Oil & Gas Bulletin

▸ *25.08.2017*

Turkey's crude oil imports rise in June

Anadolu Agency, *22.08.2017*

Turkey's crude oil imports increased to 2 million tonnes in June, according to the country's energy watchdog's report on Tuesday.

Oil imports increased by 4.6 percent in June compared to the same month last year, Energy Marketing Regulatory Authority (EMRA) says. Diesel imports decreased by 3.7 percent to 1.1 million tonnes and aviation fuels decreased by 37.2 percent to 18 thousand tonnes in June. Production of oil refinery products increased by 3.9 percent to 2.5 million tonnes. In addition, diesel production increased by 12 percent to 899 thousand tonnes.

In June, total fuel sales rose by 3.5 percent to 2.3 million tonnes compared to the same month last year.

170 km of TurkStream gas project completed

Hurriyet Daily News, *18.08.2017*

Over 170 KM out of a total of the project's 900 KM length, which originates from Russia's Black Sea coast, is now complete.

Approximately 19 percent of the TurkStream natural gas pipeline has been constructed, according to Alexander Novak, Russia's Energy Minister on Friday. Novak, who spoke at the Izmir International Fair, said the TurkStream project aims to increase the energy security for Turkey and the European Union. The construction of the gas pipeline's offshore section commenced in May in the Black Sea in Russia's Black Sea Coast.

"More than 170 kilometers of the pipeline has been laid," Novak was quoted by Russia's Sputnik news agency. The pipes for the TurkStream will start from the southern Russian town of Anapa on the Black Sea coast and will be laid over a 900-kilometer route under the Black Sea to reach the Thrace region of Turkey along the Black Sea coast. The TurkStream will send Russian gas to Turkey with the first of its two lines.

The second line of the project will carry Russian gas to southern and southeastern Europe. The total capacity of the dual pipeline system is set to be 31.5 billion cubic meters.

Is OPEC throwing in the towel on U.S. market share?

Oil Price, *23.08.2017*

Oil prices are rallying post-EIA report as today's crude draw was joined by a drop in gasoline inventories. Although waterborne imports were strong last week, OPEC flows to the U.S. continue to ebb. Hark, here are some things to consider in oil markets today:

Last week we discussed how the share of OPEC crude heading into Asia was on the wane, as other exporters were muscling in on the cartel's market share amid the OPEC production cut deal and rising demand. Switching our focus to the U.S.

We can see that a similar trend has been underway in recent months, as deliveries from key suppliers such as Saudi Arabia drop - despite rising flows from others such as Angola and Libya. After accounting for as much as 72 percent of U.S. waterborne deliveries in March, OPEC deliveries last month dropped to 65 percent, and are tracking even lower so far in August.

Even though U.S. production continues to rise, waterborne imports are also on the ascent, as U.S. refineries run at a record pace for the time of year, demanding more crude. Flows into the U.S. from non-OPEC members such as Brazil and Colombia have risen in recent months, providing much-needed heavier grades. Supplies have also been kicking higher from the likes of Norway and Russia.

After today's EIA inventory report, total U.S. gasoline inventories are 2.8 million barrels below last year's levels. Gulf Coast inventories are 3.8 million bbls above year-ago levels, in itself the five-year high, because exports are unable to keep up with higher refinery runs. But it is Atlantic Coast inventories which are keeping total stocks in check, some 6 million bbls.

Atlantic Coast gasoline inventories are lower because U.S. importers have been much more disciplined this summer, dialing back on imports from Northwest Europe to avoid a repeat of the supply glut seen last year.

Two countries could push oil over $50

Oil & Price, *23.08.2017*

Oil has been struggling to break above $50 per barrel for months, but there are two reasons why prices could be heading north in the next few months: Venezuela and Iran.

Both countries are large oil producers, but both are vulnerable to supply outages, for very different reasons. But depending on what plays out in the next few weeks for them, oil prices could spike well above $50 per barrel, according to RBC Capital Markets. The risk from Venezuela is more acute and more immediate. The Venezuelan economy has been broken for a long time now, leading to a sharp decline in oil production.

Output is down by a fifth over the past two years, falling to 1.93 million barrels per day in July – as recently as 2015, Venezuela averaged 2.375 mb/d. Without any money to reinvest into its oil sector, Venezuela's production will certainly continue to fall. The only question is how fast.

The pace of decline would pick up significantly if Venezuela defaulted on its debt. "They have $3.5 billion in national oil company debt coming due in October-November. If they default, that could be significant for Venezuela's production outlook," Helima Croft of RBC Capital Markets told CNBC. The problem for Venezuela is that their cash reserves are not much higher than those debt payments. October looms large.

If Venezuela defaults, the decline of its oil production could accelerate. Overseas assets could become a target of bondholders, which would deprive state-owned PDVSA of much needed cash. Venezuelan oil shipped abroad might even be in jeopardy.

Venezuela's only hope at this point would be more assistance from Russia or China, two countries that have loaned large sums of money to the South American nation, a lot of which was given in exchange for oil cargoes. "The math simply does not work on PDVSA staying solvent" without help from China or Russia, Helima Croft told CNBC. However, she says that the patience of both countries is starting to wear thin. One investor told the Wall Street Journal, that the Venezuelan government has prioritized debt payments above all precisely because it needs to keep Russia and China from cutting off lines of credit. A debt default might be the final straw for them.

"If he stops [servicing the debt]…oil production will stop. The government will fall," Jan Dehn, head of research at Ashmore Group PLC, told the WSJ. His fund is buying up Venezuelan debt because he is wagering that a debt default would be such a nightmare for Venezuela that repayment is likely. RBC Capital Markets is not as confident, mostly because there is simply not enough money to make things work out. If PDVSA prioritizes meeting its October debt payments, then it would have no money to pay salaries, which, could also lead to the collapse of the government or a decline in oil production, or both.

Citigroup mostly agrees, but thinks the government can hold on a few more months, pushing off a default until 2018. Nevertheless, while the exact date of default is up for debate, most analysts see it as a likely outcome. That could push oil above $50, perhaps in the next two months or so, but sharp oil production declines would probably send prices much higher.

