Oil & Gas Bulletin

▸ *06.04.2018*

TurkStream proceeds as planned towards Turkish shore

Anadolu Agency, *04.04.2018*

The first line of the TurkStream natural gas pipeline project will be laid before May 10, said Alexey Miller, chairman of the management committee of Russian Gazprom.

Miller told journalists in Ankara that the TurkStream is progressing on schedule. "After completing the first line, we will start to build second line of the project," he said. The TurkStream project is a direct pipeline from Russia to Turkey with 15.75 billion cubic meters of gas capacity set aside for Turkey's use while a second line with the same 15.75 billion cubic meter capacity is planned for Europe's needs.

Iraq may have twice as much oil as previously thought, says minister

Arab News, *30.03.2018*

Iraq's oil reserves may be double their current estimated level, according to the country's oil minister, as OPEC's second-largest producer invited tenders for the exploration of 11 oil and gas blocks in the country's south and east.

Jabar Al-Luaibi made the prediction at an energy conference in Baghdad on Wednesday, Reuters reported, with his comments subsequently echoed by Adnan Al-Janabi, head of the Iraqi parliament's oil and gas commission. The doubling of the country's proven reserves would see Iraq overtake Saudi Arabia to contend with Venezuela.

The South American nation says it has just over 300 billion barrels worth of proven reserves, a claim met with skepticism by some market analysts, with much of its reserves consisting of hard-to-access heavy oil in the country's Orinoco belt. Iraq last ear upgraded its reserve estimates to 153 billion barrels from their previous level of 143 billion. The oil minister's statement is more likely to relate to future possible increases in resources, rather than an immediate upgrade to current reserves, said Robin Mills, CEO of UAE-based Qamar Energy. "I don't think it has any impact on the short- or medium-term output from Iraq, but it does emphasize the tension between OPEC restraint and Iraq's plans for production growth," he said. The country plans to boost crude production to more than 5 million barrels per day from the current level of 4.35 billion.

However Al-Luaibi insisted that it “definitely will not deviate from the overall decision of OPEC” when it comes to the possible extension of a deal between OPEC and other producers to cut production, due to expire at the end of the year, Reuters reported. Speaking at the same event, OPEC Secretary-General Moham-med Barkindo told the conference that the bloc was seeking “very long-term” cooperation with non-OPEC producers. His remarks follow comments earlier this week by Saudi Arabia’s Crown Prince Mohammed bin Salman that the Kingdom is in discussions with Russia to forge an unprecedented 10-20 year cooperation agreement, building on the success of 2016’s agreement between OPEC and non-OPEC producers to cut output to support oil prices.

Brent crude futures, which slumped below $30 a barrel in early 2016, have recovered as a result of the production cut agreement, trading at about $70 a barrel this week. Barkindo told conference delegates in Baghdad that OPEC was evaluating the impact of the deal to determine the “appropriate action” when it expired at the end of this year. “In addition to the 24 countries that came to sign the declaration of cooperation in November, we have six more producing countries who came to show solidarity,” he said. Al-Luaibi said that several oil exporters have suggested a six-month extension to the deal, declining to name them. Barkindo said that investment in the industry was increasing following the recovery in prices, but had yet to reach levels witnessed before prices began falling in late 2014.

Iraq anticipates awarding of oil contracts

Aljeereza, *01.04.2018*

Iraq plans to award oil and gas exploration and development contracts in 11 new blocks on April 15, oil ministry spokesman Asim Jihad said on Sunday.

Iraq had initially set June 21 as the date to open the bids for the new blocks, located in border areas with Iran and Kuwait, and in offshore Gulf waters. Bidding documents will be made available to oil companies planning to make offers on April 13, Jihad told the Reuters news agency. The offers will have to be submitted on April 15 and the winners will be announced the same day, he added. The oil ministry announced on Thursday measures to reduce the fees.

Fees received by the oil companies from the government in the new contracts. The new contracts will exclude oil by-products from the companies’ revenues, establish a linkage between prevailing oil prices and their remuneration, and introduce a royalty element. Oil producers in Iraq currently receive a fee from the government linked to production increases, which include crude and oil by-products such as liquefied petroleum gas and dry gas. OPEC’s second-largest producer, after Saudi Arabia, Iraq decided to change the contracts after a glut caused oil prices to crash in 2014, reducing Baghdad’s ability to pay the fees. Companies including BP, Exxon Mobil, Eni, Total and Royal Dutch Shell helped Iraq increase its production in the past decade by over 2.5 million barrels per day (bpd) to about 4.7 million bpd.

The semi-autonomous Kurdistan Regional Government produces oil and gas from fields under its control in northern Iraq under a production sharing model more profitable to companies. The new contracts offered by Baghdad will also set a time limit for companies to end gas flaring from oil fields they develop on territory under its control. Iraq continues to flare some of the gas extracted alongside crude oil at its fields because it lacks the facilities to process it into fuel for local consumption or exports. Iraq hopes to end gas flaring by 2021, which costs nearly $2.5bn in lost revenue for the government and would be sufficient to meet most of its unmet needs for gas-based power generation, according to the World Bank.

Natural gas not on table, spokesman says

Cyprus Mail, *01.04.2018*

If Turkish Cypriots insist on the creation of a natural gas committee as a condition for the resumption of reunification talks it meant they had no desire for negotiations, government spokesman Prodromos Prodromou said on Saturday.

The spokesman's comments came a day after the UN announced an informal meeting between the leaders of the two communities, Nicos Anastasiades and Mustafa Akinci. Prodromou said the April 16 meeting could decide whether talks would resume though there could be other encounters before that.

The spokesman said no agenda had been set; the two leaders will hold talks to see how the dialogue could restart. "It doesn't mean that everything will end on April 16," he said. "There could be a second and a third meeting," depending on how things go. The latest round of UN-led talks collapsed in acrimony in Switzerland in July 2017. Both sides have since lost confidence, a problem compounded by the recent row over the island's natural gas reserves. Turkish Cypriots want to have a say on the issue and want it discussed at the talks. The Greek Cypriot side has rejected gas being part of the talks, arguing that it has already been decided that it should be handled by the federal government after the island's reunification.

Prodromou said if the Turkish Cypriots insisted on creating a committee to handle energy matters as a precondition for talks "it means there is no desire for negotiations." The spokesman said hydrocarbons were not an issue and it won't be discussed at the reunification talks. Last month, Turkish warships prevented Italian energy company ENI from drilling in a field inside block 6 of the Republic's exclusive economic zone (EEZ). Turkey argues it is safeguarding the rights of Turkish Cypriots, but it also has its own claims inside Cyprus' EEZ. Brussels has urged Turkey to avoid threats and refrain from actions that could damage relations with the bloc. Last week EU leaders condemned what they described as "continued illegal actions" by Turkey in the Eastern Mediterranean.

Eastern Mediterranean gas discoveries redefine LNG playing field

LNG World Shipping, *28.03.2018*

The Eastern Mediterranean is fast becoming a gas hub, with numerous LNG projects, plentiful recent gas finds and likely further discoveries. Newly discovered offshore gas deposits in the exclusive economic zones (EEZs) of Egypt, Israel and Cyprus, coming on top of similar major finds in recent years, are poised to alter the energy map of the Eastern Mediterranean irrevocably.

