Oil & Gas Bulletin

▸ *26.01.2018*

Turkey's watchdog projects 54.5 bcm gas consump. in '18

Anadolu Agency, *23.01.2018*

Turkey's energy watchdog estimates 54.52 billion standard cubic meters (bcm) of natural gas consumption in Turkey for 2018, according to an official gazette.

Turkey's Energy Market Regulatory Authority's (EMRA) statement noted that the country is expected to consume 54.52 standard bcm of natural gas in 2018, showing a 18 percent increase compared to EMRA's 2017 prediction. The Authority's natural gas consumption estimation was nearly 46.02 bcm for 2017 but EMRA has not yet announced the actual consumption.

The country consumed around 46.39 bcm of natural gas in 2016, according to EMRA's 2016 Natural Gas Market Report. Increasing natural gas consumption fueled by power generation triggered a 19.7 percent jump in Turkey's natural gas imports year-on-year in October, EMRA's latest Natural Gas Market Report for October 2017 published in December 2017 shows.

OPEC reports highest oil cut conformity level in Dec.

Anadolu Agency, *21.01.2018*

The Organization of the Petroleum Exporting Countries (OPEC) and participating non-OPEC countries achieved the highest conformity level of 129 percent in December, OPEC announced.

According to the statement, the Joint OPEC and Non-OPEC Ministerial Monitoring Committee (JMMC) expressed satisfaction with the overall results and urged all participating countries to continue and, to the extent possible, intensify their collective and individual efforts, in the interests of bringing stability to the oil market.

The compliance with the global oil production cut agreement by OPEC and non-OPEC countries achieved a record-breaking level of 129 percent in December and averaged 107 percent for the whole of last year. The OPEC said that the JMMC's next meeting will be held in April in Saudi Arabia. "The JMMC will strive to maintain or exceed full conformity by all participating countries, throughout 2018," said the organization and added that "Recent data confirmed that global oil demand growth will continue on a positive trajectory in 2018, buoyed by the strong performance of the global economy."

The first joint OPEC and Non-OPEC Producing Countries' ministerial meeting was held on Dec. 10, 2016 to accelerate the stabilization of the global oil market through adjustments in total oil production of around 1.8 million barrels per day. As a result, member and participating countries decided to adjust oil production from Jan. 1. At the second joint ministerial meeting, held on May 25, participants decided to prolong the output deal for another nine months starting July 1. Furthermore, at the third meeting on Nov. 30, the countries' ministers agreed to extend the oil cut pact until 2018. The JMMC was established based on a decision taken at OPEC's 171st ministerial conference on Nov. 30, 2016.

Turkish Navtex will not affect drilling plans, govt says

Cyprus Mail, *25.01.2018*

The series of navigational warnings (Navtex) issued by Turkey, by which it reserved swathes of Cyprus' Exclusive Economic Zone (EEZ), are illegitimate and in any case they do not affect the island's ongoing gas exploration programme.

Cyprus will press on with its energy plans regardless, government spokesman Nicos Christodoulides told reporters. "To us, these [Turkish] Navtex, these notices to mariners, do not exist. They have already been cancelled, and no one takes them into account or imparts any legitimacy to them."

The best response to the usual Turkish bravado in the eastern Mediterranean, he added, is the continuation of Cyprus' gas exploration activities. "At the moment, there is in progress an important drill and we hope to have the results soon," he said, referring to the ongoing exploratory drill by companies Total and ENI in offshore block 6.

The results of the drill, which began in late December, are expected in early February. Asked whether the results might be announced between the first and second round of the presidential elections, Christodoulides said this was entirely up to the companies. The implication of the reporter's question was that the Disy-led government might seek to score political points in the midst of the electoral process. "I cannot at this time be more specific as to the timeline, nor would it be responsible of me to comment on that," Christodoulides responded. After concluding its operations in block 6, the drillship will almost immediately head to block 3 – also licensed to ENI – for another exploratory drill. The target in block 3 is codenamed 'Soupia' (cuttlefish).

OPEC moves another crucial oil market metric

Oil & Price, *24.01.2018*

The OPEC agreement is starting to move the needle on one stubborn metric that had remained depressed since the market downturn began more than three years ago: investment in new upstream projects.

Saudi oil minister Khalid al-Falih said this week that the Saudi-Russia oil alliance will last for "decades and generations," noting that more work is needed to stabilize the market and "preserve our long-term interests." A few days earlier, he stressed the importance of close coordination beyond 2018.

One of the principle justifications for continuing close coordination for an extended period of time was that spending on new large-scale, long-term oil projects remains subdued, which al-Falih argues is the result of a lack of confidence in the "long-term prospects of the market." But there's some evidence that the OPEC agreement, which was originally signed in late 2016, is starting to bear fruit on that front. The long list of projects that were sidelined since 2014 is beginning to see some movement. Rystad Energy says that 18 projects that were delayed years ago finally received the greenlight in 2017. That's a sharp increase from just two delayed projects that were given final investment decisions in 2015, and five in 2016. Rystad has tracked the projects since 2014, when more and more companies shelved projects because of falling oil prices. A total of 25 upstream projects were delayed but have now received FIDs.

These projects are expected to cost a combined $87 billion and yield 16 billion barrels of oil equivalent (boe). It should be pointed out that the Tengiz expansion in Kazakhstan accounts for more than a third of that spending total. The backlog of delayed projects grew from 39 in mid-2015 to a peak of 111 in early 2017. After more projects were given the go-ahead last year, that total declined to 104 as of this month. With 18 delayed projects finally lifting off in 2017, this means projects were still entering the tracker during 2017," said Readul Islam, research analyst at Rystad Energy. "The industry has put in a lot of spadework to advance these delayed projects. However, with over 100 projects still in our tracker as we enter 2018, the hard work must continue to maintain 2017's momentum."

