Trump administration, will yield no major impact on oil and gas production in the U.S.

"During the pre-Trump period, oil and gas production in the U.S. soared to a great extent. The production in the U.S. will be determined by the market circumstances instead of the eased regulations. The market conditions will also steer the continuing investments and development in new and low-carbon technologies." The Atlantic Council Istanbul Summit, which Sabah, aNews and Daily Sabah will be media sponsors, will discuss three main topics, each of which will elaborate on important issues.

The first topic is "Sustaining Peace, Stability and Prosperity," which will handle the re-design of strategic cooperation between Turkey and the West and empowering regional energy partnerships. The other topics include natural gas resources in the Eastern Mediterranean and Southern Gas Corridor. Lastly, the summit will discuss the economic policies of the Trump administration and their impacts on the region under "Financing Growth through Economic Integration."

The Southern Gas Corridor is a term used to describe planned infrastructure projects aimed at improving the security and diversity of the EU's energy supply by bringing natural gas from the Caspian region to Europe. Stretching over 3,500 kilometers, crossing seven countries and involving more than a dozen major energy companies, it is comprised of several separate energy projects representing a total investment of approximately $45 billion.

As of 2017, the corridor will pass through Georgia, Turkey, Greece, Albania and Italy. It consists of three main pipeline projects, the South Caucasus Pipeline (SCPX) in Azerbaijan, Georgia; the Trans Anatolian Pipeline (TANAP) in Turkey and the TransAdriatic Pipeline (TAP) in Greece, Albania and Italy.

Information meeting held for TANAP in Turkey

Azernews, *19.04.2017*

The Governorate of Erzurum Province (Turkey) has held an information meeting within TANAP Social and Environmental Investment Programs, reports Haberturk. Earlier, it was reported that several projects in Turkey will receive grants as part of the Trans-Anatolian Natural Gas Pipeline (TANAP) project.

The grants will be allocated within the TANAP Social and Environmental Investment Programs for various spheres as development of local handicrafts, fruit and vegetable juice production, processing, packaging and marketing of local products and others.

During the meeting, there was provided information about the content of grants to be allocated as part of the program, rules, forms of application and so on. Moreover, it was noted that consulting companies have worked out projects for grant support in the territories through which TANAP will run and have established contacts with local population.

It was pointed out that the TANAP Social and Environmental Investment Programs are not related to any local company. TANAP Social and Environmental Investment Programs (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 the pipeline and to contribute in 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).

Over 45% of TAP route in Greece, Albania cleared

Azernews, *19.04.2017*

Contractors of the Trans Adriatic Pipeline (TAP) project, which envisages transportation of gas from Azerbaijan to Europe, have cleared over 45 percent of TAP's route running in Greece and Albania, TAP AG consortium said in a message on Twitter on April 19.

Around 360 kilometers (47 percent) of TAP's 765-kilometer section in these countries are ready for the next construction steps, said the tweet.TAP will be 878 kilometers in length (Greece 550 kilometers, Albania 215 kilometers, Adriatic Sea 105 kilometers, and Italy 8 kilometers).

Its highest point will be 1,800 meters in Albania's mountains, while its lowest point will be 820 meters beneath the sea. TAP is a part of the Southern Gas Corridor, which is one of the priority energy projects for the European Union.

The project envisages transportation of gas from Azerbaijan's Shah Deniz Stage 2 to the EU countries. The pipeline will connect to the Trans Anatolian Natural Gas Pipeline (TANAP) on the Turkish-Greek border, run through Greece, Albania and the Adriatic Sea, before coming ashore in Italy's south.

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Turkey sees no need for Greek Cyprus to approve Israel gas pipeline

Bloomberg, *14.04.2017*

A Turkey-Israel deal could be built through Greek Cyprus' economic waters even without Cypriot consent, a Turkish official said, dismissing what some experts see as a key obstacle to an energy deal between the two countries.

Greek Cyprus can't block a gas pipeline from Israel to Turkey, and gas talks with Israel don't hinge on attempts to reach a peace deal in Cyprus Island, the Turkish official said, requesting anonymity because the matter is sensitive. A pipeline bringing gas from Israel's Leviathan field to Turkey would need to pass through Greek Cyprus's EEZ and the Greek Cypriots would be informed about the plans.

But international maritime law allows the pipeline to be laid even without Greek Cyprus's consent, he said. Israel and Turkey patched up ties recently after years of diplomatic estrangement and are eager to advance an energy deal that would help transform Israel into a gas exporter and bolster Turkey as a key gas hub in the region.

One key obstacle has been Turkey's conflict with Cyprus island, which has been divided since 1974, with northern Cyprus controlled by a self-declared state supported by Turkey. The two sides of the island have held talks recently on a reunification effort.

Greek Cyprus disputes Turkey's stance, with government spokesman Nikos Christodoulides telling state broadcaster RIK earlier this month that "a pipeline cannot pass through Cyprus's EEZ without the permission of Nicosia."

An Israeli energy ministry official said the country is conducting parallel talks with Greek Cyprus and Turkey about different pipelines, and declined to comment on the issue of Cyprus's economic waters.

The Turkish comments come as talks toward a gas deal with Israel accelerate. Officials from the two countries have exchanged visits recently to hash out details of a framework that Israeli Energy Minister Yuval Steinitz says would pave the way for Israeli gas to flow to Turkey in about three years.

The Turkish official said talks with Israel are likely to wrap up this summer, with the main stumbling block being the price of gas. The Leviathan producers want to sell to Turkey above domestic Israeli prices, which may be "too optimistic" given that Turkey has other suppliers including Russia, the Turkish official said. The Israeli official said it's up to the companies, not the government, to negotiate the prices.

Israel and Turkey haven't joined the United Nations Convention on the Law of the Sea, which says all countries are entitled to lay underwater cables and pipelines through another state's economic zone, with the "delineation" of the pipeline subject to consent of the coastal state.

Greek Cyprus has found its own, smaller gas field that hasn't been developed, and energy companies are searching its waters for larger fields as well. Greek Cyprus isn't likely to stand in the way of the Israel-Turkey pipeline and will seek to resolve the issue amicably, with Cyprus probably seeking assurances that it can one day connect its own gas fields to the pipeline, said Amit Mor, CEO of Eco Energy, a consulting company located outside Tel Aviv.

"I sense that eventually, when all other issues are resolved, with price definitely being a key sticking point, the Cypriot EEZ issue will be agreed upon between Israel, Greek Cyprus and Turkey," Mor said.

