Oil & Gas Bulletin
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Turkey to start 1st drilling in East. Med. this summer

Anadolu Agency, *11.05.2018*

Turkey will start its first solo oil and gas deep-sea drilling in the Mediterranean before the end of this summer, Turkey's Energy and Natural Resources Minister Berat Albayrak.

Turkey's great achievement within the scope of the National Energy and Mining Policy, said, "We are also putting great efforts in ensuring this momentum doesn't fall." Resources in the Eastern Mediterranean have caused friction between Turkey and the Greek Cypriot administration. The Greek Cypriot administration unilaterally launched exploratory drilling activities for gas in the Eastern Mediterranean.

Despite strong opposition from Turkish Cypriots, who argue that the island's natural resources should be exploited jointly to ensure equal rights for both parties. The Greek Cypriot administration is a member of the EU and is internationally recognized by all nations except Turkey, which remains the only country that recognizes the Turkish Republic of Northern Cyprus. Cyprus has been divided since 1974, when a Greek Cypriot coup was followed by violence against the island's Turks, and Ankara's intervention as a guarantor power. The Minister said that after the presidential and parliamentary elections on June 24, a new initial period for Turkey would begin. "We will write a new story in the coming period as there are more roads to go for us. By the end of this year, Turkey's first domestic integrated solar factory begins production of national solar panels," he said.

He added that the country would also start preparations for the construction of a wind turbine factory. Albayrak also said the Trans Anatolian Natural Gas Pipeline Project (TANAP) would launch on June 12 with the expected participation of Turkey's President Recep Tayyip Erdogan and Azerbaijan's President Ilham Aliyev. TANAP's initial capacity per year will be 16 billion cubic meters from which Turkey will withdraw 6 billion cubic meters while the remaining 10 billion cubic meters will be delivered to Europe.

Saudi Arabia ready to 'mitigate' impact of Iran oil sanctions

Arabian Business, *09.05.2018*

Saudi Arabia promised to work with other OPEC nations to "mitigate" the impact in the oil market of the US exit from the Iran nuclear deal.

While the statement didn't say whether Riyadh would boost output, the new sanctions could disrupt as much as 1 million barrels a day of Iranian crude - about a quarter of its total output - opening room for Saudi Arabia to fill the gap. "The kingdom will work with major producers and consumers within and outside OPEC to mitigate the effects of any supply shortages," the state-run Saudi news agency reported.

Treasury Secretary Steven Mnuchin downplayed the prospect of higher oil prices because of the sanctions, telling reporters that the US has "had various conversations with various parties about different parties that would be willing to increase oil supply to offset this." "The statement from the Saudi energy ministry was a general statement of intent. It was not meant to suggest a policy shift," said Yasser Elguindi, a strategist at Energy Aspects Ltd. in New York. "Saudi and its partners would only respond if it sees a major supply dislocation emerge, and current policy remains to reduce inventories to a more 'normal' level," he wrote in a note to clients.

After the last round of sanctions were announced in 2011, Saudi Arabia boosted its production. Yet upping output now raises some risk for the OPEC and non-OPEC agreement that was put in place in 2016 and has helped to mop up a global glut, pushing prices higher. In particular, if Riyadh moves to fill any gap left by Iranian oil, it could upset relations with Moscow. These are the most obvious options for Saudi Arabia: The Saudis could try and withstand political pressure from the U.S. and other consuming nations to pump more oil, letting the price rise even further (they have indicated $80 a barrel might be the best level). That would help refill government coffers strained by several years of lower prices, but it raises the risk of demand destruction. Valero Energy Corp. Senior Vice President Gary Simmons warned two weeks ago that oil prices at $80 to $100 would cause consumption to wane. It could also antagonize Trump, who has previously lashed out on Twitter, blaming OPEC for higher oil prices.

Saudi Arabia, which is pumping just under 10 million barrels a day, has the capacity to produce 12.5 million over time. It can almost immediately increase to 10.5 to 11 million barrels. Boosting output would please its U.S. ally, but would likely tear apart the carefully crafted alliance of OPEC and non-OPEC members who agreed to curb output through the end of the year. Riyadh could justify its decision invoking its traditional policy of fulfilling any extra demand from its customers - even if effectively it's filling the gap left by Iran. By being seen as doing nothing even as they quietly increase production, the Saudis could, in the short term, please its U.S. ally and take market share from rival Iran. But it couldn't do this for very long without being caught, and then you have the same problems as in option 2.

Nowadays oil traders monitor Saudi oil exports in quasi real-time, using satellite tracking systems to count the number of oil tankers leaving the kingdom's ports. Riyadh could, nonetheless, tap its strategic oil storage facilities in the Netherlands, Japan and Egypt to mask the increase in exports, at least for a while before the market catches up.

Lukoil, Iraq to double west qurna-2 oil production to 800,000 bpd

Oil & Price, *11.05.2018*

Russia's second-biggest oil producer, Lukoil, has signed a development plan for the West Qurna-2 oil field in Iraq with local Basra Oil Company, targeting to double oil production from the field to 800,000 bpd by 2025, the Russian firm said on Friday.

Lukoil holds a 75 percent interest in West Qurna-2, Iraq's state-run North Oil Company has 25 percent, while state Basra Oil Company helps manage the distribution of the compensation and revenues. First commercial oil at West Qurna-2 was pumped at the end of March 2014.

Current production at the field is 400,000 bpd, or 9 percent of Iraq's total oil production, according to Lukoil. The boost in production will come in stages, according to the project partners' plan. In 2020, oil production at West Qurna-2 is expected to reach 480,000 bpd. The production plateau of 800,000 bpd is planned to be achieved in 2025. "These indicators will be achieved as a result of drilling and commissioning of new production and injection wells, construction and launching of oil treatment, storage and transportation facilities and facilities for gas treatment and power generation," Lukoil said in a statement. Lukoil will continue to be one of the largest investors in Iraq's oil in the coming years, the Russian company noted.

The West Qurna-2 oil field lies in southern Iraq, north-west of Basra, a major oil export city. According to Lukoil, the field's recoverable reserves are around 14 billion barrels, with more than 90 percent of reserves concentrated in the Mishrif and Yamama accumulations. Iraq has recently approved an increase in its crude oil production capacity to as much as 6.5 million bpd by 2022. This compares to a current production capacity of below 5 million barrels and production rates—as reported by the local energy ministry—of around 4.4 million bpd as per its OPEC quota.

Gazprom to provide natural gas-fueled tractors

Anadolu Agency, *15.05.2018*

Russia's Gazprom will provide natural gas-powered tractors, the company announced on Monday at the opening ceremony of a mobile refueler platform at the Novopetrovskaya settlement located in the Pavlovsky district in Russia's Krasnodar territory.

