‘Turkey can become energy hub,’ Energy Charter official says

Daily Sabah, *06.06.2017*

Turkey would have every opportunity to become an energy hub for southeast Europe if it had sufficient physical gas storage required to trade the large volumes of gas passing though its territory, Urban Rusnak, secretary general of the International Energy Charter said.

On the sidelines of Ashgabat International Energy Charter Forum, Rusnak told that Turkey is a very significant energy transit country and an important energy hub in a broader sense. The country is trying to develop its own upstream projects in fossil fuels, but, is also diversifying through expanding the use of renewable energy, Rusnak highlighted.

“So Turkey is becoming a laboratory of all kind of energies in production, trade and investments,” he said. If Turkey wants to pursue its goal of becoming a real trading hub, the volumes and ability to physically store these volumes will be very important, according to Rusnak.

He asserted that in order to create the conditions for a trading hub, it is not enough to be merely a transit territory with the provision of vital pipelines and interconnections, but it also requires physical storage to be able to trade large volumes of gas. If Turkey can achieve this, then the country will be able to become a genuine hub for southeast Europe, he explained.

Rusnak hailed the importance of the Energy Charter Treaty for energy cooperation and governance, elements that would be vital to support Turkey’s ambitions as a hub. The Energy Charter Treaty was signed in December 1994 and entered into legal force in April 1998. To date the Treaty has been signed or acceded to by 52 states, and with the addition of the European Union and the European Atomic Energy Community (Euratom), signatories total 54.

“For any governance, you need rules and we have binding rules,” he noted. The Treaty provides a multilateral framework for energy cooperation and is designed to promote energy security through the operation of more open and competitive energy markets, while respecting the principles of sustainable development and sovereignty over energy resources.

Rusnak asserted that the Charter is trying to modernize these rules and expand membership to new countries. “We are looking forward to creating something not only regional but of global importance and also relevant to the needs of upcoming decades,” he said. Turkey is one of the founding members of the International Energy Charter, which is very much adherent to the Charter, Rusnak said, adding that this was particularly seen during Turkey’s G20 presidency in 2015 when the Energy Charter played an active role in G20 discussions.

Gazprom warns Turkish buyers of arbitration peril

Argus, *08.06.2017*

Turkish gas importers' hopes of reinstating a price discount have been dashed. Discussions on a price increase for Gazprom's buyers "would make more sense than talks about a discount", deputy chief executive Medvedev said.

When the 10.25pc discount for buyers was agreed in 2015, oil and gas prices were much higher, he said. Gazprom initiated arbitration proceedings this year against Turkish private-sector importers Akfel Gaz, Bati Hatti, Kibar Enerji, Avrasya Gaz and Enerco Enerji, agreed to pay higher prices in April-December last year, but pushed for renewed discounts this year on combined gas purchases of 4.5bn m³/yr.

It would make sense to reach an out of court agreement, Medvedev said. Arbitration rulings often offer less attractive commercial terms for buyers, he warned. The discount given to private-sector importers meant they were paying less for Russian gas than Turkish state-owned gas company Botas, which has launched its own arbitration proceedings against Gazprom — a first hearing at the UN commission on international trade law is scheduled for the beginning of October.

Gazprom mulls Turkish Stream options

Argus, *08.06.2017*

Russian gas delivered to Europe through Turkish Stream's second 15.75bn m³/yr leg could be sent towards Italy and Bulgaria,Russian state-controlled Gazprom deputy chief executive Alexander Medvedev said.

Supply to these countries was discussed during the St Petersburg International Economic Forum earlier this month. Gas delivered through Turkish Stream could flow from Bulgaria on to Serbia, Hungary and Austria, Medvedev said. Gazprom discussed development of the Bulgarian transmission network at a meeting with Bulgarian energy minister Temenuzhka Petkova on 3 June.

Bulgaria is interested in increasing imports from Gazprom to develop its planned hub, Medvedev said. Demand is just over 3bn m³/yr and any surplus volumes would be earmarked for re-export, he said.

Bulgaria already plans to import an additional 1bn m³/yr of Azeri gas through the Trans-Adriatic Pipeline (Tap), which would be connected through the proposed Interconnector Greece-Bulgaria (IGB) pipeline.

Russian supply to Italy could be sent through the planned 20bn m³/yr ITGI Poseidon pipeline to Italy from Greece, Medvedev said. Poseidon was important for receiving gas from Turkish Stream in a “timely” manner, he said.

Turkish Stream is planned for 2019, although Poseidon does not yet have a commissioning date. Italian firm Eni said earlier this year that it may need capacity on Turkish Stream, although this would require moving the delivery point in its long-term contracts with Gazprom. A southern route for Russian gas would be cheaper for Italy, the firm’s chief executive Claudio Descalzi said.

The Poseidon project was revived last year by Gazprom as a southern route for Russian gas. The project had initially been proposed as part of the EU-backed Southern gas corridor, but was abandoned when the Shakh Deniz consortium opted for the rival project Tap.

The EU said last year that the project was not a priority for the region. The Poseidon link could connect with the planned EastMed pipeline, which is intended to bring gas from Israel’s Levantine basin and potentially other resources in the region. An EU-funded feasibility study concluded that the EastMed project was technically feasible and financially viable, Cyprus energy minister Yiorgos Lakkotrypis said earlier this year.

But Russian gas could also be delivered to Italy through Tap, Medvedev said. Gazprom is “open to Tap” and it should be in the interests of the project shareholders to ask Gazprom for supply through the route, with Azerbaijan having “limited resources available for export” because of domestic demand, Medvedev said.

Azeri demand is expected to grow to 13bn m³/yr in 2025 from 10bn m³/yr now. The first stage of Tap is designed to ship 10bn m³/yr produced from the BP-led Shakh-Deniz 2 field from 2020. Shakh-Deniz 2 is on course to start up in the second half of 2018, reaching plateau output of 16bn m³/yr.

Without an expansion to Tap, Gazprom would only be able to use part of the pipeline’s capacity and have to compete with other firms for access. Hungary has called for the rapid construction of infrastructure delivering gas to Hungary as of “fundamental interest”, Hungarian foreign affairs minister Peter Szijjarto said. He met with Gazprom chief executive Alexei Miller and his Russian and Serbian counterparts in St Petersburg.

A plan to build a pipeline along the route of the abandoned South Stream pipeline from Bulgaria through the rest of the region was “realistic”, he said. Turkish Stream’s second leg was dependent on signing long-term take-or-pay deals with Hungary and Serbia, Russian energy minister Alexander Novak had said previously.

Turkey and the new Mediterranean gas pipe projects

Yeni Safak, *08.06.2017*

In early April of 2017, the energy ministers of Greek Cyprus, Greece, Israel, and Italy signed a Joint Declaration to reaffirm their support for the swift implementation of the EastMed/CrossMed natural gas pipeline project.