Oil majors see huge opportunity in Eastern Mediterranean

Oilprice, *20.04.2017*

Quite suddenly, there is remarkable oil industry news to come out of the East Mediterranean region. If the plan is executed, in the space of seven years the balance of energy security in Western Europe will be radically changed.

In geopolitical terms, this will be immense; when the planned Israel-Greek Greek Cyprus-Greece-Italy gas pipeline is built, European countries will be able to cut their ever-increasing dependence on Russian gas supplies. The story of major gas discoveries in the East Mediterranean started in the shallow-water offshore Egypt, with Miocene Nile Delta discoveries progressively stepping out into deeper and deeper water.

The first discovery was made by Phillips Petroleum in 1969, when it drilled the play-opening Abu Qir 1 NFW. It discovered gas in the Messinian Abu Madi sandstones. Subsequent exploration was led by the likes of AMOCO, BG, BP, Eni and Shell.

There are now over 100 mainly gas and wet gas fields in the offshore Egyptian Nile Delta, with all production being piped onshore. The story continues to the present day, with recent large discoveries in the deeper Oligocene play, such as Salamat (2013) and Atoll (2015), alongside large Messinian discoveries including Nooros (2015) and Baltim South West (2016).

The latest super-giant and play-opening discovery is, of course, Zohr in 2015 lying over 160km offshore, and in WD of 1,450m. Over 30 Tcf of dry gas was discovered in a massive Miocene-Cretaceous reef structure, on the edge of the Erastothenes Platform.

Italian giant Eni is pressing forward quickly to bring this onstream, and pipe-laying from the field to shore (150 km) by the Saipem deep water lay-barge “Castoro Sei” is ongoing and should be completed later in 2017.

Imponderable for the moment is the possibility of oil; current well Zohr Deep 1 is targeting a deeper Cretaceous-Jurassic carbonate reef play below the gas field. The initial Zohr prospect was postulated to be oil prone. However, Egypt has a large negative energy balance, and serving the large domestic market with more gas is the number one priority.

But the gas that is getting the European politicians so excited is from the Levant Basin in Israel and Cyprus. In the Israeli offshore sector, a series of discoveries has been made in waters of up to 1,500m. Noble Energy, starting its exploration in 2008, has made major gas discoveries; Tamar (2009), Dalit (2009), Dolphin (2011), Noa 2 (2011), Leviathan (2011), Tanin (2012), Pinnacles (2012) and Karish (2013).

Most of the biogenic gas was found in a thick succession of deep marine turbidite sands of Oligo-Miocene age, with smaller but significant amounts found in younger, Pliocene turbidite sands. Out of the Noble discoveries, so far only Tamar and the smaller Noa are onstream, with Leviathan to follow in 2019.

The Israeli government, fearful of dominance of the sector by just one player, has ordered the divestment of Karish and Tanin to Energean, a Greek company, which is in the process of farming down.

In the Cyprus island offshore sector to the north-west, Noble also discovered Aphrodite (2011), where the gas resource figures are most recently estimated at 4.54 Tcf. So, taken together, we now see quantities of gas to make potential export look much more attractive to offset the considerable deep water investments which will be required. Noble Energy currently cites in excess of 35 Tcf of gross resources in these two offshore sectors.

The big export markets for gas are not in the Middle East; they are in Western Europe. The principal challenge is to lay a 1300km deep sea pipeline through the Mediterranean to Greece (west coast) and across the Adriatic to landfall in Italy. The European high-pressure gas transmission network (ENTSOG) can be picked up there. Alternatives have been suggested – such as landfall in Southern Turkey – but the former is preferred for many non-technical reasons.

So the key revelation in this last week is that the technical feasibility of a pipeline has been passed by engineering consultants IGI Poseidon. Ministers from the EC, Israel, Greece, Italy and Cyprus signed an agreement in Tel Aviv, Israel and a time-frame of seven years is put on the project. The headline cost for a 1,300 km, 500 Bcf/annum pipeline is €5.34 billion (US$6 billion).

Unlike African gas mega-projects which face a Sisyphean challenge of putting the value chain together (witness Kudu in Namibia, or the Trans-Saharan Gas Pipeline), the East Med Pipeline seems to be pretty solid. Financiers in New York and London are already expressing interest. There is also a substantial exploration upside in the East Mediterranean region, and there is a major focus of interest here.

In the Cyprus sector, the Third Licensing Round has just concluded with an ExxonMobil-Qatar Petroleum JV having signed a contract for Block 10. An Eni and Total JV has successfully bid for Block 6, while Eni secured Block 8 on its own.

Given that the IOCs have already acquired 3D seismic data, the time lapse to first wells should be no more than one year (a commitment given at the signing ceremony). Cyprus Minister of Energy Lakkotrypis is far more expansive, saying “a total of twelve exploration wells will be drilled in the newly licensed Blocks 6, 8 and 10.” Some of these are likely to be contingent. The first well in the area, Total’s Onesiphonous 1 targeting a Zohr-like play in Block 11, should spud this summer.

Israel is currently holding its first offshore bid round and officials are hopeful of attracting major interest. Independent research found that at a best guess there were resources totaling around 6.6 Bbo and 75 Tcfg as yet undiscovered in Israeli waters.

In the Lebanese sector to the east of Cyprus, the authorities are gearing up for an offshore licensing round after several years of delay. Companies are encouraged by the success with Zohr, and no fewer than 46 have pre-qualified so far. But joining the Lebanon into an export consortium with Israel is an additional geopolitical dimension, and should not be assumed.

Export of gas into Western Europe can be achieved by 2020. A 48” pipe could deliver 10.5 Tcf (300 Bcm) over a period of 10-15 years. Further exploration success – which the majors are betting heavily on – could extend this towards 2050. In the case of major new exploration success in the Lebanon or Cyprus sector, one can imagine a second pipeline in a follow up phase.

What is the Russian dimension? The current dependency of Europe on Russian gas exports varies from 100 percent (in the Baltic States) to 38 percent in Germany. One of the key gas developments to watch is the Nordstream pipeline, a dual 48” pipe bringing Russian gas under the Baltic Sea and into Germany and Europe.

Russian state company Gazprom delivered 6.35 Tcf (180 Bcm) of gas to Europe in 2016, almost 12.5 percent up on 2015, and no less than 34 percent of the total market, according to Deputy Chairman Aleksandr Medvedev. Although there are of course other significant suppliers – for example Norway (24 percent), Algeria (11 percent), Nigeria and Qatar – the energy dependency on Russia is obvious.