Viktor Zubkov, chairman of Gazprom took part in Monday's opening ceremony where for the first time in the country a tractor was fueled with natural gas. The company said that it is making extensive efforts to expand the use of natural gas as a vehicle fuel.

"It is planned to, inter alia, work in concert with domestic agricultural companies to install filling units near agricultural facilities on a cost-sharing basis," it said. Gazprom's refueler can service 40 to 50 vehicles per day, with each fill-up taking merely 10 to 15 minutes. Later on, the refueler will be replaced with a compressed natural gas (CNG) unit, which can refuel more vehicles.

Nord Stream 2 Company says starting preparatory work off German coast

Reuters, *16.05.2018*

A consortium of western companies and Russia's Gazprom that is due to build the controversial subsea Nord Stream 2 gas pipeline to Germany said it was starting preparatory work in the Greifswald bay off Germany's Baltic coast.

"Five dredgers are now working on the trench for the two pipeline strings," the consortium, based in Switzerland's Zug, said in a press release. Nord Stream 2 will consist of two pipelines running in parallel. "Preparatory works are in accordance with the Stralsund mining authority's planning approval," it said.

The regulatory authority granted the consortium a permit in January to build the pipeline in German territorial waters. There have been years of political wrangling over whether the additional route to bring Siberian gas to Germany directly from next year is in Europe's interest, economically and geopolitically. Environmentalists in Germany and Finland are still trying to halt licensing, saying authorities should take more care the pipeline does not endanger marine life. The consortium has said it will mitigate environmental problems, while arguing for the economic case of the project, as Europe will need more imported gas in future. Nord Stream 1, of an identical 55 bcm to the planned new pipeline and opened in 2010, has proved successful, it says. The Nord Stream 2 project has said it will tap banks for financing in the fourth quarter of 2018 or early next year. Denmark still has to rule whether the pipeline can be built near its coast, for which there is no concrete timing.

Other routine permissioning processes are still under way in Sweden and Russia. Gazprom's Western partners are energy companies Uniper , Wintershall, Engie, Austria's OMV and Anglo-Dutch group Shell. Poland's anti-monopoly office said last week it had launched proceedings against Gazprom and the five European firms financing Nord Stream 2 over a potential breach of anti-monopoly laws Poland sees the Nord Stream 2 pipeline, which would double Russia's gas export capacity via the Baltic Sea, as a threat to Europe's energy security and argues it will strengthen Gazprom's already dominant position in the market.

Nord Stream 2: Why Poland's plan to gouge money out of Gazprom, EU firms doomed

Sputniknews, *15.05.2018*

A Polish watchdog is trying to throw a wrench in the works of the Russian-European Nord Stream 2 project. Sputnik contributor Dmitry Lekukh shed light on the local regulator's capability of upsetting the endeavor run by Gazprom and five leading European energy corporations.

The Polish Office of Competition and Consumer Protection kicked off proceedings on May 9 targeting Russia's Gazprom, Germany's Uniper and Wintershall, Switzerland's Engie, British-Dutch Shell and Austria's OMV the six companies involved in the Nord Stream 2 gas pipeline project to Russian gas through the Baltic Sea to Germany's Lubmin.

Threatening to fine the energy firms 10 percent of their turnover generated in the financial year preceding the year in which the fine is imposed, the Polish regulator claims that the endeavor poses a danger to EU energy security and violates anti-monopoly laws. Earlier, in 2016 UOKiK blocked a joint venture between Gazprom and its five partners.

“Although the aforementioned European companies did not become shareholders in the pipeline’s operator, Nord Stream 2 AG, the Polish antimonopoly body still believes that the granting of direct loans to European corporations by Gazprom within the framework of this project violates the antimonopoly legislation,” Sputnik contributor Dmitry Lekukh noted. In December 2015, Shell, Engie, Wintershall, Uniper and OMV together with Gazprom submitted the merger clearance application. However, it was the Polish anti-monopoly watchdog that threw sand in the gears of the joint venture, claiming that the deal would further strengthen Gazprom’s negotiating position in Poland. After the companies had withdrawn their application, UOKiK President Marek Niechcial rushed to announce on August 12, 2016 that the move “means that the joint venture that was to construct the Nord Stream 2 gas pipeline cannot be formed by the six firms,” adding that “this will stop the deal.” In response, the six companies issued a joint statement saying that their decision to withdraw the application “will not affect the continuation by Nord Stream 2 AG of the construction of the Nord Stream 2 pipelines as planned, including its scheduling.” “All the applicants believe that the project is crucial for the European energy system and each of them will therefore individually contemplate alternative ways to contribute to it,” the statement read.

Lekukh explained that the companies’ move was not specifically triggered by UOKiK’s opposition to the deal: At that moment, the future of endeavor was hanging in the balance, as the European Commission tried to stop the project by expanding the “third energy package. To tackle the challenge posed by the Polish watchdog, the companies agreed that Gazprom would remain Nord Stream 2 AG’s only owner, while the five other energy firms would provide it with loans which is seen the Polish regulator as an attempt to circumvent its 2016 ruling. “Two years ago, the company that was supposed to construct the Nord Stream 2 gas pipeline was not cleared for this transaction by UOKiK. Unfortunately, as the preliminary proceedings proved, the entities decided to finance this project despite UOKiK’s objection. This may constitute a violation of anti-monopoly law and that is why we put the allegations to Gazprom and five other entities,” Marek Niechcial, the president of UOKiK stated on May 9. The fuss instigated by UOKiK over the Nord Stream 2 pipeline looks rather strange, since it neither goes through the territory of Poland nor crosses its territorial waters, Lekukh pointed out.

Similarly, the Polish watchdog’s attempt to fine Russian and European corporations 10 percent of their turnover looks nothing short of grotesque, he added, noting that Poland’s legal system has prompted concerns in the EU. In December 2017, the EU decided to start legal proceedings against Warsaw stating that its judicial reforms violate the rule of law in the country. One of Brussels’ measures envisages suspending Poland’s voting rights in the European Council., It is not the first time Poland has tried to upset the Nord Stream 2 project. Earlier, Warsaw policymakers called upon Washington to subject Gazprom and its partners to sanctions under the Countering America’s Adversaries Through Sanctions Act (CAATSA). In response, the US government signaled that this option is not off the table. Washington has never concealed its desire to expel Gazprom from Europe’s energy market. Besides playing into the hands of Washington, Warsaw is apparently seeking to promote its own Baltic Pipe endeavor — a natural gas pipeline between Denmark and Poland. Observers stress that the implementation of Nord Stream 2 will spell the end of the Polish-Danish initiative.

