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Turkey to drill first well in Mediterranean by end of 2017

Daily Sabah, *09.06.2017*

Turkey will increase its investment in seismic exploration and oil and natural gas drilling, Minister Berat Albayrak said during a dinner with the crew of the Barbaros Hayrettin Paşa vessel, accompanied by Turkish Cypriot Economy and Energy Minister Sunat Atun and the undersecretary of the Energy and Natural Resources Ministry, Fatih Dönmez.

Albayrak indicated his hopes that the activation of a drilling vessel off the coast of Cyprus by the end of 2017 will allow for the start of drilling operations in the Mediterranean and Black Sea, announcing that Turkey will drill its first well in the Mediterranean by the end of the third or fourth quarter.

Prefacing that the Barbaros Hayrettin Paşa has already completed two-thirds of a three-dimensional seismic project spanning roughly 1,695 square meters in Magosa, Albayrak indicated that seismic exploration in the region will be completed by the end of this month ahead of the July 10 deadline, exceeding expectations amid recent developments.

The minister added that the vessel will continue work on a new three-dimensional seismic project in the Mediterranean region, stressing that the Ministry expects exploration to be completed in at least two or three regions by the end of the year.

Indicating that Turkey will make investments in drilling and seismic exploration in the scope of the its national energy and mining strategy, Albayrak said he hopes that negotiations will soon be completed and that use of the Turkish vessel will speed up drilling and backup drilling rigs will facilitate drilling to begin in the Mediterranean and Black Sea.

“We have looked at the well-drilling reports and after conducing on-site analysis we have set up three-to-four regions for drilling. The Barbaros Hayrettin Paşa is equipped for three-dimensional seismic drilling in two or three of these regions,” the minister noted, saying that reports of the two-dimensional and three-dimensional exploration carried out by the vessel will be analyzed and that experts will evaluate the best locations for drilling. The Ministry will then work to optimize drilling efforts in the region. The minister further highlighted that Turkey will give priority to investments in drilling over the next five to 10 years.

Stressing the significance of the Turkish-Cypriot minister who accompanied him on the vessel, Albayrak said that Turkey will remain active in conducting explorations and drilling not only in Turkish waters but also off the coast of North Cyprus, adding that alliance and cooperation with North Cyprus will be beneficial for both sides.

The minister indicated that Turkey prioritizes effective drilling in the Mediterranean due to its potential, expressing that the region is entering a new era in oil and gas exploration thanks to developments in the global oil and gas market over the past 15 to 20 years.

Albayrak went on to say that in order to ensure a stronger, more powerful Turkey for the future, the country must take action in oil and gas exploration utilizing domestic engineering and platforms.

He said, “Particularly regarding land and sea exploration, there has been serious fluctuation in the costs of new techniques, new investments and transformation of the sector on a global scale. Turkey, as a developing and growing country, must evaluate every opportunity in the best way possible to take effective steps at the optimal time. To facilitate this, we will take serious steps not only in the Mediterranean Sea but also in the Black Sea with our other vessel, the Oruç Reis,” Albayrak said.

“As I always mention, Turkey has allocated an average of $44 billion annually in energy investments over the last 10 years. When we include mining investments that were recorded at nearly $10.6 billion, we have a $55 billion annual budget for energy and mining imports,” he added.

As previously reported, the seismic vessel embarked into Turkish waters on April 21 to survey the eastern Mediterranean for oil and gas resources.The explorations are being conducted in the scope of the “assertive course of explorative and sounding operations” that Albayrak announced.

The Barbaros Hayrettin Paşa vessel was purchased in December 2012 for $130 million and is capable of conducting two- and three-dimensional seismic surveys at a depth of 8 kilometers, according to information obtained from the Ministry of Energy and Natural Resources.

The ship is able to calculate its position and direction automatically using satellite communication and is equipped with a helicopter pad. It measures 4.711 tons, spans 84 meters in length and is 21.6 meters wide. Featuring a double hull and water cleaning systems, the Barbaros Hayrettin Paşa is also said to be one of the most environmentally friendly ships of its kind.

Turkish public support for TurkStream rises to 75 pct

Anadolu Agency, *09.06.2017*

Turkish public support for the TurkStream natural gas pipeline project rose to 75 percent in 2017 compared to 56 percent in 2015, according to new polls conducted by an independent firm.

According to StratejiCo -- an independent corporate and public affairs consultancy firm -- the poll results demonstrated the Turkish public's belief that the TurkStream project would benefit the country. The TurkStream 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.

The pipeline will start from the southern Russian town of Anapa on the Black Sea coast and will be laid on a 900-kilometer route under the Black Sea to reach the Thrace region of Turkey along the Black Sea coast.

The poll, conducted via telephone interviews with 2.4 thousand participants, showed that 68 percent of the local community in Turkish northwestern cities, Tekirdag, Edirne and Kirklareli, approved the project.

The contribution to Turkey's energy supply security, the opportunities to expand the use of natural gas as an energy source along with other economic advantages were stated as the main reasons for the support detailed in the poll results, the firm said.

Additionally, the Turkish community's endorsement for the use of natural gas also increased, the firm said, adding that while this support was 57 percent back in 2015, the current support jumped to 87 percent.

This increased backing was also reflected in the construction of new pipelines in the country, according to the firm. "Today [in 2017], 85 percent of both general and regional public opinion is positive about such projects," it noted.

"When looking at regional developments the first line of the TurkStream project, which will directly carry gas to Turkey and decrease the risks of transit gas, will play a key role in Turkey's energy security. Therefore, these results are very important," Mehmet Ogutcu, chairman of the Bosphorus Energy Club, was quoted as saying.

Turkey's energy watchdog issues power generation license for Russia's Rosatom in Akkuyu plant

Daily Sabah, *15.06.2017*

Turkish Energy Market Regulatory Authority (EMRA) has granted power generation license to Akkuyu Nuclear Company for a 49-year period for its Akkuyu Nuclear Power Plant project in southern Turkey's Mersin.