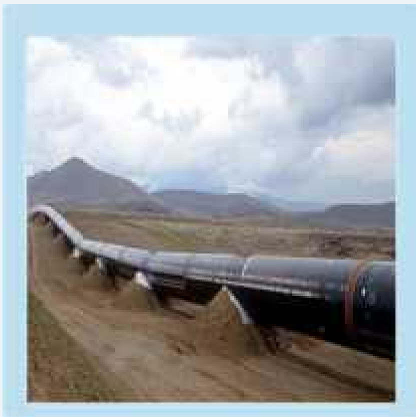
Shell predicts that Russia will remain the number one supplier of gas until at least 2035. There are currently substantive discussions on the doubling of capacity of the Nord Stream pipeline (by adding two more 48” lines). Although Germany is pro, Denmark and the Baltic States are firmly opposed to this expansion.

But the biggest drawback for any East Mediterranean gas is that it must compete with relatively cheap Russian gas. It is estimated the probable landed gas price in Europe would be at least US$ 7/MMBtu. This compares with the average price of Gazprom gas in Europe in 2016 of US$ 4.90-5.00/MMBtu – a differential of some US$ 2.00/MMBtu. The intensity of competition from Russian gas in Europe is set to increase further with the proposed 1.94 Tcfg/annum Nord Stream 2 pipeline which will side-step transit fees across Ukraine and Poland.

The 1,224km Nord Stream 2 pipeline which parallels Nord Stream 1 could be completed in 2019 (well before an East Med pipeline could become operational). Given the very tense political situation between the West and Russia, a reduction in this dependency – by adding the East Med as a major new gas source – would be a highly desirable outcome. The politics should drive the development of this pipeline very quickly.

Major oil producers reach initial deal to extend output cuts

Bloomberg, *21.04.2017*



OPEC and other major suppliers have failed, after three months of limiting production, to achieve their target of reducing oil inventories below the five-year historical average, Saudi Arabia's Khalid Al-Falih said at a conference in Abu Dhabi.

The producers pledged to reduce output for six months starting in January. Al-Falih didn't identify or specify the number of countries in the initial deal for an extension. "Although there is a high level of commitment, we haven't reached our goal, which is to reach the five-year average," Al-Falih said.

"There is an initial agreement that we might be obligated to extend to get to our target." Countries participating in the cuts have yet to reach a consensus on prolonging their agreement into the second half of the year, and an extension wouldn't necessarily be for an additional six months, he said.

The Organization of Petroleum Exporting Countries and other producers including Russia agreed in December to pump less oil in an effort to counter a global glut. Output shows signs of rebounding in the U.S., where explorers have added rigs for the past 13 weeks, data from Baker Hughes Inc. show.

OPEC will decide at a meeting on May 25 whether to prolong its pledged cuts into the second half, the group's Secretary-General Mohammad Barkindo said Wednesday in Abu Dhabi, the U.A.E. capital.

Brent crude has gained about 14 percent since OPEC decided to pare output, and the benchmark grade was 6 cents lower at $52.87 a barrel at 2:49 p.m. in London. Gulf Cooperation Council countries agreed to push for an extension of cuts in a meeting on Wednesday, Oman Oil Minister Mohammed Al Rumhy said in an interview in Abu Dhabi. The GCC comprises OPEC members Saudi Arabia, Kuwait, Qatar and the United Arab Emirates, as well as Oman and Bahrain. GCC states are participating in the current deal to cap output. Iran and Venezuela, both members of OPEC, have expressed support for an extension of the production cuts, Al Rumhy said.

Iran’s oil minister made a commitment to freeze output at 3.8 million barrels a day for the rest of the year on the assumption the cuts are extended beyond June, Kuwait Oil Minister Issam Almarzooq told reporters in Abu Dhabi. OPEC and Russia haven’t reached a final agreement on extending output limits, Almarzooq said. Russia is likely to support an extension, a Bloomberg analyst survey shows.

Saudi Arabia, Kuwait signal likely extension of oil output cut

Reuters, *20.04.2017*

Leading Gulf oil exporters Saudi Arabia and Kuwait gave a clear signal on Thursday that OPEC plans to extend into the second half of the year a deal with non-member producers to curb supplies of crude.

Consensus is growing among oil producers that a supply restraint pact that started in January should be prolonged after its initial six-month term, Saudi Energy Minister Khalid al-Falih said. “There is consensus building but it’s not done yet,” Falih told reporters at a conference in the United Arab Emirates. Kuwait’s oil minister Essam al-Marzouq said he expected the agreement to be extended.

“Russia is on board preliminarily ... Compliance from Russia is very good,” Marzouq said. OPEC Secretary-General Mohammed Barkindo, noting that Marzouq chairs a committee that measures compliance with the cuts, said: “It is significant that the Kuwaiti minister has come out in public and said this.”

OPEC is keen that non-member producers play their promised part in supporting the group’s efforts to lift prices, which have recovered to $53 a barrel from lows last year below $30. The Organization of the Petroleum Exporting Countries and non-OPEC meet on May 25 to discuss extending the curbs that total 1.8 million barrels daily, two-thirds of that from OPEC.

OPEC sources said an internal assessment was that if they failed to extend the agreement, oil could slide back to $30-$40 a barrel. Falih said his main concern was to reduce global oil inventories, calling that “the main indicator for the success of the initiative”.

While inventories held at sea and in producer countries have dropped, they remain stubbornly high in consumer regions, particularly in Asia and the United States. The International Energy Agency said last week that inventories in industrialized countries were still 10 percent above the five-year average, a key gauge for OPEC. OPEC seems to be encouraged by the contribution of non-OPEC producers to the output cuts. Marzouq said there was a “noticeable increase in compliance from non-OPEC”. Joint compliance among OPEC and non-OPEC in March was above 90 percent, he said.

Russia has not yet publicly committed to prolonging its curbs, although Energy Minister Alexander Novak said this month that Moscow would start consultations with producing companies about the possibility of doing so.

Marzouq said another African nation, which he did not identify, had expressed interest in joining the 24-country effort. One hold-out for an extended deal may be Iraq. Baghdad might seek to be exempt and ask to boost its own output, the leader of the nation's Shi'ite ruling coalition, Ammar al-Hakim, told Reuters.

Speaking in Cairo, Hakim cautioned that Baghdad could ask to be exempted from taking part in the supply curbs as the OPEC member country needed its oil income to fight Islamic State. "Given these sensitive circumstances, it is the right of Iraq to hope for an exemption by the other OPEC member states and have an opportunity to increase its production," Hakim, an influential cleric, said in an interview late on Wednesday.