The journalist underscored that Warsaw risks falling between two stools as it is trying to appease Washington at the same time receiving billions from Brussels and Berlin. It appears that Poland is trying to follow in the footsteps of Turkey, which is virtuously playing on US-EU contradictions at the same time as being a NATO member and implementing a series of economic projects with Russia, Lekukh suggested. In contrast, Warsaw has no leverage to force Europe to play to its tune, the journalist noted.

Russia is ready for gas transit dialogue with Ukraine

Anadolu Agency, *11.05.2018*

Russia is ready to hold consultations with Ukraine on the transit of gas through its territory, Russian Foreign Minister Sergey Lavrov said on Thursday, according to the official website of the country's ministry of foreign affairs.

In response questions on the controversial bypassing of Ukraine for gas transfers at a joint news conference following talks with German counterpart Heiko Maas, Lavrov said Russia is not against keeping a certain amount of transit through Ukraine via the soon-to-be-operational Nord Stream2.

He argued that the project should be economically justified rather than politically imposed and added, “We are ready for such consultations with Ukraine.” On April 11, the CEO of Russian gas giant Gazprom, Alexei Miller said the transfer of Russian gas through Ukraine would not cease but would eventually drop to 10-15 billion cubic meters (bcm) per year. “However, the Russian resource base has been moving northward and there won't be the same resources in the central gas transportation corridor as in the past,” Miller warned.

He also added that Ukraine would need to justify the viability of a new transit contract. Gazprom plans to decrease transit through Ukraine by activating both the Nord Stream II and the TurkStream gas pipeline projects in the coming years. 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. However, many European countries such as Denmark, Poland and Lithuania oppose the Nord Stream II, as they claim that it will increase Russian influence in Europe's energy markets. In November 2017, the Danish Parliament approved a law that gave authorities the power to prohibit the construction of Nord Stream II in the territorial waters of the country. The TurkStream project is a direct pipeline from Russia to Turkey with 15.75 bcm of gas capacity set aside for Turkey's use while a second line with the same 15.75 bcm of capacity is planned for Europe's needs.

Total to develop gas project in Oman

Anadolu Agency *14.05.2018*

Total signed a memorandum of understanding (MoU) with the government of Oman to develop natural gas resources in the Arabian Peninsula nation, the company announced Sunday.

The MoU covers both upstream and downstream businesses, a press release said. Arnaud Breuillac, president of exploration and production at Total, said agreement would give Total access to new gas resources and the opportunity to develop an integrated gas project. “We will bring our expertise in LNG and will introduce access to a new gas market for the Sultanate.”

“Total and Shell as operator will develop several natural gas discoveries located in the Greater Barik area on onshore Block 6 with respective shares of 25 percent and 75 percent, as per the agreement between both companies,” the statement said. The objective is an initial gas production of around 500 million cubic feet (MMcf) per day and the potential to reach 1 billion cubic feet (bcf) a day at a later stage, it added. In accordance with the agreement, Total will use its equity gas entitlement as feedstock to develop a regional hub for Liquefied Natural Gas (LNG) bunkering service in Oman to supply LNG to marine vessels. “This will be achieved thanks to a new small-scale modular liquefaction plant to be built in Sohar port,” the tatement said, adding the plant would comprise a train of around 1 million tons per year and would offer the flexibility for expansion as required by the development of the LNG bunkering market. Breuillac said developing an LNG bunkering service would “generate in-country value and job opportunities”, and “support industry diversification through fostering the shipping activity in Oman”.

Europe awakens for LNG to rival china as own gas runs out

Bloomberg, *14.05.2018*

Europe is starting to steal some of the limelight from China's booming liquefied natural gas demand as imports pick up after several lackluster years.

Europe and China will be comparable in significance as importing regions in the coming years, Cheniere Energy Inc. said, citing data from Wood Mackenzie Ltd. That follows "absolutely phenomenal" growth in China last year, Andrew Walker, vice president for strategy at the company that pioneered the transformation of the U.S. shale boom into global exports, said in Amsterdam. China's LNG consumption leapt 42 percent last year to almost match European imports.

Whereas the Asian nation needs the fuel mostly to replace dirtier coal, Europe needs it to offset rapidly declining domestic production. The re-emergence of Europe as an LNG market has caught the eye of the coming wave of U.S. fuel producers. Venture Global LNG, Inc., which is developing export terminals in Louisiana, sees Europe as "one of the biggest surprises," it said at the Flame conference in Amsterdam. Europe's location may give it an edge over generally higher-priced markets in Asia when it comes to attracting the increasing volumes produced in the Atlantic. North America and Russia were seen providing most of the new supply from 2025 to 2030, according to a poll at Flame.

Demand growth in China and South Korea, the second and third biggest LNG importers, will cool during the rest of this year after continued expansion through April, according to Cedigaz, a Paris-based industry research group. With less appetite also from Japan, the biggest buyer, northern Europe will step in to balance the markets, Cedigaz's secretary general Geoffroy Hureau said at Flame. U.K. supply this summer may be low but the Netherlands will see a pick up as it rushes to offset lower own production and higher demand for storage, Nick Boyes, a senior gas and LNG analyst at Axpo Trading AG, said by email. France will also need more for storage, he said. The Netherlands is taking the lead also because of lack of storage demand in Britain after the closure of the Rough facility. The Dutch market is so hot that the country's Title Transfer Facility hub will be the main reference for LNG trading in the next three to four months, Ruben Tomas, lead LNG trader at Germany's Uniper SE's commodity unit, said on a panel. "We see a well-supplied Atlantic Basin this summer" as Russia's Yamal LNG and U.S. projects fill the market with cargoes, Axpo's Boyes said. Trinidad & Tobago and Angola are also boosting supply, while demand in southern Europe and Egypt is declining, he said.

While the usage rate of LNG terminals in Europe was just 23 percent last year, things are looking up, according to Arturo Gallego Diaz, head of LNG trading and operations at Centrica Plc. “There are more and more people looking at northwest Europe as an opportunity to deliver volumes that are produced in the Atlantic basin,” he said. Declining production in the North Sea and the Dutch Groningen field as well as the closing of coal plants in Europe have a “big impact on LNG production” and are “a very big demand surprise,” Venture Global LNG Chief Commercial Officer Tom Earl said at Flame. The company recently signed a supply contract with Portugal’s Galp Energia SGPS SA. Creditworthy counterparts, liquid hubs and physical demand help make Europe attractive for LNG, according to Gallego Diaz.