European Commissioner Miguel Arias Canete attended the ministerial summit. (This "CrossMed" pipeline project should not be confused with the existing TransMed natural gas pipeline, which takes Algerian gas to the Italian mainland, via Tunisia and Sicily, and Slovenia via an extension.) The EastMed natural gas pipeline project was originally conceived as a shorter pipeline from Cyprus island to Greece via Crete.

The EU considers it as a Southern Gas Corridor project. There is now an expanded project to extend it on both ends, eastward to Israeli offshore sources and westward under the Ionian Sea to Italy. This is this CrossMed pipeline, although sometimes "EastMed" is still confusingly used for it.

The current design of the project sees transit, in the first phase, of 10 billion cubic meters per year (bcm/y) of gas from the offshore deposits of Cyprus and Israel to Greece, then onward to Italy and/or South East Europe, and of which 1 bcm/y may be reserved for domestic Cypriot consumption. The second phase could see a doubling of that volume.

The CrossMed pipeline would re-animate the Poseidon pipeline project, from western Greece under the Ionian Sea to Italy, also known as the Interconnector Greece-Italy (IGI). Indeed, the IGI developer, a joint venture between Italian and Greek companies, is driving the CrossMed initiative and hoping for a final investment decision by 2020.

There is also the possibility that gas from Israel and Greek Cyprus would flow through Greece to the Interconnector Greece-Bulgaria (IGB), from where it could supply parts of Southeast Europe. The company behind the IGI is also behind the IGB, which is scheduled to enter into service in the second half of 2018, presumably carrying gas from TANAP exported by Turkey to Greece.

The EastMed pipeline is a Project of Common Interest of the European Union, so the EU co-financed the feasibility study. It would avoid the somnolent overland portion of the Interconnector Turkey-Greece-Italy (ITGI), across northern Greece, which Russia is trying to reanimate, probably as an eventual conduit for export sales of its own gas from TurkStream.

(The undersea segment of ITGI is in fact the Poseidon pipeline itself.) Russia pretends that the second phase of TurkStream gas might reach Southeast Europe through the proposed Tesla (Greece-FYROM-Serbia-Hungary) pipeline. The ITGI-Poseidon and Tesla routes are nothing but alternative branches of the old South Stream project.

However, surveying and engineering for these routes was never done. The EastMed/CrossMed pipeline is a clear competitor with TANAP gas for the southern European market (in particular Italy, which also connects onto Austria and the rest of Central Europe) as well as for the South East European market.

From TANAP, 10 bcm/y are already planned to arrive in Italy via the Trans-Adriatic Pipeline (TAP), of which construction is already under way, and of which the volume could also later be doubled. The CrossMed pipeline gas would thus compete not only with TurkStream gas but also with TANAP gas for these same European markets.

Of course, the signature of the joint declaration on the CrossMed project does not mean that the pipeline will be constructed. Technical issues, financing issues, political issues, and legal issues may all intervene. Certainly, the gas would have to satisfy the EU’s Third Energy Package requirements as well.

Turkey can benefit even if the CrossMed pipeline is not built. Meetings concerning the possibility of Turkish gas imports from Israel have been going on already for some time. Although it was considered that a pipeline from Cyprus island to Turkey might carry Israeli gas, this project has evolved to become separate from the EastMed/CrossMed project.

Recent public statements suggest that a bilateral government-to-government statement on an agreement, setting the framework, is set for late summer. It is projected that Israeli gas could flow to Turkey in three years, whereas the CrossMed project would require at least six years for a final investment decision to be taken, before construction even starts.

The problem is that the pipeline from Israel to Turkey must pass through either the Lebanese and Syrian EEZs (which is at present a political impossibility), or through Cyprus’s. But Turkey claims part of the Cyprus Exclusive Economic Zone (EEZ) as part of its own continental shelf. (Also, it sees the rest of the Cyprus’s EEZ as jointly owned by both ethnic communities on the island rather than by Nicosia alone.)

Greek Cyprus, under the UN Convention on the Law of the Sea, does not have the power to halt construction of such a pipeline; but it needs to be consulted. However, although no other state recognizes Turkey’s claims on the EEZ, Turkey’s international-political line on the question looks to have hardened over the last three years. Indeed, in the context of the intercommunal negotiations over Cyprus, the general international community (for example, both the U.S. and the U.K.) expect that hydrocarbon revenues may be shared by both communities of Cyprus, in the context of a future overall general settlement.

It is an open question, whether any international company will begin construction of the Israel-Turkey pipeline in the absence of a settlement about the competing EEZ claims between Cyprus and Turkey. This is because it is unlikely that any insurer would insure the project. Perhaps the Turkey-Israel joint declaration planned for this summer will find a way to address the issue. It would have to be a very creative approach in the absence of an overall settlement of the Cyprus conflict, because Nicosia would surely delay approval for as long as possible through requiring environmental impact statements and by other means. It is definitely in Turkey’s national interest to realize the pipeline project with Israel, if at all possible.

That is because every country today seeks to diversify the sources of its energy imports. Turkey's already significant dependence on natural gas from Russia has only grown in recent years, and the TurkStream pipeline will do nothing to diminish that dependence.

Azeri SOCAR aims up to $3 billion additional investment in Turkey

Hurriyet Daily News, *05.06.2017*

Azerbaijan's state-run energy company SOCAR, a majority stakeholder of Turkish petrochemical maker Petkim, is aiming to make an additional investment worth up to $3 billion in Turkey, SOCAR Turkey chair Vagif Aliyev has said.

"SOCAR is working on a new investment for petrochemical products. The new facility may become a second Petkim," Aliyev said in an interview in Baku. "We are in talks with the government for this investment to be qualified as a strategic investment," he said. He noted that the new investment would likely be up to $3 billion, although an exact volume was not defined yet.

The Turkish government supports strategic investments in certain sectors as part of a new investment incentive program. SOCAR Turkey CEO Zaur Gahramanov said the company made around $11 billion of investment in Turkey in the last decade, adding that the total investments will hit $18 billion by 2020.

"The construction of our Star Refinery will be completed in İzmir in 2018. Additionally, our wind power plant in Petkim's area will meet some 30 percent of the energy needs of the Aliağa district," he said, adding that it would become the largest wind power investment of SOCAR.

Aliyev said some 70 percent of the Trans-Anatolian Natural Gas Pipeline project (TANAP) was completed. TANAP envisages gas transportation from Azerbaijan's Shah Deniz field to the western borders of Turkey.

Some 58 percent of TANAP shareholders are from SOCAR, 30 percent from Turkey's gas grid BOTAŞ and 12 percent from BP. Gahramanov noted that TANAP's construction was planned to be completed by the year-end.