"But we are with the principle of reducing the overall OPEC supply to lift prices." Iran does not look likely to become an obstacle. The current deal granted Tehran permission to lift output, hit by Western sanctions that ended just over a year ago. "Iran is not an issue. We know they can't raise their production much more," an OPEC source said.

OPEC moves close to deal extending oil output cuts

Financial Times, *20.04.2017*

Oil producers are moving closer towards agreement on extending the Opec-led deal to limit output, Saudi Arabia's energy minister said on Thursday, as the cartel battles excess stockpiles and a resurgent US shale industry that have weighed on prices.

Saudi Arabia's energy minister Khalid al-Falih said the deal could be run for another three to six months beyond the end of June. Under the terms of the existing accord, Opec members and countries outside the cartel, including Russia, agreed to cut their output by about 1.8m barrels a day throughout the first half of 2017.

A preliminary agreement to extend the deal had been reached by most, but not all, producers, he said. "Consensus is building, but it is not done yet," Mr Falih told reporters on the sidelines of an energy industry event in Abu Dhabi. "We are still in consultations." The remarks from Opec's de facto leader represent the clearest signal yet that the group seeks to extend the deal in order to curb stubbornly high inventories and bring to a close the biggest oil downturn in a generation. The oil price crash that started in 2014 battered the economies of producer nations and roiled the share prices of energy companies.

Global oil prices staged a slight recovery following the comments after falling by more than 4 per cent on Wednesday. Prices then levelled off by 6.15pm trading in London. Brent, the international benchmark was flat at $52.96 a barrel while West Texas Intermediate, the US marker, ticked lower by 10 cents to $50.34 a barrel.

The status of global oil stocks would determine any extension at the next meeting of Opec ministers on May 25, Mr Falih said on an earlier televised discussion among the six Gulf oil ministers on Sky News Arabia.

“Our target is the level of inventories as an indicator of the success of our initiative,” he said. The International Energy Agency said last week that inventories in industrialised countries were still slightly above the five-year average, one metric for Opec.

“So we will watch [inventories in] April and May and our colleagues will be keen to take the right measures in this regard,” Mr Falih said. Essam al-Marzouq, Kuwait’s oil minister, said he expected Opec to extend the deal, noting increasing compliance from Opec and non-Opec members.

Although oil prices have bounced back above $50 a barrel since the agreement — the first collective deal since 2001 — there are concerns among market participants about whether the cuts will be enough offset higher output elsewhere.

The market remains caught between evidence of strong compliance by Opec members with the supply curbs and a resurgent US shale industry as prices have rebounded. The chief executive of Total, the French oil and gas giant, said on Thursday that oil prices could slide by the end of the year due to a rapid increase in US shale drilling.

“The price may fall again . . . US producers who have recovered quickly, will regenerate an influx of supply by the end of the year and this could have a negative impact on the markets,” Patrick Pouyanne said during a conference in Paris.

Meanwhile while oil being stored at sea and in tanks in producer countries have eased, inventories remain stubbornly elevated in the US as well as in Asia. Mohammed Barkindo, Opec secretary-general, said in Abu Dhabi on Wednesday that the current strategy had put the oil market “on the path of recovery”. “Our collective action will continue to prove effective,” he said.

Officials: Saudi Arabia to award licenses to 15 U.S. firms in May

Reuters, *20.04.2017*

Saudi Arabia plans next month to award licenses to at least 15 U.S. companies to operate in the kingdom, two Saudi officials said on Thursday, with one saying they would go to technology and pharmaceutical firms among others.

Dow Chemical Co (DOW.N) last June said it had become the first foreign company to receive a trading license from Saudi Arabia as the kingdom seeks to diversify its economy and reduce its dependence on oil exports amid a slump in global oil prices. A year ago the world's top oil exporter announced a package of economic and social policies known as Vision 2030 to try to dramatically increase non-oil revenue.

A plunge in oil prices since mid-2014 has intensified the need for the plan, which relies on an expanding private sector, selling shares in the Saudi state-owned oil company and cutting government subsidies.

"Next month we will ... give 15 licenses to American companies," a Saudi official told reporters on condition of anonymity, later saying "at least 15" would be awarded and that they would go to technology, pharmaceutical and other sectors.

"Most of them are outside the oil and gas field," a second Saudi official told reporters, also on condition of anonymity. The officials said none of the licenses would go to firms affiliated with U.S. President Donald Trump or his family.

The first official said all major stock exchanges, including those in Tokyo, London and Shanghai, were vying to make the case for Saudi Aramco to list with them in the oil company's planned initial public offering next year.

China is creating a consortium, including state-owned oil giants and banks and its sovereign wealth fund, that will act as a cornerstone investor in the initial public offering, people with knowledge of the discussions told Reuters. The planned Chinese investment makes it more likely that Saudi Aramco would seek a listing in Asia, with Hong Kong currently the front-runner among bourses in the region, the same people said.

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OPEC gets a surprise after oil cuts: Higher stockpiles

Bloomberg, *20.04.2017*

When OPEC and Russia meet next month to assess the impact of their oil cuts they face a surprising outcome: stockpiles are even higher than when they started.

Inventories have started to decline, but by the time ministers gather, developed nations still won't have burned through the big stockpile increase caused by a surge in OPEC output just before the cuts came into force, data from the International Energy Agency indicate. The OPEC has been "hoisted by its own petard" by agreeing in principle to reduce production last September while allowing members to keep boosting sales until the deal took effect on Jan. 1, Citigroup Inc. said.

While the group has fully implemented its pledged cuts, that's being offset by U.S. shale oil producers buoyed by price gains, according to Commerzbank AG. "OPEC is like a magician waving his hands and trying to pull the rabbit out the hat, but still the rabbit isn't there," said Eugen Weinberg, Commerzbank's head of commodities research in Frankfurt. "They've done all they can with the production cuts and the effect is close to non-existent."

The accord last year between OPEC, Russia and 10 other producers was intended to boost prices by eliminating an inventory surplus of about 300 million barrels over the five-year average -- equivalent to three days of global oil production. By this measure, the historic agreement hasn't delivered.

At the end of December commercial oil stockpiles in the 35-nation Organization for Economic Cooperation and Development totaled 2.98 billion barrels, according to the Paris-based IEA, which advises those countries on energy policy. That rose to 3.06 billion barrels in January due to a late surge in OPEC shipments before the cuts came into force.

"Producers unintentionally accelerated activities that would ultimately obstruct, and for a period reverse, the very rebalancing they were trying to accelerate," said Ed Morse, head of commodities research at Citigroup.