Uniper expects “fairly stable” demand for gas in Europe, while seeing growth in gas-to-power and potentially transport, said Gregor Pett, executive vice president for market analytics Russia, Europe’s biggest gas supplier, sees higher demand for its pipeline gas, undermining the region’s efforts at diversification, according to Sergei Komlev, head of the contract structuring and price formation directorate at Gazprom PJSC’s export unit While Russia will continue to pipe natural gas to Europe in competition with LNG, both can co-exist, the Centrica and Uniper executives said. “I don’t think they exclude each other,” Uniper’s Pett said. “Everyone has a place.”

Shell and Equatorial Guinea to explore new projects

Africa Oil & Power, *16.05.2018*

On April 26, the Government of the Republic of Equatorial Guinea signed a non-binding memorandum of understanding with Shell Gas & Power Developments B.V. to evaluate business opportunities in the oil and gas industry in Equatorial Guinea. The MoU builds on Shell’s presence in Equatorial Guinea as an off-taker of LNG from EG LNG via its acquisition of BG Group.

The MoU, signed by the Minister of Mines and Hydrocarbons H.E. Gabriel Mbaga Obiang Lima, outlines how Shell and the state will work together.

It commits the parties to creating a framework to further improve their cooperation. Shell brings considerable experience in the gas value chain, from exploration to marketing the MoU will facilitate discussions on further agreements between the government and Shell. “Gas is the future for Africa’s economies,” said H.E. Gabriel Mbaga Obiang Lima. “Equatorial Guinea has shown what this fuel can do, and with a partner like Shell, we are confident that our new ventures in the exploration and production of our natural resources will generate a prosperous future for our nation and for our region. We’re excited to continue working with Shell on finding new opportunities in the hydrocarbons sector.”

The Ministry of Mines and Hydrocarbons has recently signed agreements with Ghana, Togo and Burkina Faso to supply LNG. Its effort to expand its gas horizons is underpinned by large historical and current investments in upstream natural gas and processing projects. Shell entered Equatorial Guinea in 2016 through its acquisition of BG Group. Through the acquisition it took over a long-term gas off-take agreement with Equatorial Guinea LNG. The company currently has no upstream acreage in Equatorial Guinea, but through this MoU and future agreements, could enter new areas of the energy value chain.

European natural gas import demand, transit constraints, could see Russia ‘shortage’

Platts, *11.05.2018*

An increase in Europe’s natural gas import requirements in the next two years could test the transit network for Russian gas, potentially even leading to Gazprom being unable to meet European demand and a spike in gas prices during high-consumption periods, analysts at the Oxford Institute for Energy Studies (OIES) have warned.

The colder-than-average weather in Europe in February and March saw increased European demand for Russian gas, with the monthly utilization rate rising to 86% in March, the OIES said in a paper published this week.

Gazprom supplies to the Far Abroad (Europe plus Turkey, but not the countries of the former Soviet Union) hit an all-time daily record of 713 million cu m on March 2. “The system is approaching full utilization during winter months,” the OIES said. “Any further increase in Russian gas deliveries to Europe —northwest Europe in particular — in 2018/2019 could see a greater number of days on which the system is full should Europe experience another cold winter in the context of a continued decline in European gas production,” it said. “If the rise in European import demand is substantial enough, this bottleneck could be sufficient to cause a ‘shortage’ of Russian gas relative to demand, and price surges on the European spot gas market.” The only route that was not fully utilized during the cold weather was the Ukraine route via Velke Kapusany, while the other routes — Nord Stream, Blue Stream to Turkey and the Yamal-Europe pipeline via Belarus and Poland — were maxed out.

According to the OIES, flows via Velke Kapusany on the highest demand day of the winter — March 2 — were at 63% of capacity. “The relatively low volume of flows via Velke Kapusany in relation to capacity means that Ukraine is the only transit route with spare capacity in times of peak winter demand,” it said. Gazprom is building the 31.5 Bcm/year TurkStream pipeline to Turkey and the 55 Bcm/year Nord Stream 2 pipeline to Germany as a way to firm up its gas transit requirements. But with domestic European gas production falling, and therefore import requirements rising, the Ukraine route will still be needed even with the two new pipeline projects.

Gazprom CEO Alexei Miller last month said the company anticipated transit volumes of 10-15 Bcm via Ukraine from 2020 once TurkStream and Nord Stream 2 are fully operational. The OIES sees Ukraine transit volumes somewhat higher at 26 Bcm/year from 2020 in order to meet both “peak” and “off-peak” demand — namely high consumption winter periods and summer storage requirements.

That is still well below the 94 Bcm of Russian gas that transited Ukraine in 2017, according to UkrTransGaz data. “The continuation of gas transit via Ukraine in volumes greater than 26 Bcm/year will depend on the European Commission and European gas importers, and their insistence that gas transit via Ukraine continues,” the OIES said. “Otherwise, gas transit via Ukraine will be reduced to delivering limited volumes for European storage re-fills in the ‘off-peak’ summer months, and acting as a provider of ‘peak flexibility’ in the winter months.” It said this prospect would complicate any negotiations between Gazprom and Ukraine’s Naftogaz over a new contract to govern the transit of Russian gas via Ukraine once the existing contract expires at the end of December 2019. “While Gazprom may be willing to commit to only limited annual transit volumes, the Ukrainian counterparty may question the commercial viability of maintaining a large gas transmission system with multiple exit points for the delivery of relatively small annual volumes.”

Germany moves forward with controversial nord stream two

Oil &Price, *12.05.2018*

Vladimir Putin started his fourth term as Russia’s president by promising ambitious new social programs (Kremlin.ru, May 7). He may be able to deliver on these promises because the price of petroleum, one of the mainstays of Russia’s state budget, has risen steadily. A barrel of oil, which was $30 two years ago, fetched $70 this week.

Another reason Putin may be optimistic is Germany’s unswerving support for Nord Stream Two, the undersea Baltic pipeline that will supply Russian natural gas directly to Germany and other parts of Europe. Nord Stream Two will double the capacity of the previously built Nord Stream One.

This pipeline from 55 to 110 billion cubic meters per year. German Chancellor Angela Merkel’s government has backed the Russian-led project, despite protests from the European Union and several EU member states. At the same time, Russia’s state-owned Gazprom is building a pipeline that will supply Europe from the south, as well. The goal is to prevent Europe from developing alternatives to Russian gas, which gives the Kremlin important political-economic leverage over the continent (see EDM, April 11). On May 3, Germany became the first EU country to begin building its portion of Nord Stream Two—in its Baltic Sea port of Lubmin (Pipeline-journal.net, May 3).