LNG projects, which already play a key role in the region's gas distribution logistics, will be impacted by the upcoming development of the Eastern Mediterranean gas fields.

The majority of the LNG projects in the area are import schemes, and floating storage and regasification units (FSRUs) have proved to be the most popular route to securing access to new gas supplies quickly and at relatively low cost. Turkey, Egypt, Israel and Jordan make use of FSRUs to import LNG while Greece, Cyprus and Lebanon are evaluating FSRU projects. There are also two liquefaction plants in the region. Both are in Egypt and both have lain largely idle in recent years due to lack of sufficient feed gas. However, the discovery of new gas fields in Egyptian and neighbouring waters hint at an imminent turnaround in fortunes for the two LNG export facilities. Egypt and Turkey are the region's biggest and fastest-growing natural gas consumers by a wide margin, with annual gas usage in each of the two countries around the 50Bn m3 (bcm) mark. Israel consumes approximately 10 bcm per year and Jordan 3.5 bcm, while Greek gas use has slumped by 30% in recent years, to 2.8 bcm.

Greece's only LNG terminal, on the small islet of Revithoussa to the west of Athens, has been in service since February 2000. DESFA, Greece's state-owned gas transmission authority, is adding a third in-ground tank to boost the terminal's storage capacity by 73%, to 225,000 m3, and increasing the regas capacity by 40%, to 4.7 mta of LNG. The expansion project is set for completion by the end of 2018. The Greek government is seeking to promote the country as a transit hub, in terms of both LNG terminals and gas pipelines. The privatisation of certain state assets, including a significant shareholding in DESFA, is also on the cards. In addition to the Revithoussa expansion in the south, plans for two FSRU-based LNG terminals in northern part of the country have been tabled as part of the drive to establish Greece as a gas hub. The most advanced is the 4.5 mta Alexandroupolis facility, a project being led by gas utility Gastrade and in which GasLog has a 20% stake and is set to provide the required 170,000 m3 FSRU.

An expected final investment decision on the scheme has recently been delayed, to late 2018. The aim is to integrate the Alexandroupolis FSRU operation with the planned Trans-Adriatic Pipeline (TAP) and Greece-Bulgaria Gas Interconnector (IGB) links. Greece's second proposed FSRU terminal, Aegean LNG in Kavala Bay, would also operate in tandem with the envisaged east-west and north-south pipeline links if it comes to fruition. Turkey has a large and well-established gas market and, like Greece, depends almost exclusively on imports to meet its gas needs. Pipeline deliveries from Russia, Iran and Azerbaijan predominate but LNG purchases are gaining in importance as the country seeks to diversify energy supplies. Turkey is also the oldest member of the Eastern Mediterranean's LNG community. The country began importing LNG in August 1994 when an inaugural shipment from Algeria was discharged at the Marmara Ereglisi terminal operated by Botas.

Turkey's second shore-based import terminal, the EgeGaz facility at Aliaga, did not receive its inaugural cargo until December 2006, even though it had been commissioned more than three years earlier. It was the world's first LNG receiving terminal to be constructed without firm capacity contracts in place. Turkey has recently turned to expansions of its two shore terminals as well as three new FSRU-based projects to boost its LNG import capabilities. Throughput capacities at both the Marmara Ereglisi and EgeGaz Aliaga terminals will be increased by two-thirds, in 2018 and 2021, respectively. Two of the Turkish FSRU terminals are already in service while the third is planned for Saros on the Gallipoli peninsula's northern coast. Etki LNG in Aliaga's Candarli Bay, the first FSRU terminal, came onstream in December 2016 and makes use of the 145,000 m3 Neptune. Dörtyol LNG at Iskenderun on eastern Turkey's Mediterranean coast commenced operations in February 2018 and utilises the 263,000 m3 MOL FSRU Challenger, the world's largest FSRU, under a three-year charter to Botas.

The discovery of sizeable gas fields off its Mediterranean coast enabled Egypt to construct two LNG export terminals, both of which were commissioned in 2005. Damietta dispatched its inaugural cargo in January while Idku commenced operations in May. During their peak year of 2008 the two facilities exported an aggregate 10M tonnes of LNG to world markets. However, field depletion was faster than anticipated and burgeoning domestic demand forced Egypt to shut down its LNG and pipeline gas exports and implement FSRU-based import projects to meet gas needs. Damietta ceased export shipments in February 2013 and Idku followed suit 12 months later. The FSRU Hoegh Gallant went on station at Ain Sokhna in April 2015 and later in the year, in October, BW Singapore commenced regasification operations in the same Red Sea port. In 2016, the peak year for Egyptian imports, the two 170,000 m3 FSRUs received 7.5M tonnes of LNG by means of ship-to-ship transfers from conventional LNG delivery tankers.

More recently, new offshore Mediterranean gas finds signal yet another turnaround in Egypt's fortunes. In addition to some newly found BP deposits, Eni discovered the Zohr field in 2015. With 30 trillion cubic feet (tcf) of gas reserves, Zohr is the largest gas deposit in the Mediterranean. Zohr holds the promise of not only bringing an end to LNG imports and meeting local demand for gas but also supporting a rebound in LNG exports. LNG import volumes handled by the two Ain Sokhna FSRUs are already in steep decline and there is a possibility that both Damietta and Idku could be operating at their nameplate LNG export capacity by the end of 2019.

In January 2014 Israel became the world's 30th LNG import nation when Excelerate Energy stationed its 138,000 m3 FSRU Excellence 10 km off the coast near Hadera. Back in 2010 Israel had depended on Egyptian pipeline deliveries to meet 40% of its gas needs but Egypt's gas difficulties put paid to this supply and prompted FSRU imports. Like Egypt, Israel has had the good fortune to discover major deposits of gas offshore in recent years. The most notable of these is 22 tcf Leviathan field but Tamar, with its 10 tcf of reserves, is another major new play. Whereas Leviathan gas is still to flow, Tamar's riches are already being pumped ashore via a subsea pipeline to Israel. The Hadera FSRU contract has been extended by a further two years, to September 2019, to serve as a backup measure should the Tamar flow be disrupted. The Israeli government has been studying the best ways to realise the value of the Leviathan and Tamar deposits, which are well beyond the needs of Israel itself. Jordan has already signed up for pipeline deliveries from the two fields, to supplement its Aqaba-based FSRU imports, while negotiations are underway for similar subsea links to Egypt, Turkey and Europe.

The pipelines to Egypt would be directed to Shell's Idku and Gas Natural Fenosa's Damietta LNG export terminals and provide an additional source of gas for liquefaction at these plants. The gas for Europe would arrive in Italy via the proposed EastMed Pipeline which would make use of Cypriot and Israeli gas, delivering via Crete and Greece. The Shell Idku proposal would also draw on the newly discovered 4 tcf Aphrodite field in the nearby Cyprus offshore EEZ. As a final twist in the Cypriot LNG tale, irrespective of how the Aphrodite gas ultimately plays out, the island EU member state will commence LNG imports under the CyprusGas2EU project banner by 2020 in order to meet its EU clean environment obligations. The FSRU will be based in the port of Vasilikos. In the meantime, back in Israel two further new gas finds have recently been made. Although the proven reserves of the Karish and Tanin fields stand only at an aggregate 2.4 tcf, the Greek-based Energean Oil and Gas has proposed the construction of a floating LNG production vessel to enable the start of gas production and LNG exports in 2021.