In a statement, EMRA announced Thursday that the electricity generation license will be valid from June 15, 2017. The $20 billion worth Akkuyu Nuclear Power Plant, with its four reactors, will have an installed capacity of 4,800 megawatts and a working lifetime of 8,000 hours per year. Once operational, the plant is estimated to meet around 6-7 percent of Turkey's electricity demand.

"Although the first unit of the power plant was planned to start operations in 2025, Akkuyu Nuclear Company has announced that it will start generating electricity on Oct. 29, 2023, on the centennial anniversary of the Turkish Republic," the statement added.

The first agreement on Akkuyu Nuclear Power Plant was signed with Russia back in 2010. Russia's state atomic energy corporation, Rosatom is constructing the Akkuyu power plant. It will produce approximately 35 billion kilowatt-hours of electricity every year, once completed. The power plant will have a service life of 60 years.

The project has repeatedly run into delays, including being briefly halted after Turkey downed a Russian jet near the Syrian border in November 2015. Ties have since normalized between the two countries and work on the plant has resumed.

Turkey's second nuclear power plant will be built by a French-Japanese consortium in Sinop, near the Black Sea. Dependent on imports for almost all of its energy, Turkey has embarked on an ambitious nuclear program, commissioning Rosatom in 2013 to build the four 1,200 megawatt (MW) reactors.

With Turkey's energy imports costing about $50 billion annually and its energy demand among the fastest-growing in Europe, Ankara wants at least five percent of its electricity generation to come from nuclear energy in under a decade, cutting dependency on natural gas largely bought from Russia.

Greece, Israel, Greek Cyprus to speed up Mediterranean pipeline efforts

Reuters, *15.06.2017*

Greece, Israel and Greek Cyprus said on Thursday they would speed up plans for the development of a pipeline channeling gas to Europe from newly discovered east Mediterranean reserves.

European governments and Israel agreed in April to move forward with a Mediterranean pipeline project to carry natural gas from Israel to Europe, setting a target date of 2025 for completion of the project. Europe is keen to diversify its energy supplies, and Greece wants to promote itself as a hub for the transit of gas from the eastern Mediterranean to the continent.

“We agreed to expedite our joint actions concerning our agreement on the construction of a large project which will offer new prospects of economic cooperation in the eastern Mediterranean,” Greek Prime Minister Alexis Tsipras told a news conference in the northern Greek city of Thessaloniki.

He was flanked by Israeli Prime Minister Benjamin Netanyahu and Nicos Anastasiades, the president of Greej Cyprus. The planned 2,000-km (1,250-mile) pipeline aims to link gas fields off the coasts of Israel and Greek Cyprus with Greece and possibly Italy, at a cost of up to 6 billion euros ($6.7 billion).

Netanyahu said the so-called East-Med Pipeline “would be a revolution”. “We’ve had preliminary studies of it and it seems promising and we’re going to look further into it. It’s something we’re very excited about,” he said.

Israel and to a lesser extent Cyprus are thought to be sitting on vast quantities of natural gas wealth given the significant finds reported in the past decade. Israel has discovered more than 900 billion cubic meters (bcm) of gas offshore, with some studies pointing to another 2,200 bcm waiting to be tapped. Along with the European market, it is exploring options to export to Turkey, Egypt and Jordan.

Cyprus’ Aphrodite gas field holds an additional 128 bcm, and Cypriot waters are expected to hold more reserves. Delivery options have included a pipeline linking the three countries, a pipeline to Turkey, and use of liquefied natural gas (LNG) storage in Egypt for shipment to Europe.

The three leaders said they would also pursue the development of an electricity cable linking their countries. The EuroAsia Interconnector will carry electricity generated in Israel and sent via Greek Cyprus, the Greek island of Crete and mainland Greece to European grids.

A Greek government official said Greece had proposed adding fiber optic cables estimated to boost the cost by 10 percent. It has secured funding of 1.5 billion euros from the European Union and viability studies have been completed. "It's in a mature phase and we must now move on to the establishment of a consortium of investors and its implementation," the official said.

OMV, Gazprom may resume Black Sea gas pipeline extension

Daily Sabah, *15.06.2017*

The Austrian energy group OMV and Russian Gazprom have recently announced that they are in talks to revive the natural gas pipeline project which will connect Russia to central and southern Europe via the Black Sea. If the project is realized, it will be an extension of the TurkStream natural gas pipeline project.

According to a report in Austrian newspaper Der Standard based on sources close to the issue, Austria's Chancellor Christian Kern and Russian President Vladimir Putin came together in St. Petersburg, where Kern attended an economic forum this month.

It was announced on June 2 that OMV and Gazprom signed an agreement in St. Petersburg on the general outline of cooperation in order to "develop the necessary natural gas transmission infrastructure for the supply of natural gas to central and southeastern Europe."

A relevant source told Reuters that it is too early to talk about project costs and what investments will be made. In the event of such revival, this project could increase the importance of the OVM's Baumgarten gas distribution center in southern Austria.

Der Standard stated that the project will be an extension of the TurkStream natural gas pipeline project, which Gazprom plans to complete by the end of 2019. The expanded line will allow Russian gas to be pumped to Italy, which currently receives gas from Baumgarten through TAG and SOL pipelines. Alternatively, Russian gas could be transported from Turkey's western side to Italy through Greece. Neither OMV nor Kern's spokespersons - nor Gazprom - have commented on the matter.

Russia canceled the South Stream natural gas pipeline project, which was supposed to carry natural gas to Bulgaria through a sub-sea pipeline, in 2014 because of objections from the EU on competition grounds. The dispute between Brussels and Moscow followed Russia's annexation of Crimea from Ukraine and the implementation of Western economic sanctions on Russia over the Ukraine conflict.

Israel-Europe gas pipeline emerging from fantasy, Netanyahu says

Bloomberg, *15.06.2017*

Leaders of Israel, Greece and Cyprus agreed Thursday to push forward with construction of a pipeline that would bring gas to Europe from offshore fields in the Mediterranean.