The construction started before Sweden and Finland signed off on the pipeline running through their waters. The Lubmin work was a poke in the eye to both the European Commission and European Parliament, both of which oppose the project (Europarl.europa.eu, April 11). By pursuing the pipeline, Germany is also defying the United States and Ukraine. Washington has threatened sanctions against the Nord Stream Two project's five European partners—Engie, OMV, Shell, Uniper and Wintershall. Moreover, US President Donald Trump called Berlin hypocritical for supporting a Russian revenue project while enjoying the benefits of the North Atlantic Treaty Organization's (NATO) protective umbrella against Moscow (Whitehouse.gov, April 3).

Russia embarked on Nord Stream to reduce its reliance on gas pipelines to Europe that run through Ukraine. If Russia is able to entirely shift its export volumes away from the Ukrainian pipeline network, Kyiv stands to lose billions of dollars per year in gas transit fees. On a trip to Berlin in early April, Ukraine's President Petro Poroshenko again failed to persuade Merkel to pull out of the Nord Stream Two project (Kyiv Post, EurActiv, April 10). She has continued to try to soothe both Ukraine and those EU countries worried that Nord Stream Two will not only undermine Ukraine's economic viability but also keep the European continent dependent on Russian gas. In a meeting with Slovakia's Prime Minister Peter Pellegrini, Merkel tried to square the circle by calling for "constructive and long-term solutions aiming to keep Ukraine a transit country for Russian gas" (TASS, May 2). Meanwhile, Russia has chosen a general contractor for its segment of Nord Stream Two—Stroytransgaz, half-owned by President Vladimir Putin's billionaire friend Gennady Timchenko (RBC, May 3). And Gazprom's deputy CEO, Aleksandr Medvedev, has even said on Russian TV that he would not rule out a Nord Stream Three, if there is European demand (Vesti, April 24).

Along Europe's southeastern flank, Gazprom has also completed the first segment of the Turk Stream pipeline, which will send Russian gas under the Black Sea to Turkey and on to southern Europe (Rian.com.ua, April 30). It completed the 900-kilometer segment in less than a year—a record pace for laying complicated deep-water pipeline infrastructure (Gazprom Official Website, Gazprom.com, April 30). In contrast, it took almost three years to build the 1,345-kilometer Trans-Anatolian Pipeline (TANAP), which will deliver gas overland from Azerbaijan through Georgia (via the South Caucasus Pipeline) to Turkey and beyond to Europe (Natural Gas World, May 2). Work is set to begin June 19 on a pipeline connecting TANAP from the Turkish border to Southeastern Europe.

Germany's continued support for Nord Stream Two and Washington's failure to make good on its threats to sanction major Russian gas projects are key reasons why Gazprom continues to build pipelines to Europe. EU member states are not only divided on Nord Stream Two, but also on policies to decrease the continent's dependence on Russian gas. Germany wants to import more Russian gas as it phases out coal and nuclear power. And a combination of Russian gas and planned liquefied natural gas (LNG) facilities will make Germany an important European gas hub (Oil Price, March 20). Germany's support for Nord Stream Two is a double-edged sword for the rest of Europe, however. On the one hand, its plans to become a natural gas hub would boost the EU's largest economy; and both Berlin and Moscow claim the pipeline will make Europe as a whole more energy-secure. On the other hand, these plans will clearly undermine the EU's energy-supply diversification efforts by flooding European gas markets with Russian supplies.

The completion of Nord Stream Two, expected for 2019, would increase Moscow's stranglehold on the continent's energy supplies. It would also provide Russia with a useful tool to put greater pressure on Ukraine. Given the long-term threat that a number of European leaders say Nord Stream Two poses to the continent, Germany may someday have to choose between its own Russia-related economic and political ambitions and the continued viability of Europe's political and energy unions.

Conoco moves to sell North Sea oilfields

Platts, *14.05.2018*

U.S. oil major ConocoPhillips (COP.N) is preparing to sell its North Sea fields as the company focuses on shale operations in its home market, industry and banking sources said.

The disposal of Conoco's North Sea assets after more than 50 years in the British offshore basin could fetch as much as $2 billion, but it was unclear how much of the portfolio would be put up for sale, the three sources said. The company has yet to launch a formal process or appoint a bank but executives from Conoco have spoken in recent weeks to a number of North Sea operators.

The assets include a 24 percent stake in the west Shetlands region's Clair field, which its operator BP (BP.L) says is the largest undeveloped oil and gas resource in the UK North Sea. The Clair Ridge project is expected to begin production this year, according to BP. Other fields include holdings in the Britannia and J-Block hubs. Conoco's production in the UK North Sea reached 75,000 barrels of oil equivalent per day in 2017, its annual report said. The company tried to sell some of its North Sea assets in 2014 but the process failed, the sources added. Conoco is the latest major oil company seeking to exit the North Sea as production in the ageing basin declines, other areas become more competitive and costs for dismantling ageing infrastructure weigh. Conoco earlier this year said it would cut some 450 jobs in Britain, more than a quarter of its UK workforce.

India is the best bet for national oil companies

Reuters, *13.05.2018*

The prospect of peak oil demand is a threat to oil companies around the world, but a much more serious threat to national oil companies, who are responsible for keeping their countries afloat. With the future uncertain, state-owned companies that move into downstream assets overseas could insulate themselves from market upheaval, according to a report from Wood Mackenzie.

National oil companies (NOCs) are not immune to the whims of the oil market, even if they have low production costs relative to their private competitors in shale or offshore.

If oil demand hits a peak and begins to decline, high cost producers will be forced out of the market. But even the NOCs will be exposed to weakening oil demand in much of the world. Wood Mackenzie argues that NOCs can mitigate some of that risk if they invest in refineries outside of their home countries, which "will increase a NOCs' abilities to place crude in an increasingly difficult market." In the past, NOCs have focused on upstream production, and then diversified by building domestic refineries. That vertical integration allowed them to control the whole process and create a market for the upstream crude oil that the company produces. Downstream assets also allowed the country to meet domestic fuel needs, while producing value-added refined products for export. "This provides a platform for industrialisation as part of a broader national development policy," WoodMac noted. But the NOCs are now increasingly venturing out overseas, which makes sense as the oil market undergoes dramatic change. Asia is the logical destination. WoodMac estimates that the Asia-Pacific region will account for 8 million barrels of additional demand through 2035, far ahead of any other region. "It's where all roads lead in the quest to build exposure to downstream over the next 20 years and beyond," the consultancy stated.