Russia expects fair EU decision on Nord Stream II route

Tass, *03.04.2018*

Russia expects the EU authorities to make decisions on laying route of Nord Stream II natural gas pipeline in the interests of European consumers, said Alexander Novak.

Moscow expects that decisions will be aimed at satisfying the interests of Europeans and European companies in gas supplies, Novak was quoted as saying by the Russian news agency Tass. "So far this process is not over, the work is in progress," Novak said as responding to a question about the position of Denmark and other countries on the gas pipeline's laying route.

Many European countries such as Denmark, Poland and Lithuania are against the Nord Stream II, as they claim that it will increase Russian influence on European energy markets. In November 2017, the Danish Parliament approved a law, which gives the authorities to prohibit the construction of Nord Stream II in the territorial waters of the country. The Russian authorities said earlier that they can find alternatives in case of a Danish rejection of the existing route. The Nord Stream II natural gas pipeline project plans to deliver Russian gas to Europe through the Baltic Sea with a capacity of 55 billion cubic meters per year.

Russia says looking at joint organisation for cooperation with OPEC

Reuters, *03.04.2018*

Russian Energy Minister Alexander Novak said on Tuesday a joint organisation for cooperation between OPEC and non-OPEC countries may be set up once the current deal on oil output curbs expires at the end of this year.

He also said that he and his Saudi Arabia counterpart, Khalid al-Falih, discussed long-term cooperation and that the current “mechanism of interaction” has proved to be effective. “We are now thinking about a format for cooperation which could be for the longer-term, which would include the possibility of market monitoring”

“Information exchange and if needed the implementation of some joint actions,” Novak told reporters. He said that Russia joining OPEC is not on the agenda for discussions. Novak is part of a delegation of Russian officials led by President Vladimir Putin that arrived in Turkey on Tuesday for talks.

Nord Stream II receives permit from Finland

Anadolu Agency, *05.04.2018*

The Finnish government gave its consent for the construction and operation of the Nord Stream II natural gas pipeline project for the section that passes trough Finland's exclusive economic zone, the government announced on Thursday.

The Nord Stream II project will be a twin subsea gas pipeline, running for about 1,220 kilometers through the Baltic Sea from Russia to Germany and for about 374 kilometers across Finland's exclusive economic zone. In September 2017, the project developer company Nord Stream II AG submitted an application for governmental consent under the Finnish Act on the Exclusive Economic Zone.

"The government's consent is conditional, which means the applicant has to meet the terms presented in the government's decision," the government stipulated. The Finnish government's consent must be enforceable despite any appeal, unless the appellate authority specifies otherwise. The consent will be valid for 50 years, after which it can be renewed upon application. The Regional State Administrative Agency for Southern Finland is processing the Nord Stream II's application for a permit under the Water Act for the construction and operation of the pipeline. The processing of the construction permit application will include a detailed environmental impact assessment pursuant to the Water Act. The Nord Stream II pipeline will be laid in 2018–2019 and will be operational at the beginning of 2020.

Europe's biggest gas field to close over quake risk

Oil & Price, *01.04.2018*

Europe's gas networks can cope with decreased Groningen gas input, Stephan Kamphues, board spokesman of Vier Gas Transport, told Reuters in an interview earlier this year.

Vier Gas owns Germany's 12,000 km (7,500 mile) gas pipeline Open Grid Europe. Still, lower gas supply from the Netherlands to its neighbors would raise the overall dependence of the northwest European gas market on gas supply from other areas. Currently, most of that supply comes from pipelines from Norway and Russia. Experts also believe that northwest Europe could see growing purchases of liquefied natural gas (LNG) from the United States.

"During 2018-30, European LNG imports are anticipated to grow faster than previously expected due to restrictions on production at the giant Groningen gas field in the Netherlands," John Twomey, head of European gas analysis at Bloomberg New Energy Finance (BNEF), said in the Global LNG Outlook by BNEF published last week. "In the long term, declines in Dutch and Norwegian gas production and retirement of coal capacity will push LNG imports over 104MMtpa by 2030, as Europe aims to keep its reliance on Russian pipeline gas under control," Twomey added. According to the Outlook, global LNG imports will set a new record in 2018, rising by 7.2 percent. "A further surge in demand to 2030 will be driven by environmental measures in China, rising power generation in South and Southeast Asia, and a reduction in domestic gas production in Europe," according to BNEF.

Norway's DNO raises Faroe Petroleum stake to over 25%

Enterprise, *28.03.2018*

Norway's oil and gas company DNO increased its stake in Faroe Petroleum by 10 percent to 25.37 percent late.

Earlier on Wednesday the company announced that it had bought a 15.37 percent holding in the British company from Israel's Delek Group. After announcing the earlier acquisition from Delek, the company then said it bought 10 more percent from other shareholders. Faroe Petroleum is an independent oil and gas company listed on the U.K.'s Alternative Investment Market since 2003 and is focused on exploration.

At the year-end 2017, Faroe Petroleum had stated reserves of 97.7 million barrels of oil equivalent (MMboe) and an average daily production of 14,300 boe in 2017.

While expelling diplomats, Germany quietly increases dependence on Russian gas

Forbes, *30.03.2018*

Germany became one of the first European countries to expel Russian diplomats in response to the alleged Russian poisoning of a former spy in British soil – doing so even before the United States had announced its unprecedented move to kick out 60 diplomats. It was a bold action coordinated with Britain and France last week.

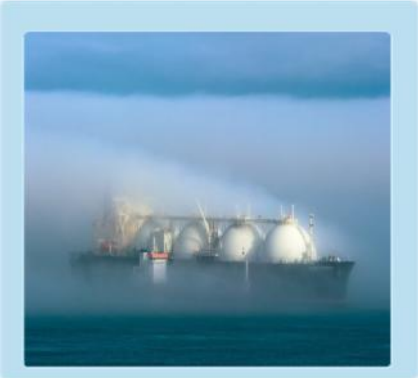
On Tuesday, Berlin quietly gave authorization for a new Nord Stream 2 gas pipeline under the Baltic Sea which will increase Europe's dependence on Russian gas. If you think the two actions sound incongruous, you're not alone. Germany's neighbors Poland and Lithuania are furious.

That Germany is pushing for the pipeline. They are known as the two most anti-Russian EU countries, and have come out the strongest against Moscow after the nerve agent attack in England earlier this month. British Conservative MP Bob Seely called the decision a “big victory for the Kremlin, which helps to increase EU energy dependency on Russia and make Ukraine more vulnerable”. Washington is also displeased. America has been lobbying EU capitals intensely to reject the pipeline, saying it constitutes a threat to Europe’s energy security. They say it is a naked attempt to punish Ukraine by bypassing the Ukrainian gas transit route, and to kill a rival project called South Stream, which would bring non-Russian gas to Europe from the Caucasus.

