Turkmen gas could be exported via Turkey

Hurriyet Daily News, *31.05.2017*

Gas from Turkmenistan could be transferred to other countries through Turkey once the Southern Gas Corridor is commissioned, the head of the Transit Petroleum Pipeline Department at Turkey's Energy and Natural Resources Ministry said.

Speaking at the Ashgabat International Energy Charter Forum, Reha Aykul Muratoğlu said Turkey had diversified natural gas supplies by sourcing gas from Russia, Azerbaijan and Iran. He also said Turkey was using LNG and that the country's domestic natural gas consumption was expected to be around 50 billion to 60 bcm from 2020 onwards.

"To meet this demand, Turkey is actively seeking diversification of sources through various projects including those of the Southern Gas Corridor whose value chain is $45 billion. The Southern Gas Corridor projects plan to bring natural gas from the Caspian Sea to Europe.

It includes three major pipeline projects: the expansion of the South Caucasus Pipeline through Azerbaijan and Georgia, the construction of the Trans-Anatolian Natural Gas Pipeline (TANAP) from Azerbaijan through Georgia and Turkey to Europe, and the construction of the Trans Adriatic Pipeline (TAP) through Greece, Albania and into Italy and onto Western Europe.

As much as 72 percent of TANAP's construction has already been completed, and once the Southern Gas Corridor is commissioned, Turkmenistan will be able to access other markets," he said. According to him, the Turkish Stream project is high on the agenda of the Russian Federation and Turkey.

"The project consists of four sections, two offshore and two onshore lines. For European deliveries, there should be gas sales and purchase agreements which are yet to be achieved," he said. Although no agreements have been made between Turkey, Turkmenistan, Azerbaijan and EU on the delivery of Turkmen gas to Europe, discussions are ongoing to this end.

"Discussions and negotiations between the parties have been continuing for some time. So far no concrete outcome has been achieved but we are hopeful," he said. Muratoğlu also said the Eastern Mediterranean was an emerging energy source in the world. "We think that if a holistic approach is followed here, Eastern Mediterranean gas has the potential to supply gas to both Turkey and Europe," he said.

Turkey aims to become more than an energy bridge

Daily Sabah, *26.05.2017*

Energy and Natural Resources Minister Berat Albayrak has set a new goal for Turkey's energy policy and declared that the country aims to become more than an energy bridge.

In his address at the 10th Sectorial Meeting of the Association of Electricity Distribution Services of Turkey where he explained customer satisfaction for electricity distribution services and laid out new goals for the sector, Minister Berat Albayrak underscored that Turkey has taken steps in nuclear energy and that the ministry is working "very hard" to accomplish nuclear energy projects as soon as possible.

Drawing attention to Turkey's initiatives to raise natural gas storage capacity, "Our goal is to institute a storage capacity above 10 billion cubic meters (cbm) by 2023," he said. This figure signifies a storage capacity corresponding to 20 percent of Turkey's annual consumption rate, he underlined and added, "Turkey wants to go beyond its capacity as an energy bridge."

The ministry is setting new targets for electricity distribution companies within the scope of the new customer satisfaction-oriented period. Noting that they aim to increase the satisfaction rate to 80 percent, Albayrak said: "We're getting better, and we will keep doing so. With new targets, we will set the bar even higher." Albayrak said that investment in the electricity sector for 2017 is TL 5 billion ($1.3 billion).

Albayrak said that TL 3.6 billion was the basis of investment in 2016, but the total investment in services reached TL 3.7 billion. He said that the amount of investment was TL 4 billion for 2017, but the ministry aims to increase this figure to TL 5 billion. Pointing out that call center investments are one of the most important steps, Albayrak said that 3,200 jobs were created with nine new call centers opening last year.

The minister also elaborated on infrastructure plans for institution plants to process local coal in accordance with new generation and environment-friendly high-tech plants. "We will carry out these investments with the most advanced and highest environmental criteria. If we are to do business in Turkey, we have to it in the most environment-friendly and most correct way," the minister emphasized.

Albayrak noted that they first announced the consumer satisfaction survey in the electricity distribution sector based on the March 2015-March 2016 period at the sector meeting in Trabzon last year and that they launched a new customer satisfaction-oriented period, adding that they also announced the results of the survey for March 2016-March 2017 period during this year's meeting.

Pointing out that they conducted a survey of 22,606 people in 44 provinces, Albayrak said they’ve reached a better point compared to the previous year. “Is it enough? I think not. It’s been a year, and there’s good progress. By systematizing this, we will launch a process that takes the desired level of consumer satisfaction to the maximum,” he said.

Albayrak said that points given by citizens to distribution companies in terms of service increased by 20 percent. “The grade, which was 2.86 out of 5 points last year, rose to 3.45 this year. Considering the satisfaction level due to services, that is an increase of 53 percent compared to last year,” Albayrak said.

“Considering all our citizens in total, we reach a level of 60 percent comparing the two years, which is a positive performance. But that is not enough. Our one-year performance sets a really positive agenda.”

Albayrak shared objectives for the new period at the end of his speech, saying that customer satisfaction must rise to 80 percent next year. Currently, the ratio of foreknowing power outages is at 70 percent, aiming to reach 80 percent in eliminating outages within the prescribed time.

The minister said that although positive steps have been taken regarding call centers, all 21 regions will achieve the standard of perfection that they have determined, adding, “Turkey has to achieve the same service quality and customer satisfaction for 80 million population in the entirety of 780,000 square kilometer- territory.

As in all areas, we aim for the best in this area as well for a big and strong Turkey.”Albayrak added that they have targeted reaching 70 percent in quick response to questions, extending thanks to everyone who contributed to improvements by comparison to last year. “We are changing for the better, and we will. We will set the bar higher with new targets,” he said.

Albayrak noted that over $75 billion has been invested in energy and installed capacity in energy, reaching 80,000 megawatts in the past decade. Underlining that they will continue to expand the sector with investments in at least 50,000 megawatts over the next 10 years, Albayrak said that they aim to first add 5,000 megawatts and then 10,000 megawatts of capacity in both solar and wind energy in the same period.

Turkish Stream's construction vessel on way to Black Sea

Hurriyet Daily News, *30.05.2017*

The Pioneering Spirit vessel, which will carry out the construction of the Turkish Stream natural gas pipeline's offshore section, arrived at the Çanakkale Strait early on May 30, according to the vessel's Swiss owner, Allseas.

Officials from Allseas told state-run Anadolu Agency the vessel's final destination would be Anapa on the northern Black Sea coast in Russia, where the first pipe-laying for the Turkish Stream project will start. The 382-meter-long and 124-meter-wide vessel is expected to arrive in Anapa on June 2. A shipping data revealed that a Maltese-flagged ship departed from the Netherlands.