So, where will the NOCs go, specifically? WoodMac says the most ideal locations will have a large oil market, strong demand growth and a shortage of refined products. China is the most obvious candidate, checking the box on the first two conditions. But it has plenty of refining capacity. At the same time, while a series of other Asian countries are short on refining, many aren't expected to see much demand growth. That leaves India, which fulfills all three conditions: a large oil market, strong demand growth and lack of sufficient refining capabilities. India will lead the world in demand growth at over 3 mb/d through the 2030s. Against this backdrop, it would make sense for some of the most prominent NOCs to begin acquiring or building refineries in India. Building out downstream units in India will provide NOCs not only with revenue streams in a high-growth market, but it will also secure sales of crude oil, which will be increasingly important as demand slows in the decades ahead.

WoodMac cited the case of Rosneft, which closed on a nearly $13 billion acquisition of Indian refiner Essar Oil last year. It was Rosneft's first move into Asia's downstream sector, while also representing the largest foreign acquisition in India. "(Rosneft) has entered the high-potential and fast-growing Asia Pacific market," Rosneft's Chief Executive Officer Igor Sechin said in a statement last year. Meanwhile, Saudi Aramco signed a preliminary deal a month ago with a consortium of Indian refiners, with the understanding that they will build a massive $44 billion refinery and petrochemical complex on India's West Coast. The refinery will add 1.2 million barrels per day of refining capacity. The deal was only the latest for Aramco, which also recently announced downstream deals for refining and petrochemicals in France and the U.S., totaling about $20 billion. "Large as this project may be, it does not by itself satisfy our desire to invest in India ... We see India as a priority for investments and for our crude supplies," Saudi Energy Minister Khalid al-Falih said last month. "We're very much interested in retail ... We want to be consumer-facing."

The deal makes obvious sense for Aramco, as it will supply half of the crude oil needed at the refinery. Aramco's oil sales are essentially locked in. Downstream deals in India "will arm these companies, which are already low on the supply cost curve, with highly competitive refining assets capable of weathering changing product consumption as India's economy grows and the energy transition starts to take effect," WoodMac wrote. Even if oil demand hits a peak, consumption will remain at high levels for a long time. And in India, it will continue to grow. NOCs such as Aramco and Rosneft will insulate themselves from the risks of the global transition to cleaner fuels by locking in downstream assets in growing markets, with India representing the best bet for the NOCs as the oil market faces long-term upheaval.

China bows out of Russian oil deal

Reuters, *14.05.2018*

Japan More than a week since the failure of China's biggest private investment in Russia, Beijing has given no explanation for the collapse of the deal.

On May 4, Swiss-based trader Glencore plc announced it had cancelled its agreement with the Qatar Investment Authority (QIA) to sell most of their shares in Russia's Rosneft oil company to privately-held CEFC China Energy Company Ltd. for U.S. $9.1 billion (57.9 billion yuan). The breakdown of the blockbuster deal came nearly eight months after the sale of a 14.16-percent stake in state-controlled Rosneft.

It was unveiled last September and eight days after a CEFC official said the agreement could still be saved. In between those times, speculation ran rampant over the whereabouts of CEFC's mysterious founder Ye Jianming, who was reportedly detained for questioning in March, and how his little-known firm could have grown so large and so fast that it could capture a share of the biggest oil producer in the world. Now, with the collapse of the deal, new questions have also gone unanswered. Did CEFC ever have government support for its bid to invest in Rosneft? If so, why did China's government turn against CEFC and its part in the deal? Whether it ever backed CEFC or not, why didn't the government step in to rescue the sale and gain access to the Russian oil industry for a Chinese national oil company (NOC) or a state investment group? And what does the decision against making a major investment in Russia say about relations with China and concerns about financial risks?

Definitive answers may never be known, but Rosneft's statement on QIA's decision to take back nearly all of the 19.5 percent of shares it held in the consortium with Glencore since 2016 suggests that the oil company was left seeking answers, as well. "The company has (nothing to do) with the changes in the holding structure of the Glencore-QIA consortium, but at the same time Rosneft supports the decision of its stockholders to switch to the direct possession of shares," said the statement, according to Russia's Sputnik news service. Rosneft said that "the Chinese market remains to be strategic for the development of the company's business," but it had nothing to say about CEFC or China's decision to pass up the investment opportunity. News of the deal's failure was met with silence from the governments in Beijing and Moscow. "There is still virtually no official information," Russia's Interfax news agency said in a summary report.

The absence of confirmed answers appears to stem from China's opaque government policies on foreign investment and financing, compounded by corruption charges against a CEFC official that surfaced six months ago. Numerous reports have drawn links between Ye's disappearance and U.S. bribery charges against former Hong Kong home affairs secretary Patrick Ho Chi-ping in a case involving African oil rights. Until his arrest in New York in November, Ho headed the China Energy Fund Committee, a CEFC affiliate. The case has been seen as an embarrassment for President Xi Jinping's signature "One Belt, One Road" (OBOR) trade expansion initiative, casting a pall of silence over the whole CEFC affair. Whether that is an explanation for the lack of clarity over the Rosneft deal or not, it sheds little light on China's apparent decision against replacing CEFC with a state-owned NOC, giving it a share in China's leading oil supplier. In April, state-run investment conglomerate CITIC Group announced plans to take a 49-percent stake in CEFC Europe, based in the Czech Republic, raising expectations of a similar rescue for the oil deal. But none has materialized. The cancellation of the sale has had major consequences for Rosneft. Last week, Reuters reported that QIA had pressed the company for higher returns before it agreed to take back the consortium's shares. The demand led Rosneft's CEO Igor Sechin to propose a U.S. $2-billion (12.7-billion yuan) share buyback and a debt reduction of U.S. $8 billion (50.7 billion yuan), impacting its corporate strategy, according to Reuters. China's decision to forego the investment opportunity is all the more remarkable in light of past efforts to break into the Russian petroleum industry since the two countries signed a friendship treaty in 2001.

Russia resisted China’s overtures for years and only gradually lowered its investment barriers after major Chinese financing and supply deals allowed Rosneft to expand starting in 2004. Other reports have also tried to explain the collapse of the CEFC deal in terms of China’s tougher restrictions on outbound investments since 2016 as part of the government’s efforts to curb capital outflows and financial risks. But that explanation also poses a puzzle. China’s policy specifically targets investments in sectors including real estate, hotels and sports clubs. Although CEFC Europe has investments in each of those sectors, CITIC has stepped in to shore up support. Last week, Reuters reported separately that CITIC has promised to cover some 450 million euros (3.4 billion yuan) of CEFC Europe’s debt.