One of the notable projects that moved forward in 2017 was the next phase of the Libra field off the coast of Rio de Janeiro. Petrobras, Total and their partners approved the FID for a floating production storage and offloading (FPSO) unit for the Libra project, which will result in 150,000 bpd of new production across 17 wells. While FIDs have ticked up, they still remain a fraction of their rate from years past. Total upstream spending is expected to drop to $510 billion this year, down by more than 40 percent from a peak of $900 billion in 2014, according to Rystad Energy. That translated into a record-low volume of new oil discoveries. Last year, new discoveries reached only about 7 billion boe, the lowest total in decades. The oil industry only discovered an average of 580 million boe per month in 2017, down from several billion boe of new discoveries per month back in 2012. All told, the industry discovered just 11 percent of what it produced in 2017, a worrying development that could spell trouble in the years ahead.

But that's a problem for another day. OPEC and Russia are still trying to get a handle on a market that has struggled with several years of excess supply. They have succeeded in draining inventories down close to the five-year average, and the recent price run to $70 per barrel for Brent is a testament to their efforts. The next hurdle will be the wave of new shale supply expected to come online this year and next, a threat that no doubt informs Khalid al-Falih's desire for a cooperative arrangement with Russia that spans "decades and generations."

Iraq to supply 12 million barrels of oil to Egypt

CNBC, *22.01.2018*

Iraq renewed a contract with Egypt to supply 12 million barrels of crude oil for one year, Iraq's Ministry of Oil announced.

The Iraqi Ministry of Oil and the Egyptian Ministry of Petroleum agreed to renew the agreement starting from January 2018, which will be based on the same conditions as the former deal, Asim Jihad, spokesman of the Iraqi Oil Ministry, was quoted as saying. The agreement is a part of Iraq and Egypt's efforts to deepen bilateral relations and to expand mutual cooperation, he noted.

The two countries reached a deal in late 2016 for Iraq to export 12 million barrels of oil to Egypt.

Kurdish Regional Government pays $53.71 million for Tawke oil field operations

Anadolu Agency, *23.01.2018*

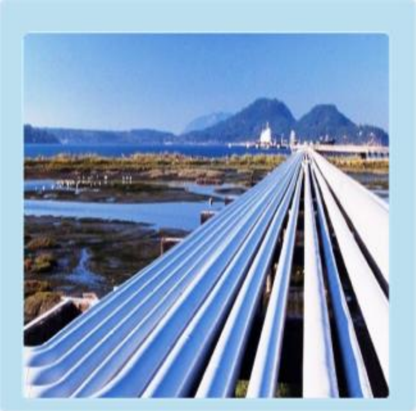
Tawke field partners in the Kurdish Regional Government (KRG) received $53.71 million for October 2017 crude oil deliveries, Genel Energy announced.

According to Genel Energy's announcement, the company's net share of payment is $13.43 million. "The override payment relating to October 2017 exports from the Tawke PSC [Production Sharing Contract] has already been received. Going forward, the company and the KRG have agreed to align the timing of Genel's override payments with entitlement payments from the Tawke PSC." the press release read.

Genel Energy is an independent oil and gas exploration and production company headquartered in London with offices in Ankara and Erbil. The Tawke field produced an average of 109,000 barrels oil per day in the first half of 2017, a 4 percent increase from the first half of 2016, according to Genel Energy.

European gas struggles leave Bulgaria in a tight spot

Oil & Price, *20.01.2018*



Despite the EU's best efforts to diversify suppliers, Russian gas exports to Europe grew by 8.1 percent to hit a record high of 193.9 billion cubic meters last year. More than a decade after Russia first shut off the spigot to Europe over a pricing dispute with Ukraine, Gazprom's share of the EU gas market has increased from a quarter in the 1990s to a stunning one-third today.

This worrying development comes at the same time Bulgaria, a country sitting squarely in Moscow's long shadow, assumes the presidency of the EU Council and considerable sway over European affairs.

What do the next six months have in store for Europe's shaky energy security? And could the US help? Indeed, other than Brexit and the refugee crisis, the Nord Stream 2 file is the trickiest dossier Sofia will have on its lap for the next six months. Bulgaria now has a key role to play in the potential expansion of a gas pipeline that would allow Gazprom to send more gas to Europe. There is still no agreement on whether to give the European Commission a mandate to negotiate the project with Russia at present. The US has been pushing Poland and other states to ask for the negotiating mandate, while Germany – the pipeline's final destination – thinks there is no need to involve Brussels.

As the bloc's umpire for the next six months, Bulgaria's position will be key – but it's unclear whether Sofia has the mettle to go toe-to-toe with Moscow. Russia has been harboring ambitions to build the Nord Stream 2 under the Baltic Sea (alongside the Nord Stream 1 pipeline) to Germany for years, much to Washington's understandable chagrin. Nord Stream 2 wouldn't just grant Russian gas an almost impregnable position on the European market; it would also deal a blow to the Ukrainian economy, which makes over a $1 billion a year from gas transiting its territory to reach Europe. The expanded pipeline would also offset the need to use the Soviet-era "Brotherhood" route connecting Western Siberia to Slovakia via Ukraine.

Oil inches higher on Saudi, Russian rhetoric

Oil & Price, *23.01.2018*

Crude oil started the week with gains following comments made by the Russian and Saudi Arabian Energy Ministers at their meeting in Oman, reinforcing an overwhelming feeling of volatility on the oil market—something that analysts had been warning about.

Khalid al Falih said that "There is a readiness to continue cooperation beyond 2018...The mechanism hasn't been determined yet, but there is a consensus to continue," which most traders apparently interpreted as a possibility that the production cuts that helped boost prices will be extended.

In this context, Alexander Novak's uncharacteristically extensive comment could have been a kind of a cold shower for the bulls. Here's what he said: "As for joint coordination on the oil market, the past year has demonstrated that this was a successful and positive experience that can be used in future, if need be. All will depend on expediency and necessity. Any joint actions reach their goals. We have agreed earlier and agreed today that this format of cooperation between OPEC and non-OPEC countries can be used as a consultations format after the deal is over."