The pipes for the pipeline will start from Anapa and will be laid over a 900-kilometer route under the Black Sea to reach the Thrace region of Turkey along the Black Sea coast. The pipeline is a transit-free export gas pipeline which will not only stretch across the Black Sea from Russia to Turkey but will further extend to Turkey's border with neighboring countries.

One line is expected to supply the Turkish market, while a second line will carry gas to southern and southeastern Europe. Each line will have the throughput capacity of 15.75 billion cubic meters of gas per year.

Turkey, Pakistan to develop energy cooperation

Azernews, *01.06.2017*

Turkey has ratified the agreement on energy cooperation with Pakistan, says a message posted on the website of Turkey's Resmi Gazete (Official newspaper). The agreement between Turkey and Pakistan was signed on September 13, 2013.

Under the document, the two countries plan to jointly produce iron ore, as well as build thermal power plants. Earlier, Pakistan's largest province Punjab and a leading Turkish energy company inked an agreement for the construction of a 200-megawatt solar power plant and another 100-megawatt power plant in Bahawalpur.

Pakistan and Turkey established diplomatic relations in 1947 and are strategic partners. Both countries are part of the Group of Eight Developing Islamic Countries (D-8). Expansion of cooperation with Pakistan will open access for Turkish companies to the Chinese market and the CPEC project – the China-Pakistan Economic Corridor.

The CPEC is a multi-billion-dollar project including a network of rail, roads, and gas pipelines to connect China to Pakistan's southwestern deep-sea Gawadar port to provide the shortest route for Chinese goods to reach the Middle East, Africa, and Central Asia.

Data of the Turkish Statistical Institution shows that the total trade volume between Turkey and Pakistan increased to $7.75 billion in the last decade, marking a 218 percent hike compared to$2.43 billion in the period of 1997-2006.

Last year, Turkey exported $347 million to Pakistan while the total value of exports to Pakistan was $2.39 billion between 2007 and 2016. In 2016, Turkey imported $263 million from Pakistan while the country's total imports from Pakistan were recorded as $5.36 billion in the period of 2007-2016.

Noble Energy eyes Leviathan payout in four years

Natural Gas World, *29.05.2017*

Noble Energy expects its revenues from Leviathan to generate an operational cash flow of $650mn/yr from the first year of production, the company said in a presentation at an investors conference organised by investment bank UBS.

Over the first 10 years of production, the company expects operational cash flow of more than $5bn. According to the company, the project promises "Steady cash flow, payout within 3-4 years." If the cash flow drops to $400mn net, the payout period will be extended by another year. Noble Energy is seeking to divest up to 10% of its holdings in the project and is looking for investors.

According to the company, the first stage of the Leviathan project requires a total investment of $3.75bn, of which Noble Energy's share, with 39.66% will be $1.5bn. Noble says that the project will be fully financed from the operational cash flow received from Tamar operations, in addition to "planned E Med portfolio management", meaning divestment of parts of the project to other investors.

However, in its latest quarterly report, Noble Energy published a facility agreement to borrow $1bn for the Leviathan development from a bank consortium led by Credit Agricole, ING Bank, and Societe Generale.

Noble claims in the presentation that the sales from day one will be at a 1bn ft^3/day, equivalent to about 10bn m^3/yr. Based on this production volume, a wellhead gas price at $5/mn Btu and production cost of $0.4/mn Btu the company expects operational cash flow of $650mn/yr.

Noble intends to increase its gas production in Israel to 4 Bcf/d, from both its assets in Tamar and Leviathan, saying that the current gas regional deficit is at 4 Bcf/d and will grow to over 9 Bcf/d. That might contradict discoveries in Egypt over the last two years, which led to massive investments and rapid development of Zohr gas field, offshore Egypt, as well as other natural gas assets.

Noble Energy bases its projected revenues on the price it charges customers in the Israeli domestic market, an average of $5.30/mn Btu and on the claim that regional markets will be undersupplied for years to come.

However despite gas shortages in Egypt in the last few years, which forced the Egyptian government to start importing large quantities of LNG, so far no gas sales agreement has been signed with Israel. And the Leviathan partnership has contracts only for 3-4bn m^3/yr, the biggest of them with Jordan's National Electric Power Company.

The monopolistic prices Tamar charges in Israel are not achievable anywhere else and there are signs that gas shortages in regional markets in Egypt and Turkey, the two main target markets for Israeli gas, are easing.

In addition, major energy companies, such as ExxonMobil, Statoil and Total, are about to begin exploratory drilling offshore Greek Cyprus and possibly Lebanon, which may lead to additional gas discoveries which will shake the regional energy markets and make Israeli gas superfluous.

Another obstacle in Noble's optimistic assessment is the pipeline needed to transmit gas from Israel's exclusive economic zone either to Egypt or to Turkey. Access to these markets will require the laying of 500 km of underwater pipelines, costing $2bn in either direction. That limits the attractiveness of the enterprise even if gas prices do not fall.

SOCAR talks work as part of Southern Gas Corridor's projects

Azernews, *01.06.2017*

The work on the project of developing Stage 2 of Azerbaijani Shah Deniz gas condensate field has been completed by 93 percent, Khoshbakht Yusifzade, first vice president of Azerbaijan's State Oil Company SOCAR, said. Yusifzade made the remarks at the 14th International Caspian Oil and Gas Conference in Baku June 1.

He said that two wells are being drilled at the field, adding that work at another well is under completion. "The South Caucasus Pipeline Expansion Project has been completed by 85 percent," he said. "The Trans-Anatolian Natural Gas Pipeline (TANAP) has been constructed by 72.4 percent."

"The section of the pipeline stretching to the city of Eskisehir will be commissioned in the middle of 2018," he added. "Afterwards, Turkey will be able to receive more than 6 billion cubic meters of gas annually from Shah Deniz field. TANAP's section stretching to the border with Greece is planned to be commissioned in 2019."

As part of the Stage 2 of the Shah Deniz field development, the gas will be exported to Turkey and European markets by expanding the South Caucasus Pipeline and the construction of Trans Anatolian Natural Gas Pipeline (TANAP) and Trans Adriatic Pipeline (TAP). All those projects are a part of the Southern Gas Corridor.

The Southern Gas Corridor is one of the priority energy projects for the EU. It envisages the transportation of 10 billion cubic meters of Azerbaijani gas from the Caspian region to the European countries through Georgia and Turkey.

At the initial stage, the gas to be produced as part of the Stage 2 of development of Azerbaijan's Shah Deniz field is considered as the main source for the Southern Gas Corridor projects. Other sources can also connect to that project at a later stage.

Greece's Energean inks deals to supply Israeli gas to Dalia and Or

New Europe, *31.05.2017*

Energean Oil & Gas announced that its subsidiary Energean Israel has signed with Dalia Power Energies and Or Power Energies, two agreements for the supply of natural gas from the Karish and Tanin fields, offshore Israel.