China has placed no similar restrictions on foreign oil investments, yet the government has mounted no effort to rescue the landmark Rosneft deal. While China appeared to back away from the Rosneft investment, it has been plunging ahead elsewhere. On Friday, China Three Gorges Corp. (CTG) launched a bid to take control of Portugal’s leading utility Energias de Portugal (EDP) for 9.1 billion euros (68.8 billion yuan), news agencies reported. CTG already owns 23 percent of EDP. The bid suggests that China is still eager to make other strategic investments abroad. The contradictions are only part of the uncertainties that have clouded the CEFC sale since it was announced in September, said Edward Chow, senior fellow for energy and national security at the Center for Strategic and International Studies in Washington. Although there has been little confirmed information, a logical thread may connect some of the dots about why the deal failed. The new questions that have arisen since the cancellation can’t be answered until more is known about how CEFC emerged as a buyer of the Rosneft shares in the first place, Chow said. “This guy Ye was clearly very well connected,” said Chow. “He would not have been allowed to do all the things he’s done, first domestically and then internationally, without being very connected. Who knows what his connections are, but it strikes me as being pretty high-level,” he said. But suddenly, the assumptions about Ye’s connections were called into question with the arrest of Patrick Ho.

“Then, he (Ye) became an embarrassment, and maybe he became an embarrassment even before Patrick Ho was picked up in New York, but certainly that exacerbated the problems,” Chow said. The charges raised doubts about the rapid rise of CEFC and the dozens of deals that it made to expand with easy credit from state banks. “They were able to do these things because of access to easy money, ... and then it all dried up,” Chow said. ‘Story that no one wants to talk about’ CEFC’s troubles coincided with China’s reassessment of financial risks, debt growth and foreign investment, leading to pressures on high-flying conglomerates like HNA Group Company Ltd. and Anbang Insurance Group, and a potential loss of confidence in China’s commitments. “There’s a story inside China that no one really wants to talk about,” Chow said. While Russian state lender VTB Bank offered interim financing for the Rosneft sale, CEFC’s biggest financing source, China Development Bank, said in March that it was never even approached. The mysteries surrounding Ye’s spectacular rise and sudden fall may have made it difficult for a Chinese NOC or financial group to simply step in to replace CEFC. A longer period of due diligence would have been needed to assess the risks, Chow said.

That doesn't mean that China won't eventually come back to investing in Rosneft if the opportunity comes around again. But the questions surrounding CEFC may make it impossible now. Given the conditions, it may be too soon to draw conclusions about what the failed deal means for relations between Russia and China. "It turned out that CEFC was the wrong vehicle to cement that relationship," said Chow. "I don't discount the possibility that it could still happen," he said. "If I wake up some day next year and it turns out that some Chinese company has bought 10 percent of Rosneft, I would not be shocked."

Oil eases in late trading on U.S. stockpile concerns

Reuters, *15.05.2018*

Oil prices settled a shade firmer after retreating from multi-year highs hit early in the day on Tuesday, supported by concerns that U.S. sanctions on Iran are likely to restrict crude exports from one of the biggest producers.

Brent crude oil LCOc1 settled at $78.43 a barrel, up 20 cents, or 0.3 percent, after reaching an intraday peak of $79.47 a barrel, up $1.24 and its highest since November 2014. U.S. light crude CLc1 closed 35 cents, or 0.5 percent, higher at $71.31 a barrel, also not far off the day's peak at $71.92, its highest since November 2014.

Prices pulled back in post-settlement trade after an industry organization said U.S. crude stockpiles built unexpectedly last week. U.S. crude dropped 6 cents to $70.90 a barrel, while Brent fell 22 cents to $78.01. Trade group the American Petroleum Institute said crude stockpiles rose nearly 5 million barrels, compared with analysts' expectations for a 763,000-barrel draw. [API/S] Official data from the U.S. Energy Information Administration is due Wednesday at 10:30 a.m. EDT [1430 GMT]. The difference between the two benchmarks briefly widened to more than $8 a barrel, the widest gap since April 2015, reflecting surging U.S. crude supplies and a greater geopolitical risk to Brent-based crudes. "U.S. oil prices have flip-flopped on a strong dollar," said Phil Flynn, analyst at Price Futures Group in Chicago. "Brent is pricing in the idea that all the risk to supplies is overseas - there's a concern that all the supplies that are tight in Europe are only going to get tighter."

World oil prices have surged more than 70 percent over the last year as demand has risen sharply while production has been restricted by the Organization of the Petroleum Exporting Countries, led by Saudi Arabia, and other producers, including Russia. The United States has announced it will impose sanctions on Iran over its nuclear programme, raising fears that markets will face shortages later this year when trade restrictions take effect. Iran will restart its uranium enrichment if it cannot find a way to save the 2015 nuclear deal with the European Union after the United States pulled out last week, Tehran's government spokesman said. The tightening market has all but eliminated a global supply overhang that depressed crude prices between late 2014 and early 2017.

Surging prices were capped after China reported weaker-than-expected investment and retail sales in April and a drop in home sales, clouding its economic outlook even as policymakers try to navigate debt risks and defuse a heated trade dispute with the United States. The data poses worries that near-record high refinery runs may be short-lived. China's refinery runs rose nearly 12 percent in April from a year earlier, to around 12.1 million barrels per day, marking the second-highest level on record on a daily basis, data showed. Additionally, the market retreated as the U.S. dollar .DXY strengthened against other currencies to the highest since December. As the dollar strengthens, investors can retreat from dollar-denominated commodities like oil. [USD/]

Despite these downward forces, the market retains support from OPEC and other producers' production cuts and U.S. sanctions on Iran. OPEC figures published on Monday showed oil inventories in OECD industrialized nations in March fell to 9 million barrels above the five-year average, from 340 million barrels above the average in January 2017. U.S. crude is trading at a hefty discount to Brent, the international marker, thanks to sharp rises in U.S. production to 10.7 million bpd, which has left the American domestic oil market well supplied. U.S. shale oil production is expected to rise by about 145,000 bpd to a record 7.18 million bpd in June, the U.S. Energy Information Administration said on Monday.

LNG imports become hot business

Bloomberg, *15.05.2018*

China's growing appetite for liquified natural gas, or LNG, is set to change the market pattern as the country's energy majors rush to meet the demand.

Under a policy to encourage the use of gas for heating instead of burning coal to combat air pollution, the country's LNG demand is expected to nearly double to 68 million metric tons per year by 2023 from the 2017 figure and exceed that of Japan, the world's biggest consumer, before 2030, according to S&P Global Platts Analytics. While the industry was surprised by China's rapidly growing thirst for natural gas.