“A few months ago it was in the realm of fantasy,” Israeli Prime Minister Benjamin Netanyahu told reporters after a three-way summit in Thessaloniki, Greece. “Now it’s becoming real.”The meeting brought Netanyahu together with Greek Prime Minister Alexis Tsipras and Cypriot President Nicos Anastasiades to sign a joint statement on strengthening economic cooperation.

The centerpiece is the East-Med Pipeline, which would bring gas from Israeli fields to Greece and Italy through what would be the world’s longest undersea connection. The Israeli push to connect the eastern Mediterranean through pipelines in a region grappling with longstanding conflicts is going to be hard to carry through, especially as world energy prices remain depressed. A second proposed pipeline, to Turkey, would have to go through Cyprus, which has been divided since a Turkish invasion of the north in 1974.

Israel has discovered two large offshore reservoirs holding an estimated 930 billion cubic meters of natural gas, more than enough to meet its own domestic needs for at least two decades. It is auctioning new fields this summer and is trying to find nearby export destinations to bring in billions of dollars in revenue while strengthening Israel’s geopolitical standing in the region. Israel already has signed an estimated $10 billion deal to export gas to Jordan, and Energy Minister Yuval Steinitz said talks continue to export gas to two idle liquefaction facilities in Egypt.

The partners in Leviathan, Israel’s largest offshore gas find, have started working on a $3.75 billion development plan to service the domestic contracts and the Jordanian market. The companies, led by Houston-based Noble Energy Inc. and Israel’s Delek Group Ltd., are planning to extract surplus gas for export to either Turkey or Egypt in a second phase of development.

The pipeline to Italy, which Steinitz says would be the world’s longest undersea pipeline, would be more technically complicated and expensive than the one to Turkey, and may require additional gas findings offshore Israel to make it commercially viable.

Israel's Navitas Petroleum plans Tel Aviv share sale

Reuters, *13.06.2017*

Israel's Navitas Petroleum plans to raise $130 million in bonds and then carry out an initial public offering (IPO) on the Tel Aviv Stock Exchange as it expands operations in the Gulf of Mexico and Canada.

The exploration and production company will use the money raised in the bond offering to fund development and secure a 5 percent stake in the deep-water project Buckskin in the Gulf of Mexico, which holds an estimated 490 million barrels of recoverable oil, Navitas Chairman said. Upon completion of the bond issuance Navitas will go public in Tel Aviv, Tadmor said.

Navitas' valuation in the IPO will be approximately $100 million, according to a prospectus. "After two and a half years of downturn in the upstream sector, there are very interesting investment opportunities in the sector in the U.S," Tadmor told Reuters.

Tadmor, 53, has been a public face for Israel's energy industry over the past decade as the country emerged as a regional player. He bought Navitas from Israeli conglomerate Delek Group (DLEKG.TA), where he had previously held senior roles, which discovered the massive natural gas fields Tamar and Leviathan.

These discoveries turned Israel into an energy exporter. Drill bits from both wells are displayed in his new offices. Despite the local boom, Navitas, with stakes in 11 oil and gas projects in the Gulf of Mexico and another in Newfoundland, Canada, will be one of the first public Israeli companies to operate abroad.

"One of our advantages is our ability to source both equity and financing from the Israeli capital market to cherry pick exciting projects," Tadmor said. Delek is also looking overseas, acquiring North Sea oil producer Ithaca Energy earlier this month.

Israel in the meantime is seeking new firms to explore 24 offshore blocks in the vicinity of Tamar and Leviathan, saying huge reserves have yet to be discovered. Although he championed eastern Mediterranean exploration while at Delek, Tadmor said he did not see opportunities in this round of tenders.

"My heart is in Israel, my investors are in Israel, but the opportunities right now in my mind exist outside of Israel," he said, referring to what he sees as a combination of problematic regulation, the potential for relatively small discoveries, and a limited market to sell the gas.

Greece, Israel and Greek Cyprus: Pivotal to East Mediterranean gas development

New Europe, *15.06.2017*

East Mediterranean gas resources can promote cooperation and deliver financial benefits contributing to the economic development of Israel, Greece, and Greek Cyprus. The challenges and prospects of gas cooperation are at the top agenda of trilateral dialogue to overcome obstacles and stipulate development of energy resources.

It is in this context that Greece has been pivotal in the development of Israel's natural gas with the acquisition of the Tanin and Karish fields, facilitating competition in the Israeli market in accordance with the revised Israeli regulatory framework.

Energean Oil and Gas (Energean), a Greek private E&P company, currently owns 100 percent of the two Israeli gas fields and acts as their sole operator. The gas fields are considered a world class asset with 2.4 trillion cubic feet (tcf) of natural gas, contingent reserves, and over 20 million barrels of light oil, contingent, and perspective reserves.

In fact, Israel has facilitated Greek energy interests, which can help Europe diversify supply of energy resources. Optimism prevails when it comes to Energean's ability to present a reliable Field Development Plan for both the Tanin and Karish fields so that first gas is produced in 2020. The company emerged as a smart investor, having managed to acquire two new licenses in Israel and another two in Western Greece during the low point of the upstream industry cycle.

In pursuance to Greece's strategy of penetrating the East Mediterranean energy landscape, Athens also seeks to develop its own gas fields in the Ionian Sea and South of Crete. The Greek Ministry of Energy has already signed a contract with French Total's JV, Edison and Hellenic Petroleum. The contract secures offshore Block 2, located west of the island of Corfu, as an outcome of the 2014 International Licensing Round.

It has to be noted however, that reservations seem to prevail regarding the possibility of Greece to re-launch a new Licensing tender and the related risks due to the current low price levels and the increased exploration costs in deep and ultra-deep waters.

For its part, Israel in its quest for natural gas development proceeded successfully in 2016 with the revision of its gas regulatory framework thus resolving a persisting antitrust stalemate. Impediments however continue with most prominent, the high risks for potential buyers and uncertainty over export markets. Specifically, despite the Israeli government's approval of gas exports to Egypt, the seven-year deal -signed between partners of the Israeli Tamar gas field and the Egyptian Dolphinus Holdings- has not yet materialized.