Meanwhile, the other country that could push up oil prices, according to RBC, is Iran. Not because Iran is as unstable as Venezuela – it obviously isn't. But the threat would come from the U.S. government. The Trump administration is considering backing out of the 2015 nuclear accord, which would reignite tensions between the two countries. Ultimately, a renewal of U.S. sanctions could once again pose a threat to Iranian oil exports.

However, the threat here is more speculative than it is for Venezuela. The U.S., after deftly threading the needle among the varying interests of disparate countries, managed to bring the international community on board for the 2015 nuclear accord while also convincing Iran to sign on. If the new administration backed away from the deal only two years later, for dubious reasons, it would return to confrontation with Iran without many friends. Without the assistance of the rest of the world, U.S. sanctions would have much less bite. In short, it is unclear what this would mean for the oil markets. Venezuela, then, presents a much more likely – and more imminent – upside risk to oil prices. Production declines are certain, but the pace of decline depends on what happens when billions of dollars of debt falls due in October.

Genel Energy: Stocks rocket on deal with Kurdish Government

Traders, *25.08.2017*

The KRG-focused company said cashflow would be "materially enhanced" over the course of the definitive agreement as payments for crude produced from its key Taq Taq and Tawke fields improve, which caused its stock to close 19.8 per cent higher at 155p.

Under the agreement, Genel said it would waive rights to outstanding receivables for past oil sales. In return, Genel will receive 4.5 per cent of Tawke gross field revenues for the five years to the end of July 2022 in addition to proceeds for current sales.

Its capacity building payments on the profit share element of its Tawke entitlement will also be eliminated by the KRG over the entire life of the field.

Russia set to finish Akkuyu nuclear plant licensing by year-end

Hurriyet Daily News, *21.08.2017*

Russia hopes to finalize all necessary licenses and permits for Akkuyu, Turkey's first nuclear plant, by the end of the year, Russian Energy Minister Alexander Novak has said.

Contracting parties are working to obtain the last of the licenses for Akkuyu, Novak told state-run Anadolu Agency over the Aug. 19-20 weekend. Russia's Rosatom and Turkish consortium Cengiz-Kolin-Kalyon signed an agreement in June for the construction of the plant. "We will start construction at the beginning of 2018 and once the first unit is completed, we plan to start operations at the plant in 2023," he said.

When fully operational, the plant is estimated to meet around 6 to 7 percent of Turkey's electricity demand. The nuclear plant will have a capacity of 4,800 megawatts in four units and a working lifetime of 8,000 hours per year.

In the first phase of the construction, two units with a capacity of 2,400 megawatts are planned. The plant's 49 percent stake will be divided among the Turkish consortium of three while the remaining 51 percent of Akkuyu's shares will remain with Rosatom.

Novak also addressed the latest U.S. sanctions against Russia, which President Donald Trump signed into law on Aug. 2. In addition, new measures and six orders that were previously signed by former President Barack Obama have been enforced. "I think the U.S. has put new sanctions against Russia to gain advantage of the European natural gas market," Novak said. The sanctions are being implemented so that U.S. producers and U.S. natural gas can compete more easily in Europe against Russia, he noted.

Russia's Rosneft buys 49% of Indian Essar Oil

Anadolu Agency, *21.08.2017*

Russia's biggest oil company, Rosneft, successfully closed the acquisition of 49.13 percent of shares in the Indian oil company Essar Oil Limited (EOL), the company said Monday.

An investment consortium comprising one of the largest physical commodity trading groups,Trafigura, and a Russian independent private investment group United Capital Partners (UCP) also announced the closure of their acquisition of a separate 49.13 percent share of EOL, Rosneft announced. EOL has a vast retail network of over 3,500 Essar-branded fuel stations across India.

"This sales channel will further improve the asset's operational and financial performance thanks to the steadily growing local demand for high added value oil products and EOL's retail development strategy," the company said.

"Together with our partners we intend to support the company to significantly improve its financial performance and, in the medium term, adopt an asset development strategy.

"The closing of the deal is a remarkable achievement for Rosneft too. The company has entered the high-potential and fast-growing Asia Pacific market.

Norway's oil production decreases in July

Anadolu Agency, *19.08.2017*

Norway's preliminary oil production decreased by 7 percent per day in July 2017 compared to July 2016, the Norwegian Petroleum Directorate's figures showed on Friday.

In total, oil production was about 1.2 percent above the forecast of the directorate so far this year. The official authority said that daily production in July was about two million barrels of oil and condensate -- an increase of 93 thousand barrels per day compared to June. Total production of natural gas was 10.6 billion cubic meters in July from 8.6 billion cubic meters in June.

French Total buys Maersk Oil for $7.45 billion

Anadolu Agency, *21.08.2017*

Danish shipping company, A.P. Moller-Maersk agreed the 100 percent acquisition of its wholly owned subsidiary Maersk Oil to French oil company Total for $7.45 billion, A.P. Moller-Maersk announced Monday.

Under the agreed terms, A.P. Moller–Maersk will receive $4.95 billion in Total shares and Total will assume $2.5 billion of Maersk Oil's debt. The transaction has an effective date of July 1, 2017 but is expected to close in the first quarter 2018. The collaboration with Maersk Oil offers Total "an exceptional overlap of upstream businesses.

Globally which will enhance Total's competitiveness and value in many core areas, in particular through some high quality growing assets and through the delivery of synergies," the company said.

"The combination of Maersk Oil's North Western Europe businesses with our existing portfolio will position Total as the second operator in the North Sea with strong production profiles in the U.K., Norway and Denmark, thus increasing exposure to conventional assets in OECD countries," Total's Chairman and CEO, Patrick Pouyanne was quoted as saying.

He added that Total and Maersk Oil's businesses have an excellent international fit commercially and financially in the U.S. Gulf of Mexico, Algeria, East Africa, Kazakhstan and Angola. "By adding such a portfolio of growing conventional offshore North Sea assets, we confirm our strategy for value creation of, on the one hand, playing to our core strengths in order to grow further and, on the other hand, to constantly seek to lower our break-even by delivering significant synergies," Pouyanne added.