Novak demonstrated his usual guardedness against any specific statement ahead of time, and Falih is also his usual self, spreading optimism. It needs noting, however, that the remarks come at the end of a week during which oil prices started sliding as the latest production figures from the Energy Information Administrations rekindled fears about a flood of U.S. crude oil on global markets.

During the same week, media cited analysts from major banks, including Citi's Ed Morse, as arguing that Saudi Arabia and especially Russia would rather prices weren't so high, so it was possible that they would end their deal in June. These new comments, particularly the Saudi minister's, point in the opposite direction: why bother hinting at a longer cut if you want prices lower? The truth is that Saudi Arabia needs prices to stay higher: the Aramco IPO is coming in the second half of the year.

Gazprom, Kogas discuss broader LNG cooperation

Anadolu Agency, *26.01.2018*

Russian gas giant Gazprom is considering boosting LNG supplies to South Korea from the Sakhalin-2 project, Gazprom said in a statement.

Gazprom said that a working meeting between Alexey Miller, chairman of the Gazprom management committee, and Seung-Il Cheong, president and CEO of Kogas, which took place in Russian capital Moscow, addressed the status of LNG supplies to South Korea from the Sakhalin II project and the potential of increasing exports. Kogas and Sakhalin Energy.

In which Gazprom has a 50 percent share, signed an agreement in 2005 for the supply of 1.5 million tonnes of LNG per year to South Korea. In 2009, Russia's first liquefied natural gas plant built by Sakhalin Energy was launched. According to the company's latest data, in 2015 this LNG plant produced 10.82 million tons of LNG for export to Japan, South Korea, China and Taiwan by either customer ships or company chartered LNG tankers. Shell has a 27.5 percent stake in Sakhalin Energy, while Mitsui holds a 12.5 percent share and Mitsubishi has a 10 percent interest.

Kogas is focused on the construction and operation of LNG receiving terminals and gas distribution networks, the implementation of international gas projects, and research and development in the gas industry. In 2016, Gazprom and Kogas inked an agreement to envisage broader cooperation in the field of LNG supplies. The agreement also reflects both parties' intention to implement joint projects in LNG production, transportation and regasification, and in gas-fired power generation.

Trans Adriatic Pipeline 65% completed: TAP Comm. Head

Anadolu Agency, *23.01.2018*

The Trans Adriatic Pipeline (TAP) is on schedule with 65 percent of the project completed at the end of 2017, including engineering, procurement and construction.

Givert told Anadolu Agency that in Greece as of mid-January, 518 kilometers (km) of the pipeline's route was cleared, around 473 km of the pipes were strung, over 457 km were welded, 362 km have been back-filled and approximately 265 km are being reinstated. TAP is an 878 kilometer-long cross-border natural gas pipeline, currently under construction, stretching from the Greek/Turkish border crossing Greece, Albania and the Adriatic Sea to Italy.

TAP will connect at its entry point to the Trans Anatolian Pipeline (TANAP) in Turkey. "In Albania, approximately 168 km have been cleared and graded along our route, 163 km line pipes strung, 157 km welded and approximately 133 km back-filled. Circa 116 km are being reinstated," Givert said, "This means that between Greece and Albania, TAP has now cleared and graded 90 percent of its corridor (approximately 687km out of 765km). Additionally, we have welded 80 percent of steel line pipes and around 65 percent pipes are already in the ground (back-filled)."

Givert added that progress in Italy currently involves second permitting activities in line with the country's Ministry of Economy initial permit granted on May 20, 2015. "We have also removed the first set of olive trees in the micro-tunnel area between March and July 2017. These trees are carefully looked after at a nearby nursery and will be planted back to their original location once pipeline construction works have been completed. Also, the last shipment of offshore line pipes has been offloaded in Brindisi, Italy, between Sept. 3 and 6," Givert noted. He said that TAP's contractor, Saipem, is working on the micro-tunnel area. Following the completion of the temporary road and area preparation, they are now digging the pit to enable the building of the micro-tunnel. "Also, thus far, we have driven approximately 61.5 million km and worked over 22.5 million-man hours without any major safety incidents, which is a very good performance," she stressed.

Givert underlined that the project remains on schedule and the company is working towards being ready to deliver first gas from the Shah Deniz field in Azerbaijan in 2020. The project company TAP AG is the constructor, owner and operator of the project. Partners BP (U.K.), Snam SpA (Italy), Southern Gas Corridor Company (Azerbaijan) each have a 20 percent stake, Fluxys SA (Belgium) has a 19 percent share, Enagas (Spain) has 16 percent interest and Axpo Trading (Switzerland) has a 5 percent share in TAP AG.

Norway's oil production for December below forecast

Anadolu Agency, *23.01.2018*

Norway's December oil output saw a 26,000 barrel-per-day increase compared to November, according to official figures from the Norwegian Petroleum Directorate (NPD).

Norway's preliminary oil production for December was about 4 percent below the NPD's forecast for the month. "The main reasons that production in December was below forecast is that Goliat field was closed until the Dec. 17, and technical problems and maintenance work on some other fields," the NPD explained. Nonetheless, the country's total gas sales for December saw a monthly increase of 0.3 billion cubic meters and reached 10.9 bcm compared to November.

The Nordic country's daily production of oil, natural gas liquids and condensate was about 1.93 billion barrels for the month of December.

Saudi oil minister tired of shale hype

Oil & Price, *25.01.2018*

"Leave us alone and leave all these issues. We had enough of shale oil and talks of shale. Please talk about anything else," Saudi oil minister Khalid al-Falih said in Davos, snapping at reporters.

Al-Falih has clearly become annoyed at all the pestering from reporters and market analysts about the prospect of U.S. shale spoiling OPEC's plans this year. He put on a brave face and dismissed questions about OPEC losing market share as U.S. drillers continue to ramp up. "The market is in an excellent condition, the demand and supply are good, the inventories are good," he said, according to the WSJ.