In short, they say, it would hold Europe hostage to Russian gas blackmail. Washington has even threatened to impose sanctions on the European companies considering co-financing the pipeline, such as Shell, Uniper and Engie. Of course, many in Europe have pointed out that Washington has economic interests as well. The United States wants to start exporting liquified natural gas (LNG) to new port facilities in Europe, particularly in the north. Nord Stream 2 represents a threat to that. The company behind Nord Stream 2 says approval is expected shortly from the EU states whose maritime zones the pipeline will pass through – Denmark, Sweden and Finland. But it isn’t enough. The EU as a whole needs to grant permission for the project to go ahead, and that is being blocked by a thin qualified majority of member states. The battle to clear that hurdle is ongoing.

Croatia’s gas import dreams continue to prove controversial

Reuters, *23.03.2018*



Croatia’s long-held plan to import liquified natural gas and become an EU energy hub has moved forward this year. But problems persist, even after a government-appointed committee said an LNG terminal would have no negative impact on the environment or economy of the island.

Environmental groups and local communities on Krk have raised concerns about the potential effect of LNG infrastructure on sealife and tourism. They are either campaigning for a more expensive land terminal rather than a floating construction or for the project to be scrapped.

The project has stagnated in recent years due to a mix of land dispute issues and lack of funding. Now the money appears to be slowly flowing into the Krk coffers but significant public opposition and doubts about the plan’s actual economic viability remain problematic for the Croatian government’s flagship energy project. The European Commission signed a grant agreement last year worth just over €100 million, some 30% of the project’s costs. The terminal plays into the EU’s efforts to cut dependence on Russian gas, which has taken on an added dimension this month as already-frosty relations deteriorated after the Salisbury nerve agent attack. well.

When the Commission’s investment was announced, EU climate chief Miguel Arias Cañete insisted that Krk would boost energy supply diversification, while Commission VP Maroš Šefčovič told a Zagreb conference in January that the project was important to efforts to complete the Energy Union. Although the government has decided to grant the project strategic status, questions persist about how to cover the rest of the €360 million cost.In fact, the boss of LNG Hrvatska (the company behind the project), Goran Frančić, said in February that June is the final cutoff point for a final investment decision if the firm’s construction deadline is to be met. The Commission granted its investment on the basis of a December 2019 completion date but also expected work to have begun in February.

On 8 March, the project cleared a significant legal obstacle by securing the green light from a 16-person advisory committee on its potential environmental impact. The final report said Krk LNG would pass the mustard so long as appropriate measures are taken. In its analysis of an impact assessment, compiled by a company appointed by Croatia’s energy ministry, the committee said the terminal would have no impact on tourism, citing a similar project that began operations in Lithuania last year. Critics have pointed out that the comparison is flawed as Croatia is far more reliant on tourism than Lithuania, as nearly 20% of GDP is sourced from welcoming travellers and providing services. A final decision will now be made by the energy ministry, which is unlikely to challenge the committee’s findings. Permits are expected to be issued next month and green groups like Zelena akcija (Friends of the Earth Croatia) have already indicated they intend to appeal the decision at that point. Activist Marija Mileta told EURACTIV that her group is opposed to either an onshore or offshore terminal, adding that it is “extremely damaging to the environment, climate, tourism, and is economically unprofitable and unsustainable”. She called on the government to scrap the project altogether.

Zagreb is reportedly going to pass a special law in April that will fast-track the project. But that measure has also been denounced as anti-democratic by activists and politicians. Opposition MP Željko Jovanović (Social Democrats) said in February that the special ‘Lex LNG’ law would be against the Croatian constitution. The government wants to put in place a legal framework that will allow it to clear up pending land use issues that have stymied the project’s progress and forced its planners to switch from an onshore terminal to an offshore terminal. A number of protests have been held recently, with one demonstration drawing thousands of people to the streets of the capital Zagreb. The head of Krk’s local community, Mirela Ahmetović, has helped organise numerous protests on the island itself and has said that “LNG construction vehicles will have to run over me first.” Prime Minister Andrej Plenković has accused opposition political parties of engaging in populism by “singing a different tune” about the project. He said the Most party, a former junior partner in the ruling coalition, had initially welcomed the EU’s investment but was now riding the wave of public opinion by opposing the project. The former EPP lawmaker insisted that Croatia will have to decide whether it wants to send “anti-European, anti-investment and anti-development” signals or use strategic energy projects to raise its standing in the bloc. Beyond the environmental concerns raised by the project’s detractors, there is also an economic debate raging around whether LNG is a profitable business to go into.

Croatia and the European Commission have both touted Krk as an energy gateway for southern Europe but a number of terminals already operating in the area are struggling to secure a steady flow of imports and potential capacity is under-used. According to recent figures, the Exxon Mobile-operated Adriatic LNG terminal is the only facility operating above 50% capacity, at 71%. Two other terminals located in Italian waters are failing to break through the 10% mark. The US, whose LNG export business is a crucial part of the Trump administration's energy policy, unsurprisingly backs the Krk project. During a visit to Washington in January, Croatian Interior Minister Davor Bozinović was told by US energy officials that it still has "full support". But Trump's recent dalliances with aluminium and steel tariffs could actually dent the country's leading position in LNG exports. Natural gas firm Freeport LNG has warned that the measures could bump up construction costs by between 3% and 5%, as steel makes up an average of 30% of drilling costs. Experts also believe that if the tariffs spark a trade war with China, the US's aspirations to try and catch up with the king of LNG exports, Australia, could take a significant hit as the Middle Kingdom is among the biggest long-term buyers of gas. Krk LNG only qualified for its substantial investment injection by Brussels thanks to its inclusion on a list of priority energy projects (PCI list). Other examples include the Bay of Biscay electricity interconnector and the Trans-Adriatic Pipeline (TAP).

But the PCI list recently drew the ire of a cross-party group of MEPs, who complained the Commission had included too many gas projects and that it was at odds with the bloc's ambitious climate commitments under the Paris Agreement. For the first time, lawmakers lodged a successful objection to the list, now in its third edition, and it was put to a vote first in the Parliament's energy committee and then in a full sitting of the EU assembly. On both occasions, the motion to reject the list was voted down by MEPs, but the full plenary vote saw 25% of lawmakers support the objection, which the authors of the resolution hailed as a victory and "yellow card" for the EU executive. Under EU law, MEPs were precluded from voting on individual PCIs and were instead restricted to a simple yes/no decision on the list as a whole. Only three of Croatia's 11 MEPs voted in favour of sending the list back to the drawing board though.

EPP-affiliated Marijana Petir told EURACTIV that she supported the PCI list because of the need to improve energy ties between Central and Eastern Europe. She added the issue goes beyond just the Krk terminal, as Croatia has five other priority projects on the list. ALDE counterpart Jozo Radoš, who was his group's shadow rapporteur on the EU's LNG strategy, said he had voted in favour of the list because of the high number of electricity projects included on it. He added that building a European LNG network would prevent "blackmail" through high gas prices. One of the MEPs who voted against the PCI list, Ivan Jakovčić, revealed that his decision was based on his preference for a land-based terminal rather than a floating installation. The Croatian lawmaker told EURACTIV that all the permits and documentation needed to build a land-based terminal could be granted immediately and that the local population would prefer it to a floating installation. But a land-based facility faces a number of challenges, including pending issues about who owns the land and a now-defunct petrochemical factory near the proposed site. Although a land-based terminal would triple Krk's gas capacity, pressure from the US to bring it online as quickly as possible is thought to have convinced Croatia to plump for a floating terminal first. The next important milestones will be the energy ministry's decision on the environmental impact assessment and the progress of the new 'Lex LNG' special law. The parliament will also have to sign off on the floating terminal's strategic project status.