Nigeria's oil industry overhaul

Oil & Price, *23.08.2017*

Although Nigeria is Africa's largest oil and gas producer, its petroleum sector has long suffered from frequent scandals, severe mismanagement and a lack of coherent guidelines and regulations.

Furthermore, Nigeria's state oil company, the Nigerian National Petroleum Corporation (NNPC), has become synonymous with corruption in Nigeria. Widely accepted as being one of the world's most opaque national oil companies, the NNPC has gained a reputation for its hazy finances and its penchant for engaging in non-transparent business dealings with both domestic and international corporations.

While these failings are openly acknowledged, successive governments have failed to effectively initiate a much-needed overhaul of Nigeria's oil and gas industry. Until now. On 25th May 2017, Nigeria's Senate passed the Petroleum Industry Governance Bill (PIGB), a new legal framework that seeks to reform how Nigeria's oil and gas industry is structured, regulated and funded.

More specifically the PIGB aims to ensure value addition and internationalisation of Nigeria's petroleum industry through the creation of both efficient and effective governing institutions, with clear and separate roles and commercially oriented and profit driven entities. It also seeks to promote transparency and accountability in the administration of petroleum resources and foster a conducive business environment for petroleum industry operations.

The PIGB (Petroleum Industry Governance Bill) is the first of at least three bills that originally composed the old Petroleum Industry Bill (PIB) – which for years remained on the floor of the National Assembly undergoing a long and drawn out process of continued negotiations and re-drafting as various stakeholders and International Oil Companies (IOCs) continued to object and disagree over different sections.

To address these issues, and ease the reforms' passage, in 2016 the current Buhari administration broke the original idea of the PIB into at least three parts, effectively isolating the contentious issues into separate bills. Notably, both the Petroleum Industry Fiscal Bill and the Host Community Development Bill are currently before the Senate. Further bills may be introduced in the coming months and years as the government continues its attempts to overhaul Nigeria's petroleum sector.

The PIGB itself aims to reform how Nigeria's oil and gas industry is structured, regulated and funded – largely through the restructuring and reorganising of the NNPC – in order to boost investment and production. Therefore, a key objective of the PIGB is to turn Nigeria's national petroleum company into a successful, profitably commercial entity. In February 2016, the NNPC published its first annual financial data since 2005. Not only did the figures show a loss US $1.34 billion in 2015, but there was a clear lack of transparency around oil and fuel sales.

Furthermore, independent non-profit organisation, the Natural Resources Governance Institute (NRGI), has also drawn attention to some of the NNPC's questionable activities – most notably, the "earnings by its subsidiaries, the costs of its operations and its significant spending on non-commercial activities". While much of the power is currently concentrated in the NNPC and the Petroleum Resources Ministry, the PIGB attempts to spread out the authority and power in Nigeria's petroleum sector, and increase accountability and transparency. Conversely, there are fears that breaking up the NNPC into smaller units will actually create new levels of bureaucracy and increase opportunities for corruption.

The NNPC itself will be split into two limited liability companies – the National Petroleum Assets Management Commission (NPAMC) and the National Petroleum Company (NPC) – both of which will be responsible for the managements of assets currently held by the NNPC. Furthermore, a third entity – the Nigeria Petroleum Liability Management Company (NPLMC) – will be established to assume and manage the liabilities of the NNPC in order not to financially encumber the newly created NPAMC and NPC.

While both the NPAMC and the NPC will be initially wholly owned by the government, in the long-term at least 40 percent of the shares of the NPC will be divested to the public. Notably, it is unclear whether these shares will be listed on any stock exchange. Not only will the sale of stakes in the NPC generate much-needed funds for the central government, it is anticipated that a diversified shareholder structure – hopefully comprised of both domestic and international private investors – will significantly reduce the risk of future corruption within the petroleum company.

Furthermore, under the currently proposed PIGB, both entities will be able to retain their revenues accrued from their operations – and only disburse to the central government its dividends accruable in respect of its shares – enhancing the ability of both entities to operate commercially.

Additionally, the PIGB will also establish a new regulatory agency – the NPRC – which will serve as a regulatory entity for the entire petroleum industry (upstream, midstream and downstream) and will absorb all existing regulatory bodies – including the of Petroleum Inspectorate (PI), the Department of Petroleum Resources (DPR) and the Petroleum Products Pricing Regulatory Agency (PPPRA). Notably, the Minister of Petroleum will not have a seat on the Governing Board of the NPRC, whose members – other than those representing the Ministries of Petroleum, Finance and Environment – shall be appointed by the President subject to the approval of the Senate.

Interestingly, while the Minister will still possess significant powers – retaining the responsibility for the general supervision over the affairs and operations of the petroleum industry – the bill will limit the Minister's role to essentially that of policy maker, and they will no longer have the power to grant, amend, renew, extend or revoke any licence or lease required for petroleum exploration or production (the powers of which will be transferred to the newly-created NPRC). By establishing the NPRC as the sole industry regulator, the government hopes to eliminate the overlapping regulatory functions of the previous bodies, promote transparency, simplicity and accountability, and reduce bureaucracy in a sector that is already notorious for its unnecessary, expensive and cumbersome regulatory processes.

Continued delays in the passage of the PIB – as well as a lack of much needed reforms over the last decade and the ongoing regulatory uncertainties – have created a climate of uncertainty in Nigeria's petroleum sector, which has not been conducive to attracting further investment and the interest of IOCs. Emmanuel Ibe Kachiwku, the Petroleum Minister, estimates that the delays have actually cost the country as much as US $15 billion a year in lost investment. Therefore, there are high hopes that the passing of the PIGB will demonstrate the government's desire to open up the sector to more and better business opportunities through increased transparency, better accountability and clearer regulations.

Overall, the PIGB has the capacity to create a conducive business environment for petroleum operations and establish commercially-oriented and profit driven oil and gas entities to encourage the growth of investment in the sector. In particular, establishing an efficient regulatory commission, couple with improved corporate governance, accountability and transparency in the sector, will serve to improve investor confidence and attract foreign investment, which in turn should – in theory - spur wider economic growth.