The only secured export agreement is the Gas Sales and Purchase Agreement (GSPA) signed between Noble Energy and Jordan’s National Electric Power Corporation (NEPCO). The agreement guarantees the supply of approximately 1.6 trillion cubic feet (tcf) of natural gas from the Leviathan gas field over a 15-year period for electricity production.

Out of existing export options, the construction of a pipeline that connects Israeli Leviathan gas field to the Turkish coast remains financially attractive. This is in spite of Israeli reservations regarding the likelihood of tying its gas into a single market with considerable competition. The gas pipeline project must overcome the longstanding Cyprus conflict to proceed, as it requires crossing Greek Cyprus’s Exclusive Economic Zone (EEZ).

In the regional setting, energy offers golden opportunities for Cyprus island; the discovery of the Egyptian Zohr giant gas field accelerated Cyprus’ declaration of the 3rd International Licensing Round. The geological structures of the Zohr field are similar to the auctioned Cypriot offshore blocks, suggesting the existence of significant gas reserves and exploitable oil deposits.

A general vote of confidence in the Greek Cyprus EEZ is indicated by the attraction of international majors and the subsequent distributions of various exploration blocks. This includes the awarding of exploration block 6 to the ENI Cyprus Ltd and Total E&P consortium; of exploration block 8 to ENI Cyprus; and, of block 10 to the consortium of ExxonMobil Exploration & Production Cyprus Ltd and Qatar Petroleum International.

No doubt that the East Mediterranean gas discoveries present a game changer that poses all kinds of risks and opportunities for the three countries’ economic growth. It is in this context that policies need to center on:

First, supporting the planned Euro-Asia Interconnector project that would connect Hadera, Israel to Athens, Greece so that the latter emerges as a hub and/or a transit country; Second, upholding cooperation between Greece and Israel on joint development of infrastructure for the transportation and marketing of gas, as well as on joint operations pertaining to the safety of energy installations;

Third, sharing knowledge to foster a transparent and predictable regulatory environment for foreign investors in Greece, Greek Cyprus and Israel, and facilitating access to external sources of project finance and loan guarantees;

Fourth, looking into multiple exports options so that gas is not tied to a single market where changing geopolitical conditions can affect the sustainability of exports and thus impact negatively the three countries’ energy wealth; and,

Fifth, establishing a regional sponsor-supported council that would include energy companies, energy industry service providers, energy industry associations and other stakeholders in the region; once established, the Council could seek government participation from the littoral states of the East Mediterranean and become an avenue of communication between governments and industry as well as a clearing house for ideas and plans for mutually beneficial development in the region. Admittedly, gas discoveries in the East Mediterranean have the potential to transform the energy outlook of individual countries as well as foster regional energy cooperation.

This is a period of financial upheavals and political instability hence new opportunities emerge for those who are bold and ready to work. Greece, Israel and Cyprus need to identify to this group and serve as pillars of energy cooperation. Working from this collective strength, they can pursue energy policies for the well being of their peoples and the coming generations.

Saudi dispute with Qatar has 22-year history rooted in gas

Rigzone, *06.06.2017*

Saudi Arabia's isolation of Qatar has been brewing since 1995, and the dispute's long past and likely lingering future are best explained by natural gas.

Not only was that the year when the father of the current emir, Sheikh Tamim bin Hamad Al Thani, toppled his own pro-Saudi father, it was also when the tiny desert peninsula was about to make its first shipment of liquid natural gas from the world's largest reservoir. The offshore North Field, which provides virtually all of Qatar's gas, is shared with Iran, Saudi Arabia's hated rival.

The wealth that followed turned Qatar into not just the world's richest nation, with an annual per-capita income of $130,000, but also the world's largest LNG exporter. The focus on gas set it apart from its oil producing neighbors in the Gulf Cooperation Council and allowed it to break from domination by Saudi Arabia, which in Monday's statement of complaint described Qataris as an "extension of their brethren in the Kingdom" as it cut off diplomatic relations and closed the border.

Instead, Qatar built its own ties with other powers including Iran, the U.S. -- Qatar hosts U.S. Central Command -- and more recently, Russia. Qatar's sovereign wealth fund agreed last year to invest $2.7 billion in Russia's state-run Rosneft Oil Co. PJSC. "Qatar used to be a kind of Saudi vassal state, but it used the autonomy that its gas wealth created to carve out an independent role for itself," said Jim Krane, energy research fellow at Rice University's Baker Institute, in Houston, Texas. "The rest of the region has been looking for an opportunity to clip Qatar's wings."

That opportunity came with U.S. President Donald Trump's recent visit to Saudi Arabia, when he called on "all nations of conscience" to isolate Iran. When Qatar disagreed publicly, in a statement the government later said was a product of hacking, the Saudi-led retribution followed.
Critically, Qatar's natural gas output has been free from entanglement in the Organization of Petroleum Exporting Countries, the oil cartel that Saudi Arabia dominates.

The new emir, having survived a counter-coup attempt in 1996, didn't build pipelines that would have integrated Qatar into the markets of its Gulf neighbors. Two senior Qatari government officials alleged during the trial of the coup plotters in 2000 that Bahrain helped to organize the attempt with Saudi Arabia's consent, according to a report by the BBC.

At the time, those much richer oil states saw natural gas as virtually worthless, useful mainly for injecting back into oil wells to improve extraction rates. They were willing to pay only a fraction of the world market price for LNG, according to a paper Krane co-authored with Qatar University's Steven Wright.

The sole pipeline built, the Dolphin project connecting Qatar's North Field to the United Arab Emirates and Oman, has operated at half to two thirds capacity. Contracts signed last year should fill the rest, yet the vast majority of Qatar's exports will continue to go to markets in Asia and Europe.