Europe's biggest gas field to close over quake risk

Oil & Price, *01.04.2018*

Europe's biggest gas field--Groningen in the north of the Netherlands--has been pumping gas for more than half a century and supplies gas to 98 percent of the Dutch population. But the field has been causing earthquakes that have become a growing concern for residents and authorities.

After years of debates and measures to curb production at the field, the Dutch government decided this week that output at Groningen will be terminated by 2030, with a reduction by two-thirds until 2021-2022 and another cut after that.

The authorities have already limited production from the field because of the earthquakes, but now they have decided that the risks and costs are no longer acceptable. "Safety perception as well as actual safety can only be guaranteed for the near future in Groningen by fully eliminating the source of the earthquake risk. The Dutch Cabinet, therefore, is taking measures for natural gas extraction from this gas field to be reduced to zero, as soon as possible," the government said, noting that the consequences of natural gas extraction "are no longer socially acceptable." "According to Cabinet, ongoing natural gas extraction, combined with massive financial compensation and restoration and reinforcement operations, form an untenable situation," the Dutch ministers say. To cope with the new reality of natural gas supply and demand in the country with reduced Groningen gas production and ultimately without Groningen gas at all, the Netherlands is building a nitrogen plant near Zuidbroek that will convert natural gas of a high caloric value into low-calorie natural gas and that will cost US$615 million (500 million euro).

The new nitrogen plant--which adds nitrogen to the high-calorific gas sourced from the Netherlands and other countries, making the gas suitable for domestic household use--is planned to come online in early 2022, the Dutch gas network operator Gasunie said. In addition, by 2022, all 170 industrial Groningen-gas users must have switched to natural gas of a high caloric value or to other sustainable sources of energy, the government says, adding that constructive talks are being held with 45 of those companies. The Netherlands will also be scaling down exports to Germany, France, and Belgium. Germany's EWE, for example, announced plans to drastically cut its Groningen gas imports by 75 percent by the end of next year, while the Dutch government was still mulling over the specific measures to limit Groningen production and earthquake risks. Europe's gas networks can cope with decreased Groningen gas input, Stephan Kamphues, board spokesman of Vier Gas Transport, told Reuters in an interview earlier this year.

Vier Gas owns Germany’s 12,000 km (7,500 mile) gas pipeline Open Grid Europe. Still, lower gas supply from the Netherlands to its neighbors would raise the overall dependence of the northwest European gas market on gas supply from other areas. Currently, most of that supply comes from pipelines from Norway and Russia. Experts also believe that northwest Europe could see growing purchases of liquefied natural gas (LNG) from the United States and Qatar, for example. “During 2018-30, European LNG imports are anticipated to grow faster than previously expected due to restrictions on production at the giant Groningen gas field in the Netherlands,” John Twomey, head of European gas analysis at Bloomberg New Energy Finance (BNEF), said in the Global LNG Outlook by BNEF published last week. “In the long term, declines in Dutch and Norwegian gas production and retirement of coal capacity will push LNG imports over 104MMtpa by 2030, as Europe aims to keep its reliance on Russian pipeline gas under control,” Twomey added. According to the Outlook, global LNG imports will set a new record in 2018, rising by 7.2 percent. “A further surge in demand to 2030 will be driven by environmental measures in China, rising power generation in South and Southeast Asia, and a reduction in domestic gas production in Europe,” according to BNEF.

France’s Total wins three blocks in Mexico oil auction before presidential elections

Economic Times, *29.03.2018*

Total has won three blocks in Mexico’s last auction of oil and gas areas before the country holds presidential elections in July.

The three blocks are located in the Gulf of Mexico -- two of them were awarded in partnership with state oil company Pemex and another with Britain’s BP and Pan American. “This completes our positions in the deep and shallow waters of the Perdido and Salinas basins and strengthens Total’s presence in Mexico with seven blocks, three as operator,” a spokesman for the company said Wednesday.

Total, which has sold lubricants in Mexico since 1982, in January opened the first of 250 gas stations planned for the country, joining BP and other oil giants in a fight for the recently opened fuel market. In Tuesday’s auction, 16 of 35 oil fields were awarded, whose development is expected to generate $8.262 billion, according to the Mexican government. Others winners besides Total included Anglo-Dutch oil company Shell, Spain’s Repsol and Italy’s ENI. In 2013, Mexico approved a constitutional reform that for the first time in more than seven decades ended Pemex’s monopoly on the country’s energy sector, which encompassed everything from exploration and production to refining and sales. The next auction will be held weeks after the July 1 presidential election, in which leftist Andres Manuel Lopez Obrador, who opposes opening the industry to outsiders, has a lead in opinion polls.,

Bahrain announces ‘giant’ shale oil discovery

Anadolu Agency, *05.04.2018*

Bahrain, the smallest oil producer among the Gulf Cooperation Council nations, announced the estimated reserves of its newly announced ‘giant’ shale oil discovery in western Bahrain, according to international media outlets.

The newly discovered field is estimated to hold more than 80 billion barrels of oil, Bahrain’s Minister of Oil Sheikh Mohammed bin Khalifa Al-Khalifa was quoted as saying by media outlets. Bahrain and Oman are the two countries bordering the Persian Gulf that are not members of the Organization of the Petroleum Exporting Countries (OPEC).

The country receives revenues from two oil fields: the onshore Bahrain Awali field, and the offshore Abu Safah field, which is jointly shared with Saudi Arabia, according to the U.S. Energy Information Administration’s (EIA) country analysis. The Bahrain onshore field produced around 50,500 barrels per day (b/d) of crude oil in 2015, up from 48,800 b/d in 2014, the EIA reports. The volume of natural gas reserves in the newly discovered field in western Bahrain, known as the Khalij Al-Bahrain Basin, is estimated at around 10 to 20 trillion cubic feet, according to media outlets. International oil companies are conducting studies on the amount of recoverable shale oil under the sea while Bahrain’s oil minister has invited more companies to join this effort, the outlets noted. Media outlets also reported that production from the field is expected to begin within five years while unlocking oil and gas resources would require hydraulic fracturing, making the production difficult and expensive.

Almost $194 billion will be spent on upcoming oil, gas projects in Africa to 2025

World Oil, *30.03.2018*

Close to $194 billion will be spent between 2018 and 2025 on 93 upcoming oil and gas fields in Africa. Capital expenditure (capex) into conventional, unconventional, and heavy oil projects would form $88.9 billion; $3 billion and $1.9 billion of the region's capital spend respectively over the eight-year period, according to GlobalData, a leading data.