However, while the passing of the PIGB has been widely viewed by industry stakeholders as a step in the right direction, there are still serious concerns over the clarity and some of the details of the bill. For example, the bill includes the establishment of the Ministry of Petroleum Incorporated (MOPI); but it remains unclear what the relationship will be between MOPI and the current Ministry of Petroleum Resources. Notably, two key unions in Nigeria's petroleum sector, PENGASSAN and NUPENG, have also voiced their concerns about labour issues that might arise from the merging of the DPR, PPPRA and PI into the NPRC, and the lack of clarity on how the transfer of employees will happen.

Furthermore, it will be interesting to see who will fill the new roles within these newly created entities. It is more than likely that some of these positions will be filled with familiar faces from the NNPC, increasing concerns that the deeply-entrenched issues of corruption, cronyism and rent-seeking will infiltrate the newly restructured petroleum sector. Finally, without the passing of other aspects of the original PIB, the PIGB – even if passed into law – will be unable to deliver the full benefits of the intended reforms and restructurings of Nigeria's petroleum sector. Therefore, it is vital that the Senate make passing both the Petroleum Industry Fiscal Bill and the Host Community Development Bill a priority.

The PIGB really only seeks to strengthen the governance and institutional structure of Nigeria's oil and gas industry, and therefore does not directly address the largely fiscal concerns of IOCs. IOC's are more likely to be interested in the Petroleum Industry Fiscal Bill, for example, which defines the revenue and tax structure of the sector.

At present, it is unclear how the House of Representatives will approach the PIGB, and what changes will be made in the coming months. However, what is clear is that the passing of the PIGB appears to be the first significant step taken over the last several decades that appears to be going in the right direction to reposition Nigeria's petroleum sector as a serious competitoron the global stage.

Oil, gas flows from Nigeria's Gbaran-Ubie phase 2 proj.

Anadolu Agency, *24.08.2017*

Production started at a key project in Nigeria's Niger Delta region at the Gbaran-Ubie Phase 2 integrated oil and gas development, project operator Shell announced on Wednesday.

"Peak production of around 175,000 barrels of oil equivalent per day is expected in 2019," the company announced. Phase 2 follows the success of the first phase of the Gbaran-Ubie development, which was commissioned in June 2010, Shell said. "Gas from Gbaran-Ubie Phase 2 will strengthen supply to the domestic market and maintain supply to the export market," said Andy Brown, Shell's upstream director.

The Shell Petroleum Development Company (SPDC) is the operator of a joint venture between the state-owned Nigerian National Petroleum Corporation with a 55 percent share, SPDC with 30 percent, Total E&P Nigeria Ltd with 10 percent and ENI's subsidiary Nigerian Agip Oil Company Limited with a 5 percent stake.

Canada to consider indirect emissions for TransCanada Energy East pipe

Reuters, *23.08.2017*

The review of TransCanada Corp's (TRP.TO) proposed Energy East pipeline will consider its indirect greenhouse gas contributions, Canada's National Energy Board (NEB) regulator said on Wednesday, expanding the scope of the assessment.

In determining whether the pipeline is in the public's interest, the NEB will weigh the emissions from extracting and refining the oil shipped on the pipeline, the regulator said. Energy East, which would take crude from Alberta to the Atlantic coast, would attain higher prices for Canadian producers.

However, Energy East's importance has somewhat diminished for TransCanada since U.S. President Donald Trump this year signed an order reviving the company's Keystone XL pipeline, which would run from Alberta's oil sands to U.S. refineries.

Considering Energy East's associated emissions makes the upcoming regulatory review for the pipeline more onerous and had been opposed by TransCanada, which had called it "completely redundant and unnecessary." The company said on Wednesday it will review the NEB's announcement to "understand the potential impacts on the project." The NEB said also the assessment of the pipeline will provide "more visibility" to the evaluation of risks associated with accidents such as oil spills. The NEB did not say when the review will begin.

The Canadian Energy Pipeline Association industry lobby group said it does not support the NEB's decision to consider indirect emissions because the government already deals with them on other fronts. The environmental group Greenpeace said it is still unclear what impact the NEB's expanded scope will have on Energy East's fate.

The review needs to be put on hold until the government's bid to reform the regulator is complete, Keith Stewart, Greenpeace's senior energy strategist, said in an email. The NEB has been accused of being too close to the industry, and Canada's Liberal government has said it wants a new entity to assess energy infrastructure projects by 2018.

The NEB this year ordered Energy East's review to start again from the beginning, voiding all decisions from the project's previous examining panel that has been accused of bias. The panel has 21 months to complete its review. After that, the federal government has another six months to decide whether the pipeline can be built. Last year, the review stalled amid protests by environmentalists and after revelations that review panel members met privately with a TransCanada consultant.

US destroyer collides with oil tanker off Singapore

Anadolu Agency, *22.08.2017*

The U.S. Navy is launching a comprehensive review of the operations of its Pacific-based 7th Fleet after 10 sailors went missing and five others were injured when a U.S. destroyer collided with a merchant vessel near Singapore on Monday.

It was the second collision in three months in the Asia-Pacific region. The USS Fitzgerald hit a cargo ship off Japan in June. "This trend demands forceful action," Chief of Naval Operations Adm. John Richardson said in a statement. The Navy will institute an "operational pause" in its activities worldwide in addition to the broad investigation.

The guided-missile destroyer, the USS John S. McCain, was involved in a collision with the merchant vessel, Alnic MC, east of the Straits of Malacca and Singapore, the Navy said.

“There are currently 10 sailors missing and five injured. Four of the injured were medically evacuated by a Republic of Singapore Navy Puma helicopter to a hospital in Singapore for non-life threatening injuries. “The fifth injured sailor does not require further medical attention,” the statement added.

It said the collision was reported at 6.24 a.m. Japan Standard Time (2124GMT), while the ship was transiting to a routine port visit in Singapore. “The ship is currently sailing under its own power and heading to Changi Naval Base [Singapore]. At this point, no fuel or oil is visible on the water’s surface near the ship. “Search-and-rescue efforts are underway in coordination with local authorities.”