Dalia and Or will purchase part of their gas requirements from Karish-Tanin to operate the Dalia power plant, the largest private power station inTzafit, as well as future power plants to be built by Or, Energean said. Under the Supply Agreements, Energean Israel has undertaken to supply the Purchasers with an overall amount of up to 23 bcm of gas from Karish-Tanin over the lifetime of the contracts.

The period of the Supply Agreements will start from the date natural gas flows in commercial volumes from Karish-Tanin to the Purchasers, and conclude at the point when the Purchasers' generation licenses need to be extended.

Energean noted that the Purchasers have agreed to a Take or Pay arrangement for a minimum annual amount of natural gas from Energean Israel, at a price linked to Israeli electricity markets and underpinned by a floor price.

Energean Oil & Gas Chairman and CEO Mathios Rigas said the agreement is a significant day for the Israeli gas market. "These are the first contracts for gas supplies from the Karish and Tanin fields signed with the Dalia group, the largest private power producer in Israel.

The agreement is a substantial step towards bringing competition and cheaper energy to the market for the benefit of Israeli consumers and the country's economy. Energean is in talks regarding further contracts with other potential customers in the market and is aiming to submit a Field Development Plan for the Karish and Tanin project in the next few weeks," Rigas said.

For his part, Dalia Power Energies Company CEO Eitan Meir said Dalia and Or Energy are working to expand the volume of production offered by them while continue to reduce the price of electricity. |We are pleased to sign the agreement that expands the gas sources and the ability of the companies to offer their customers electricity at a competitive price. Competition in all segments of the electricity sector will serve the public and the Israeli economy," Meir said.

Iran signs initial deal with Gazprom for Farzad B gas field

Oilprice, *31.05.2017*

Russia, Saudi Arabia Hail Oil Output Deal For Stabilizing World MarketsIran has signed an initial agreement with Russia's gas giant Gazprom for the development of the Farzad B gas field, Iran's Oil Minister Bijan Zanganeh told Argus Media in an interview published on Tuesday, in what is the latest episode of the saga over the field which Tehran had been taking its time to award to an Indian consortium.

Asked about whether he had discussed the Farzad B field at a recent meeting with Gazprom, Zanganeh told Argus: "Yes. We have signed an initial agreement with them for Farzad, the North Pars and Kish fields."

Earlier this year, India was said to have decided to reduce its crude oil imports from Iran in a kind of retaliation for Tehran delaying the license decision on the Farzad B gas field. An extraordinary metal that is vital to the electric car boom is facing a critical shortage. One small company has positioned itself to profit hugely from the coming price shock.

Farzad B is estimated to contain over 350 billion cu m of natural gas, with its productive life seen at 30 years. Indian giant ONGC has submitted a US$3-billion bid for the development of the field, but Tehran has been taking its time, waiting for rival—and potentially better—offers.

As a result, India has instructed local refiners to shrink the input from Iran to 190,000 barrels daily from 240,000 bpd – close to half of the total daily import rate for Iranian crude for the period from April 2016 to this February. Iran has managed to get to the no. 3 spot among the top crude oil exporters to India, after Iraq and Saudi Arabia.

Last week, minister Zanganeh was quoted as saying that Russian companies could be stepping in to replace India in the development of the Farzad B gas field. According to Russian news agency TASS, Zanganeh suggested that Russians could be the ones filling in for the Indian consortium if the deal with India fails.

Iran eyes 5.3 Bcf/d of additional natural gas production from South Pars phases 17-21

Platts, *30.05.2017*

South Pars development phases 17-21 will add more than 150 mcm/d (5.3 Bcf/d) of new gas production from the giant Iranian offshore field when they achieve full operating capacity, oil ministry news agency Shana reported Saturday quoting the CEO of National Iranian Oil Company, Ali Kardor.

“We are now witnessing their completion and operation,” Kardor said, according to a transcript Shana published of an interview by Iran Petroleum. In a separate Shana report, Iran Petroleum put South Pars’ current gas output at 540 million cu m/d, up from 280 million cu m/d in 2013, when Hassan Rouhani first became president.

Development of the field started 15 years ago and has accelerated under Rouhani’s administration, Iran Petroleum reported. To date, eight new South Pars phases have been brought on stream by the Rouhani administration. Rouhani was elected May 19 to his second term in office. Project phases 12, 15 and 16 were completed earlier.

Iran’s petroleum ministry has assigned top priority to the development of South Pars, which has gas reserves estimated at about 500 Tcf, not only because of the Persian Gulf field’s huge size but also because it extends across Iran’s maritime border with Qatar.

Qatar calls its side of the gas deposit North Field and estimates the gas reserves at roughly 900 Tcf. “After the new administration took office, crude oil prices had fallen, we were under sanctions and our oil export rate had declined. Therefore, NIOC’s financial resources had declined sharply and we could not develop all phases together,” Kardor said. “Had we done so, none of these phases would have reached production.”

Financial resources were allocated first to projects that had progressed the furthest so that they could be brought into production faster, he added. Financing remained a serious obstacle to development, Kardor said. With sanctions still in place, about $3 billion in financial guarantees were extended to contractors by the National Development Fund of Iran to enable South Pars development work to proceed, he added.

Total development costs for phases 17-21 was around $18 billion: nearly $7 billion for combined phases, $5.5 billion for phase 19 and $5.3 billion for the combined phases 20 and 21, he said. Each new South Pars phase would raise Iran’s GDP by 1%, Kardor estimated, adding that incremental South Pars gas supplies would displace liquid fuels, allowing the country’s oil exports to rise. “Any delay in bringing these phases into operation means funneling profits to Qatar’s market,” he said.

The lifting of nuclear sanctions in January 2016 after Iran signed a nuclear deal with the P5+1 group of international powers, known as the Joint Comprehensive Plan of Action, speeded up South Pars development by enabling Iran to import essential equipment that had been impounded in European countries and the UAE, Kardor said.

Now facing the prospect of production declines at some South Pars phases without facilities upgrades, Kardor said compressors and pressure-booster platforms were being installed to avert a pressure decline that would hurt output.

“These platforms weigh 19,000 to 20,000 mt. Iranian companies can build platforms weighing up to 7,000 mt and the contractors’ yards do not have the equipment to build pressure-booster platforms. Therefore, we have to apply special equipment and technology which Iranian companies lack,” he said, explaining the need for foreign input. Eventually, as Iranian contractors worked alongside international partners and gained more experience, the construction know-how would be transferred to Iran, he said.

Long-term reliance on the National Development Fund of Iran for finance would be unfeasible, Kardor said. “Mere reliance on the NDFI resources is not a long-term and defendable approach. These resources will help the development of jointly owned fields until the way is cleared for attracting foreign investment,” he added.

“NIOC is making efforts to apply a variety of investment attraction methods in order to reduce dependence on domestic financial resources. This company is facing numerous financial bottlenecks. In order to deal with development projects under such circumstances we need to develop skills to attract foreign investment and apply creative methods,” he said.