More recently, demand for natural gas to produce electricity and power industry has been growing in the Gulf states. They're having to resort to higher-cost LNG imports and exploring difficult domestic gas formations that are expensive to get out of the ground, according to the research. Qatar's gas has the lowest extraction costs in the world.

Qatar gas wealth enabled it to develop foreign policies that came to irritate its neighbors. It backed the Muslim Brotherhood in Egypt, Hamas in the Gaza Strip and armed factions opposed by the UAE or Saudi Arabia in Libya and Syria. Gas also paid for a global television network, Al Jazeera, which at various times has embarrassed or angered most Middle Eastern governments.

Iraq dethrones Saudi Arabia as India's no.1 oil supplier

Oilprice, *15.06.2017*

Iraq has been India's largest supplier of crude oil for the last three months, shipping data from Bloomberg has revealed. This means that OPEC's number-two has dethroned the cartel's leader—Saudi Arabia—which has been the top supplier in the world's fastest-growing market in terms of oil consumption.

Iraq produced almost a quarter of the oil India imported last month, exporting at a daily rate of 1 million barrels. That is compared to a monthly average export market share of 19 percent for the prior four months. Saudi Arabia, on the other hand, supplied 17 percent of the crude India bought in May.

Iraq has consistently shown signs of an expansion strategy for its oil industry, despite its participation in the OPEC agreement for oil output reduction. While Iraq has not been fully compliant to the production caps, Saudi Arabia has been over-compliant—a fact that contributed to Saudi Arabia losing coveted market share in India.

Regardless of the OPEC agreement, Iraq has been exporting crude oil at a breakneck pace, and in May, its crude oil exports hit the highest rate of the last six months at 101.13 million barrels, or an average 3.26 million bpd daily. India absorbed close to a third of that total.

But the flurry of crude oil leaving Iraq doesn't stop there. Earlier this month, a deputy Iraqi oil minister told media that the Basra Oil Company is working on expanding the daily capacity of the Amaya oil export terminal in Basra to one million barrels. Amaya's current capacity is 250,000 bpd. In addition, the minister, Karim Hattab, said that the Basra Oil Company will increase output from its Leheis oil field, one of the longest-producing in Iraq, to 120,000 bpd, an increase from its current output of 100,000 bpd.

In its latest Oil Market Report, the International Energy Agency noted that Iraq has managed only a 55-percent compliance rate with the OPEC output reduction agreement, which required that it shave 210,000 barrels from its daily production. The failure of Iraq to adhere to the agreement set out in November and extended in May did not come as a huge surprise, given Iraq's overwhelming dependence on oil revenues.

As for Saudi Arabia, which according to OPEC figures is adhering to the agreement whole heartedly, there are additional reasons why it is losing its top spot as oil supplier to the world's next economic hothouse to its rogue OPEC partner-slash-competitor: energy industry insiders from India told Bloomberg that local Indian refineries have been undergoing upgrades that now allow them to process crude oil with higher sulfur content, such as Iraqi crude. Prices for Iraqi crude are also attractive, according to one of these insiders, the chairman of Hindustan Petroleum Corp.

India is not the only promising destination for Iraqi oil. Tanker tracking data suggests that Iraq is also exporting more oil to the United States—again besting Saudi Arabia, which pledged to cut exports to its North American client to draw down crude oil inventories in the United States.

According to data compiled by Bloomberg, Iraq loaded 12 million barrels of crude to be shipped to the U.S. in just the first 13 days of June. This is twice as much as what Iraq shipped to the world's number-two consumer during the comparable periods of April and May.

Iraq's focus on India appears logical, even though India has ambitious renewable energy plans aimed at reducing pollution levels and its dependence on oil imports. India is so ambitious, in fact, that it has plans to ban the sales of non-electric cars after 2030. While this will certainly reduce its oil demand, it won't eliminate it.

As the country's oil minister told the FT, “Oil will remain an important component of our energy usage but our capital expenditure is moving into alternatives — gas, renewables and technologies such as electric cars.” As oil prices continue to dip and high crude oil inventories linger, competition among foreign suppliers will only intensify.

Iraq sends millions of barrels of oil to US while Saudis cut

Bloomberg, *14.06.2017*

Iraq is driving up crude oil exports to the U.S., the world's second-biggest import market, just as there are signs Saudi Arabia is honoring a pledge to restrict such deliveries, according to tanker-tracking data.

The second-largest producer in the Organization of Petroleum Exporting Countries loaded 12 million barrels of crude for the U.S. in the first 13 days of this month, the tracking shows. That's about 50 percent higher than the same period in either April or May. Comparable Saudi Arabian flows slumped by about half. Iraq isn't fully complying with pledges to OPEC to curb production, the IEA said.

"It's like the IEA report said, some members have been less than wholly diligent," Giovanni Staunovo, a Zurich-based commodity analyst at UBS Group AG, said of Iraq's early June shipments. The fact that Iraq contested parts of the plan to cut output when the accord was implemented in November mean it's "no surprise" to see flows rising now, he said.

While Iraq is among OPEC nations that pledged to restrict production to eliminate a global glut, there are signs that it may nonetheless be gaining a share of key import markets. The country's crude flooded into the U.S. in late May and early June, just as Saudi Arabia's flows diminished, weekly Energy Information Administration data show. Iraq also passed Saudi Arabia as the number one supplier to India, the fastest growing oil consumer.

The flow surge should show up in U.S. imports data sometime in late July. Tankers loading in the Persian Gulf take about 45 days to reach either the Gulf of Mexico or refining centers on the U.S. west coast. Equally, shipments could now decrease making the monthly tally lower than the near 1 million barrels a day average over June's first 13 days.

The IEA said Wednesday that Iraq's rate of compliance with OPEC, non-OPEC curbs is about 55 percent, while Saudi Arabia is among nations conforming in full. As well as eight tankers that left Iraq's Basra Oil Terminal and signaled U.S. destinations, there are seven more that either aren't indicating where they're going, or they're bound for Egypt's Suez Canal. Some of those could go still to the U.S.