The statement said the merchant vessel is a Liberian-flagged 600-foot oil and chemical tanker with a gross tonnage of 30,000. It also said initial reports indicated the destroyer sustained damage to her port side. “Damage control efforts continue while the extent of damage is being determined. The incident will be investigated,” it added.

IECA seeks DOE legal review of LNG sale approvals to non-FTA nations

Oil & Gas Journal, *22.08.2017*

The Industrial Energy Consumers of America (IECA) asked US Department of Energy Acting General Counsel John T. Lucas for a legal review of DOE approvals of LNG exports to customers in countries without a free-trade agreement with the US. Its Aug. 22 request came 5 days after it called for a moratorium on such exports in a letter to US Energy Sec. Rick Perry.

DOE is required under the 1938 Natural Gas Act to determine that US LNG shipments to customers in non-FTA countries are in the US national interest.

It already has approved such sales equal to 20.6 bcfd, or about 27.3% of total US gas demand in 2016, in addition to 33.4 bcfd, or about 44.4% of total US gas demand in 2016, to FTA countries that the Natural Gas Act (NGA) automatically considers in the US national interest, IECA Pres. Paul N. Cicio said.

“Today, the US gas market is a ‘free market’ whereby price is determined by domestic supply and demand,” Cicio said as IECA released its letter to Lucas. “If we export too much LNG, prices will eventually rise to global levels. At that point, foreign nations demand for LNG will dictate what price Americans pay. This is certainly not in the interests of the American public,” the letter said.

Congress clearly intended to protect consumers when it passed the NGA by requiring that US gas sales to non-FTA countries satisfy the national interest test, IECA's letter said. "These are massive amounts of US gas resources that DOE has committed to foreign nations and their buyers, many of which are state-owned enterprises, for periods of 20-30 years," it said. "LNG exports reduce foreign LNG buyer risks and increases risks upon US consumers—who have no alternative for natural gas."

North American exodus at PetroChina sparks speculation of company shift

CNBC, *22.08.2017*

A flurry of departures across the U.S. and Canadian units of Chinese state energy firm PetroChina have sparked speculation that the oil trader is reducing its presence in North America, even though the company says it is committed to the region.

More than 30 people in its Houston and Calgary offices have left PetroChina since 2016, including heads of desks in crude, financial, natural gas and chemical trading, the company confirmed to Reuters. Sources say that PetroChina had approximately 150 to 200 people at its peak two to three years ago, and now has between 100 and 150.

Nearly a dozen sources in New York, Calgary, Houston and Singapore, including current and former employees, told Reuters the departures suggest a shift in mindset among firm management, and there are concerns about a broad pullback from its presence in North America. The sources interviewed, which also includes several who do business with the firm, said North American offices may have expanded too quickly.

PetroChina spokesman Mark Jensen said the company is committed to business throughout the Americas. He previously said the company and its subsidiaries have restructured the organization where necessary over the last several months, and that the departures do not represent a change in strategy in the region.

In the last several years, PetroChina built itself into one of the largest oil traders in North America, hiring top talent with the goal to compete with trading giants Vitol SA, Trafigura and Mercuria Energy Group, industry participants said. The departures have been notable ones, including John Mee, director of financial crude trading; Jie Wang, president in Calgary; and Eric Dixon, domestic head of physical crude onshore, among others.

The company has also lost a number of key staff in other departments, including in legal and accounting. One source said that the company is not currently looking to replace the majority of those positions.

Sources interviewed said management's mindset over the last year has shifted toward tightening credit limits and shifting away from sources of activity common among oil traders operating in North America. For instance, PetroChina appears to be shifting away from trading volumes on pipelines — which accounts for the lion's share of crude trading in the United States — and favoring more vessel-based cargo trading, two sources familiar with PetroChina said.

In Houston, there are no longer any proprietary traders, according to two of the sources Reuters interviewed. The company did not respond to a specific request for comment regarding the shift to waterborne trading or proprietary trading.

The departures come after major losses in commodities markets in the first half of 2017, as hedge funds and banks saw some of their worst results in years due to a lack of overall volatility and an unexpected sell-off in crude. The firm has gotten rid of individual bonuses and is now using a team bonus plan across Canada, the United States and China, according to two of the sources spoken to by Reuters. The company did not respond to a request for comment on this.

PetroChina is not set for a full retreat from the region, sources say. The company has certain commitments in the region, including a long-term contract on Royal Dutch Shell's Zydeco pipeline through 2019. In addition, PetroChina's parent, China National Petroleum, will need to keep its options open to import U.S. crude oil, sources said.

Libya's largest oilfield offline, amid uncertainty, ISIS beheadings

Reuters, *23.08.2017*

Libya's largest oilfield, the Sharara, remains offline despite contradictory news reports this morning suggesting that exports would resume.

Weighing in on oil price uncertainty, market watchers have been in a state of confusion over varying reports over the past three days as to the status of exports from Libya's biggest producing oilfield. Earlier this morning, news reports citing National Oil Company (NOC) sources said production had resumed at Sharara, following a three-day blockade of the pipeline that feeds crude to Zawiya export terminal.

Reports said that the Tripoli-based NOC—recognized by the UN as the legitimate NOC--announced it was lifting the force majeure on shipments of oil pumped from the country's largest oilfield—the Sharara—to the Zawiya port. However, a Reuters report citing unnamed Libyan officials, the field remains offline for unclear reasons. The same report noted that operations had restarted yesterday at least once, for a short period.

“They open one valve, they close the other,” one unnamed sources told Reuters. It was suggested that “negotiations” were underway for a resolution, though the nature of the problem remains undefined. As rivalry between two governments, two ‘national oil companies’, a multitude of armed factions and ISIS continues, the future of Libyan exports remains highly uncertain.

The blockade was the latest in a string of disruptions that have suspended production at Sharara several times this year already. Just two weeks ago, an attack on a control room at Zawiya caused the shutdown of production at Sharara. It later surfaced that the attackers were protesting the arrest of four Libyans in Saudi Arabia in connection to a kidnapping of Egyptian diplomats in Tripoli.