Kardor described NIOC’s recent Eur550 million ($615 million) deal to buy corrosion resistant steel tubing from Spanish manufacturer Tubacex as one that would both assist further development and maintenance efforts at South Pars, where the pipes are extensively used, and facilitate technology transfer to Iran.

“NIOC is serious pursuing the transfer of technology for building this tubing in the country,” he added. On the development of Iran’s offshore North Pars gas field, Kardor said it was a project for future development as the field lay entirely within Iran’s territorial waters.

However, North Pars gas could be used to make up for any production shortfalls in the event of a fall-off in reservoir pressure, he added. “If not, we can use the North Pars gas for LNG and exports,” Kardor said.

“Development of jointly owned fields remains a priority for NIOC and that is why all activities in South Pars are concentrated on maximum recovery from this field,” he added. Iran holds the world’s second largest gas reserves after Russia, but currently consumes almost all the gas it produces, offsetting limited exports to Turkey and Azerbaijan with imports from Turkmenistan. It expects to become a major gas exporter, starting with proposed pipeline exports to Iraq, Oman and Pakistan.

‘Axis of love’: Saudi-Russia detente heralds new oil order

Reuters, *01.06.2017*

A meeting between two men who run Russia and Saudi Arabia’s oil spoke volumes about the new relationship between the energy superpowers. It was the first time Rosneft boss Igor Sechin and Saudi Aramco’s Amin Nasser had held a scheduled meeting - going beyond the numerous times they had simply encountered each other at events.

Their conversation also broke new ground, according to two sources familiar with the talks in the Saudi city of Dhahran last week who said the CEOs discussed possible ways of cooperating in Asia, such as Indonesia and India, as well as in other markets.

The sources did not disclose further details, but any cooperation in Asia between Russia and Saudi Arabia - the world’s two biggest oil exporters - would be unprecedented. State oil giant Aramco confirmed the meeting took place but declined to give details of the closed-door talks, which took place on the same day as OPEC kingpin Saudi Arabia and non-OPEC Russia led a global pact to extend a crude output cut to prop up prices. Kremlin oil major Rosneft declined to comment.

The meeting - which also saw Nasser give Sechin a tour of Aramco’s HQ, according to the sources - gives an insight into the newfound, unexpected and fast-deepening partnership between the two countries. It is one that will be closely watched by big oil consumers around the world which have long relied on the hot rivalry between their top suppliers to secure better deals.

Such a detente between Moscow and Riyadh would have been almost unthinkable in the past. Up until a year ago, the two sides had virtually no dialogue at all, even in the face of a spike in U.S. shale oil production that had led to a collapse in global prices from mid-2014. Sechin was strongly opposed to Russia cutting output in tandem with OPEC.

In a sign of their white-hot Asian rivalry, Rosneft outbid Aramco to buy India’s refiner Essar last year and boost its share in the world’s fastest growing fuel market. Fast forward a matter of months, and Moscow and Riyadh have become the main protagonists of the pact to cut output - agreed in December and extended last week - and are even discussing possible cooperation in their core Asian markets.

“It is a new ‘axis of love’,” one senior Gulf official said of the relationship. On Tuesday, Putin welcomed Saudi Deputy Crown Prince Mohammed bin Salman in the Kremlin and both men said they would deepen cooperation in oil and work on narrowing their differences over Syria, where Moscow and Riyadh are backing opposing sides in a civil war. “The most important thing is that we are succeeding in building a solid foundation to stabilize oil markets and energy prices,” said Prince Mohammed. Putin said the countries would work together to resolve a “difficult situation”.

The first attempt at cooperation between the two countries failed spectacularly with both sides unable to agree joint actions at an OPEC meeting in December 2014, six months after oil prices began tumbling from above $100 a barrel.

To add insult to injury, Sechin pledged to keep pushing output higher, even if prices fell to $20 per barrel. Saudi’s then oil minister, Ali al-Naimi, retaliated by saying the Russian oil output would collapse as a result of low prices, a prediction that turned out to be wrong.

Much has changed since then, however, economically and politically - and the unlikely partnership between Moscow and Riyadh has been born out of necessity. When oil prices collapsed, both economies were driven into deficit after years of high spending and are only now slowly recovering.

With Russia heading for a presidential election in early 2018, and Prince Mohammed having pledged to reform the Saudi economy and publicly list Aramco, neither country can afford another oil price shock.

The ousting of veteran minister Naimi and his replacement with the more pragmatic Khalid al-Falih last year also appeared to have helped, with their dialogue facilitated by OPEC’s new secretary general Mohammad Barkindo.

“If minister Falih says something, I know it will be done,” Russian Energy Minister Alexander Novak said last week in Vienna after Russia and OPEC agreed to extend output cuts. Novak is looking to organize a trip for Falih to a Russian Arctic field, having visited Aramco’s facilities in the Empty Quarter desert himself last October. “Last year, minister Falih took us to a desert - we want to show him an ice desert,” Novak joked last week.

On Tuesday, Novak and Falih reiterated in Moscow they would do “whatever it takes” to stabilize oil markets, borrowing a famous phrase used by European Central Bank President Mario Draghi five years ago to defend the euro.

They also discussed the outlook for non-OPEC production including U.S. shale output, which has resumed growing over the past year as private American producers have cut costs and adapted to lower prices. U.S. crude is now being exported all over the world and the chances of private producers agreeing to cooperate with OPEC are minimal because of tough U.S. anti-monopoly legislation.

“Both Russia and the Gulf countries are interested in some type of oil price stabilization and they hope that they can achieve this without undertaking a sort of massive cuts which they had to do back in the 1980s,” said Paul Simons, a former U.S. diplomat now serving as deputy executive director of the International Energy Agency. Saudi Arabia and Russia say they will remain in partnership long after the current output reduction deal expires.

“It is necessary to work out new framework principles for continued cooperation between OPEC and non-OPEC even after the expiration of the Vienna agreements,” Novak said on Wednesday. Falih, for his part, ended his speech by thanking Novak in Russian: “Spasibo.”

OPEC can still do what it takes to prop up oil

Bloomberg, *01.06.2017*

"We're going to do what it takes," Al-Falih, Saudi Arabia's energy minister, said in March. But by agreeing to an unexciting extension of cuts on May 25, the OPEC is merely tinkering. Unless the group acts decisively, it faces a slow process of attrition in rebalancing the market.

But it can act decisively in two directions: much deeper cuts, or a longer-term commitment to higher output to scare off competitors. As Bloomberg's Julian Lee notes, the current cut is minor compared to past episodes. Previous reductions of 4 million to 5 million bpd compare to a commitment of 1.7 million bpd this time.

It is even less impressive when considering that this is the first time the cartel has had real (if partial) cooperation from significant non-OPEC producers. The last three major cuts occurred under different circumstances, though. All were in response to recession-led slumps in demand -- the 1998 Asian crisis, 2001 dot-com crash and 2008-2009 global financial meltdown.