"In a bid to take part in fuel supply and distribution, we had been interested in Petrol Ofisi, but we opted to be out of this process as we were unable to agree on the company price. We can build a new company in this area or buy another company," he added. Austrian energy group OMV said in March it agreed to sell its Petrol Ofisi unit to Vitol Investment Partnership, managed by the Swiss-based commodities firm Vitol for 1.37 billion euros.

Gazprom eyes withdrawal from Turkish Bosphorus Gaz

Azernews, *06.06.2017*

Gazprom is considering withdrawing from the Turkish Bosphorus Gaz Corporation, Deputy Chairman of the Russian company Alexander Medvedev said, RIA Novosti reported.

Bosphorus Gaz is a Turkish importer and distributor of gas. In 2004, Gazprom Germania became shareholder in Bosphorus Gaz. At the moment Gazprom owns 71 percent of the company shares. “The events in the Turkish market are complex, due to the economic situation in Turkey, as the latest political developments have had a strong impact on the Turkish lira rate.

In addition, prices remain regulated, there is a subsidy mechanism for gas that BOTAS sells, so, in fact, the free market, despite the fact that the gas law has been adopted, was not full-fledged,” Medvedev explained.

Medvedev stressed that it will not affect relations with Turkish partners. Bosphorus Gaz is a company undertaking nearly 7 percent of the country’s total imports, on the basis of a combined volume of 3,250 million cubic meters, and gained prominence as the primary independent company accounting for the highest import quantity after BOTAS.

The company was established in 2003 in Istanbul. In 2004, Gazprom Germania a subsidiary of the Russian gas company Gazprom, became shareholder in Bosphorus Gaz. In 2009, Gazprom raised its share in the company from 40 percent to 51 percent. Later this year, Gazprom Germania acquired additional 20 percent of shares.

Gazprom ready to consider TAP as alternative for supplies to Europe

Azernews, *05.06.2017*

Russia's Gazprom is ready to consider the Trans-Adriatic Pipeline (TAP), designed to transport natural gas from Azerbaijan to the EU countries, as an option for gas supplies to Europe, Kommersant newspaper reported referring to its sources.

Gazprom is now leaning towards the Poseidon gas pipeline as the main option for the supply of gas through Greece to Italy. On June 1, Head of the Italian gas transportation company Snam Marko Alver, at a meeting with Gazprom head Alexei Miller, suggested to use the TAP extension instead of Poseidon for the second thread of the Turkish Stream.

This is at least twice as cheap as Poseidon, according to Snam. The resource base of TAP is the second phase of development of the Azerbaijani Shah Deniz field. Gazprom has not commented on the issue, but showed readiness to consider TAP as an additional option.

The sources in the company say that the leadership of Gazprom has a very good relationship with Edison - "the partners were the first to offer Poseidon, and to refuse it without good reason would be wrong."

"But it is already clear that to build Poseidon in the optimal time for Gazprom, until the end of 2019, when the second thread of the Turkish Stream is to be completed, will be very difficult. In March, Edison spokesman Elio Ruggieri said that it takes two years to prepare the project and three more to build.

"This means that by 2020, when the transit contract with Ukraine expires, Gazprom will be able to receive technical opportunities only for the delivery of Turkish Stream gas to Bulgaria and Greece, but not to Italy."

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. TAP will be 878 kilometers in length (Greece 550 kilometers, Albania 215 kilometers, Adriatic Sea 105 kilometers, and Italy 8 kilometers). TAP's shareholding is comprised of BP (20 percent), SOCAR (20 percent), Snam S.p.A. (20 percent), Fluxys (19 percent), Enagás (16 percent) and Axpo (5 percent).

Israel working hard to realize the dreams of its gas industry

CNBC, *05.06.2017*

Israel's energy sector is going through momentous changes due the development of its large offshore natural gas reserve. Last week, Greek oil and gas company Energean introduced a new element of competition into the country's domestic gas market by signing contracts for its two Israeli fields, and earlier this year the country started exporting gas to neighboring Jordan, albeit in initially small quantities.

There are high hopes Israel's substantial proven reserves will change not only the economy but also the geopolitical situation in the region, with Israel potentially becoming an exporter also to Egypt, Turkey and even to Europe.

Yet, a combination of that same geopolitical situation, low natural gas prices, the lack of an export infrastructure and regulatory issues may temper such dreams, say experts. Exports are crucial to attracting major international players to Israel's gas exploration and production sector, says Roee Zass of Tel Aviv-based TASC, which has extensive experience consulting in the Israeli energy sector.

"The Ministry of Energy has understood that exports are crucial and is trying to assist but infrastructure and geopolitics is something that takes years and there are lots of obstacles on the way," says Zass.

The real measure on Israel's gas potential may come next month, when it becomes clear what companies are bidding for on a tender for oil and gas exploration in 24 additional blocks that are generally thought to hold significant possibilities. Yet, the deadline had to be postponed from April, indicating tepid interest from major international players.

Israel went within the space of 10 years from a country that hardly even consumed gas to a major producer that's eyeing significant export opportunities. The country's first offshore gas field in the Mediterranean Sea, Yam Thetis, came online in 2004, followed by the much larger Tamar field in 2013. Both are majority owned by a partnership between Israel's Delek and the U.S. firm Noble Energy and almost exclusively supply the domestic market.

The real game changer, making Israel potentially a natural gas player, was the discovery of Leviathan in 2010. It is estimated to hold at least some 500 billion cubic meters (BCM) of gas and is expected initially to be able to produce 12 BCM annually starting in 2019.

Noble Energy decided to go ahead with development of Leviathan earlier this year after a protracted political and regulatory wrangle in Israel over competition and prices was settled in 2016, and after a major export contract was signed with Jordan.

Under Israel’s natural gas framework regulation Noble and its partners in 2016 sold two smaller fields, Karish and Tanin, to Energean for a reported $148 million plus royalties in a move meant to bring increased competition to the domestic Israeli gas market.

Zass calls Energean’s deal to supply gas to private Israel power plants a major moment, introducing a third supplier to the market, but cautions to “hold the Champagne.” The Greek company still needs to make its final investment decision by the end of the year.

The deal it signed offers better terms than the ones Noble and Delek give its customers but the gas fields’ smaller size and the long-term contracts already in place in the Israeli energy market will still limit competition.

Without significant export opportunities, major international players are unlikely to become involved in the Israeli energy exploration and production sector, is the consensus among analysts. Arie Reich, an expert in trade law and competition at Israel’s Bar-Ilan University says that the drawn-out regulatory wrangle combined with other risk factors has hurt chances of that happening.