"I told you I was relaxed, and I'm still relaxed about the meeting." His testy response won't kill rumors about discord growing from within OPEC. In fact, the WSJ reported that a delegate from an unnamed OPEC country said that falling shipments to the U.S. are a concern. The delegate said that OPEC's leadership "needs to make some progress on addressing shale."

But al-Falih didn't want to hear any of it, and he blamed reporters for stirring up controversy where he says there wasn't any to begin with. "Why are you all excited all of a sudden on shale? You know why, because you like to chit chat … you are an agent of disturbance," he said, pointing to a reporter. At a panel event at the World Economic Forum in Davos, Switzerland, al-Falih said that the IEA is overhyping the impact of U.S. shale. "I was not disputing the amazing revolution of shale … [but] in the overall global supply demand picture it's not going to wreck the train," al-Falih said, claiming that the IEA is overstating the role of shale in a global market. "We should not be scared," he added. "That's the core job of the IEA, not to take it out of context." The comments come a week after the IEA published its January Oil Market Report, in which it said that "explosive" shale growth, combined with production gains in Canada and Brazil, would "far outweigh" any declines from Venezuela and Mexico. The conclusion was the basis for the IEA predicting non-OPEC supply growth of 1.7 million barrels per day (mb/d) in 2018, a figure that exceeds demand growth of 1.3 mb/d. In other words, the IEA says the oil market will once again be oversupplied, largely because of U.S. shale. But in Davos, al-Falih was exasperated with those claims. He argued that natural depletion, plus strong demand growth meant that there was plenty of room for new supply, and that shale drillers wouldn't crash the market. He criticized the IEA for an "oversized focus" on U.S. shale.

With some unfortunate timing for him, the EIA published production figures for the week ending on January 19, which showed a massive jump in output to 9.878, an increase of 128,000 bpd from a week earlier. That puts U.S. production at another record high, although it should be noted that these weekly estimates are subject to revision. Nevertheless, the EIA sees U.S. oil production passing 10 mb/d in February, scaling up to 11 mb/d by the end of 2019. Still, al-Falih expressed resolve, stating that it would be "very unlikely" that the OPEC/non-OPEC coalition would abandon their production cuts at their upcoming meeting in June. Earlier in the week, al-Falih said that Saudi-Russian cooperation in the oil market would last for "decades and generations," and that he wanted to work out a more permanent framework for OPEC coordination beyond 2018.

The comments from al-Falih were quickly met with pushback from the IEA's top officials. IEA executive director tweeted on Thursday a not-so-subtle dig at al-Falih: "Delighted to participate in this stimulating discussion about the future of energy markets. @IEA analysis has been consistent for many years about the shale oil and gas revolution in the United States and its impact on global markets." The IEA's head of oil division, Neil Atkinson, also rejected al-Falih's characterization that the IEA has overhyped shale. "U.S. shale in the past decade is one of the biggest game changers in oil production history and it's leading 1.7 mb/d of non-OPEC growth in 2018. Other countries e.g. Brazil and Canada are growing fast too," he said in a tweet on Thursday.

First step toward EU funding to aid gas imports

Cyprus Mail, *17.01.2018*

Greek Cyprus has been approved for preliminary EU funding of €101m to construct infrastructure for the import of liquefied natural gas (LNG) for power generation.

The approval is a response to Greek Cyprus' application seeking assistance in importing LNG to decrease the island's reliance on imported oil for producing electricity ahead of the extraction of its own gas. The approved amount, Lakkotrypis said, is around 40 per cent of the estimated cost. The proposal, he said, was jointly submitted to key EU funding instrument CEF, by the energy and transport ministries.

The amount is pending the approval of the other member states. The preliminary approval of the €101m, Lakkotrypis said, "is a decisive step towards the import of LNG for power generation". The minister said that one of the reasons attempts to build such facilities failed in the past was because the infrastructure costs were too high in relation to the small amount of gas Greek Cyprus needed to import. "This has resulted in the price being elevated to a point where it was not cost effective," Lakkotrypis. He said he hoped that the current attempt proves successful.

The Natural Gas Public Company (Defa) has already launched procedures to hire consultants for the supply of LNG. Lakkotrypis said that he has a scheduled meeting with both Defa and the energy regulatory authority (Cera), to discuss the issue of import of natural gas. Defa is tasked with reaching agreement with a supplier for the so-called 'interim solution' to replace oil as the state power company's (EAC) electricity-generation fuel with imported gas at a lower cost. The so-called interim solution calls for the importation of natural gas to facilitate cheaper power production as a stopgap until local resources become available.

China's gas production hits three-year high

Oil & Price, *18.01.2018*

China pumped natural gas at the highest rate since 2014 in December 2017 in an attempt to make up for shortages of the fuel in the northern parts of the country amid harsh winter weather, China's national statistics authority said.

The daily average reached 13.6 billion cubic meters, versus 12.6 billion cubic meters in November. The full-2017 total hence jumped by 8.5 percent on an annual basis to 147.4 billion cubic meters. Sinopec alone reported a 19-percent annual increase in its natural gas production last year.

As part of its fight against pollution, Beijing ordered a switch from central heating, supplied by coal-fired plants, to gas heating. The switch affected millions of households and businesses in northern China, but the government's ambitious pollution-tackling plans failed to factor in challenges such as demand and lack of adequate transport infrastructure for gas. As a result, state companies had to urgently raise domestic production, and imports soared to an all-time high of 7.89 million tons, including pipeline flows and LNG shipments. The December figure beat the previous record, booked in November, by 20 percent. This record-high import rate made for a fitting end to a year that saw natural gas imports into the country soar by 27 percent annually to 68.57 million tons.