Inventories in the OECD -- which consumes about half global supply -- fell only slightly in February and remained 330 million barrels above the five-year average, bigger than the surplus of 286 million at the end of December, IEA data show. Bloomberg calculations using the agency's supply and demand projections indicate that, by the time OPEC's accord expires in June, stockpiles will be roughly back in line with their end-December level and still about 200 million barrels above the five-year average. That would leave the group, which must decide in May whether to extend its pact for another six months, well short of its goal.

That picture could change in the coming weeks, said Paul Horsnell, head of commodities research at Standard Chartered Plc in London. Data for the first quarter aren't detailed enough yet to make solid conclusions, and inventories in more obscure locations may be falling more rapidly than it appears, he said. Some major oil consumers, notably China and India, do not publish monthly inventory levels.

Even if current data are correct, Citigroup, Standard Chartered and many other analysts aren't declaring the cuts a failure. Instead they predict that OPEC and Russia will extend their pact for another six months, giving time to fulfill their goal.

Saudi Arabian Energy Minister Khalid al-Falih said on Thursday there is "an initial agreement" among producers that they may need to prolong the measures because stockpiles remain too high. U.S. oil prices plunged the most in six weeks on Wednesday after U.S. government data showed supplies remain plentiful. West Texas Intermediate crude rebounded on Thursday, rising 45 cents to $50.89 a barrel on growing confidence that producers will extend the agreement.

"I believe OPEC will continue its policy of restraining production," Paolo Scaroni, former chief executive officer of Italian oil major Eni SpA and current vice chairman of NM Rothschild & Sons Ltd., said in an interview with Bloomberg television Wednesday. "There is not the kind of oil glut that we had only 12 months ago" and the agreement is on track, he said.

OPEC, non-OPEC to meet on same day as group's May gathering

Reuters, *19.04.2017*

OPEC plans to meet with non-OPEC oil producers on the same day as its scheduled May 25 conference, sources familiar with the arrangements said, as they decide whether to extend supply cuts into the second half of the year.

Ministers from the OPEC will convene at their Vienna headquarters. Joint talks with non-OPEC oil ministers will also take place that day, two sources said. A number of key OPEC members including top exporter Saudi Arabia support extending their supply cut into the second half of 2017 if all participating producers, including Russia and other non-OPEC countries, agree, OPEC sources have told Reuters.

"It all depends on Russia's position," an OPEC delegate said on Wednesday. Moscow has not stated whether it supports prolonging the curbs, although Energy Minister Alexander Novak said this month that Russia would soon start consultations with its own oil producers about the possibility of doing so. The plan for same-day meetings suggests the issue will be settled more quickly than last year, when the deal was agreed. OPEC met on Nov. 30 to decide its own output cuts, and a gathering with non-OPEC took place more than a week later.

The schedule for May 25 is not final and could be changed nearer the time, the sources said. Under the deal, OPEC is curbing its output by about 1.2 million barrels per day from Jan. 1 for six months in an attempt to eradicate a supply glut. Russia and 10 other non-OPEC producers agreed to cut half as much.

The accord has lifted oil prices, which are near $55 a barrel. However, still-large inventories and higher output from some producers such as the United States - which is not participating in the supply accord - have limited the rally.

Platts: India will not achieve target to cut oil imports by 10%

Oilprice, *20.04.2017*

India will not be able to reach its target to reduce its oil imports dependence by 10 percent by 2022, S&P Global Platts analysts reckon.

India's Prime Minister Narendra Modi has set a target to cut import dependence by 10 percent by 2022, amid increasing oil consumption. The imports reduction is expected to be achieved by boosting domestic oil production and increasing the share of natural gas and other energy sources in the energy mix. Speaking to India's BusinessLine, Sambit Mohanty, said: "We don't agree with the fact that India can sharply reduce [crude oil] imports.

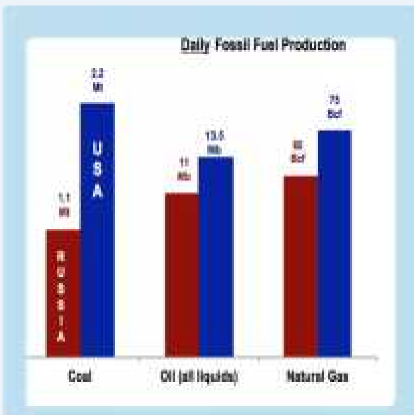
We still import more than 80 per cent of our crude oil needs. Given the fact that oil product demand is growing at nearly 8 to 9 per cent, we cannot see how we can substantially reduce imports of the feedstock."

Mohanty is the lead author of an S&P Global Platts report on India published on Thursday that sees the country's crude oil demand rising by just over 7 percent this year and at a compound average annual growth (CAGR) rate of 5 percent between 2015-2020, to 5.2 million bpd. Oil products demand is seen growing by 7-9 percent per year over the next 5-10 years.

"Security of energy supply will remain a critical issue," the report says. Platts believes that there is little prospect that domestic output of many commodities "will keep pace with demand growth. Import gaps are a certainty." India's demand potential has prompted large international companies, including Shell, BP, Rosneft, Trafigura, and Saudi Aramco, to "either consider expansion or explore joint ventures opportunities to establish presence in the country," Platts said in the report. India's oil consumption growth reached a record-level 11 percent last year as growing urban population with higher income fueled greater use of cars, trucks, and motorbikes. Demand for gasoline jumped 12 percent, and diesel demand grew 5.6 percent.

India said to woo Aramco for 50% Opal sale as Kuwait talks stall

Bloomberg, *19.04.2017*



India's newest petrochemicals maker is seeking to sell half its $4.6 billion facility to Saudi Arabian Oil Co., according to people with knowledge of the matter.

Formal talks between ONGC Petro additions Ltd. and the world's biggest oil exporter, known as Saudi Aramco, will start soon, said the people, who asked not to be named as the information isn't public. OPaL's earlier talks with a unit of Kuwait Petroleum Corp. about investing in the project stalled last year, the people said. A spokesman for OPaL was unable to comment. Saudi Aramco and Kuwait Petroleum didn't immediately respond to requests for comment.

The investment could help Saudi Aramco strengthen its hand in the world's largest oil consuming region as it prepares for what may be the biggest-ever initial public offering. India's per capita consumption of polymer products, which is about a third of the global average, is expected to expand as a growing middle class, increasing income levels and higher urbanization drive growth, Prime Minister Narendra Modi said last month while inaugurating OPaL's plant.

"India's petrochemical business is booming and Aramco will definitely want to be a part of this growth," said Vaibhav Chowdhry, an analyst at KR Choksey Shares & Securities Pvt. The country's petrochemical market is expected to grow as fast as 12 percent annually for next several years, he said.