The current situation more closely resembles the mid-1980s, when rising output from new basins outside OPEC (the North Sea, Mexico and Alaska) meant that the group's production cuts -- in practice, largely Saudi -- simply progressively ceded market share while failing to defend a price target.

Proposals have been offered for a manipulation of the market, such as Goldman Sachs' plan to try to flip it into backwardation. But these require impossible precision and coordination. Within OPEC, Libya and Nigeria cannot control their production levels or make any credible commitments, but rising Nigerian output has brought the country under pressure to consider a cap at some point.

After the decisive re-election of President Hassan Rouhani, Iran is set to tender its giant new Azadegan field for international investors. Iranian output will not rise much for now, but it is certainly not willing to consider additional cuts. Iraq is chafing at its limits, with development resuming at some key fields.

And the two leaders of the new (N)OPEC group, Saudi Arabia and Russia, have to herd the non-OPEC members who have joined, while there is still suspicion over Russia's full compliance with the agreed limits. There is no prospect of bringing in any more significant producers -- Norway, Canada or Brazil. Other adherents to the agreement, such as Kazakhstan and Mexico, have new production in the works, sooner or later. Al Falih's predecessor, Ali Al-Naimi, who was dismissed last May, did not want to repeat the experience of the 1980s, when Saudi exports virtually dried up in a fruitless attempt to defend the price. He hoped that this time, a period of sharply lower prices would take care of the shale threat.

His strategy worked only partially, and was not given enough time. The kingdom is not in shape for a price war. Its National Transformation Plan will take years to show a real effect in diversifying the economy away from oil. The recent reinstatement of bonuses and allowances for state employees and the military does not raise confidence in budgetary discipline.

Net foreign assets fell below $500 billion in April for the first time since 2011. And the sharp escalation in tensions with Iran since President Donald Trump's visit to Riyadh dashed hopes of an end to the war in Yemen or a decline in arms spending.

So Saudi Arabia has abandoned Al-Naimi's strategy in favor of limited cuts, which just encourage competition from shale and other non-OPEC output by providing an implicit price floor around $50 per barrel. Unnoticed in the uproar about shale, Norway and deep-water producers such as Brazil have also managed to cut their costs sharply and return to production growth.

Since OPEC has failed to dam the flood of capital into shale in the short term, perhaps it can do so in the long term. It could also deter investment into higher-cost, long lead-time conventional projects; encourage rising demand; and discourage competing technologies such as electric vehicles. And it can provide an answer to the conundrum: What happens when cuts expire, assuming inventories are by then back around "normal" levels?

In this approach, OPEC would continue the current cuts -- or deepen them, if possible -- for a limited period. But it would credibly commit after that to a transition to consistently higher output and so lower prices.

If "$60 is the magic number," as one Permian Basin private equity investor opined, then the exporters' organization should keep prices well below that. This is similar to Goldman Sachs' proposal, but does not rely on trying to manipulate the shape of the futures curve. OPEC should wield a bludgeon, not a scalpel.

Such a credible commitment requires approval of a pipeline of new oil production, alongside retooling the oil exporters' economies to enable them to survive. Led by the Saudis, this strategy would help gain the adherence of members such as Iran and Iraq -- and non-OPEC Russia -- which have aspirations for higher output.

Of course, this approach would be deeply opposed by weaker OPEC members, notably Venezuela, but there is not much they can do about it. It carries risks, even the breakdown of OPEC, but so does the strategy of smoothing shale's path with minor cuts that neither boost prices much nor gain market share. Promising to "do what it takes" calls for bold thinking.

Is this Saudi Arabia's newest strategy to boost oil prices?

Oilprice, *29.05.2017*

OPEC's new strategy to balance the oil market is to cut oil exports to the U.S., a move intended to drain near-record-high crude oil inventories.

OPEC originally thought that six months of combined production cuts would be sufficient to balance the oil market, but the market still looks oversupplied. Not everyone agrees on this. The IEA has argued that we probably have already reached "balance," which is to say, demand has caught up with supply. The energy agency says that the market is moving into a supply deficit situation in the second half of this year, if it hasn't already.

But the problem is that the one metric that OPEC officials themselves have held up as the key barometer to watch is the level of global crude oil inventories, rather than the immediate supply/demand balance. And on that front, they sort of shot themselves in the foot by ramping up exports just ahead of the implementation of the cuts late last year.

Elevated exports in November and December meant that huge volumes of oil started reaching U.S. shores in January. It is no wonder that U.S. inventories surged in the first quarter. The flood of oil set back OPEC's efforts right off the bat, and even close-to-100-percent compliance on the production cuts was not enough to drain inventories at the speed needed to declare victory by June.

The huge increase in U.S. inventories means that OPEC needs six months just to get inventories back to where they started at the end of last year. "Producers unintentionally accelerated activities that would ultimately obstruct, and for a period reverse, the very rebalancing they were trying to accelerate," Ed Morse, head of commodities research at Citigroup, said in April.

So, here we are, back at the starting line, this time with a promise of nine more months of cuts. OPEC's strategy this time around is to directly target U.S. inventories, rather than simply taking barrels off of the global market.

"Exports to the U.S. will drop measurably," Saudi energy minister Khalid Al-Falih told reporters after the OPEC meeting last week. Some sources familiar with the Saudi strategy told Bloomberg that Saudi oil exports to the U.S. will drop below 1 million barrels per day in June, a reduction of 15 percent below the average so far in 2017. If the Saudis keep exports below the 1 mb/d threshold, it will be the lowest level of exports to the U.S. in years.

An extraordinary metal that is vital to the electric car boom is facing a critical shortage. One small company has positioned itself to profit hugely from the coming price shock. In a global marketplace, why does it really matter where the Saudis send their oil?

In terms of global supply, a barrel sent to Asia is the same as a barrel exported to the U.S., so what's the point of targeting the U.S., specifically? The logic is that the U.S. has nearly real-time data on crude oil storage, unlike most other places in the world – data that is publicly available.

Some analysts believe that oil inventories have been falling around the world for quite a while even as they climbed in the U.S., but because the markets pay close attention to U.S. data, the increase in U.S. inventories in the first quarter weighed on sentiment and prices. After all, nobody really knows what is going on with storage levels in China, for example. But precisely because the U.S. has transparent data, Saudi officials believe that they can provide a jolt to the market but attempting to put a dent in storage tanks along the U.S. Gulf Coast. The strategy could have some merit.

"The market has been given clear independent and verifiable metric of how Saudi cuts -- and hopefully broader OPEC -- are working out over the summer," Amrita Sen, chief oil analyst at Energy Aspects Ltd., told Bloomberg.

It will take a bit of time for the effects to be felt. The typical transit time for an oil tanker from the Middle East runs from 35 to 55 days, according to Bloomberg, which means that the U.S. import data should start showing some signs of the strategy by mid-July. If imports drop off, that will mean more oil will have to be drained out of storage. When that occurs, oil traders will grow more confident that the market is on the mend.