“After what happened with the gas saga I think foreign investors will be wary of coming,” he says, extrapolating it to other sectors of the economy. Reich argues for more bilateral investment treaties to reassure investors. “Especially now when we have these huge investments that are required in the energy sector, which are the biggest investments ever in Israeli history,” he added.

In a sign that domestic opinion on how to deal with the gas bonanza is not quite settled yet, the Energy ministry in May launched a $2 million, one year, PR campaign to persuade the public of the “supreme importance to link the Israeli economy to natural gas.”

The ministry also signed an agreement earlier this year with Greek Cyprus, Greece and Italy to explore a gas pipeline for exports to Europe. But the ambitious 2,200 kilometer project, crossing depths of up to 3 kilometers in the Mediterranean, is in a very initial stage. Amid current low European gas prices and political risk in both Israel and Cyprus, many question whether it is viable.

International ratings agencies are upbeat about the effect of gas on Israel’s economy, but Kristin Lindow, senior vice president at Moody’s Investor Services, says the contribution of gas to GDP (gross domestic product) growth, “is not substantial anymore.”

“At first when Tamar came on there was an extra boost to GDP and there has not been an additional boost relative to the rate of growth of other sectors of the economy since then. But the construction of Leviathan will certainly contribute to growth and so will the export,” she said.

The country’s “A+” or “A1” credit rating is only expected to be revised upward if plans to set up a sovereign wealth fund with the gas proceeds are realized and it starts building up. “What we look at when we make positive adjustments for sovereign wealth funds is the extent to which a sovereign wealth fund can cover the country’s external debt,” says Lindow.

While Israel’s external debt is relatively small, the build-up can take time, depending on exports and what portion of revenues end up being invested in the fund. It is now expected to begin operating around 2020.

But, says Zass, even if exports don't materialize to the hoped-for degree, "if you count domestic sales and exports to the Jordanian market, Israeli government revenues can become very high in the following years. I think the opportunity to start a governmental fund for the next decades or the next generations is still viable."

Boost for London bid to land Saudi Aramco IPO

Financial Times, *08.06.2017*

Saudi Aramco will not join the FTSE 100 stock index if it lists its shares in the UK, averting confrontation with City institutions and strengthening London's status as frontrunner for a slice of the Saudi state oil group's initial public offering.

Saudi Arabia is close to making its long-awaited decision on which international exchange its state oil group will float next year, when it is expected to become the world's largest publicly quoted company. Global exchanges have been locked in a battle for the listing that could value the world's biggest oil producer at about $1tn, according to a Financial Times analysis.

Advisers and Saudi officials have favoured New York because of its large pool of potential investors. However, in recent weeks lawyers have warned company executives and the kingdom's authorities that the US poses the greatest litigation risk of any venue, putting the focus on London.

But concern has grown that a UK listing would mean the state oil company becoming a member of the FTSE 100 index, making an arm of the Saudi state an automatic holding for millions of pension funds.

Publicly listed companies normally seek inclusion into widely followed indices such as the FTSE because it triggers large amounts of mandatory buying from funds that passively replicate the performance of the indices.

However, advisers to Saudi Aramco say it has not sought index inclusion. Rather, they say, buyers of the shares need to make a conscious decision to invest in an entity that has such close links with the state. Saudi Aramco is the kingdom's biggest revenue generator and has built schools and hospitals alongside managing the energy sector.

FTSE Russell, the subsidiary of the London Stock Exchange that runs the FTSE 100, stipulates that members of the index must have high-grade "premium" listings and float at least 25 per cent of their shares. Separately, concerns have increased that these rules may have been massaged to accommodate Saudi Aramco, which plans to sell less than 5 per cent of its equity.

“Any attempt to bend the listing rules in order to facilitate the IPO of Saudi Aramco is highly inappropriate,” said Ashley Hamilton Claxton, corporate governance manager at Royal London Asset Management.

Saudi Aramco has not pushed for a change of these rules, one person said. The state oil group could instead seek a premium listing awarded under Financial Conduct Authority rules, which are more forgiving of smaller “free floats” without demanding inclusion in the FTSE 100.

Saudi Aramco said: “No decision as to listing venue, beyond [Saudi Arabia’s] Tadawul, has been taken.” Saudi Aramco also recognises that FTSE 100 membership would distort the blue-chip index, shifting its weighting uncomfortably towards the energy sector, which includes oil companies BP and Royal Dutch Shell.

Not pursuing inclusion in the index would cut off Saudi Aramco’s access to trillions of dollars of capital. The amount of the global stock market controlled by index funds stands at 34 per cent, according to research by BlackRock.

Although a New York Stock Exchange listing alongside one on Saudi Arabia’s Tadawul has been considered the preferred option, a premium listing on the LSE — alongside a domestic offering — is considered second best, according to documents seen by the FT.

This category of listing still implies the top standards in governance, transparency and accounting practices important for the company. A “standard” listing on the LSE is another option under discussion, the documents show.

The Qatar-Iran gas field behind the diplomatic war in the Middle East

Haaretz, *07.06.2017*

Japan’s JERA Co, the world’s biggest buyer of liquefied natural gas, said on Monday it has been informed by Qatargas that there will be no impact on LNG supplies after several Middle East countries cut ties with Qatar.

There would be “no conceivable impact on LNG supplies” from the rift, JERA said, adding “this is also a geopolitical issue and there is a possibility that this could be closely related to the energy market, so we will continue to keep watch on the movements.”mQatar is the world’s biggest exporter of liquefied natural gas, while Japan is the largest importer, taking in about one-third of global shipments.

Saudi Arabia, Egypt, the United Arab Emirates and Bahrain severed their ties with Qatar on Monday, accusing it of supporting terrorism. The worst rift in years among some of the most powerful states in the Arab world, came days after a news story, which Qatar claimed was fake, showed Qatar's ruler Sheikh Tamim Bin-Hamad objecting to the hostile attitude adopted by Gulf States and the U.S. against Iran.

In April 2017, Qatar lifted a self-imposed ban on developing the world's biggest natural gas field, which it is shares ownership with Iran, in an attempt to stave off an expected rise in competition. Iranian official blasts Gulf states over Qatar: Cutting ties 'not a way to resolve crisis' | Gulf states' break with Qatar won't affect fight against ISIS, says Tillerson <<

At the time the LNG market was undergoing huge changes as the biggest ever flood of new supply hit the market, with volumes coming mainly from the United States and Australia. Russian President Vladimir Putin also was aiming to become the world's largest LNG producer.

Qatar had declared a moratorium in 2005 on the development of the North Field to give Doha time to study the impact on the reservoir from a rapid rise in output. The flurry of liquified natural gas production has resulted in global installed LNG capacity of over 300 million tons a year, while only around 268 million tons of LNG were traded in 2016, Thomson Reuters data shows.