Oil & Natural Gas Corp., which owns the biggest stake in OPaL, entered into a preliminary cooperation agreement in January 2014 with Petrochemical Industries Co., a subsidiary of state-owned Kuwait Petroleum. Talks between OPaL and PIC about the Kuwaiti company investing in the Indian project stalled last year, according to the people. OPaL hosted a team from Saudi Aramco at its plant in the western state of Gujarat last month, they said.

Higher demand for these products prompted billionaire Mukesh Ambani's Reliance Industries Ltd. and the nation's biggest refiner Indian Oil Corp. to expand their petrochemicals businesses. Reliance invested about $19 billion to double the capacity of its petrochemicals unit, while Indian Oil will spend $4.6 billion to add new facilities and expand existing units.

Saudi Aramco, which is the biggest supplier of crude oil to India, has shown interest in a proposed 60 million tons-a-year refinery and petrochemicals project being planned by Indian state refiners on the nation's west coast, India's Oil Minister Dharmendra Pradhan said on March 30. The Saudi oil major has already invested in integrated refining, chemicals, marketing and distribution companies in the region.

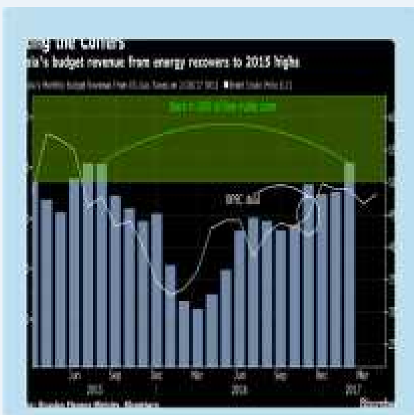
Last month, it bought half of a Malaysian oil refinery and petrochemical plant and signed a deal to provide up to 70 percent of its crude requirements. Separately, the Saudi oil giant signed a $6 billion oil refinery deal with Indonesia’s PT Pertamina.

OPaL’s 300 billion-rupee petrochemical project is a dual-feed cracker with a capacity to produce 1.1 million tons a year of ethylene and 400,000 tons of propylene, according to its website. The plant, located at the Dahej Special Economic Zone, started production last year and aims to capture 13 percent of India’s polymer sector by next year, according to its website.

While investment in OPaL will allow Aramco to access India’s growing market, the Indian company will be able to use the Saudi company’s export channels to push products in the international market, two of the people said. ONGC has said it intends to hold 26 percent, with state utility GAIL India Ltd. owning 15.5 percent, after half of OPaL is sold.

Russia seen supporting longer oil cuts to extend price rally

Bloomberg, *20.04.2017*



Russia is likely to support extending a multinational deal to cut oil output as higher prices boost revenue in the run-up to next year’s presidential election, a Bloomberg survey shows.

“I expect Russia to be on board,” said Helima Croft, chief commodities strategist at RBC Capital Markets LLC in New York. The Kremlin won’t want crude prices to fall, “especially with elections in 2018,” she said. Of 12 analysts surveyed, a further nine agreed. Russian Energy Minister Alexander Novak will meet counterparts from the Organization of Petroleum Exporting Countries in May to decide whether to prolong the curbs that began in January.

Non-OPEC producer Oman said Thursday that Gulf Cooperation Council countries will push for an extension. Crude has rebounded about 15 percent since OPEC’s November decision to rein in supply, driving Russia’s revenue from energy taxes to a two-year high last quarter.

“The agreement on the whole has been working,” said Ildar Davletshin, an analyst at Renaissance Capital in London. “Russia’s reserves are picking up faster, increasing its economic resilience.”

Russia, which relies on oil and gas for about half its budget revenue, will go to the polls next March, and incumbent Vladimir Putin is widely expected to seek another term. Putin said last month the output accord with OPEC is stabilizing the market, though Novak has insisted it’s too early to decide whether to prolong it. His press office said Thursday the matter is still under discussion. Russia’s oil producers would see no difficulty in keeping some of their aging wells offline until the end of the year, according to Moscow-based analysts at Otkritie Capital, Aton LLC and Sberbank CIB.

Renewing the deal may help push prices up to $60 a barrel, Otkritie's Artem Konchin said. Benchmark Brent crude is currently trading near $53. A five-nation committee -- including Russia -- that assesses compliance with the cuts will meet Friday, and Novak plans to hold talks with Russian oil companies next week before meeting OPEC ministers in Vienna on May 25.

There are risks to extending the cuts. As OPEC and its allies have curtailed supply, U.S. shale drillers have seized the chance to ramp up output. That trend is the main threat to renewing the deal, Russian oil giant Rosneft PJSC said last month.

Russia has also not yet met its targets in the deal with OPEC. It's pumping about 1.5 million tons a day, Deputy Energy Minister Kirill Molodtsov said this week. That's equal to about 11 million barrels, still exceeding the 10.947 million-barrel level it's pledged to reach by the end of April.

"One-hundred percent compliance by Russia still remains very uncertain," said Hans van Cleef, an energy economist at ABN Amro Bank NV in Amsterdam, who nonetheless sees the deal being extended.

Russian oil output rose to a post-Soviet record last October, and without a renewed deal, production could again increase. The Energy Ministry's current outlook for 2017 supply, totaling 549 million tons, shows output in the second half could climb to an average of about 11.02 million barrels a day.

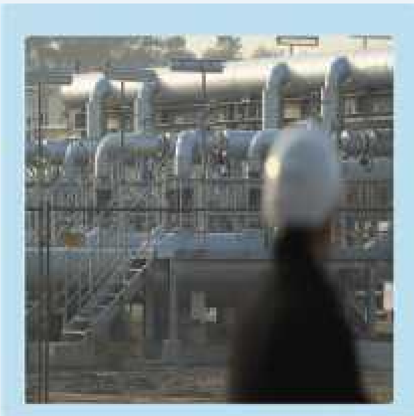
Should OPEC decide to prolong production cuts for a further six months, Russia's continued participation in the agreement will be crucial, said Neil Beveridge, a Hong Kong-based analyst at Sanford C. Bernstein & Co.

Deputy Prime Minister Arkady Dvorkovich said April 7 that the deal hadn't delivered the price boost Russia was expecting, though conceded that prices were now "at a more advantageous level" and "on the whole the decision taken was the right one."

Brent crude averaged about $55 a barrel in the first quarter, up more than 50 percent from a year earlier. Russia has secured a "strong price rise after a modest production cut," said Giovanni Staunovo, a Zurich-based analyst at UBS Group AG. "Russia has been a big financial winner from the output reduction agreed last year."