Of course, if Saudi Arabia simply reroutes some of those exports to Asia, then inventories in Asia could rise. But, because the data is poor, the markets might not realize that the barrels originally destined for U.S. shores are not actually coming off the market but are turning up elsewhere.

Stockholm arbitration court appears to hand Ukraine victory over Gazprom

Financial Times, *29.05.2017*

A Stockholm arbitration tribunal appeared on Wednesday to have granted a major victory to Ukraine – and a big blow to Russia's Gazprom – in making one of its first of several rulings in a three-year dispute between both countries' state-controlled energy conglomerates.

Stakes are high with counter claims and future possible costs in the $80-$100bn range. Ukrainian officials told journalists that the Arbitration Institute of the Stockholm Chamber of Commerce "rejected" Gazprom's controversial "take or pay" claim, which would have seen Ukraine paying some $34.5bn for gas supplies not delivered but envisioned by contract.

“We did it,” Andriy Kobolyev, CEO of Ukraine’s state gas company Naftogaz, wrote in a Facebook posting that linked to the iconic song by Queen “We are the Champions.” A negative outcome involving multi-billion-dollar payments to Russia’s Gazprom threatened the very solvency of Naftogaz.

Gazprom is “studying” the response from the court, a spokesman said. Wednesday’s arbitration decision covered legal and factual issues over a controversial and disputed 2009 gas supply contract.

Ukraine inked it under pressure after Gazprom cut off flow denting domestic and European supplies amid a price dispute. An arbitrator decision on monetary awards over the supply case is expected to be issued later this month should both sides fail to reach compromises. A ruling on a related gas transit case is to follow.

Should the rulings go against Gazprom, it would in addition to potentially hefty losses face a precedent that hurts often strong-armed negotiating power in key markets. Kiev challenged fairness of the “take or pay” clause requiring it to pay for excessive volumes of gas not imported – and related fines. Naftogaz also claims Gazprom underpaid for transit flow and argues contractual renegotiation is necessary after Ukraine adopted EU energy market rules.

Gazprom argued the contract – and its clauses – were binding. Wednesday’s arbitration decision provides the first major outcome from a growing pile of litigation between once friendly neighbours — spanning from business disputes in Stockholm to human rights, waging of war and asset seizures in the Hague – that followed Russia’s 2014 Crimea annexation and subsequent fomenting of a separatist war in Ukraine’s far east.

The ruling poses a major victory for Naftogaz, whose management has in past years won praise from Ukraine’s western backers. Their reform efforts cut corruption and wasteful nationwide gas consumption while diverting supplies away from costly Russian imports. Long one of Ukraine’s biggest drains on state coffers, Naftogaz generated $1bn in profits last year.

The prospects of making hefty awards to Gazprom could have forced Naftogaz into bankrupcty, removing it from a current role as dominant domestic supplier. Officials cautioned, however, that a negative arbitration outcome would not have challenged state ownership over Ukraine’s vast natural gas transit pipeline. Though managed by Naftogaz, it is not a corporate asset.

The pipeline is to be unbundled out of the Naftogaz group of companies through an ongoing process that is linked to to EU market rules. It envisions separation of gas production, supply and transit operations. Yet Russia’s plans to expand Nord Stream and other pipeline projects bypassing Ukraine threatens to further sharply cut future transit flow through the Ukrainian pipeline.

Ukraine's Naftogaz says it wins ruling against Gazprom over contract

Reuters, *31.05.2017*

Ukraine's Naftogaz said on Wednesday an arbitration court in Stockholm had ruled in its favour in a dispute with Gazprom over take-or-pay gas contracts, although the Russian firm said the ruling was an interim stage in the court process.

The result was welcomed by Ukrainian leaders as a breakthrough in Kiev's bid to reduce its energy dependence on Moscow after a 2013-14 uprising. The gas dispute is a byproduct of the worsening relations between Kiev and Moscow since Russia's annexation of Crimea and the eruption of Russian-backed separatist violence in Ukraine's Donbass region, which has killed more than 10,000 people.

In June 2014, Gazprom and Naftogaz lodged multi-billion-dollar claims against each other with a Stockholm arbitration court, which resolves commercial agreement disputes. Ahead of the court's first ruling, there had been no consensus on the likely outcome.

In a post on Facebook, Naftogaz Chief Executive Andriy Kobolev announced the decision in the company's favour by posting a link to hit song 'We Are The Champions,' and writing "We did it." "The tribunal rules Naftogaz Ukraine is entitled to a market-reflective adjustment of the price formula," Naftogaz spokeswoman Olena Osmolovska said.

A later ruling will decide how much Naftogaz could gain financially from winning the case in which it argued that its 10-year contract with Gazprom, which expires in 2019, is unfair and illegitimate. Gazprom said in a statement it did not expect a final decision from the Stockholm court before the end of June.

Naftogaz, which is seeking a total of $30.3 billion from Gazprom, wants a lower price for Russian gas and disputed the take-or-pay clause requiring buyers to pay for gas whether they take physical delivery or not. In a separate case, also being heard in Stockholm, Kiev has demanded a higher tariff for the transit fee it charges Russia to transit to Europe. The case is ongoing.

Gazprom sought a total of $47.1 billion from Naftogaz over the two disputes. Since 2014, Ukraine has been weaning itself off reliance on Russian energy supplies and has not bought gas directly from Russia since November 2015, relying instead on purchases from European Union member states and its own supply.

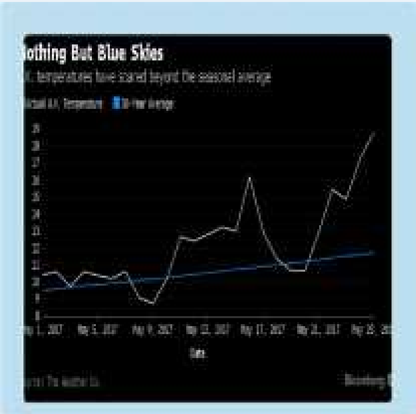
President Petro Poroshenko welcomed the ruling as an "important step on the road to energy security." "Moscow, for the first time, has lost the ability to use gas as a weapon of political pressure and blackmail," he said in a statement. Russia temporarily cut off gas to Ukraine in June 2014 over what it said was Kiev's unpaid debt for shipments.

Ukraine's prime minister called it a Russian plot to destroy the country. Russia had previously halted gas flows to Ukraine in 2006 and 2009, causing painful shortages in freezing weather in some EU nations.

Poroshenko said Ukraine remains a reliable transit route for gas from Russia to Europe. Further down the road, Ukraine risks losing billions in gas transit fees it still collects from Russia if a controversial new pipeline, Nord Stream 2, is completed.