Earlier this week, another state giant, CNPC, said it expected this year's demand for natural gas to continue growing, with the annual increase over 2017 seen at 10 percent, and imports seen rising by 13.4 percent. Though substantial, these growth numbers are a decline on 2017, when demand expanded by 17 percent and imports swelled by 27 percent. CNPC expects Beijing's clean air drive to lose some of its steam this year as demand from industrial consumers falls due to slower economic growth. But even so, there will be more seasonal gas supply disruptions as infrastructure development lags behind demand growth.

Kazakhstan to produce 87 million tons of oil in 2018

Anadolu Agency, *22.01.2018*

Kazakhstan plans to produce 87 million tons of oil in 2018, the country's Energy Minister Kanat Bozumbayev said at a news conference held at the prime ministry in Astana.

The country's oil production reached 86.2 million tons in 2017, with an increase of 10.5 percent compared to 2016, while oil exports rose by 12.4 percent, reaching 69.8 million tons, according to Bozumbayev. The Energy Minister shared that 49.5 million tons of the produced oil was obtained from Kazakhstan's major oil fields, and added.

"In Kashagan, 8.3 million tons of oil, in Tengiz 28.7 million tons and in Karachaganak 12.5 million tons of oil were produced. The volume of produced oil is expected to be around 87 million tons in 2018." "Natural gas production increased to 52.9 billion meters in 2017, by 14 percent compared to 2016. This year, 53.4 billion cubic meters of natural gas are planned for production. Natural gas exports increased by 26.3 percent compared to 2016, reaching 17.3 billion cubic meters. It is expected that exports will be around 17.2 billion cubic meters," he reported. Bozumbayev also said that production of 2.9 million tons of liquefied natural gas was made in 2017, with expectations of further increases to 23 million tons in 2018.

The country set records in the energy sector in 2017, he said, adding that he anticipates that 2018 will continue with this growth trend. He noted that the country exported natural gas to China in 2017 for the first time. "The first 1 billion cubic meters of natural gas were delivered within the framework of the 5 billion cubic meters of natural gas agreement we have made, and we plan to export 10 billion cubic meters of natural gas to China in the future," he said.

US oil rig count falls by five this week

Anadolu Agency, *16.01.2018*

The number of oil rigs in the U.S. decreased by five this week, according to the oilfield services company Baker Hughes data released.

Total number of oil rigs in the country fell to 747 for the week ending Jan. 19, from 752 in the previous week, the data showed. Number of rigs in the U.S. provides an indication of the oil sector's well-being in the country, and signals possible short-term production cuts and increases. After the fall in the oil rig count, crude oil prices regained some of their losses.

International benchmark Brent crude traded at $68.70 per barrel at 1305 EST (1805 GMT), while American benchmark West Texas Intermediate was at $63.38 a barrel. The U.S.' crude oil production also recovered last week, according to data released by the U.S.' Energy Information Administration (EIA) on Thursday. Production of crude oil increased by 258,000 barrels per day (bpd) to 9.75 million bpd for the week ending Jan. 12, the EIA said. During the previous week ending on Jan. 5, the U.S.' crude oil output fell by 290,000 bpd due to severe weather conditions. The EIA forecasts the U.S. crude oil output to average 10 million bpd this year, and 10.8 million bpd next year. In November 2019, crude oil production in the country is estimated to climb over 11 million bpd.

Schlumberger net income, revenue increase in 4th qtr.

Oil & Price, *20.01.2018*

The world's biggest oilfield services company Schlumberger saw its net income and revenue increase in the fourth quarter of 2017, according to the firm's financial results released.

Revenue rose by 15 percent to $8.18 billion in the final quarter of last year, from $7.11 billion the same period in the previous year. Net income rose to $668 million in the October-December period of 2017, from $379 million in the fourth quarter of 2016 -- a 76 percent increase. "Looking at the oil market, the strong growth in demand is projected to continue in 2018.

On the back of a robust global economy," said Schlumberger Chairman and CEO Paal Kibsgaard in a statement. "In North America, 2018 shale oil production is set for another year of strong growth, as the positive oil market sentiments will likely increase both investment appetite and availability of financing," he added. After announcing the financial results, Schlumberger saw its shares open at $75.00 in the U.S. stock market on Friday. The company's stock price gained 2.9 percent to as high as $77.18 per share before losing some of its gains.

Exxon Mobil makes major oil discovery off Guyana

Anadolu Agency, *12.01.2018*

Exxon Mobil Corp. announced Friday that it had discovered a major oil reservoir off the coast of the South American nation Guyana.

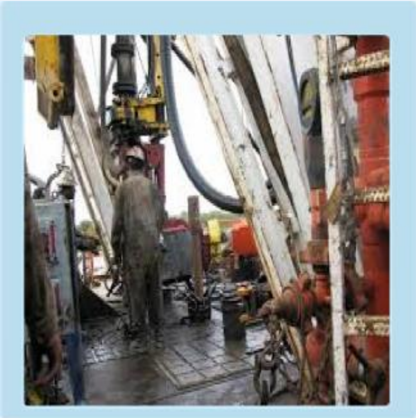
The oil discovery occurred in a region deep in the Atlantic Ocean called the Stabroek Block that spans 26,800 square kilometers (6.6 million acres). Neighboring country Venezuela has pressed claims that it possesses some parts of the block. The reservoir found by Exxon Mobil's Ranger-1 well is the sixth major discovery the company has made off Guyana's coast since 2015.

The well was drilled to a depth of 6,450 meters (21,161 feet) in 2,735 meters (8,973 feet) of water. "This latest success operating in Guyana's significant water depths illustrates our ultra deepwater and carbonate exploration capabilities," said Steve Greenlee, the president of ExxonMobil Exploration Company, in a statement. "This discovery proves a new play concept for the 6.6 million acre Stabroek Block and adds further value to our growing Guyana portfolio." The company says that it plans to further explore the Stabroek Block for oil throughout the rest of 2018.