As part of the diplomatic rift, Saudi Arabia, the United Arab Emirates, Egypt and Bahrain also closed transport links with Qatar. Iran, which suffers severe domestic gas shortages, has made a rapid increase in production from South Pars a top priority and signed a preliminary deal with France's Total in November 2016 to develop its South Pars II project.

Iran's oil minister also vowed this March to ramp up production of its part of the shared field. "Iran's gas production in South Pars can exceed Qatar's before the end of new Iranian year [ending March 20, 2018]," Zanganeh was quoted as saying by Tasnim news agency.

Total was the first Western energy company to sign a major deal with Tehran since the lifting of international sanctions. Qatar Petroleum's Chief Executive Saad al-Kaabi said the decision to lift the moratorium was not prompted by Iran's plan to develop its part of the shared field.

"What we are doing today is something completely new and we will in future of course ... share information on this with them [Iran]." The economy of Qatar, a future World Cup host with a population of 2.6 million, has been pressured by the global oil slump and in 2015 QP dismissed thousands of workers and has earmarked a number of assets for divestment. QP is merging two LNG divisions, Qatargas and RasGas, to save hundreds of millions of dollars.

Gazprom Neft, OMV to work together in Iran under MoU

Reuters, *02.06.2017*

Russia's Gazprom Neft and Austria's OMV will work together in Iran's oil sector under a memorandum of understanding, OMV said on Friday.

"Preliminary possible spheres of cooperation include analysis, assessment and study of certain oil deposits located in the territory of the Islamic Republic of Iran in cooperation with the National Iranian Oil Company (NIOC)," OMV said. OMV could help Gazprom Neft in the initial geological assessment of two blocks in Iran, Vadim Yakovlev, first deputy general director at Gazprom Neft, said in the statement.

OMV started operations in Iran in 2001 as the operator of the Mehr exploration block in the west of the country. It halted operations in 2006 due to sanctions imposed on Iran. Following sanctions relief granted last year as a result of a nuclear deal Iran reached with world powers, OMV signed a memorandum with the NIOC for projects located in the Zagros area in western Iran and the Fars field in the south, where foreign companies often need a local partner to operate.

In January, OMV, which has singled out Russia, the United Arab Emirates and Iran as growth areas, signed an agreement with Tehran-based Dana Energy on the development of oil and gas fields.

OMV and Gazprom have worked together for five decades and have deepened their cooperation since Rainer Seele took over OMV two years ago by buying into and swapping assets for stakes in Siberian fields and helping to finance the Nord Stream 2 pipeline.

Oil falls 1 percent on fears Mideast rift could harm OPEC cuts

Reuters, *05.06.2017*

Oil prices fell nearly 1 percent on Monday on concerns that the cutting of ties with Qatar by top crude exporter Saudi Arabia and other Arab states could hamper a global deal to reduce oil production.

Saudi Arabia, the United Arab Emirates, Egypt and Bahrain closed transport links with top LNG and condensate shipper Qatar, accusing it of supporting extremism and undermining regional stability. The news initially pushed Brent crude prices up as much as 1.6 percent as geopolitical fears rippled through the market. But August Brent prices ended the session 48 cents or 0.96 percent lower at $49.47 a barrel.

U.S. West Texas Intermediate futures settled 26 cents or 0.55 percent lower at $47.40. U.S. gasoline futures led the energy complex lower, falling about 2.5 percent to settle at $1.5381 a gallon, on technical selling, brokers said.

With production capacity of about 600,000 barrels per day (bpd), Qatar’s crude output ranks as one of the smallest among the Organization of the Petroleum Exporting Countries, but tension within the cartel could weaken the supply deal aimed at supporting prices.

“While we would not want to read too much into this in terms of looming trouble for OPEC, the fact that Qatar’s stance towards Iran is a key element in this issue does make for a potentially more complicated setup at future meetings should the issue not have been resolved in due time,” JBC Energy analysts said in a note.

The deal has shown little indication of significantly denting exports. While OPEC supplies dipped between February and April, a report on Monday by Thomson Reuters Oil Research said OPEC shipments likely jumped to 25.18 million bpd in May, up over 1 million bpd from April.

Brent futures have fallen more than 8 percent from their open on May 25, when OPEC opted to extend production cuts into 2018. Outside of OPEC, South Sudan will drill 30 new wells this year and significantly boost oil output as it chases a peak 350,000 bpd target by mid-2018, the petroleum minister said on Monday.

However, some of Monday’s price losses were limited as Libya’s crude production was pegged at 809,000 barrels per day (bpd) on Monday, down from 827,000 last week due to technical issues, a Libyan oil source told Reuters. Crude output in the United States, meanwhile, has jumped more than 10 percent since mid-2016 to 9.34 million bpd, close to levels of top producers Saudi Arabia and Russia. The rise in U.S. production has been driven by a record 20th straight weekly climb in oil drilling, with the rig count climbing by 11 in the week to June 2, to 733, the most since April 2015.

Still, Standard Chartered analysts said their market balance projections indicated a 1.4 million barrels a day global supply deficit in the second half of the year, even allowing for a rapid increase in U.S. output.

U.S. crude stockpiles have fallen for eight straight weeks, prompting suggestions that OPEC’s efforts to reduce world supply were finally materializing. [EIA/S] “We believe that U.S. inventories will continue falling this summer, allowing OPEC to point to lower stocks as a positive measure of success,” Sandy Fielden, director of oil and products research at Morningstar, said in a note. “But if, as we have already seen, higher refinery runs and/or crude exports are the causes of these inventory drawdowns, then the impact on OPEC’s balancing act is actually negative.”

Oil slumps back near pre-OPEC deal levels as glut stays unabated

Bloomberg, *09.06.2017*

Oil headed for a third weekly drop on concern rising supply from the U.S. to Nigeria will undermine OPEC-led output curbs, with crude back near levels before the group agreed on the cuts in an effort to prop up prices.

Futures were little changed in New York, down 4.5 percent this week. U.S data released Wednesday showed oil and fuel stockpiles rose, going against expectations of further declines. American crude output is also seen surging in 2018 to a record above 10 million barrels a day. In Nigeria, Royal Dutch Shell Plc lifted restrictions on exports of a key grade halted for more than a year.

Oil has largely given up its gains after the Organization of Petroleum Exporting Countries and its allies including Russia agreed late last year to curb output. A persisting glut as the U.S. increases drilling has kept prices under pressure. Even this week, the oversupply has kept oil in check amid turmoil in the Middle East, the world’s largest producing region, as a Saudi Arabia-Qatar diplomatic feud flared and suicide bombers struck Iran’s capital Tehran.