The tracking data, which are for a relatively small time-span, show Saudi Arabian shipments in retreat. Three tankers were observed heading to the U.S. after departing the world's biggest exporter in early June, hauling about 6 million barrels between them. That's down from 14 million barrels in the same period in May.

Decreased Saudi Arabian shipments would be consistent with comments from the country's Energy Minister, Khalid Al-Falih. He said at OPEC's meeting in late May that there would be a "marked" decrease in the kingdom's shipments to the U.S.

Saudi Arabia's oil allocations to customers will be cut for July from their June levels, a person with knowledge of the matter said June 12, asking not to be identified because the information is confidential. About half of a 600,000 barrels-a-day nominations cut will fall on U.S. customers, the person said.

"That's a bit of a new signal that the Saudis are willing to give up a bit of market share," Michael Poulsen, analyst at A/S Global Risk Management, said of the relative changes in Saudi Arabia and Iraq's shipments.

Iran raises oil exports to West, almost on par with Asia

Reuters, *09.06.2017*

Iran's oil exports to the West surged in May to their highest level since the lifting of sanctions in early 2016 and almost caught up with volumes exported to Asia, a source familiar with Iranian oil exports said.

Iran, which used to be OPEC's second biggest oil exporter, has been raising output since 2016 to recoup market share lost to regional rivals including Saudi Arabia and Iraq. While many Asian nations continued to purchase oil from Iran during sanctions, Western nations halted imports, halving Iran's overall exports to as little as one million barrels per day (bpd).

Last month, Iran exported about 1.1 million bpd to Europe including Turkey, almost reaching pre-sanction levels and only slightly below the 1.2 million bpd supplied to Asia, the source told Reuters. Iran's exports to Asia last month were the lowest since February 2016, Reuters' calculations showed.

Oil exports to Asia fell as South Korea and Japan stepped up oil condensate purchases and bought less oil, said the source, who asked not to be identified as the information is confidential. "Iran's condensate parked in floating storage has almost been exhausted because of higher purchases by Japan and Korea," the source said.

Exports to Asia were also hit by India's decision to cut annual purchases from Iran by a fifth for the fiscal year to March 2018. After the lifting of sanctions, Tehran added new clients such as Litasco and Lotos and won back customers such as Total (TOTF.PA), ENI (ENI.MI), Tupras (RDSa.L), Repsol (REP.MC), Cepsa CPF.GQ and Hellenic Petroleum (HEPr.AT).

OPEC member Iran was allowed a small production increase under a December deal to limit output. Iran's overall May oil production totaled 3.9 million bpd, the source said. Iran is currently producing about 200,000 bpd of West Karoun grade, which the nation blends with other Iranian heavy grades for export, he said.

OPEC's simple problem. Despite Saudi cuts, it's shipping more oil

Reuters, *15.06.2017*

OPEC has finally acknowledged what the oil market already knows, namely that rebalancing is taking longer than expected. Perhaps this is because OPEC is actually shipping more crude.

The Organization of the Petroleum Exporting Countries prefers to talk about output when assessing the impact of the deal among members and 11 allied countries to reduce production by 1.8 million barrels per day (bpd). While output is no doubt important, for the immediate market impact it's probably better to focus on what the group is actually exporting.

Vessel-tracking and port data in Thomson Reuters Eikon shows that for the first five months of 2017, OPEC exported 25.6 million bpd. This figure is only shipments by tanker and is filtered to show vessels that have already discharged, are discharging or are en route to their destination.

The shipments for the first five months of this year are slightly higher than the 25.4 million bpd the producer group exported via tankers in the same period in 2016. In May, OPEC shipments were 25.6 million bpd, up from April's 25.02 million bpd, according to the vessel-tracking data.

The increase in exports via tanker was also reflected in higher output by the group, which said in a report on Tuesday that it produced 32.14 million bpd in May, up 336,000 bpd from the prior month. The increase was largely because members that are exempt from the output cuts agreed in November, such as Libya and Nigeria, increased production after prior curtailments due to civil unrest.

Nonetheless, the increase in output and exports via tanker show the scale of the challenge facing OPEC, and its de facto leader Saudi Arabia, the world's biggest crude exporter. The Saudis are carrying the bulk of the output reductions among OPEC members, and the shipping data suggest they are doing their part by lowering exports as well.

In the first five months of 2017 Saudi Arabia exported 7.48 million bpd via tankers, down 440,000 bpd from 7.92 million bpd in the same period in 2016. This reduction in exports is close to the 500,000 bpd output cut pledged by the Saudis in terms of the November agreement, which was extended last month to March 2018.

The problem for the Saudis is that it appears fellow OPEC members aren't doing as much to help the cause of rebalancing oil markets and therefore boosting prices. It's the sort of situation that's unlikely to persist, with the Saudis likely to demand more compliance from OPEC and the 11 allied producers, including Russia.

If the Saudis don't see meaningful reductions in output and exports by its allies, it's likely that they will be forced to scale back the extent of their output and export reductions. The dilemma facing the Saudis is encapsulated by China, the world's largest crude oil importer and the Saudis biggest customer.

China imported 12.5 percent more oil in the first four months of this year, but imports from Saudi Arabia rose by a paltry 2.5 percent. In contrast, China's imports from fellow OPEC member Angola jumped 13.3 percent and those from allied producer Russia gained 8.1 percent.

This shows that the Saudis are not only surrendering market share in China, they are partly giving it up to countries that are supposed to be joining the kingdom in output cuts. In addition, producers outside the agreement to cut output are gleefully snaring increased market share in China. Imports from Brazil jumped 41.2 percent in the first four months of the year compared to the same period in 2016, making the South American nation China's seventh-largest supplier.

While rising from small bases, it's worth noting that China's imports from Britain are up 245 percent and those from the United States 3,886 percent. Taken together, these two non-traditional suppliers to China accounted for 3 percent of the country's imports in the first four months of the year.

That may not sound like a lot, but it equates to about 260,000 bpd in British and U.S. exports to China. The Saudis may well look at that figure and think that they should have supplied that crude to China, but they haven't in the name of rebalancing the market.