Conventional gas projects will require $99.1 billion, while the investments into unconventional gas and coal bed methane (CBM) projects would total $0.7 billion in upstream capital expenditure by 2025.

Nigeria accounts for $48.04 billion or over 24.8% of total capex into upcoming projects in Africa over 2018 to 2025. The country has 24 announced and planned fields. The ultra-deepwater Zabazaba-Etan with $11 billion, deepwater Bonga North with $8.9 billion and deepwater Bonga Southwest/Aparo with $3.9 billion will require the highest capex over the eight-year period. All three are conventional oil projects. GlobalData expects 23.8% of capital expenditure in Africa to be spent in Mozambique over the next eight years. Africa has seven planned and announced fields. Deepwater Golfinho-Atum Complex, ultra-deepwater Mamba Complex, and ultra-deepwater Coral South, all conventional gas projects, will have the highest capex requirements over the next eight years, with expenditures estimated at $10.9 billion, $10.2 billion and $9.5 billion, respectively.

Angola is expected to contribute about 11.3% to the total capex spending in Africa between 2018 and 2025. The country has 8 planned and announced fields. Kaombo Complex, ultra-deepwater conventional oil field with capex of $5.1 billion, Orca, conventional oil ultra-deepwater with a capex of $3.7 billion, and Lucapa, conventional oil deepwater field with a capex of $3.2 billion, will have the highest level of capital spending by 2025 among Mozambique's upcoming projects. Tanzania, Senegal, Mauritania, Uganda, Egypt, Algeria, and Kenya, together have a capex $56.6 billion, or about 29.2% of the total capex spending on upcoming projects over the next eight years in Africa. In Africa, 93 upcoming oil and gas projects will call for $413 billion in capex to produce over 13,416 MMbbl of crude and 184 Tcf of gas. Upcoming ultra-deepwater projects will have the highest lifetime capex at $233 billion. Deepwater projects will require $86 billion over the lifetime, while onshore and shallow water projects carry a total capex of $64 billion and $30 billion, respectively.

Asia's production, consumption of natural gas set to prosper

Rigzone, *28.03.2018*

Asia's production and consumption of natural gas will prosper over the coming years, according to oil and gas analysts at BMI Research.

Natural gas production in the region is set to grow by an average of 2-3 percent, annually, over the next ten years, with the bulk of this growth led by Australia, China, and to a lesser extent, Papua New Guinea (PNG), the analysts highlighted in a report sent to Rigzone. "Combined gas production by Australia and PNG will see a 35 percent increase over the next decade"

"As feed-gas fields to new and existing liquefaction projects ramp-up output to support an upsurge in LNG exports," BMI analysts said in the report. "China alone will add more than 100 billion cubic meters of gas production … over the next 10 years, amid intensifying government efforts to curb air pollution and reduce reliance on coal, while improving technological capability of domestic firms gradually boost yields from shale gas and coal-bed methane plays," the analysts added. Recent regulatory improvements will also stimulate greater exploration and development of stranded resources in India over the coming years, and the commercialization of the Ca Voi Xanh field will boost Vietnam's output in the latter part of the next decade, according to the analysts. BMI confirmed that the growth in Asia's consumption of natural gas will expand at a 'healthy' average annual rate of 3-4 percent out to 2027, with the biggest growth seen in China, and to a smaller extent, India, supported by 'the implementation of clean-energy policies and stricter emissions laws'.

"Rising electrification rates and improving gas pipeline connectivity drive growth in Indonesia, Pakistan, Vietnam and Bangladesh," the analysts said. "Growing focus on reducing pollution and coal use will see the share of gas in the region's power mix increase from 12 percent in 2018 to 15 percent by 2027," they added. Asia's crude oil and liquids production will see a steady structural decline in the next decade, averaging annual drops of 2.5 percent due to maturing fields and spending pullbacks by major producers, according to BMI. The region is expected to be a 'global engine' for refined fuels consumption to 2027.

China looks to double its LNG terminals

Oil & Price, *03.04.2018*

China's seemingly endless thirst for natural gas is on a collision course with not only U.S.-based liquefied natural gas (LNG) project developments, but others as well, including Russia and Australia, in a move that is revolutionizing global markets for the super-cooled fuel.

Per China's government mandate to replace coal-based power generation with natural gas, the cleaner burning fuel is set to make up at least 10 percent of the country's energy mix by 2020, with further earmarks after that. Not only is China's pivot away from coal to natural gas changing.

Natural gas market dynamics, both piped gas and LNG, it is also causing a knee jerk response among the country's state-owned oil majors. Yesterday, state-owed Sinopec Group said that it aims to more than double its receiving capacity for LNG over the next six years. The company will add new LNG receiving facilities along China's east coast for a total of 26 million tonnes annually by 2023, up from the current 9 million tonnes. Currently, China has 17 LNG import receiving terminals. The company also wants to increase its domestic shale gas production by two-thirds by 2020. Sinopec said it will have some 60 billion cubic meters (bcm) of gas capacity, which includes imports and also domestic production by 2023. In 2017, it produced only 27 bcm of gas. Last week, the company said that Fuling, China's first shale gas field, had built up an annual capacity of 10 bcm. Dai Houliang, Vice Chairman and President of Sinopec Corp. made the announcement at a news conference in Hong Kong when it disclosed its 2017 annual results. In 2016, the field generated over 6 bcm of shale gas.

The company has also made new advances in its shale gas business, with a recent discovery in the Weirong block in southwestern Sichuan province, said Sun Huanquan, general manager of the group's oilfield development division. He didn't elaborate on the new find but said it should contribute to the group's shale gas production target. In January, amid a record cold snap in the northern part of the country and as the government hurried its implementation of coal replacement with gas, LNG imports spiked 51.2 percent over the same period the previous year. In fact, the country's January total was equal to 63 percent of the volume discharged at terminals in Japan, the world's largest buyer of LNG. Japan imported 8.26 million tonnes of LNG during the month, a 0.5 percent year-on-year decline. Though China's LNG imports have trended downward as warmer seasonal temperatures crept in, its LNG demand will continue to increase on a year-on-year percentage basis as more coal fired units are replaced and as the industrial sector uses more gas to fuel its operations. At the end of 2017, China bypassed South Korea to become the second largest global LNG importer. Ships discharged 37.9 million tonnes of LNG at Chinese receiving facilities in 2017, a 48 percent year-on-year increase. South Korea imported 37.5 million tonnes of the super-cooled fuel in 2017, a 12.2 percent year-on-year increase.

Sinopec is also pivoting toward a green foot print, according to a report on Tuesday in state-run Xinhua news agency. According to a so-called “green action plan,” Sinopec’s gasoline and diesel products manufactured in 2018 will meet the State VI emissions standard, which is equivalent to the Euro VI standard, the report said. In six years, the company will see the percentage of its clean energy output exceed 50 percent and will build another 1,000 natural gas stations for vehicles. More than 10,000 kilometers of gas pipelines will be put to use, while the transfer capacity of LNG will reach more than 26 million tonnes per year.

China’s pollution nightmare creates opportunities for LNG exporters

Oil & Price, *31.03.2018*

While this is not necessarily news that the Chinese populace wants to hear, a new report released Thursday by the country’s environmental ministry said that the number of pollution sources in China has increased by more than half.