Sharara’s production has also been interrupted by militants blocking the pipeline to Zawiya and theft of vehicles, which prompted NOC to tighten security. Sharara pumps about 270,000/280,000 bpd and its restart last December has been key to Libya’s oil output growth, which exceeds 1 million bpd. The field supplies around one-quarter of Libya’s total output and has experienced several production stops since its restart.

Libya boasts the biggest crude oil reserves in Africa, but the civil war that ravaged the country after the removal of Muammar Gaddafi crippled its oil industry. Before the war, Libya produced 1.6 million barrels of crude daily. By the end of this year, the Tripoli-based NOC aims to hit a target of 1.2 million bpd – short of the pre-war rate but double the March 2017 daily average. Rival factions in Libya’s east have attempted to sell oil on their own through the Benghazi-based NOC, which is not recognized by United Nations Security Council, which views the Tripoli-based NOC as the only legitimate exporter of Libyan oil.

It is only a fragile alliance and an even more fragile game of balancing power that is keeping Libyan oil flowing. The Libyan National Army (LNA), headed by powerful General Khalifa Haftar, is aligned with the eastern government and parliament. Haftar is responsible for freeing up ports that had been blockaded for years and allowing the Tripoli-based NOC to export. The reported beheading of 11 people at a central Libyan checkpoint controlled by Haftar’s LNA on Wednesday also indicates that the conflict to control the country’s oil wealth is further intensifying.

Oil rises as US inventories decline

Upstream Online, *23.08.2017*

Oil prices rose on Wednesday after US crude inventories declined for the eighth straight week and as a storm approached the Gulf Coast with the potential to disrupt oil and refined products output.

Brent crude futures settled up 70 cents to $52.57 a barrel, while US West Texas Intermediate crude futures were trading at $48.41, up 58 cents. US crude inventories fell 3.3 million barrels last week, compared with analyst expectations for a decrease of 3.5 million barrels. Crude stocks at the Cushing, Oklahoma, delivery hub fell 503,000 barrels, the Energy Information Administration said.

“Oil inventories continue their downward trend despite a significant increase in crude oil imports this week,” said Andrew Lipow, president of Lipow Oil Associates in Houston. Still he said, the market is shrugging off the inventory draws, which are approaching 75 million barrels since March, plus another 15 million from the US Strategic Petroleum Reserve. “It continues to wait to see more confirmation from around the world that inventories are indeed declining,” Lipow said.

The market was also eyeing a tropical depression, said Gene McGillian at Tradition Energy in Stamford. Harvey, formerly a tropical storm, has regenerated into a tropical depression and could strengthen further into a hurricane on Friday, the National Hurricane Centre said.

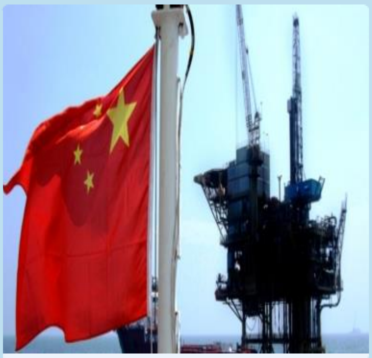
The system is located about 470 miles (755 kilometres) south-east of Port Mansfield, Texas with maximum sustained winds of 35 miles per hour, the NHC said. Tradres have paid close attention to production from Libya’s Sharara oilfield, the conflict-riven country’s largest, where output has been seesawing.

The field remained shut on Wednesday, two Libyan oil sources told Reuters. It had restarted at least once on Tuesday amid conflicting reports about whether it had re-opened. “(The) flood of news reports makes it clear that the situation in Libya is still chaotic and that conditions in the country are still far from normal,” Commerzbank analysts wrote.

Sharara recently reached output of 280,000 barrels per day, but closed this week due to a pipeline blockade. Its production is key to Libya’s oil output, which surged above 1 million bpd in late June, about four times its level last summer. Libya’s rising output is a headache for the Organization of the Petroleum Exporting Countries, which together with non-OPEC producers including Russia have pledged to cut around 1.8 million bpd of supplies between January this year and March 2018 in an attempt to remove a global glut.

Forget OPEC, China controls oil prices

Oil Price, *23.08.2017*



U.S. shale has taken a lot of headline space recently as the biggest headwind for oil prices and the highest stumbling block for OPEC's efforts to prop them up by cutting production. Yet, there may be another factor that could bring down oil prices as soon as next year…

China has been building a strategic crude oil reserve for the last decade, but the size of that reserve remains undisclosed, with analysts making estimates based on China-bound cargoes and satellite imaging. Last year, a Silicone Valley tech company, Orbital Insight, suggested that China may have stored as much as 600 million barrels of crude by May.

This was the highest reserve estimate at the time. Since then, the reserve has in all likelihood grown, possibly exceeding the U.S. SPR, which stood at 678.9 million barrels as of August 18th this year. This year, Chinese crude imports have run at record-breaking rates, with the average daily on par with what the U.S. imports, at about 8 million barrels, the Financial Times notes in an analysis. A lot of these, however, are going into storage tanks, analysts believe, and they warn that soon the tanks may fill up, wreaking havoc on prices and--more notably--on OPEC.

The cartel, Russia and 11 other producers agreed last year to remove 1.8 million bpd from global oil supply in an attempt to raise prices above US$50, with hopes for at least $60. This May, they agreed to extend the cuts to March 2018. Nevertheless, prices have remained largely stable around the $50 mark because of rising U.S. output, which last week jumped above 9.5 million bpd, according to the EIA. Chinese imports have played the counterweight, this year rising at a rate double the usual one, according to RBC Capital Markets' head of global energy strategy, Michael Tran, as quoted by the FT.

What is most alarming is this: If the rate of imports slows down from the current 1-million-bpd, prices are bound to take a hit. The chance of the growth rate falling is quite big – last month imports slumped to the lowest since the start of the year, at 8.16 million bpd. Analysts from FGE Energy have bad news for the oil industry. They have estimated, the FT says, that the growth rate of crude oil imports in China will slow down to 700,000 bpd in the second half of this year. For next year, the forecast is gloomier: imports will only increase by 100,000 bpd as Chinese producers expand their output abroad and even at that rate of increase the country's strategic reserve could be filled to capacity by the end of the year.