A little bit of sunshine sends European gas prices tumbling

Bloomberg, *26.05.2017*



There's beautiful weather across most of Europe, which won't please natural gas sellers. Mean temperatures in northwest Europe are set to be more than 20 degrees Celsius, 5 degrees above the 10-year average. Same-day gas in the U.K., a European benchmark market, has fallen for eight sessions, its longest declining streak in almost a decade.

Blame the sunshine. A string of warm, sunny days has pushed British demand for gas below the five-year average for most of the past two weeks. It's also increased available solar power to a record high, reducing the need for gas in power generation.

"It's all fundamentals," said Jade Kalinowsky, a senior trader at Fredericia, Denmark-based utility Dong Energy A/S. "Normal demand today should be 212 million cubic meters and it is forecast to be 168 million cubic meters."

Same-day gas in the U.K. fell 1.6 percent to 36.1 pence a therm ($4.64 per million British thermal units) at 1:12 p.m. London time, extending its drop this month to 12 percent, compared with no change in the same period last year, according to broker data compiled by Bloomberg since 2007. Longer-term contracts rose with commodities benchmark Brent crude.

Adding to the short-term contract plunge is the lack of the Rough gas storage facility, which is offline for repairs until at least next year and so unable to soak up surplus supply. Market participants inject fuel into the site for use in winter during warmer months, including May.

Most traders are bearish front-month gas as additional liquefied natural gas sails to the region. Seven LNG cargoes are currently scheduled to arrive in northwest Europe through the first 10 days of June.

U.S. shale booms and depresses oil prices again

Reuters, *01.06.2017*

U.S. oil production continues to rise relentlessly, frustrating efforts by OPEC and non-OPEC oil exporters to rebalance the global market and secure an increase in the price of crude.

After a devastating slump in 2015 and 2016, the U.S. oil industry has returned to strong growth, with drilling and output rising rapidly (tmsnrt.rs/2qJXDCG). U.S. production is now forecast to grow by an average of 440,000 barrels per day (bpd) in 2017 and another 650,000 bpd in 2018, according to the U.S. EIA. U.S. crude and condensates output rose by 62,000 bpd month-on-month to almost 9.1 million bpd in March ("Petroleum Supply Monthly", EIA, May 2017).

Production has increased by more than 530,000 bpd from its recent low of less than 8.6 million bpd in September, adding to an already well-supplied global market and delaying a drawdown in stocks. Weekly estimates prepared by the agency indicate output continued to increase in April and May and now stands at around 9.3 million bpd ("Weekly Petroleum Status Report", EIA, May 19).

While the weekly estimates are considered less reliable than the more comprehensive monthly numbers, they have generally provided a good guide to trends in the monthly data. Most of the extra output between September and March came from oilfields in the Gulf of Mexico, where production increased by 257,000 bpd, and Alaska, where output was up by 74,000 bpd.

But production from fields in the Lower 48 states excluding the Gulf of Mexico, most of which comes from onshore shale plays, also rose, by 200,000 bpd. In March alone, production in the Lower 48 states excluding the Gulf of Mexico rose by 35,000 bpd to its highest level in nearly a year.

U.S. shale output will almost certainly rise substantially in the rest of 2017 and into 2018 given the typical six-month lag between spudding new wells and the beginning of their commercial production.

Reported output for March mostly reflects wells started before the end of September 2016, when there were fewer than 425 rigs drilling for oil in the United States, according to oilfield services company Baker Hughes.

The number of active oil rigs has now increased to 722, and thousands of extra wells have been drilled in the meantime, with many still waiting on completion services before starting to flow. As these wells are hydraulically fractured and connected to gathering systems, production will increase further in the remaining months of 2017 and into early 2018. The speed and scale of the surge in U.S. production has surprised most within the oil industry, even top forecasters. The EIA predicts U.S. production will hit 9.74 million bpd by the end of 2017 and 10.35 million bpd by the end of 2018 ("Short-Term Energy Outlook", EIA, May 2017).

As recently as the start of the year, the agency was forecasting output of just 9.22 million bpd by the end of 2017 and 9.44 million bpd by the end of 2018 (“Short-Term Energy Outlook”, EIA, January 2017).

The EIA has revised its predictions for average production in 2017 up by 310,000 bpd and its forecast for the average in 2018 up by 660,000 bpd since January. With output also rising in Brazil, Norway and several other non-OPEC countries, the scale of the U.S. boom explains why OPEC and its allies are struggling to engineer a deficit in the global oil market and push stocks down to their five-year average.

OPEC and non-OPEC are making slow progress despite reported high levels of compliance with output cuts implemented from the start of 2017 and recently extended to the end of March 2018. Ultimately, prices rather than planned cuts will rebalance the market, which will most likely require a period of flat or lower prices to curb shale growth and ensure U.S. output does not outstrip demand.

Oil prices on a slippery slope

Forbes, *30.05.2017*

As I’ve articulated in the last Forbes.com articles, I believe that oil prices are going to drift much lower over the coming year. I keep harping on it because I am fighting a pervasive bullish bias in the financial media and in street expectations.

It’s important as an investor to know what not to own. And as a hedge fund manger, I’m making money on volatile oil prices by shorting three highly levered oil service companies: Ren Energy (REN), Andarko Petrolium (APC) and Continental Resources (CLR) as well as I’m long two levered (short) ETFs: SCO, tied to the price of oil directly, and DUG which reflects a short basket of energy companies.

The consensus bullish case hinges on expectations that OPEC (for the first time ever) will cut production to keep the price high. Plus, we’re entering the seasonally strong driving season in the U.S. Oh, and gasoline inventories are slightly below all-time-highs and appear to be falling.

As for OPEC, none of the 6 main member nations are in a position to cut production for long. Why? They are broke. There’s no economic stability because their economies are one dimensional. Meanwhile, they lack social stability and reside in the middle of a big war zone. A common fallacy among traditional analysts is that despite their desperate need for cash, OPEC nations will willingly agree to diminish their cash flows.

Everyone knows U.S. shale production is thriving. What’s not on the average analyst’s radar is the potential increase in conventional U.S. production. Under Trump, the regulatory jihad against the energy sector is over. Trump’s choices for Secretary of Energy, the Interior and as head of the EPA, will ensure more conventional energy production.

As an example, on March 6th, the Department of the Interior issued a press release stating that new Secretary Ryan Zinke has called for an auction of 73m acres of Gulf of Mexico oil fields. Upon the announcement, oil prices promptly fell from $53 a barrel to $47. The U.S. bombing of Syria reversed the decline sending oil prices right back to $53. Now I'm short again and here's why.

Estimates for U.S. shut in capacity (still in the ground) keep rising while the cost of drilling in shale keeps falling. Meanwhile liberalizing energy policies across South America will lead to the production of substantial new supplies.