“It’s the ongoing theme of increasing supply and relatively high stockpiles, which can’t seem to fall,” said Daniel Hynes, an analyst in Sydney at Australia & New Zealand Banking Group Ltd. “The inventory build in the U.S. spooked the market with such a huge miss on expectations. There is a clear lack of any bullish catalyst at the moment.”

West Texas Intermediate for July delivery was at $45.54 a barrel on the New York Mercantile Exchange, down 10 cents, at 2:42 p.m. in Hong Kong. Total volume traded was about 12 percent above the 100-day average. Prices lost 8 cents to close at $45.64 on Thursday, the lowest since May 4.

Brent for August settlement dropped 10 cents to $47.76 a barrel on the London-based ICE Futures Europe exchange. Prices are down 4.4 percent this week. The global benchmark crude traded at a premium of $1.97 to WTI for August.

Libya resumed production at the Sharara oil field, the nation's biggest, and output will reach normal levels within three days, National Oil Co. said on its website. It closed Wednesday after a protest by workers, according to a person with direct knowledge of the matter.

Nigeria's Forcados oil comes back in fresh blow to OPEC cuts

Bloomberg, *07.06.2017*

Royal Dutch Shell Plc lifted restrictions on exports of a key Nigerian crude oil, 472 days after imposing them following militant attacks. The extra flows alone amount to about 20 percent of the supply OPEC has pledged to cut from world markets.

Europe's biggest oil company ended a force majeure of Forcados crude oil shipments, a spokesman said. The measure, which allows companies to miss contractual obligations, was imposed on Feb. 21 last year. Shipments this month will average about 250,000 barrels a day, according to a loading program obtained by Bloomberg.

Nigeria is adding barrels to the market just as other members of the Organization of Petroleum Exporting Countries are trying to remove them in a bid to bolster prices. The producer club said on May 25 that it will keep its collective output restricted by 1.2 million barrels a day until the end of the first quarter next year. As well as Nigeria, flows from Libya are also jumping. Both countries were exempted from the curbs because of domestic conflicts.

"The market is already drowning" in similar types of crude to the Forcados grade, said Ehsan Ul-Haq, an oil analyst at KBC Advanced Technologies. The return of the grade will only add to that, he said. The return of Forcados will add more than 10 percent to the country's output, lifting it toward the 2 million barrels a day mark.

Shell's Nigerian unit declared the force majeure after the Niger Delta Avengers, a militant group, attacked the subsea export line. The NDA claimed another attack on the pipeline in June, and then again in early November, part of a spate of sabotage that pushed the country's production to the lowest in almost three decades last year and cost it billions of dollars.

While the NDA threatened to widen its campaign this January, the "hard knocks" promised by the group didn't materialize, as the government increasingly put an emphasis on finding a negotiated settlement and resumed suspended payments to ex-militants under an amnesty program.

“There is a fragile peace in the Niger Delta that is currently holding and looks as though it is going to last for the foreseeable future,” said Manji Cheto, senior vice president at Teneo Intelligence, adding that Nigeria has previously said it will look to increase production to about 2 million barrels a day before making voluntary output curbs.

The loss of Forcados barrels had the single biggest impact on Nigerian oil production out of any grade the country producers. The grade pumped an average of about 200,000 barrels a day in 2015, before the militancy escalated.

Its scheduled cargoes for June are the second highest of any Nigerian grade, the loading data show. While the return of Forcados may be good news for Nigeria, it represents a new headache for OPEC.

Production from the group’s members rose in May to 32.21 million barrels a day, up 315,000 barrels a day from the previous month, according to a Bloomberg News survey of analysts, oil companies and ship-tracking data. Libya and Nigeria contributed the majority of those gains while the 11 bound by the output caps were fully compliant with their pledges last month, just as they were in April, the survey showed.

Counting Nigeria and Libya, total OPEC oil output remained about 450,000 barrels a day above the target set out in the Nov. 30 production agreement and further extended in last month’s meeting, putting the group only about 66 percent of the way toward its goal, compared with 90 percent in April, according to data compiled by Bloomberg.

Since OPEC and 11 other non-members, that collectively pump about 60 percent of the world’s oil, agreed to continue curbing output, prices have actually fallen. Brent crude has dropped from $53.96 a barrel on May 24, the day before the extension was announced in Vienna, to trade at $49.95 a barrel as of 10:40 a.m. London time.

Gazprom deal makes revenue sustainable, Maire Tecnimont ceo says

Bloomberg, *07.06.2017*

A 3.9 billion-euro ($4.4 billion) contract with Russian energy giant Gazprom PJSC is giving Italy's Maire Tecnimont SpA confidence its 2017 forecast won't be a flash in the pan, and prompting investors to view the stock in a new light.

"With 9.5 billion euros in tendered bids, we see our 2017 guidance sustainable for the future," Chief Executive Officer Pierroberto Folgiero said in a June 5 interview. "We see a good industrial cycle for us." The Milan-based oil and gas services company is leading a consortium including China's Sinopec Engineering Group that was awarded the six-year Gazprom contract on June 2.

The partners will provide infrastructure and facilities for the Russian company's Amurski gas processing plant, which with a capacity of 42 billion cubic meters of natural gas per year will be one of the largest of its kind and is key to Gazprom's plan to supply Russian natural gas to China.

The deal, which includes payment of a 1.7 billion-euro lump sum to the group and a reimbursable portion related to construction of about 2.2 billion euros, adds to Maire Tecnimont's commercial pipeline of 35 billion euros as of the end of March.

Maire Tecnimont spent much of 2013 and 2014 reorganizing its financing and selling new shares. After suspending dividends for 2011, the company resumed payments last year. The stock, which gained just 5.3 percent in 2016, has soared 75 percent this year, compared with a 16 percent increase in the FTSE MIB Index of 40 most liquid shares on the Borsa Italiana. The rapid ascent was fueled in part by the company's forecast for 2.8 billion euros to 3 billion euros in revenue this year and a 6 percent margin in earnings before interest, taxes, depreciation and amortization.

"This is the second year we are distributing dividends, so part of this value creation goes to shareholders," Folgiero said. "It will be important to continue to pay attention to shareholders expectations."

Southeast Asian markets including the Philippines, Malaysia and Vietnam are key to the company's growth plans, he said. Maire Tecnimont intends to open a new office in Indonesia before the end of the year.

"Domestic demand in these countries is booming," Fabrizio Di Amato, the company's chairman, said in an interview the same day. "A plant in those countries can satisfy this demand, and excess production can be sold to China and India." Maire Tecnimont is also seeking to bolster its petrochemical activities, and sees opportunities in energy policies implemented by U.S. President Donald Trump and in shale gas discoveries, Folgiero said.