It's not like the Saudis are enjoying significantly higher prices, with Brent crude ending on Tuesday at $48.72 a barrel, perilously close to the $46.38 close the day before the Nov. 30 deal between OPEC and its allies. It seems the Saudis have given up much to get little in return.

When OPEC met to extend cuts, output rose most in six months

Bloomberg, *13.06.2017*

As OPEC and partners agreed on prolonging production cuts, the group's output was climbing the most since November as members exempt from the deal restored lost supply.

Production jumped by 336,100 bpd as Libya and Nigeria revived output halted by attacks and political crises, a report from the Organization of Petroleum Exporting Countries showed on Tuesday. The two nations were excluded from curbs that were extended on May 25 because of earlier disruptions to their oil industries. Still, OPEC predicts that surplus oil inventories will continue to decline in the second half of the year as their cuts take effect and demand picks up.

The group reduced forecasts for supplies from partners such as Russia, Kazakhstan and Sudan as they implement their pledges to restrain output. "The re-balancing of the market is underway," according to the report by OPEC's Vienna-based secretariat. "The decline seen in the overhang" in developed-nation stockpiles "is expected to continue in the second half, supported by production adjustments by OPEC and participating non-OPEC producers."

Oil prices have slipped almost 14 percent this year as initial hopes that OPEC would succeed in clearing a three-year surplus gave way to concern that the output cuts aren't deep enough, and that U.S. shale drillers are filling in any shortfall.

While OPEC's latest forecasts indicate it expects its 10 partners will continue to cooperate, they don't suggest those countries will fully deliver on their commitments. OPEC lowered forecasts for Russian production in the second half of the year by 200,000 barrels a day, or about two-thirds of the amount the country's government has promised to cut.

The overall outlook for non-OPEC supply in the second half was reduced by 200,000 barrels a day. The producers assisting OPEC had pledged a total reduction of about 558,000 barrels a day. Still, the report suggested that the producers' efforts are having some success. The surplus in oil inventories in developed nations relative to their five-year average -- OPEC's main measure of the overhang -- is down to 251 million barrels from 339 million a the end of last year.

Oil comeback for cut-exempt producers threatens to swamp OPEC

Reuters, *09.06.2017*

OPEC's battle against an oil glut is under threat as unsold crude from members Nigeria and Libya, is swamping the Atlantic Basin.

Nigeria has more than 60 million barrels of unsold crude, traders of its oil said, surpassing the level reached when global oversupply. More export plans are a week away, likely bringing more than 50 million extra barrels. Libya, is pouring nearly triple the amount of crude into global markets compared with last year. Few expected the two nations' output to rebound so quickly, and it could scupper OPEC's plans to lift oil prices out of a nearly three-year-long slump.

The 14-nation Organization of the Petroleum Exporting Countries two weeks ago extended a deal struck in December with several non-member oil producers to cut output by 1.8 million barrels per day (bpd) from levels seen late last year. But OPEC also renewed exemptions for Libya and Nigeria, which have struggled with output-sapping internal conflict. Those struggles, however, are abating."They've added 600,000 barrels per day between the two of them" since the original deal was struck, said Amrita Sen of consultancy Energy Aspects. "And that's half the OPEC cuts."

Royal Dutch Shell (RDSa.L) this week lifted force majeure on Nigeria's Forcados crude, bringing the country's oil exports fully online for the first time in 16 months and cementing the addition of some 250,000 bpd to world markets.

Libyan oil production hit its highest since October 2014 at 835,000 bpd this month, despite the brief shutdown of Sharara, the country's largest oilfield, due to protests. Despite this, OPEC sources said calls to bring Libya or Nigeria into the cuts never garnered enough support. OPEC Secretary-General Mohammad Barkindo said this month it was too early for those countries to be considered for output curbs.

But the excess is palpable – and it's pouring straight into the Atlantic Basin, home of the physical crude grades that underpin the global Brent benchmark. "In a physical sense, it's pretty dire," one West African oil trader said. "Everything is on offer, and everything is pumping."

Traders said some Mediterranean refiners - typically reliable consumers - were reselling their oil. A Mediterranean trader said that while Libya "is not a totally reliable source", its production was "running high on several fields".

There are doubts over whether the two nations will maintain their run, particularly given Libya's political problems. But Brent futures LCOc1 are trading nearly 20 percent below their 2017 high, and more than 10 percent below the level before the May OPEC meeting.

"The biggest issue is light, sweet crude," Sen said, adding the Atlantic Basin is "awash" with it. "This is where OPEC isn't light enough on its feet ... the benchmarks are all light sweet. And the cuts are medium and sour."

Even barrels from the United States are sailing east, looking for homes in Europe and Asia and further undermining the global benchmark. The dynamic, traders and analysts said, pointed to a need for more from OPEC. "This means the rest of the group will see the call on their crude falling - it's very simple," FGE analyst James Davis said. "They need to cut deeper in order to maintain the status quo."

Can US lng challenge Gazprom in Europe?

Oilprice, *12.06.2017*

The first cargo of U.S. lng last week reached its destination in Poland. The country's Prime Minister called this "a historical moment," that brought the Central European country a step closer to breaking its energy dependence on Russian gas. At the same time, the Netherlands also received its first LNG delivery from Cheniere Energy, the only U.S. exporter so far.

The U.S. gas industry has been quick to take advantage of growing LNG demand and abundant shale gas output to join the global trade. Europe is a natural focus, not just because of stable demand, but because of the EU's energetic drive to diversify its sources of energy away from Russia.

Gazprom holds a third of the EU gas market, which the EU sees as a dominant position. This is especially true for Poland, which has historical reasons to want to be as independent as possible from Russian supplies… of anything.

The country has been the most vocal opponent of the Nord Stream-2 project, also a Gazprom initiative, and it has been particularly eager to find alternative energy suppliers. No wonder then that PM Beata Szydlo said at the arrival of the Clean Ocean LNG tanker that "Today Poland can say that it is a safe and sovereign country."