And cash strapped OPEC countries are being forced to borrow against future oil production, taking money now in exchange for revenues in the future. This pre-export financing is risky because when oil prices continue to fall, as I believe they will, borrowers will be forced to pump more to make payments, further increasing supply and driving down prices.

Under this scenario, OPEC will not cut production. They will not be in charge of the price anymore. And Saudi Arabia will struggle in their attempt to diversify their economy away from oil. They have no cultural or economic infrastructure to allow that.

Now that we've seen the first of what I expect will be several announcements from the Trump administration, analysts will begin focusing on the huge amount of U.S. reserves lying fallow on land and in shallow water in U.S. territory. Once they start adding them to their future expectations for production, they'll find that these are low cost reserves. Don't let anyone tell you they aren't recoverable at this price.

Drilling is regulated by the Bureau of Land Management (BLM) and the Bureau of Ocean Energy Management (BOEM), both under the auspices of the department of the interior. Both have new leadership and the chain of command is energized to expedite exploration. The following maps are from the BOEM site and show where companies have applied for permits to deploy 2D and 3D seismic technology to analyze the shallow water reserves on the Atlantic Ocean's Outer Continental Shelf (OCS).

The chart below shows how restrictive the government has been in regard to the issuance of oil leases on federally controlled territory. Note the precipitous decline (red line) in the number of leases granted since 2005, falling from almost 12,000 leases granted to just over 500 in 2016. Obviously, other Presidents presided over this decline since it began in the mid 80s.

One of the great ironies of George W. Bush's tenure was his enactment of the wildly distorting ethanol mandate to "wean ourselves of our dependence on foreign oil" while his policies simultaneously restricted oil production.

He maintained Clinton's State Department moratorium against exploring on the OCS until oil prices skyrocketed to $144 per barrel in the summer of 2008. That's when he buckled...announcing the end of the state department moratorium. This marked the very top for oil prices that summer and kicked off a huge decline. A reversal of these restrictive policies could bring abundant supplies of oil back on the market. The Arctic National Wildlife Refuge (ANWR) holds an estimated 13 billion barrels (on land). The Beaufort/Chukchi Seas off of Alaska's coast hold an estimated 26b barrels. The Atlantic coast OCS holds an estimated 5b barrels (and that's a 40 year old estimate).

Secretary Zinke on March 6th, announced that previously off limits Florida Gulf coast would open for drilling. Take a look at the map showing drilling activity in the Gulf of Mexico below. Notice that in the Eastern GOM, there are no oil rigs while we've produced 35b barrels from the Western GOM. Soon that empty space might be full of oil rigs.

Weekly rig counts have steadfastly increased since bottoming out in June of 2016. This week's rig count is 908. Up 7 rigs from last week (1%) and up 504 rigs from this time last year (125%). Rig count is not necessarily as good a proxy for production as it used to be due to the increased efficiency of rigs, more oil than before is pumped from a single rig.

Then there's South America. Mexico's privatization of Pemex reserves and assets will lead to a reversal of that country's dramatic production declines. Guyana just announced a huge new discovery that the major oil companies are feasting on. And Argentina's Vaca Muerta play is absolutely huge at an estimated 16b barrels in shale formations. As a "flow commodity" it matters that these reserves are in close proximity to the world's largest consumer of crude oil - the U.S.

Following unsuccessful auctions in 2015, Mexico found bidders for deep-water blocks in their portion of the Gulf. State controlled monopoly Pemex is undergoing privatization, a lucrative step toward oil production and large scale investment in Mexico.

In December, Mexico and Pemex auctioned off 8 blocks (in the Salina and Perdido Basin's including the Trion Oil Field) in the Gulf of Mexico for development to the largest oil companies in the world. Development of these blocks could generate between 32 and 40 billion dollars of investment in development of the blocks. Estimated at 8.4b barrels of oil, huge new supplies await, knocking at our back door.

Argentina's Vaca Muerta shale play holds an estimated 16 billion barrels of untapped oil reserves. The country garnered $5 billion in investment from companies like Chevron, Exxon Mobil, Shell, Total, and BP this year, with billions more pledged in the future. Recent domestic discoveries of frac-sand, vital to horizontal drilling, drove Argentinian costs of production down 10%.

Frac-sand is rare, and costs an arm and a leg to import. Previously, Argentina imported sand from the USA, China, and Brazil. Transportation costs were through the roof, making production nearly unprofitable, but those costs have been slashed thanks to the proximity of the new frac-sand. Argentinian output will increase in the near future with lower production costs. President Macri's deregulation of Argentina's economy will mean increased oil exports and exports in general. This year, wheat production in Argentina is up almost 33%.

Guyana has an estimated 4 billion barrels in the deep waters off their coast. Exxon Mobil and Hess have already committed to Development of those waters (Hess allocated $475 million of its $2.25 billion exploration budget to the waters of Guyana's coast). Even early yesterday, Hurricane Energy announced it discovered the largest undeveloped reservoir of oil off the coast of Scotland.

In summary, I think another announcement allowing further U.S. domestic oil exploration is coming soon. Such an announcement will pressure oil prices further. Deregulation of federal land will open up millions of acres and billions of barrels of oil to the market. Meanwhile billions of barrels of oil are being developed in Latin America.

Use history as your guide, OPEC will out-produce their production quotas. The chart below shows OPEC’s propensity to overshoot quotas during production cuts. Morgan Stanley predicts that OPEC could easily overshoot their target by 500,000 BPD. Between 2000 and 2008 OPEC out-produced their quota by 883,000 BPD. According to Goldman Sachs, in 17 production cuts since 1982, OPEC member have reduced production by only and average 60% of their commitments. They cheated then and they will cheat now. Oil supply is on the rise and prices will fall. Starting with an announcement from President Trump.

Announcements & Reports

► *European traded gas hubs: an updated analysis on liquidity, maturity and barriers to market integration*

Source : OIES
Weblink : https://www.oxfordenergy.org/publications/european-traded-gas-hubs-updated-analysis-liquidity-maturity-barriers-market-integration/

► *What are the relative strengths of the players in today's LNG market?*

Source : OIES
Weblink : https://www.oxfordenergy.org/publications/relative-strengths-players-todays-lng-market/

► *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

► *24th Caspian International Oil & Gas Exhibition*

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

► *Astana Expo 2017*

Date : 01 June – 31 August 2017
Place : Astana, Kazakhstan
Website : https://expo2017astana.com

► *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/

Supported by PETFORM

► *ETCSEE 2017*

Date : 14 - 15 June 2017
Place : Prague, Czech Republic
Website : http://www.energytradingcsee.com/
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► *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

► *European Gas Conference*

Date : 20 - 21 September 2017
Place : Amsterdam - The Netherlands
Website : https://www.icisconference.com/europeangas

► *European Gas Summit*

Date : 26 - 27 September 2017
Place : Rotterdam - The Netherlands
Website : https://www.platts.com/events/emea/european-gas/index

► *7th Iraq Oil & Gas Conference*

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