The shares have climbed 16 percent since the Gazprom announcement, spurring upgrades in the share price target and stock ratings. Kepler Cheuvreux SA analyst Kevin Roger raised his rating to buy on June 6, while Mediobanca SpA analyst Niccolo Storer lifted his target price for the stock to 4.5 euros from 3.3 euros on Wednesday. Six of eight analysts advise buying the shares while two advocate holding the stock, according to data compiled by Bloomberg. None recommend selling.

“The market was waiting for the announcement of a big order, and this order came in much bigger than expected,” Mediobanca’s Storer said. ‘It’s a big boost for them and will feed into revenues for the coming years as well.”

Ukraine says prepared to negotiate with Gazprom outside Russia

Reuters, *08.06.2017*

Ukrainian state energy firm Naftogaz is prepared to attend talks with Russian gas giant Gazprom provided negotiations are not held in Russia, Naftogaz said on Thursday.

Gazprom and Naftogaz have been locked in a bitter legal dispute since 2014, a byproduct of worsening relations between Kiev and Moscow since Ukraine’s pro-European uprising and Russia’s annexation of Crimea. Gazprom Deputy CEO Alexander Medvedev said this week the Russian company was ready for talks with Ukraine on gas transit to Europe beyond 2019, when the current contract expires. He did not say where any talks should be held.

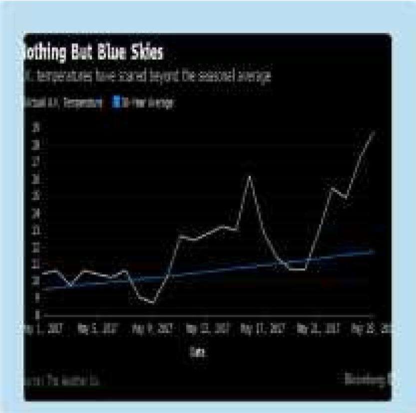
“The Russian Federation is an unacceptable location for negotiations between Naftogaz of Ukraine and Gazprom,” Naftogaz said in a statement. “Naftogaz remains open for discussions with Gazprom in Brussels or other city of the European Union,” it said.

The two companies lodged multi-billion-dollar claims against each other with a Stockholm arbitration court, which resolves commercial agreement disputes. In two separate cases Kiev has demanded a higher tariff for the transit fee it charges Russia to transit to Europe and to cancel the requirement “take or pay” for the gas supply deal signed in 2009. Last week, Naftogaz said the court had ruled in its favour regarding the “take or pay” clause, although Gazprom said the ruling was an interim stage in the court process and the decision was positive for Gazprom “on balance.”

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. But Ukraine remains a major route for Russian gas supplies to Europe, pumping 82.2 billion cubic metres (bcm) of gas in 2016, 23 percent more than a year earlier.

Qatari lng diversions shock EU gas traders as crisis intensifies

Bloomberg, *09.06.2017*



European energy markets started to feel the impact of the escalating diplomatic row in the Middle East after natural gas prices soared when tankers full of Qatari fuel abruptly changed course.

Two ships bound toward Europe veered course Thursday, taking them away from the Red Sea and Suez Canal, the transit route for gas into the Mediterranean and a point of focus amid the Qatari crisis. Front-month gas in the U.K. jumped the most after the turnaround surprised traders, who had been bearish the fuel according to a survey earlier in the day, before trading little changed Friday.

European gas traders count on Qatar, the region's biggest LNG supplier, to refill storage sites depleted after the key winter heating season. The vessels may be sailing around Africa to Europe to avoid the Suez Canal, according to Paris-based cargo-tracking company Kpler SAS.

The LNG tankers, the Zarga and Al Mafyar, turned around off the coast of Yemen, according to ship-tracking data on Bloomberg. Both ships were expected to go to the U.K., and sailing round the Cape of Good Hope would delay their journeys by five to 10 days, Kpler said by email. The Zarga's easterly course may be an attempt to avoid high-risk areas off Somalia, it said.

Qatar's relations with its Gulf Arab neighbors Saudi Arabia, the United Arab Emirates and Bahrain deteriorated Monday when the three countries, along with Egypt, severed diplomatic ties as well as land, sea and air travel with Qatar. The four accuse the small Gulf nation, the world's biggest seller of LNG, of supporting extremist groups.

The shipping industry is likely to feel the impact of the crisis as entry bans on vessels from Qatar at some ports will force shippers to find alternative routes to refuel and tweak schedules, potentially increasing costs and causing delays in LNG deliveries, according to FGE.

"We may start to see some inefficiencies in scheduling/routing if the issues persist, which could increase ton miles as ships are forced to bunker elsewhere or take suboptimal routes," James Buckland, head of investor relations at GasLog Ltd., an LNG ship owner, said by email Friday. "The major impact would be if the Suez Canal were closed to Qatari vessels but there is no evidence that this will happen."

U.K. front-month gas Thursday rose 4 percent to 37.46 pence per therm ($4.75 a million British thermal units), the biggest gain since Jan. 30 on ICE Futures Europe. It rose 0.2 percent Friday and is still about 20 percent below its five-year seasonal average.

Qatar exported 79.62 million tons of LNG last year, or 30 percent of global supply, according to the International Group of Liquefied Natural Gas Importers, known by its French acronym GIINGL. The nation is equidistant from Europe and Asia, supplying both, while the Middle East accounted for about 10 percent of its volumes last year, according to GIIGNL.

To get to Europe, Qatari cargoes mainly go via the Suez Canal, a faster route than around Africa. “Qatar shipping should retain use of the Suez Canal, which is governed by international agreements,” the Oxford Institute for Energy Studies said this week in a report. “But Egypt could reduce the canal-fee discount offered to LNG ships, making transits more expensive for Qatari LNG carriers and reducing Qatari LNG competitiveness in the European market”

First US natural gas shipped to Poland

Foreign Policy, *08.06.2017*

Poland just took a symbolic step forward in wresting itself from Russia’s energy dominance. The first ever liquified natural gas shipment from the United States arrived in Poland, a landmark of sorts in Europe’s continuing drive to diversify the sources of its energy imports.

The gas came from an export terminal in Louisiana that was first out of the gate to exploit the U.S. shale boom to supply the global market. For Warsaw, the first delivery is fruit of new energy infrastructure that allows it to reduce near total dependence on Russian imports, following closely in step with neighboring Lithuania’s move.

“It’s very important, it’s a milestone,” one Polish diplomat told Foreign Policy. The diplomat said energy diversification is a top priority for eastern Europe countries in Russia’s shadow, a safety net if Moscow ever decides to cut supplies in geopolitical ploys against its neighbors — something it has repeatedly done in the past.

Eastern European countries like Poland and the Baltic states have already suffered past episodes of Russian energy bullying. Now, they are increasingly unnerved by Russia’s tense showdown with NATO over Ukraine, Syria, and a slew of other geopolitical minefields. But they also remain heavily reliant on Russian energy.