For the past several years, Venezuela has called on Exxon Mobil to cease drilling in the Stabroek Block until its border dispute with Guyana is resolved. In December, the Guyanese government said the oil company was funding its legal fight against its neighbor. The United Nations is expected to send the dispute to the International Court of Justice by the end of March, according to remarks from Guyanese officials. Last year, insults and threats were traded between the White House and the government of Venezuelan President Nicolas Maduro. Secretary of State Rex Tillerson was chief executive of Exxon Mobil when it began drilling in the Stabroek Block in 2015 and clashed with Maduro. Venezuela is in the midst of a political and economic crisis partly caused by dipping revenues of its state-owned oil company PDVSA.

U.S. oil industry set to break record, upend global trade

Reuters, *25.01.2018*



Surging shale production is poised to push U.S. oil output to more than 10 million barrels per day - toppling a record set in 1970 and crossing a threshold few could have imagined even a decade ago.

And this new record, expected within days, likely won't last long. The U.S. government forecasts that the nation's production will climb to 11 million barrels a day by late 2019, a level that would rival Russia, the world's top producer. The economic and political impacts of soaring U.S. output are breathtaking, cutting the nation's oil imports by a fifth over a decade.

It is providing high-paying jobs in rural communities and lowering consumer prices for domestic gasoline by 37 percent from a 2008 peak. Fears of dire energy shortages that gripped the country in the 1970s have been replaced by a presidential policy of global "energy dominance." "It has had incredibly positive impacts for the U.S. economy, for the workforce and even our reduced carbon footprint" as shale natural gas has displaced coal at power plants, said John England, head of consultancy Deloitte's U.S. energy and resources practice.

U.S. energy exports now compete with Middle East oil for buyers in Asia. Daily trading volumes of U.S. oil futures contracts have more doubled in the past decade, averaging more than 1.2 billion barrels per day in 2017, according to exchange operator CME Group. The U.S. oil price benchmark, West Texas Intermediate crude, is now watched closely worldwide by foreign customers of U.S. gasoline, diesel and crude.

The question of whether the shale sector can continue at this pace remains an open debate. The rapid growth has stirred concerns that the industry is already peaking and that production forecasts are too optimistic. The costs of labor and contracted services have recently risen sharply in the most active oilfields; drillable land prices have soared; and some shale financiers are calling on producers to focus on improving short-term returns rather than expanding drilling.

But U.S. producers have already far outpaced expectations and overcome serious challenges, including the recent effort by the Organization of the Petroleum Exporting Countries (OPEC) to sink shale firms by flooding global markets with oil. The cartel of oil-producing nations backed down in November 2016 and enacted production cuts amid pressure from their own members over low prices - which had plunged to below $27 earlier that year from more than $100 a barrel in 2014. Shale producers won the price war through aggressive cost-cutting and rapid advances in drilling technology. Oil now trades above $64 a barrel, enough for many U.S. producers to finance both expanded drilling and dividends for shareholders.

Efficiencies spurred by the battle with OPEC - including faster drilling, better well designs and more fracking - helped U.S. firms produce enough oil to successfully lobby for the repeal of a ban on oil exports. In late 2015, Congress overturned the prohibition it had imposed following OPEC's 1973 embargo. The United States now exports up to 1.7 million barrels per day of crude, and this year will have the capacity to export 3.8 billion cubic feet per day of natural gas. Terminals conceived for importing liquefied natural gas have now been overhauled to allow exports. That export demand, along with surging production in remote locations such as West Texas and North Dakota, has led to a boom in U.S. pipeline construction. Firms including Kinder Morgan and Enterprise Products Partners added 26,000 miles of liquids pipelines in the five years between 2012 and 2016, according to the Pipeline and Hazardous Materials Safety Administration. Several more multi-billion-dollar pipeline projects are on the drawing board.

U.S. drillers say they can supply plenty more. "We continue to see and drive improvements" in drilling speed and efficiency, said Mathias Schlecht, a technology vice president at Baker Hughes, General Electric Co's oilfield services business. New wells can be drilled in as little as a week, he said. A few years ago, it could take up to a month. The next phase of shale output growth depends on techniques to squeeze more oil from each well. Companies are now putting sensors on drill bits to more precisely access oil deposits, using artificial intelligence and remote operators to get the most out of equipment and trained engineers. As expanded investments push more producers to add wells in less productive regions, technology will help make those plays more profitable, said Kate Richard, chief executive of Warwick Energy Group, which owns interests in more than 5,000 U.S. wells.

In an interview, she estimated about a third of the money from private equity investments in shale will be used to wring more oil from overlooked regions. Higher prices - up about $10 a barrel in the last two months - also may encourage the industry to work through a backlog of some 7,300 drilled-but-uncompleted shale wells that have built up because of crew and equipment shortages. The higher prices have suppliers that provide hydraulic fracturing services, such as Keane Group and Liberty Oilfield Services, buying expensive new equipment in anticipation of more work. U.S. fracking service revenues are expected to grow by 20 percent this year, approaching a record of $29 billion set in 2014, according to oilfield research firm Spears & Associates. The shale revolution initially upended the traditional industry hierarchy, making billionaires out of wildcatters such as Harold Hamm, who founded Continental Resources, and the late Aubrey McClendon of Chesapeake Energy.

Top U.S. oil firms such as Exxon Mobil and Chevron a decade ago turned much of their focus to foreign fields, leaving smaller firms to develop U.S. shale. Now they're back, buying shale companies, land and shifting more investments back home from overseas. Exxon last year agreed to pay up to $6.6 billion for land in the Permian basin, the epicenter of U.S. shale. Chevron this year plans to spend $4.3 billion on shale development. The majors' shift is driving up costs for labor and drillable land in the region, another boost to wages and wealth in rural areas
In the shale industry hub of Midland, Texas, unemployment has fallen to a mere 2.6 percent, said Willie Taylor, executive director of the Permian Basin Workforce Development Board, a group that helps firms find staff. Companies are now offering signing bonuses to attract workers to West Texas. One oil company flies workers to Midland from Houston weekly to fill a local labor void, he said. "It was an employer's market," he said. "Now it's more of a job seeker's market."