The report was released by the newly formed Ministry of Ecology and Environment (MEE) as it embarks on a nationwide survey to determine the damage done by more than 30 years of unprecedented economic growth. The report also comes as Beijing tries to rein in both water and mostly air pollution in its major urban centers.

Just two weeks ago, Chinese President Xi Jinping, as part of his effort to consolidate more power, heighted his war on pollution by creating so-called super agencies, including the MEE. The MME’s mandate includes efforts to curb greenhouse gas emissions, an uphill battle given that China is by far the world’s biggest greenhouse gas polluter. The ministry will also take charge of protecting water resources from pollution. Reuter’s reported that the government is currently conducting a second nationwide “environmental census” aimed at identifying pollution threats throughout the country. The first was published in 2010. Hong Yaxiong, the head of the ministry’s pollution survey office said that “the goal for the census is to do thorough data collection so that it can reflect the extent of the pollution.”

Moreover, it appears that the MME has some real enforcement power coming out of the gate, something former environmental ministries lacked, often being stymied from acting or even bullied by deep-pocketed, politically powerful companies, including Chinese three state-run oil-majors. On Wednesday, the MME announced that the government is holding 1,048 people, including 159 department level officials, in seven provincial-level regions accountable for environmental damage, following an investigation by central authorities. Tackling pollution is one of the “three tough battles” that China aims to win in the next three years, state-run news agency Xinhua said on Wednesday.

However, another major take-away from Jinping's pledge to fight rampant pollution and the formation of the MME is its impact on global gas markets. As China presses ahead with its mandate of making cleaner burning natural gas make up at least 10 percent of its power generation mix by 2020, with more targets set for 2030, the country's gas demand, including liquefied natural gas (LNG) imports, will grow continue to grow in lock-step. In fact, China's increased air pollution fight and its impact on the country's gas demand will revolutionize LNG markets in the Asia-Pacific region, creating new opportunities for LNG producers from Australia, the U.S., Russia and others that need to sign long-term off-take agreements to finance new massive CAPEX-intensive LNG export facilities, thus allowing them to also capture market share with the largest energy user on the planet. In November, the Paris-based International Energy Agency (IEA) projected that China's natural gas demand would triple by 2040 to 400 Bcm from 210 Bcm in 2016 as the country shifts its emphasis to cleaner and more efficient sources of energy. "Policies encouraging greater natural gas consumption are being accompanied by a more open and market-oriented structure for gas supply, with reforms both in the upstream and network regulation," the IEA said in its 2017 World Energy Outlook.

The demand growth was driven mostly by the industry sector (in particular light industries), which accounts for around 150 Bcm of the total growth, and the power sector, which accounts for around 120 Bcm, the IEA added. In January, China's LNG imports hit record highs amid a cold snap, pushing spot prices for the super-cooled fuel in Asia to three year highs. Prices breached the $11/MMBtu mark by the end of the year but have pulled back amid seasonally warmer temperatures in the Northern Hemisphere. China's January LNG imports totaled 5.18 million tonnes, compared with the previous record of 5.03 million tonnes set in December and up 51.2 percent from January, 2017, according to data from China's General Administration of Customs.

China's new oil trading platform comes with some risk

The National, *01.04.2018*

The launch of China's oil futures contract last Monday marks the biggest shake-up in pricing crude for years.

Grandiose claims have been made for it – that it will entirely transform oil price determination, or even lead to dethroning the dollar as the world's reserve currency. However these scenarios turn out, this new contract does create concern for the Middle East countries and their premier export. World oil pricing has long been based on two benchmarks: Brent crude from the North Sea, quoted on the Intercontinental Exchange, and West Texas Intermediate (WTI) in the US, on the Chicago Mercantile Exchange.

Both are light, sweet (low-sulphur) oils, freely traded in dollars, and available from a wide range of producers. Deep and liquid futures markets allow participants to hedge their risk – whether an oil producer seeking to lock in higher prices, or a refiner ensuring its feedstock cost does not escalate. This activity is helped by the much-maligned "speculators", who provide liquidity, and may themselves be seeking to lay off macroeconomic risks correlated to oil. Both markers have problems. WTI is a land-locked crude with constrained pipelines to reach world markets, while US output increasingly comprises very light oils from shale that do not easily suit refineries. Brent production from the North Sea has long been declining, requiring more and more grades from other fields, some very different in composition, to be added to the physical basket that underpins it. And local accidents to ageing infrastructure – such as December's shutdown of the cracked Forties pipeline – disturb global prices.

The third major benchmark, Dubai-Oman, is for sour (high-sulphur), medium-gravity crude, much more typical of Middle East production and of the grades sought in Asia, the centre of world demand growth. The Dubai Mercantile Exchange (DME) is the venue for trading Oman crude futures. These closely track the physical Dubai crude (which, confusingly, can also be substituted with Omani crude or Abu Dhabi's Upper Zakum), whose price is assessed by specialist agencies and is the basis for most Middle East oil sales to Asia. Since its launch in 2007, DME Oman has grown to be the world's largest physically-delivered oil futures contract, but the quantity of financial trading still lags well behind Brent and WTI. The new Chinese contract is distinctly different. Trading on the Shanghai International Energy Exchange (INE), it is denominated in yuan, and based in what is now the world's biggest oil importer. Seven crude oils are deliverable against the contract, specific grades from Dubai, Abu Dhabi, Oman, Qatar, Yemen, Iraq and China's own Shengli.

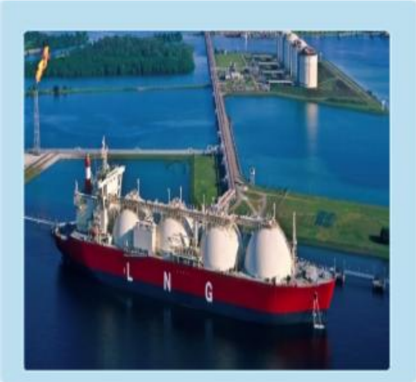
Notably, Saudi Arabia's Arab Light is not on the list, despite its good fit for the specifications. Neither, even though Russia is China's largest supplier, is East Siberian pipeline oil, too light and sweet to match the other crudes. Why would the Chinese want to launch such a contract? It should better reflect the crude quality and supply-demand dynamics in the East Asian market than do the distant Brent and WTI. And it is part of China's drive to trade more in its own currency, the yuan, as it has also been pushing with its Belt and Road infrastructure initiative throughout Asia.

Oil makes up some 10 per cent of world merchandise trade, but ideas that this contract will dethrone the dollar as the world's premier currency are overstated. Major shifts in global reserve currencies take time and often require dramatic political and economic realignments, as in the post-Second World War changeover from the pound sterling to the dollar. The dollar is losing ground to the yuan (and euro) but the yuan is still not freely convertible. For now, INE's higher fees, higher margin requirements, restrictions on crude imports into China, the need to hedge the yuan against the dollar, mismatched trading times and closure during Chinese public holidays are all deterrents to its wider take-up by outside traders.