Russia, for its part, is just as reliant on cash from its energy exports to Europe to shore up its anemic economy. (Europe is by far the biggest market for Gazprom, the big natural gas firm, grandiose plans to expand to China notwithstanding.)

As Europe diversifies its gas supplies — from the United States, Norway, and other gas exporters like Qatar, Russia will face a choice between losing its big share of the market — and the political clout that comes with it — or lowering prices to stay competitive. “[Russia] will have to rethink their tactics and strategy.

They'll have to consider the United States as an increasing power in the European gas market," the diplomat said. What's more, as U.S. and European energy officials point out, the mere availability of U.S. natural gas in the global market can be a boon to countries even when they don't physically receive gas. Gazprom was forced to slash its price for Lithuania by 20 percent after the small Baltic country opened its floating LNG terminal, simply because it suddenly saw the prospect of competition in the future.

Extra supply of affordable U.S. natural gas in the global market has also pushed down contract prices for gas in other parts of Europe and in Asia, benefitting consumers and industry. The United States, in other words, isn't just exporting gas: It is also exporting America's low gas prices.

That doesn't mean Russia's going anywhere. It still supplies Europe with 35 percent of its total gas imports, and 13 European countries rely on Russia for over 75 of their annual gas imports. LNG shipments from the United States won't change that.

"It's not practical to say Russia is going to replaced as a supplier," one State Department official told FP, speaking on condition of anonymity. Still, it needn't be overly dominant. During the George W. Bush and Obama administrations, the United States sought to help Europe diversify its sources of energy.

That's because Russia habitually used disruptions of energy exports — especially in 2006 and 2009 — to try to cow smaller neighbors, such as Ukraine or the Baltic countries. U.S. efforts included working with Europe to build more connective tissue so that energy supplies could flow throughout Europe more easily, as well as supporting the development of new infrastructure like LNG terminals and pipelines.

The Trump administration said it will continue to support Europe's diversification efforts. Mary Warlick, the State Department's top energy diplomat, said at an event Wednesday at the Atlantic Council, that Washington supports Europe's efforts to find new sources of supply — including exports from the United States, but also other projects, like a new pipeline to bring gas from the Caucasus into southern Europe.

The flip side of that is concern in Washington — shared by many in Central and Eastern Europe — about Russia's plans to build yet another gas pipeline to Europe. The Nord Stream 2 project would bypass Ukraine, costing Kiev billions of dollars in transit fees, and redouble Europe's dependence on Russian gas by funneling 80 percent of Russian gas imports to the EU through one big route. That would "significantly increase Europe's vulnerability to a supply disruption," Warlick warned in Brussels last week.

Polish authorities have tried to trip up the project on antitrust grounds, and there is also a campaign afoot to block the pipeline on environmental grounds. Many eastern European countries have attacked the project as a Russian geopolitical ploy to strengthen its energy leverage over Europe, rather than a commercial project that makes economic sense. (The existing pipeline is not used at full capacity, and European gas demand growth is pretty much flat, making it hard to justify a new $10 billion pipe.) Warlick said the project's geopolitical ramifications raise "concern" for the Trump administration. However, the project is supported by a handful of Western energy companies and seems to have the tacit support of Germany, which would be a big beneficiary of the new pipeline.

And while Thursday’s LNG shipment is welcome news for Poland, it is not yet a reprieve from the threat of Nord Stream 2. “The problem of Nord Stream 2 still looms large, as this is a pipeline with a much greater capacity that has major regional implications,” said Sijbren De Jong of the Hague Center for Strategic Studies. “That is not shoved aside by the arrival of U.S. LNG at this point.”

While the debate over Nord Stream 2 plays out, Poland is eager to accept non-Russian gas wherever it can get it. In recent weeks, Warsaw signed a gas contract with Qatar and announced plans to increase its capacity to import liquefied natural gas by about 50 percent.

BHP ceo says in regular talks on future of US shale assets

Bloomberg, *05.06.2017*

BHP Billiton Ltd. is holding discussions with competitors on the future of parts of its U.S. shale business amid heightened scrutiny of the unit from shareholders, including activist investor Elliott Management Corp.

The company recognizes it needs alternative strategies for some of the assets, particularly gas-focused operations, Chief Executive Officer Andrew Mackenzie told reporters Monday in Tokyo. The were multiple potential owners of the assets spread across the states of Texas, Arkansas and Louisiana, Chief Executive Officer Andrew said Monday in Tokyo.

“We are in regular dialogue with those natural owners as to whether or not we can form more collaboration to allow us to share facilities, to drill longer wells and therefore have higher-productivity wells,” Mackenzie said.

“However, they may have a value of what we hold that’s significantly in excess of our estimates based on what we know we can do.” Melbourne-based BHP would be prepared to discuss potential sales of U.S. shale assets, which were acquired in about $20 billion of deals in 2011 and were too costly and poorly timed, Mackenzie said last month.

The producer has previously flagged its intention to sell parts of a Texas gas field and a potential exit from its Fayetteville shale gas assets in Arkansas. Assets in the Delaware Basin would appear to be a “strong strategic fit” for Anadarko Petroleum Corp., JPMorgan Chase & Co. analysts wrote in a note last month.

Tom Ward, co-founder of Chesapeake Energy Corp., said in an April interview he may be interested in reviewing the Fayetteville operations with new company Mach Resources. “We are reducing our footprint and long-term aspirations for our shale business and moving back to creating more options for growth in our conventional business,” Mackenzie told reporters.

BHP's entry into shale is among decisions that've drawn criticism from billionaire Paul Singer's Elliott Management, which has also attacked BHP over failed exploration and poorly timed share buybacks, which the fund contends have destroyed $40 billion in value. Elliott has proposed a spin-off of all U.S. oil and gas assets and last month called for an independent review of BHP's $22.5 billion petroleum division.

"We are continually reviewing the fit, the shape and the strategy of our petroleum business at board level and in regular discussion with our major shareholders," Mackenzie said in Tokyo. BHP, the world's biggest miner, examines all parts of its portfolio, and goes "way beyond what has been brought to our attention by Elliott," he said. Mackenzie, who met with Elliott representatives in Barcelona last month, declined to say whether he plans to hold further talks in future with the fund.

Announcements & Reports

► *Global Trends in Oil and Energy: Implications for the GCC and Foreign Policy Responses*

Source : OIES
Weblink : https://www.oxfordenergy.org/publications/global-trends-oil-energy-implications-gcc-foreign-policy-responses/

► *Feud Between Brothers: The GCC Rift and Implications For Oil and Gas Markets*

Source : OIES
Weblink : https://www.oxfordenergy.org/publications/feud-brothers-gcc-rift-implications-oil-gas-markets/

► *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

► *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/
/

► *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/