Big global oil projects are starting to get off the ground

Bloomberg, *22.01.2018*

The global oil industry's backlog of big drilling projects is starting to shrink as prices improve.

From production vessels tapping Brazil's deep-water reserves to pipes connecting rigs to underwater wells in China, the number of ventures delayed since the oil crash that finally got approval to get off the ground totaled 18 last year, according to a report by consultant Rystad Energy. That compares with only five in 2016 and two in 2015. That's a start, but there are still 104 delayed oil and gas projects waiting for investment approval, according to Rystad.

"The industry has put in a lot of spadework to advance these delayed projects," Readul Islam, a research analyst at Rystad, said in the report. "With over 100 projects still in our tracker as we enter 2018, the hard work must continue to maintain 2017's momentum." Among big oil projects that received the go-ahead last year, Brazil's Petroleo Brasileiro SA, France's Total SA and their partners approved the next phase of development of the multibillion-barrel Libra field off Rio de Janeiro's coast. The plan includes adding a floating production, storage and offloading ship, or FPSO, by 2021 and another by 2022.

But the slow pace of project approvals for larger, higher-risk projects means that discoveries of new reserves in 2017 were the fewest on record and replaced just 11 percent of what was produced, according to previous report by Rystad. This could lead to output deficits as soon as next year. The 25 delayed projects approved since the 2014 crash are expected to develop the equivalent of about 16 billion barrels of oil at an estimated cost of $87 billion to first production, Rystad said.

Brent oil is above $68 at week beginning Jan. 22

Anadolu Agency, *22.01.2018*

International benchmark Brent crude increased to $68.81 per barrel while American benchmark West Texas Intermediate (WTI) saw $63.45 at 07.12 GMT.

Brent crude decreased to $68.50 while WTI saw prices at $63.23 at 13.15 GMT on Friday. The number of oil rigs in the U.S. decreased by five this week, according to the oilfield services company Baker Hughes data released on Friday. The total number of oil rigs in the country fell to 747 for the week ending Jan. 19, from 752 in the previous week, the data showed.

The Organization of the Petroleum Exporting Countries (OPEC) and participating non-OPEC countries achieved the highest conformity level of 129 percent in December, OPEC announced on Sunday. According to OPEC's statement, recent data confirmed that global oil demand growth would continue on a positive trajectory in 2018, buoyed by the strong performance of the global economy.

Oil prices rise on brighter global economic prospects

Oil & Price, *23.01.2018*

Oil prices were up early on Tuesday, supported by a brighter outlook on the global economy for this year and next, as well as the continued high compliance of OPEC and allies with their joint oil production cuts.

At 07:10 a.m. EST on Tuesday, WTI Crude was up 0.27 percent at $63.74, while Brent Crude was trading up 0.29 percent at $69.23. In its World Economic Outlook Update, the International Monetary Fund (IMF) revised up on Monday its projections for global growth by 0.2 percentage point to 3.9 percent for 2018 and 2019.

It is reflecting increased global growth momentum and the expected impact of the U.S. tax policy overhaul. Last year, global economic activity continued to firm up, and global growth is forecast to have been 3.7 percent, up 0.1 percentage point compared to the previous outlook. Notable upside surprises in European and Asian economies further strengthened the overall global economy, the IMF said. “Some 120 economies, accounting for three quarters of world GDP, have seen a pickup in growth in year-on-year terms in 2017, the broadest synchronized global growth upsurge since 2010,” the IMF said, noting that improving global growth outlook was one of the main reasons for the higher oil prices at the end of last year and early this year.

While global economic growth and expectations of robust global oil demand growth are pushing oil prices higher on the demand side, from the supply side, OPEC and its non-OPEC allies led by Russia continue to tighten the market by restricting oil production. Over the weekend, the Saudi and Russian energy ministers reiterated their commitment to the cuts, and Saudi Arabia’s Khalid al-Falih went further, suggesting that the cartel and its non-OPEC partners need to be talking about a longer framework for that cooperation.

“The outlook for 2018 is roughly balanced for most of the year, but inventories are set to rise in Q4 2018,” BNP Paribas told Reuters, commenting on the global oil inventories picture for this year. The French bank raised its oil price forecasts for this year by $10, and now sees WTI averaging $60, with Brent averaging $65 in 2018 Barclays, for its part, revised up its Brent forecast too, by $5 to $60, citing strong oil demand growth and crumbling production from Venezuela The possible headwinds to a further increase in oil prices include rising U.S. oil production, weakening refining margins across the world that could slacken refinery purchases, and money managers’ very crowded record net long position in the most important futures and options linked to crude oil.

An unsolvable natural gas dilemma

Oil & Price, *25.01.2018*

Natural gas isn’t the first thing that comes to mind at the mention of the Netherlands. Clean energy is a more likely association. And yet gas is at the center of one of the country’s major headaches. At the heart of the problem is the giant Groningen gas field that, when it was discovered in 1959, was the largest gas field in the world.

Since then, Groningen has produced hundreds of billions of cubic meters of gas and has, in the meantime, significantly increased seismic activity. This increase in seismic activity has damaged thousands of homes and eventually led to a gradual production cut that is still underway.

Unfortunately, the production won't solve the earthquake problem and the gas from Groningen is difficult—and expensive—to replace. After the latest earthquake in the area of Groningen, which occurred earlier this month, the operator of the field, NAM, said further cuts were necessary, but added that these won't put an end to the quakes. The reason: any fluctuation in production is conducive to heightened seismic activity. The government seems determined to phase out Groningen as fast as possible, but it faces a couple of major challenges in doing that. First, the Groningen field produces low-calorie natural gas and almost all Dutch households use it, which means the distribution network has specifically been developed for this type of gas. All heating appliances and systems in the country were designed with this quality of gas in mind.