On its first few days, the Shanghai contract has traded about four times the volumes of the DME, but its open interest, a measure of hedging, is still much lower. If this persists beyond its infancy, it would point to INE's use for speculation rather than by commercial players seeking to avoid risk. DME signed a cooperation agreement with INE in 2014. In principle, as they are based on similar underlying crudes, their two contracts should trade very similarly, the difference between them reflecting just freight costs from the Arabian Gulf to Asia. Based on very limited data, this is borne out so far, with INE above Oman and below Brent. In this case, Middle East oil producers have nothing to fear, and INE may become an acceptable way for them to price their crude sales to Asia, even boosting its value by allowing easy hedging. Iraq has begun selling some of its crude by auction through the DME, but other than from Oman, most Middle East oil sales remain heavily restricted on permitted destinations and resale, limiting its value to traders. But the Chinese government may interfere more heavily in the INE contract, to subdue volatility, dampen price spikes or simply move the market in ways it desires. Then the Middle East oil exporters may come to regret having lost control of the pricing of their key commodity.

Trump's tariffs can't deter Chinese LNG investment

Oil & Price, *30.03.2018*



In all of the problematic trade talk between Washington and Beijing, and with mounting concerns that Trump's tariff plans could cause such a backlash that China would even consider ditching U.S.-sourced LNG and shale oil imports.

Alaska Gasline Development Corp. (AGDC) officials said that Bank of China and Goldman Sachs have agreed to serve as the global capital coordinators for the Alaska LNG project. State-owned AGDC became the sole remaining project partner after ExxonMobil, ConocoPhillips, and BP pulled out of the project in 2016.

"Bank of China and Goldman Sachs are well positioned to provide AGDC with world-class institutional knowledge and resources required to arrange the equity and debt financing to build Alaska's natural gas infrastructure and LNG export project," Keith Meyer, the president of AGDC, said in a statement. The necessary funds will likely be raised in multiple rounds, which will include offerings to Alaska residents, Alaska municipalities, Alaska Native Corporations, and private equity sources, both investment banks and AGDC said. Initial equity will also be raised to meet AGDC's working capital requirements, while subsequent funding rounds will be used to finance the full-scale development of Alaska LNG once the project has received all necessary approvals.

In November, during Trump’s trade mission to Beijing, AGDC signed an informal agreement with Bank of China and Chinese state-owned oil major Sinopec Group to advance discussions on the potential of LNG in Alaska. However, at the time, the agreement was criticized due to its non-binding nature. Tuesday’s development also comes just a little more than a week after Alaska Gov. Bill Walker, who was part of Trump’s trade entourage to China in November, announced that the Federal Energy Regulatory Commission (FERC) had set a timeline for the project to receive its final environmental impact statement by December 2019. Walker said at the time that the FERC timeline sets the project on a firm path toward completion. “This is a major step forward that establishes clarity and predictability in the federal permitting process, which is critical for investors,” he said. Walker also recently announced a trade mission to China set for May.

Meanwhile, adding another variable in the equation, earlier this week U.S. Commerce Secretary Wilbur Ross said that one way China could help offset the huge trade imbalance between the Washington and Beijing would be to buy more U.S.-based LNG. For its part, the Alaska LNG project, with an estimated CAPEX of some $45-$65 billion, which is now several years old and likely needs to be revised, will be a massive undertaking. The project requires accompanying infrastructure to become operational, including a cost intensive 800-mile, 42-inch natural gas pipeline to be built from the North Slope to Nikiski, on the Kenai Peninsula, where a large gas liquefaction plant would be built. The project also involves a large gas treatment plant built on the North Slope to treat the raw gas before it’s shipped by pipeline. The project has earmarked North Asia as its intended market.

Moreover, if the Alaska LNG project finally gets the necessary government approvals and financial backing, it will likely see first gas export by the mid part of the next decade - perfect timing for global LNG markets, which could actually be undersupplied by then. The reason is simple. The two-year downturn in global oil and gas prices caused LNG project postponements and cancellations across the sector, leading to a possible shortage of the super cooled fuel by around 2023 or soon thereafter. This shortfall in new project proposals due to the two-year period of weak oil and gas prices, as well as exponential gas demand in China, and soon in South Asia (India, Pakistan, and Bangladesh) and Southeast Asia (Vietnam, Thailand, and the Philippines) will put further strain on future LNG supplies.

Royal Dutch Shell holds similar views. Last month, the oil major stated that based on current demand projections, it sees potential for a supply shortage developing in mid-2020s unless new LNG production project commitments are made soon. HSBC said in a new report released earlier this week that it expects global LNG demand to grow at 4.5 percent/year, translating into demand growth of 50 percent by 2025, with consumption reaching some 425 million mt/year from last year’s level of some 280 million mt.

Announcements & Reports

► *Petroleum Marketing Monthly*

Source : EIA
Weblink : https://www.eia.gov/petroleum/marketing/monthly/pdf/pmmall.pdf

► *Natural Gas Monthly*

Source : EIA
Weblink : https://www.eia.gov/naturalgas/monthly/pdf/ngm_all.pdf

► *Progress, challenges, uncertainty: ambivalent times for Iran's energy sector*

Source : OIES
Weblink : https://www.oxfordenergy.org/wpcms/wp-content/uploads/2018/04/Progress-challenges-uncertainty-ambivalent-times-for-Iran%E2%80%99s-energy-sector-Insight-34.pdf

► *Quarterly Gas Review – Analysis of Prices and Recent Events*

Source : OIES
Weblink : https://www.oxfordenergy.org/wpcms/wp-content/uploads/2018/03/Quarterly-Gas-Review-1.pdf

Upcoming Events

► *Kuwait Oil & Gas Summit*

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

► *3rd SOCAR International Caspian and Central Asia Downstream Forum*

Date : 24 – 25 April 2018
Place : Baku, Azerbaijan

► *3rd LNG International Summit*

Date : 25 - 26 April 2018
Place : Hamburg, Germany
Website : http://lngsummit.org/

► *International Conference on Petroleum & Petrochemical Economics*

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

► *Mediterranean Oil & Gas Summit*

Date : 02 – 03 May 2018
Place : Rome, Italy
Website : https://10times.com/mediterranean-oil-gas-summit

► *Iran Oil Show*

Date : 06 – 09 May 2018
Place : Tehran, Iran
Website : https://10times.com/iran-oil-show

► *FLNG Global 2018*

Date : 14 – 15 May 2018
Place : Amsterdam, The Netherlands
Website : https://www.clocate.com/conference/FLNG-Global-2018/49265/

Supported by PETFORM

► *Flame Conference 2018*

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

► *4th International LNG Congress*

Date : 04 – 05 June 2018
Place : Berlin, Germany
Website : http://lngcongress.com/

► *14th Russian Petroleum & Gas Congress (RPGC2018)*

Date : 18 – 19 June 2018
Place : Moscow, Russia
Website : https://www.clocate.com/conference/14th-Russian-Petroleum-and-Gas-Congress-RPGC-2018/27847/

► *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/

► *Gastech*

Date : 17 – 20 September 2018
Place : Barcelona, Spain
Website : http://www.gastechevent.com/

► *The European Autumn Gas Conference*

Date : 07 – 09 November 2018
Place : Berlin, Germany
Website : http://www.theeagc.com/