Now let's remember that OPEC and Russia have agreed to pump less until March 2018. Nobody knows what will happen after that, and while some experts are calling for the cartel and its partners to continue producing less for a longer period of time, it's doubtful if everyone would be on board with this idea. In fact, we may well see taps being turned on again. It may be time to start considering the possibility of $20 oil again.

Santos sees underlying performance improve

Upstream Online, *24.08.2017*

Impairments kept Australian independent Santos in the red in the first half of the year but its underlying performance improved.

Santos posted a loss of US$506 million for the six months to 30 June, an improvement on the US$1.1 billion loss booked over the first half of 2016. Keeping Santos in the red in the recent reporting period was the previously announced US$689 million after-tax net impairment largely related to its Gladstone liquefied natural gas (GLNG) project in Queensland and the Ande Ande Lumut oil discovery in Indonesia.

Underlying profit for the first half of 2017 increased to US$156 million, recovering from an underlying loss of US$5 million the previous year. This followed a 24% rise in revenue, year-on-year, to nearly US$1.5 billion, as increased oil prices and higher LNG sales volumes helped offset a fall in production.

The average realised oil price was up 28% to US$54.79 per barrel and the average LNG price was 26% higher at US$7.21 per million British thermal units. Santos' output for the first half of the year totalled 29.5 million barrels of oil equivalent, down 5% on the 31.1 million boe produced over the same period last year.

The ramp-up of GLNG and stronger production from the PNG LNG project in Papua New Guinea was offset by output lost from asset sales, namely the Victorian, Mereenie and Stag assets. Also helping Santos' bottom line was a 12% fall in production costs to US$239 million which the company attributed to cost savings and efficiency gains across its core assets and the sale of non-core assets.

This helped offset a US$19 million rise in other operating costs, to US$189 million, which was attributed to higher LNG plant costs, higher pipeline capacity charges, and higher royalty and excise cost due to higher average commodity prices. "We have removed substantial costs, generated significant free cash flow and reduced net debt," Santos chief executive Kevin Gallagher said.

"Our forecast free cash flow breakeven for 2017 sits at US$33 per barrel and we generated US$302 million in free cash flow in the first half. "This is pleasing progress towards our goal of transforming Santos into a low-cost, reliable and high performance business with a strong portfolio that can generate significant free cash flow in a low oil price environment." Santos upgraded its sale volume guidance for 2017 to a range of 77 million – 82 million boe, up from a previous forecast range of 75 million – 80 million boe.

Petrofac sells Mexico stake to Schlumberger

Reuters, *22.08.2017*

UK oilfield contractor Petrofac has sold its stake in the Panuco contract onshore Mexico to Schlumberger, handing over full control of the block to the global services specialist that already held the remaining 50% share.

Panuco is one of about two dozen legacy services contracts in Mexico used in years past by Pemex to bring in outside investment and technology in a limited way when it still held a monopoly role in the country's energy markets. However these service contracts had been thrown into an uncomfortable limbo after energy reforms,

As both Pemex, companies and regulators aimed to find a way to integrate them with the new system through "migrations" to a new contract model. Petrofac had at one time expressed interest in selling off or farming down its share on the deals, but that proved a difficult task without a path to the final outcome. But the goal was evidently realised on one of its four areas, with the sale to its US counterpart.

Financial details were not disclosed, but Schlumberger said the "total potential consideration is in line with the net book value of Petrofac's interest" and is made up of "cash on completion and deferred consideration." The deferred payment could include a payment upon migration to a new contract firm as well as "a further share of post migration cash flows," according to the company.

"We are pleased to conclude this transaction, which is in line with our strategy and simplifies the ownership of the Panuco field," said Rob Jewkes, chief operating officer for Petrofac Integrated Energy Services. "We will continue to focus on the remaining production service contracts in our Mexican portfolio."

Schlumberger, for its part, already has stakes in multiple legacy service contracts in Mexico and expressed the willingness to bring its operations there into the new era. "We consider Mexico's Energy Reform as a significant step in the evolution of the country's oil and gas industry, and we are optimistic in regard to the various business opportunities created under the new reforms," Patrick Schorn, Executive Vice President, New Ventures, Schlumberger, said in a statement. "This transaction aligns with our well-established portfolio of production management projects and enables us to move forward with our plans to continue to develop the Panuco field."

Oil moves little in early trade

Upstream Online, *23.08.2017*

Oil prices were little changed in early trade on Thursday, holding most of their gains from the previous session after another fall in US crude inventories which is seen as a sign of a tighter market.

Brent crude futures, the international benchmark for oil prices, were at $52.48 per barrel early on Thursday, down 9 cents from their last close. US West Texas Intermediate crude futures were at $48.31 a barrel, down 10 cents. Crude futures rose more than 1% on Wednesday, also buoyed by potential output disruptions from a storm approaching the Gulf Coast.

Traders said that ongoing declines in US commercial crude storage levels were a sign of a gradually tightening market, although another rise in output held the market back, they said. “Another strong drawdown in US crude oil inventories should see oil prices well supported,” ANZ bank said, although it added that “there was a hint of cautiousness, with US oil output continuing to push higher.”

US oil production hit 9.53 million barrels per day last week, the highest level since July 2015 and up over 13% from their most recent low in mid-2016. Despite this, US crude stocks fell last week and gasoline stocks were down as well, the Energy Information Administration said on Wednesday. Crude inventories fell by 3.3 million barrels in the week ending 18 August, to 463.17 million barrels, down 13.5% from their record levels last March.

Oil prices climb as traders eye another us crude drawdown

Rigzone, *22.08.2017*

Oil inched up on Tuesday, lifted by expectations of another crude stockpile drawdown in the United States but price gains were limited amid the reopening of Libya's largest oil field.

Prices, however, pared gains in post settlement trade and Brent crude turned negative as the market was disappointed by industry data from the American Petroleum Institute showing a crude stockpile decline largely in line with expectations and a surprise build in gasoline inventories. U.S. crude inventories were expected to have fallen 3.5 million barrels last week.

The eighth straight weekly drawdown, and gasoline to have drawn down by over 600,000 barrels, a Reuters poll showed, ahead of weekly data. Official government inventory data for last week will be released on Wednesday at 10:30 a.m. EDT (1430 GMT).