Second, converting imported, higher-calorie gas into the kind that household appliances work with in the Netherlands is an expensive process, and the existing conversion facilities are running at capacity. Building more will take years and hundreds of millions of euros. Now, the government has warned 200 large companies in the country to start thinking about how they will switch to alternative energy sources within the next five years, so by 2022 there should be no Groningen gas going to industrial users.

Last year, the Netherlands generated a tenth of its electricity from wind and solar installations. This should rise to 14 percent by 2020. But that's a small consolation when it comes to Groningen. Whatever the source of electricity, using it instead of gas will require the electrification of a lot of heating systems. The ultimate solution would involve both reducing demand for gas and switching to alternatives. Yet lowering demand would be difficult, too, especially over the short period that the Dutch government has in mind. No wonder then that last November, a court said that the government had failed to make it clear how it would lower demand for gas to facilitate the phase-out of Groningen. Yet, even when gas production at the field stops, this will not stop the quakes, it seems, so any solution would be far from perfect. Sure, the businesses will get renewable energy incentives and they will be forced to make the shift, but the quakes are likely to continue. The state prosecutors are investigating NAM—a Shell/Exxon JV—for failing to conduct risk assessments after 1993 when the link between gas extraction and the tremors was discovered. But fixing the blame won't get the Netherlands any closer to fixing the problem.

Oil and gas industry plans capex hike

Oil & Price, *25.01.2018*

Confidence is returning to the oil and gas industry, with a majority of respondents in a DNV GL survey saying that they plan to increase capital expenditure this year. The Norway-based energy industry advisory firm noted that while last year confidence in the growth prospects for oil and gas firms had stood at 32 percent of respondents, now it has gone up to 63 percent.

DNV polled 813 senior oil and gas executives, of which 36 percent said their companies would spend more on R&D and innovation this year. That's the highest portion in the last four years, the consultancy noted.

Within R&D, energy companies will focus on digitization and cybersecurity—two areas that undoubtedly need urgent attention, especially since 22 percent of respondents placed competitive pressure at the top of the list that makes up the biggest barriers to growth this year. Next are reduced exploration and oil and gas oversupply, each with 19 percent, and operating costs, which 18 percent of respondents believe will be the main obstacle to growth.

Texas oil economist predicts record output in 2018

Anadolu Agency, *25.01.2018*

There were talks of record-breaking oil production in 2018 during the Texas Petro Index (TPI) 2017 end-of-year briefing.

During the briefing held in Houston Jan. 23, Karr Ingham, oil economist for the Texas Alliance of Energy Producers and creator of the TPI, said while 2017 was a story of recovery and growth for upstream oil and gas in Texas, 2018 is set to break previous oil production records. Ingham said daily posted prices surpassed $60 per barrel in January and will stimulate further rig count growth, more drilling permits and quicker industry employment growth.

It will also push Texas and U.S. crude production upward. “Production bottomed out in September 2016 and has been on the rise since. We are on the cusp of blowing by the production levels in the 1970s in the next few months,” said Ingham. The previous production record was in 1972 when Texas’ oil production was 1.263 billion barrels of oil. “I do not see how we don’t break this record in 2018,” he said.

Regarding industry employment, the TPI Dec. 2017 statistics show that an estimated 31,400 of the more than 100,000 jobs lost during the downturn had been restored in the current recovery. “We’ve recovered several tens of thousands of jobs, but employment growth as a beginning of this industry recovery has leveled off,” said Ingham. “As the industry matures in its processes, it will certainly almost take fewer employees than it has taken in the past.”

Announcements & Reports

► *Saudi Arabia's Energy Pricing Reform in a Changing Domestic and Global Context*

Source : OIES
Weblink : https://www.oxfordenergy.org/publications/saudi-arabias-energy-pricing-reform-changing-domestic-global-context/

► *The SPIMEX Gas Exchange: Russian Gas Trading Possibilities*

Source : OIES
Weblink : https://www.oxfordenergy.org/publications/spimex-gas-exchange-russian-gas-trading-possibilities/

► *Monthly Oil Market Report*

Source : OPEC
Weblink : http://www.opec.org/opec_web/en/publications/338.htm

Upcoming Events

► *European Gas Conference 2018*

Date : 29 January 2018
Place : Vienna, Austria
Website : https://www.europeangas-conference.com/

► *Egypt Petroleum Show*

Date : 12 February 2018
Place : Cairo, Egypt
Website : http://www.egyps.com/

► *North Africa Petroleum Exhibition & Conference*

Date : 03 March 2018
Place : Oran, Algeria
Website : www.napec-dz.com/NewDefault.aspx?lg=en

► The 10th International Petroleum & Natural Gas Summit

Date : 27 - 28 March 2018
Place : Beijing, China
Website : http://oil.zhenweievents.com/en/

► The 8th International Offahore Engineering Technology & Equipment Exhibiton

Date : 27 - 29 March 2018
Place : Beijing, China
Website : http://www.chinamaritime.com.cn/en/

► Kuwait Oil & Gas Summit

Date : 16 April 2018
Place : Kuwait City
Website : www.cwckuwait.com/

► International Conference on Petroleum & Petrochemical Economics

Date : 26 April 2018
Place : Istanbul, Turkey
Website : www.waset.org/conference/2018/04/istanbul/ICPPE

Supported by PETFORM

► Flame Conference 2018

Date : 14 – 17 May 2018
Place : Amsterdam
Website : https://energy.knect365.com/flame-conference/?vip_code=FKA2659PETFORM

► 27th World Gas Conference

Date : 25 - 29 June 2018
Place : Washington DC
Website : https://wgc2018.com/?src=Upstream

► *Offshore Oil & Gas and Chemical Industry Technology and Equipment Exhibition*

Date : 23 - 25 August 2018
Place : Shanghai
Website : http://sh.cippe.com.cn/en/For_Visitors/Venue_Time/