Dutch government plans 10% cut to Groningen gas production

ICIS, *20.04.2017*



The Dutch government plans to reduce the Groningen low-calorific natural gas (L-gas) production cap by 10% for gas year 2017, economy minister Henk Kamp said in a letter to parliament.

The decision comes in response to advice issued by government monitoring agency the SodM, following a review of seismicity in the region. The current Groningen production plan has capped annual output at 24 billion cubic metres (bcm) for the five years from gas year 2016. A 10% reduction in gas year 2017 would therefore equate to a 21.6bcm production ceiling for the 12 months from October 2017.

Reduced production in gas year 2017 will increase the strain on high-calorific gas (H-gas) conversion as a source of supply and the use of the 6bcm capacity Norg storage site as a source of flexibility. According to data from grid operator GTS, 15bcm of H-gas was converted to the L-gas grid during winter 2016, up from 11.7bcm in winter 2015 and 5.5bcm in winter 2014.

The development lifted gas prices at the Dutch TTF during the afternoon and into the 16:30 London time assessment. The Day-ahead, front-month May '17 and Winter '17 all began to rise shortly before 15:00 and were close to their intra-day highs by 16:30.

Winter '17 rose by €0.525/MWh session on session to a six-week high of €17.675/MWh, according to ICIS price assessments. Minister Kamp said that new advice from SodM on 13 April made two sets of recommendations based on whether a limit on earthquake density – the number of earthquakes per square kilometre per year – is breached in the future or not.

If the limit is exceeded, SodM said, then it advises lowering production from the present 24bcm limit, starting with a 10% reduction. The agency also advised against seasonal fluctuations at this reduced level – as is already the case – and permanent monitoring of seismicity.

If the limit is not exceeded, SodM advised among others things, that the government maintain the 24bcm production limit, avoid fluctuations in production and to conduct further research and investigations to optimise and reduce fluctuations further.

In the letter to parliament, Kamp said he planned to table a motion to adopt the agency's advice and reduce production in gas year 2017 by 10%, even before the regulated evaluation of production and seismicity on 1 October. The minister said this was because of an increase in earthquake density in the particularly vulnerable region of Loppersum. Kamp said that since October 2016, earthquake density in Loppersum had increased from 0.12 to 0.22. The upper limit is 0.25.

The minister did note, however, that the number of earthquakes with a magnitude of more than one on the Richter scale across the Groningen region had more than halved from 77 in the 2013 calendar year, to 36 in 2016.

Production from the Loppersum region has been restricted by a court order since April 2015, with just 1bcm produced in the 2016 calendar year. This is down from 17bcm in the 2013 calendar year. Kamp said he would work with Groningen field operator NAM and GTS to investigate how production in the Loppersum region can be further reduced.

The current plan contains a provision to increase production up to 30bcm in the event of below-average temperatures across the year, but the minister did not say if and how this provision would change under a new lower cap.

On 22 May, the Dutch council of state – the Netherlands' highest general administrative court – will hear objections to the government's five-year Groningen production plan, with a ruling due "a few months later".

In November 2016, the court received 22 admissible appeals against the Dutch government's latest production plan. By the end of the summer, the Dutch government plans to make a final decision on whether or not to invest in a new nitrogen plant to boost H- to L-gas conversion capacity.

Default assumption of geopolitical risk dragging oil prices up is a fallacy

Forbes, *20.04.2017*

Back in 2011-12 oil futures traders either side of the Atlantic couldn't stop beating the drum about the risk premium factored into the front-month futures contract price. Some factored in as much as a $10 premium for Brent, courtesy strife in Nigeria, civil war in Libya, Iran's belligerence and troubling scenarios in major hydrocarbon producer you could locate on the World map between Morocco and Pakistan.

Yet, production continued to rise at troubled as well as trouble-free oil prospects. So in mid-2014, when a rapid foray from Syria into Iraq by ISIS hit the airwaves, the oil price started gradually sliding after initially having risen.

What was to unfold, became an oil market downturn from which the market has not yet recovered. One reason was clear cut – there was well over 2.5 million barrels per day (bpd) of excess crude oil coming on the market in the summer of 2014, with the U.S. turning less and less to the global supply pool and more and more to rising domestic supplies. The other reason, less deliberated reason, was that the market had simply developed risk fatigue.

The world was (and still remains) a troubled place but oversupply, especially rising US production, had effectively neutered the risk premium. Fast forward to 2017, risk premium related chatter is back with a mild vengeance. More so, as OPEC's move to cut production in concert with 11 non-OPEC producers, aimed at talking 1.8 million bpd out of the market is holding firm for now.

However, as with 2014, it is worth tempering the chatter on risk premium. Barely three weeks ago, both Brent and WTI appeared to be heading below $50 per barrel following doubts over OPEC's ability to extend cuts with non-OPEC producers beyond June and rising concern over the uptick in US oil and gas rigs pointing to higher production stateside. WTI even stayed below $50 for more than a few sessions.

US President Donald Trump's recent airstrikes on Syria, Afghanistan and his dispatching of an aircraft carrier group to the Korean Peninsula to square up to a belligerent North Korea and in defense of the South, changed all that. As safe-haven asset prices soared, Brent also marched back up to $55 and WTI back above $50, as long bets poured in.

While it can be safely assumed that risk is back as a variable - whether it will be bullish or bearish is far from clear cut. In my opinion, the only historic bit about the OPEC and non-OPEC pact from December 2016 was the fact that Saudi Arabia agreed to cut production and withheld its reservations about Iran raising its production. Non-OPEC Russia also cooperated for the first time in 15 years, at least on paper.

However, if the US maintains an aggressive stance against Syria's President Bashar al-Assad – who has support from Russia and Iran – the so-called “historic” OPEC agreement could unravel as spectacularly as it came together when the producers' cartel next meets on 25 May.

Both leading producers – Saudi Arabia and Russia – could return to pumping up the volume. Anecdotal and empirical evidence I have on rising drilling permit applications stateside, and the U.S. Energy Information Administration's (EIA) take the country's output marching upwards, invariably mean additional American barrels, more so as the country is now exporting crude.

Putting into numbers, the EIA has forecast a rebound in U.S. crude production by 3.9% this year to 9.22 million bpd, and a rise of another 7.4% to an all-time high of 9.9 million bpd in 2018. Risk does work both ways; it's precisely why despite all what has unfolded geopolitically in the last three weeks, Brent has failed to touch $60. Additionally, while $57 appears achievable, the little risk premium to the upside we have seen factored in could disappear as quickly as it has emerged.