That's how things look from the Polish side, but how are they looking from the Russian perspective? One expert from the Russian Institute of Energy and Finance said that the delivery was a political move rather than anything else. In an interview with radio Sputnik, Sergey Agibalov noted that U.S. LNG is still costlier than Russian gas, but acknowledged Poland's efforts in energy supply diversification.

Indeed, calculations of the price for U.S. LNG bound for Europe suggest that it is about US$1-2 above northwestern European benchmark gas prices, which does make it uncompetitive. Yet this is the way things stand now. They can change a lot in the near term, especially if both the sending and the receiving side are willing to make mutually beneficial compromises, which they seem to be.

Poland is very likely to be willing to pay the price of energy independence, whatever it is: last year, imports from Gazprom accounted for 89 percent of all gas imports made by the country's state oil and gas company PGNiG. That's uncomfortably high, particularly in light of Russia's track record for manipulating gas deliveries to make political points.

In the end, however, things will likely boil down to which gas is cheaper. Commendable as the idea of energy independence may be, gas costs money. Gazprom is not unaware of this as it is not unaware of the European Union's ambition to diversify away from it. This has already prompted the Russian giant to substitute long-term gas supply contracts with shorter ones, and make its pricing more flexible.

Chances are that the more the EU works to reduce its dependence on Russian gas, the more Gazprom will work towards making this gas competitive. After all, Europe is a core market for the company.

This could be a challenge for U.S. producers, despite the EU's eagerness to buy US LNG. In the end, it will all come down to how low Gazprom could make its prices without incurring serious losses, and how much and for how long European countries are willing to pay for more expensive U.S. LNG.

Gazprom, however, is not the United States' only competition when it comes to gas. There is also the Trans-Adriatic Pipeline, which will carry Caspian gas from the Azeri Shah Deniz field to Europe, which should come online next year. There is also Qatar, the world's largest LNG exporter. In 2014, almost a quarter of the gulf nation's exports (23 percent) went to Europe. Beating this competition will require a further substantial lowering of production and shipment costs.

Russians insist on new pipeline to bypass Ukraine, and Europeans fine with it

Forbes, *12.06.2017*

The Ukrainians hate this thing. European politicians and energy executives don't seem the least bit worried about it. "If this Nord Stream 2 pipeline is built, it is bad for Ukraine. Bad for Naftogaz. Russia will bypass us in the future if this gets built," says Andriy Kobolyev, a company that gets a chunk of its revenue shipping Russian gas into Europe. Naftogaz accounts for nearly 10% of Ukraine's GDP.

The European Commission received a mandate on Sunday to go ahead and negotiate with Russian Federation on the construction of the so-called Nord Stream 2 pipeline through the Baltic Sea.

There already is a Nord Stream 1 pipeline. This one will be laid right beside it. The source of that gas, mainly Russian state-owned gas behemoth Gazprom, says that this is a way for Europe to secure supply of natural gas when needed.

But Ukraine and gas industry executives like Kobolyev believe that Russia is using that pipeline, and another one it is building with Turkey's BOTAS Petroleum, to limit its dependence on Ukraine as a gas transit route into southern Europe. Some see it as a way for Russia to punish Ukraine for leaning towards Europe and away from Russia.

"The Commission has approved the mandate, and today we have to submit it to the participating countries," said the European Commission vice president and the bureaucrat in charge of energy affairs, Maroš Šefčovič.

He said the Commission will likely revisit the pipeline plans in September. Russian Energy Minister Alexander Novak told Itar-Tass news agency yesterday that he has not seen the document yet on which the Commission will base their decisions. "Our position is that this is a commercial project between the private sector," he said.

Ukraine and Russia have been at almost at war since 2014 when a pro-Russian president named Viktor Yanukovych opted out of a European trade accord in favor of cheaper Russian natural gas. When it became clear that Vladimir Putin advised Yanukovych away from the European deal, hundreds of thousands took to the streets in protest.

Yanukovych was removed from office. The Euromaidan revolution, one of many revolts in Ukraine since independence, ultimately led Russia to annex Crimea following a vote by locals there to secede from Kiev, a vote Europe and the U.S. believe was also part of consulted advice from Moscow.

Both Washington and Brussels have sanctioned Russian energy and finance companies for its support of separatists in eastern Ukraine, a region Russia believes is part of its family. This is one family dispute with international repercussions. Russia feels the West is meddling in its household. Ukraine and the West think otherwise. It's a losing battle, and has been one since it began three and a half years ago.

European sanctions do not include energy companies, or at the very least, does not ban the construction of pipelines into Europe. Construction is scheduled to start in 2019. The pipeline will connect Russia to Germany via the Baltic Sea. Capital costs are estimated at around 10 billion euros.

Gazprom said on June 6 that it reached a financing deal with project partners for a 6.65 billion euros bridge loan. The loan is supposed to fund up to 70% of the project. Germany has two companies involved. Angela Merkel has been a supporter of Ukraine's new president, Petro Poroshenko, having met with him on numerous occasions to discuss the Russia peace process and financial aid. Gazprom's partners in this new pipeline include Engie of France, OMV of Austria, Shell and Germany's Uniper and Wintershall.

Announcements & Reports

► *Qatar LNG: New trading patterns but no cause for alarm*

Source : OIES
Weblink : https://www.oxfordenergy.org/publications/qatar-lng-new-trading-patterns-no-cause-alarm/

► *Future European Gas Transmission Bottlenecks in Differing Supply and Demand Scenarios*

Source : OIES
Weblink : https://www.oxfordenergy.org/publications/future-european-gas-transmission-bottlenecks-differing-supply-demand-scenarios/

► *Natural Gas Weekly Update*

Source : EIA
Weblink : http://www.eia.gov/naturalgas/weekly/

► *This Week in Petroleum*

Source : EIA
Weblink : http://www.eia.gov/petroleum/weekly/

Upcoming Events

► *International 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/