Brent crude settled 21 cents, or 0.4 percent, higher at $51.87 a barrel. Book-squaring ahead of the U.S. crude September contract's expiry on Tuesday added to price gains, traders and brokers said. U.S. crude futures for September delivery closed 27 cents, or 0.6 percent, higher at $47.64 while the more active October contract ended the session up 30 cents at $47.83.

U.S. gasoline futures also led the complex higher for most of the session and settled up 0.4 percent at $1.5908 a gallon as forecasts for heavy rain associated with the remnants of former tropical storm Harvey threatened to cause refinery flooding, traders said. A tropical depression is expected to form over the southwestern Gulf of Mexico on Wednesday or Thursday.

"Traders of crude oil and gasoline will also have particular interest in the remnants of Tropical Storm Harvey expected to strengthen to Category 1 hurricane status as it crosses the Gulf of Mexico toward a possible Friday landfall on the Texas Coast," Tim Evans, Citi Futures' energy futures specialist, said in a note. "While not a major storm, this will at least serve as a drill for refiners along the coast, in our view."

Libya's Sharara oil field was gradually reopening after its latest shutdown, field workers said. Earlier in the day an oil official said it was shut again hours after reopening on Tuesday following a three-day pipeline blockade.

Sharara, which has been pumping up to 280,000 barrels per day (bpd) in recent weeks, has been affected by repeated shutdowns because of protests by armed groups and oil workers. The Organization of the Petroleum Exporting Countries and non-OPEC producers including Russia have pledged to hold back about 1.8 million barrels per day (bpd) of output between January this year and March 2018 in order to tighten supplies and prop up prices.

Global oil prices show slight drop on Monday

Anadolu Agency, *21.08.2017*

Brent crude oil price fell by 0.19% to $52.62 while U.S. WTI decreased by 0.06% to $48.63 at 06.09 GMT on Monday Global oil prices showed a slight decrease on Monday with International benchmark Brent crude dropping by 0.19 percent to $52.62 while U.S. WTI fell by 0.06 percent to $48.63 at 06.09 GMT on Monday.

This week, the American Petroleum Institute (API) and U.S. Energy Information Administration (EIA) will release weekly oil stock data on Tuesday and Wednesday respectively. The market is eyeing the stock data, which will affect the price of crude.

Last week, API reported that the crude inventory dropped by 9.2 million barrels in the week to Aug. 11, the biggest draw since September 2016. While EIA said stocks fell by 8.95 million barrels, nearly three times analysts' expectations of a 3.1 million barrel draw.

On Friday, Baker Hughes will release data on the oil rig count in the U.S. Last week Baker Hughes said U.S. closed 5 oil rigs, supporting an upward movement of prices on Friday's closing.

Is New York about to face an energy crisis?

Oil & Price, *24.08.2017*

Amid the fracking boom that brought natural gas prices to historic lows and led to the transition of a lot of power generation capacity from coal to gas, New York and New England may face power shortages tantamount to an "energy crisis" due to state policies in recent years that have effectively banned fracking and blocked pipelines that would bring in gas, writes the editorial board of the Wall Street Journal.

Between 2010 and 2015, natural gas production in New York fell by 50 %, resulting in job losses, a decline in royalties for landowners, and lower revenues for local governments.

At the same time, the daily's editorial board writes, New York is shutting down generation capacity—some 14 percent of the generation capacity in New England will be retired by 2020, according to New England's Independent System Operator, and the region will need new gas pipelines to ensure the stability of the power grid.

The Indian Point nuclear plant is also awaiting shutdown, which means the government will need to find an alternative that will supply at least one quarter of the energy needs of New York City and Westchester County. The state of New York currently receives most of its energy from gas-fired power plants, data from the Energy Information Administration shows. While petroleum-fired power plant contribution is negligible, nuclear is the second-biggest energy generating source in the state, followed by hydroelectric.

Renewables, despite the drive, remain a small part of the state's energy mix, at 550 GWh for May this year, versus 3,274 GWh for nuclear, and 3,617 GWh for gas. Suspending the growth of gas-fired generation capacity could indeed lead to serious problems with energy supply in New York and New England.

Announcements & Reports

► *A restrained optimism in Canada's oil sands*

Source : OIES
Weblink : https://www.oxfordenergy.org/publications/restrained-optimism-canadas-oil-sands-improved-efficiency-pipeline-outlook-technology-bolstering-worlds-largest-petroleum-resource-enough-make-competitive/

► *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

► *Tanzania Oil & Gas Congress*

Date : 09 - 11 September 2017
Place : Dar-es-Salaam, Tanzania
Website : www.cwctog.com/

► *Global Oil & Gas Middle East & North Africa Conference*

Date : 15 - 16 September 2017
Place : Cairo, Egypt
Website : www.oilgas-events.com/Find-an-Event/Global-Oil-Gas-Middle-East-North-Africa-%281%29

► *Deloitte Oil & Gas Conference*

Date : 19 September 2017
Place : Houston, USA
Website : 10times.com/deloitte-oil-gas-conference

► *European Gas Conference*

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

Supported by PETFORM

► *16th ERRA Energy Investment and Regulation Conference*

Date : 25 - 26 September 2017
Place : Astana - Kazakhstan
Website : http://erranet.org/conference/investment-conference-2017/

► *European Gas Summit*

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

► *Global Oil & Gas South East Europe & Mediterranean Conference*

Date : 27 - 28 September 2017
Place : Athens, Greece
Website : www.global-oilgas.com/SEEMED/

► *International Conference on Petroleum Industry & Energy*

Date : 28 - 29 September 2017
Place : İstanbul, Turkey
Website : www.waset.org/conference/2017/09/istanbul/ICPIE

► *IADC Drilling Middle East Conference & Exhibition*

Date : 03 - 04 October 2017
Place : Dubai
Website : www.iadc.org/event/me2017/

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► *Black Sea Oil & Gas*

Date : 03 - 04 October 2017
Place : Dubai
Website : www.iadc.org/event/me2017/

► *7th Iraq Oil & Gas Conference*

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