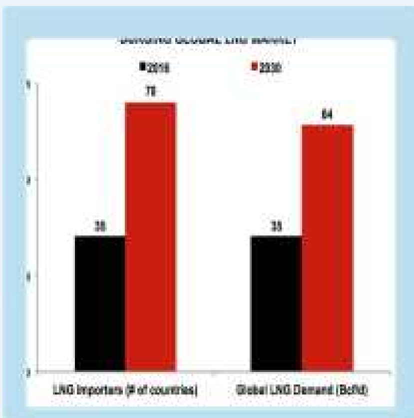
In fact, my opinion is that the recent price uptick has had very little to do with Syria and the post-airstrike war of words between the US and Russia. Outages in Nigeria and Libya had a much bigger role to play. Syria itself has very little oil supply disrupt, and as of yet there is little to suggest something more broader would appear on the horizon to dent regional supplies.

Furthermore, does OPEC really want a $60 oil price this early with clear evidence of rising confidence in the US shale business. According to David Wech, Managing Director of Vienna-based research and analysis outfit JBC Energy, given how much additional supply is looming for 2018, it is worth presuming that it's not in OPEC's best interest to stimulate additional US shale production by forcing prices too high too early.

"From this perspective it may very well be a rational compromise for OPEC and non-OPEC producers to extend the cuts, but to do so at a much smaller scale." So next time someone peddles the risk argument, always remember the days of factoring in a default $10 risk premium in the oil price have long gone. In fact, we are in a phase where a risk discount could just as well come into view.

The US is transforming the global liquefied natural gas market

Forbes, *20.04.2017*



Cheniere Energy recently celebrated loading its 100th LNG export cargo to nearly 20 countries from Sabine Pass in Louisiana, the first such facility in the contiguous U.S. Now at over 2 Bcf/d and with five additional export terminals expected by 2020, the U.S. could be exporting 10-12 Bcf/d of LNG, or about 15-17% of our total current gas demand.

A quantum leap from the zero we were exporting in January 2016. Now 85% complete and expected online in Q4, Dominion Cove Point in Maryland will be our first LNG export facility on the East Coast. Dominion recently asked FEFC for approval to introduce fuel gas at the plant.

Fully subscribed under 20-year terminal service agreements, the $3.8 billion Cove Point will have the capacity to export some 0.8 Bcf/d, ready to weaken Russia's stranglehold on Europe. Yet, with the Panama Canal's expansion in June 2016, Sabine Pass can reach any major import terminal within 25 days.

Already with three fully-operational LNG trains, Sabine Pass' fourth train is in the commissioning process and will be completed in the second half of this year. Trains five and six will come online over the next few years.

Sabine Pass has already made such a significant change in the global LNG market that gas from the Montney shale play in western Canadian is set to reach the U.S. Gulf for export to the world (here). Canada's own LNG export off the nearby BC coast is not expected until at least 2022.

For reference, it takes 37 hours to drive from Edmonton to New Orleans, slightly less than from NYC to LA. Even though the LNG market has been oversupplied, it's good time to add LNG export capacity because it takes years for commissioning. Exporting just 1-2% of the world's LNG last year, the U.S. by 2019 will soar past 13 other exporters and become the 3rd largest LNG exporter behind Qatar and Australia. The splash of the U.S. onto the LNG business is reverberating around the world. In short, it's helping to install a buyers gas market. This is of great political consequence: risky Russia accounts for over 20% of all internationally traded gas.

As I note here, natural gas will be the main fuel to meet climate change goals announced at COP21, so the world needs as many democratic, transparent, and free-market suppliers as possible. And it's the LNG that connects "distant lands separated by vast oceans" that'll make natural gas more like petroleum, a fungible global commodity where the origins of a sale are largely interchangeable. Today, only about 30-33% of all used gas is traded between nations, compared to oil at nearly 70%.

As the global LNG market continues to evolve, buyers want flexible contracts and the ability to hedge. The U.S. is leading the way toward destination-free, flexible LNG. Although LNG has historically been sold through long-term contracts linked to the price of oil, some 40% of the nearly 60 vessels that left Sabine Pass last year had gas sold under spot transactions. The collapse in oil prices has decimated revenues for gas exporters using oil-indexation.

On May 4, ICE will offer a risk management solution by launching the first ever U.S. LNG futures contract. The size will for 2,500 MMBtu with a monthly cash future settled against the Platts LNG Gulf Coast Marker price assessment.

Now with Asian spot prices below $6, U.S. buyers themselves are also looking for even better conditions. Indonesia's Pertamina, for instance, wants to alter its LNG contracts with Cheniere, now set at Henry Hub prices, plus 15%, plus a fixed $3.50/MMBtu fee. Three of the world's biggest buyers, Korea Gas, China's CNOOC, and Japan's JERA, recently signed a MOU to coordinate demands for greater flexibility in procurement.

It's a positive market signal for smaller volumes, smaller projects, and shorter contracts to become the norm. Over the past decade, short-term contracts (less than 2 years) have doubled their share of the LNG market to about 30%. The global LNG market will continue to boom.

Make no mistake though, as the market balances out in the early-2020s, the U.S. faces serious competition. Russia's $30 billion Yamal LNG in the Arctic will start exports this year, with initial sales on the spot market and moving toward long-term contracts in 2018. Yamal is 90% complete and will be Russia's second gas liquefaction plant.

Also feeling the heat of the U.S. entrance, global LNG leader Qatar just announced that it will be lifting a 12-year freeze on development of its North field ("the largest gas field in the world") to grow export capacity. Qatar has boosted contract flexility and has low production costs.

And although now exporting nearly 20% of all LNG exports, and poised to become the largest supplier in 2019, "Everyone's a Loser in Australia's LNG Boom." Australia's worsening energy supply crisis is based on higher prices and domestic supply shortages (here).

Globally, the International Gas Union lists nearly 30 new plants under construction. LNG's 10-12% share of total global gas consumption can only increase. FLNG (helping exporters reach stranded gas fields) and FRSU (helping to increase the pool of LNG importers) are lowering costs and expanding the market. In addition, more "LNG to power" projects will increase gas utilization in poor nations, a modern fuel upping human development while lowering climate changing GHG emissions.

Announcements & Reports

The EU Competition Investigation into Gazprom's Sales to Central and Eastern Europe

Source : OIES
Weblink : https://www.oxfordenergy.org/publications/eu-competition-investigation-gazproms-sales-central-eastern-europe-comment-commitments/

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/