Energy companies are already taking action to leverage the bullish long-term picture painted by the government. CNOOC Gas and Power Group, a unit of China National Offshore Oil Corp, imported more than 20.46 million tons of LNG in 2017, accounting for 54.7 percent of the country's total import. With nine LNG terminals scattered across the country, especially on the east coast, the company—the third largest LNG importer worldwide—said it plans to set up more LNG terminals in Fujian, Jiangsu and Zhejiang provinces and enlarge the current LNG terminal in Tianjin to increase its receiving capacity. The company will also diversify its overseas LNG sources in addition to the current one in Australia to further ensure supply. CNOOC is not alone. Two other top energy companies in China are also speeding up their LNG business layout in the country. China Petroleum and Chemical Corp, or Sinopec, the world's largest refiner, announced earlier that its newly built Tianjin LNG facility, which comprises an LNG receiving terminal, pipelines, docks and associated facilities, had started commercial operations on April 18.

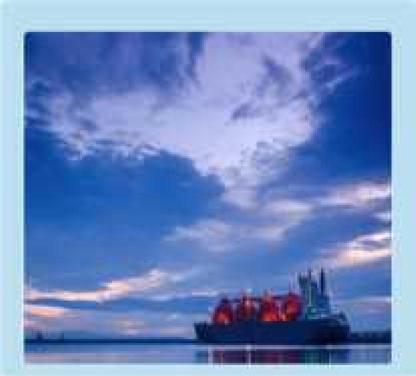
The terminal supplies natural gas to the Beijing-Tianjin-Hebei-Shandong region through its pipeline networks and is expected to ease the supply shortage of natural gas in the northern regions. Sinopec has vowed to more than double its receiving capacity for LNG imports over the next six years. The company will add new LNG receiving facilities along China's east coast to a total capacity of 26 million tons annually by 2023, up from the current 9 million tons. China so far has 17 LNG import receiving terminals. China National Petroleum Corp, or CNPC, the country's largest oil and gas producer, is also eyeing the opportunity and gearing up to meet the growth in LNG trucking in the country. At the end of last year, CNPC signed two long-term contracts with Houston-based Cheniere Energy for LNG imports from Sabine Pass and a new LNG facility under construction near Corpus Christi, a port city in Texas along the Gulf of Mexico. Before that, it had already increased its presence in the Arctic region's natural gas sector by participating in the Yamal LNG project with Novatek, Russia's independent natural gas producer, which will ensure that China can get more than four million tons of LNG each year when the project is in full operation.

According to Marc Howson, a senior managing analyst of LNG at S&P Global Platts, thanks to the major LNG imports that will help to alleviate the gas shortages in northern China, the country won't see a gas shortage this winter despite its growing natural gas demand. "LNG imports will help bridge the supply-demand gap even though domestic output and pipeline imports are unable to keep up with the gas consumption growth, especially in the densely populated coastal regions, which are more distant from gas fields and import pipelines," he said. Analysts believe China's growing gas demand will put State-owned companies under mounting pressure to open their terminal and pipeline infrastructure to more end users as the government seeks to improve end-user cost efficiency and enhance supply security. According to Abache Abreu, an LNG analyst with S&P Global Platts Analytics for the Asia-Pacific and Middle East regions, as the share of LNG imports in the total Chinese gas supply increases, it's imperative to set up domestic pricing formulas that more closely reflect LNG market fundamentals.

"More and more Chinese companies are entering the LNG market, drawn by growing domestic consumption and the opportunity to trade the arbitrage between spot LNG prices and regulated gas hub prices or oil-linked LNG contracts," he said. A slew of term contracts have also been signed by independent players. In 2017, long-term contracts by non-State-owned companies accounted for 500,000 tons, or 1.3 percent of contracted LNG import volumes. This will rise to 4.42 million tons, close to 10 percent of contracted LNG shipping imports, in 2020, Abreu said. Given State-owned companies' resistance to grant third-party access to their existing terminals, some independent buyers are building their own LNG import facilities, despite high taxes and an onerous approval process, he said. "As internal competition rises, pressure to turn domestic gas sector liberalization guidelines into policy and push for greater flexibility in international supply agreements will follow, with challenges and opportunities for all LNG stakeholders," Abreu added.

LNG prices soar on rising geopolitical tension

Oil & Price, *13.05.2018*



President Donald Trump threatens to launch missile strikes in Syria over a suspected poison gas attack, and continues his harsh tone against Russia, tensions between Saudi Arabia and Iran in Yemen's proxy war continue to mount.

These key geopolitical developments have placed tremendous upward pressure on global oil prices, but there is another take away that is often being glossed over in energy news – this tension also has a significant impact on global liquefied natural gas (LNG) prices. Trump said on Wednesday that missiles "will be coming" in response to the attack.

He also chastised Moscow for standing by Syrian President Bashar al-Assad. Yet, on Thursday, Trump back-peddled, stating on Twitter: "Never said when an attack on Syria would take place. Could be very soon or not so soon at all!" Also, on Wednesday, Saudi Arabia faced what the Associated Press (AP) called a flurry of attempted attacks by Yemeni rebels. Saudi Arabia's defense forces said they intercepted missiles that targeted key infrastructure in Riyadh and another city, and drones targeting an airport and an Aramco oil facility in the country's south. Correspondingly, Asian LNG prices this week rose by 25 cents from last week to $7.25/MMBtu, despite falling demand due to the onset of spring in the northern hemisphere. Historically, prices drop in the warmer weather months as demand for the super cooled fuel recedes.

For example, this past winter as China ramped up gas demand as part Beijing's mandate to replace dirtier burning coal needed for power generation with gas, LNG prices breached the $11/MMBtu mark, the highest in three years. However, almost on cue, gas prices have dropped nearly 40 percent since those January highs due to warmer temperatures. In Asia, most natural gas is imported as LNG, while the price is indexed to crude oil on a long-term contractual basis, though there has been an increase in spot and short-term trading in recent years. Consequently, geopolitical pressure on oil prices also impacts LNG prices. The Asia Pacific market accounts for around three-quarters of global LNG trade and one-third of global natural gas trade. Moreover, increased gas and LNG demand growth in Asia will largely be driven by China. Since there is currently no globally integrated market for natural gas, pricing mechanisms vary by regional market. Internationally traded natural gas has also been largely indexed to crude oil prices such as North Sea Brent or Japan customs-cleared crude (JCC) because of the liquidity and transparency of crude oil prices and the substitutability of natural gas and petroleum products in certain markets. The possibility of higher LNG prices due to its oil price indexation and geopolitical risk could prove a boon for LNG projects outside the U.S., especially those that still need to sign long-term supply agreements to reach the all-important final investment decision (FID) to move forward.

U.S. projects, for their part, offer Henry Hub-linked LNG pricing. Reuters, citing traders, said the LNG price gain this week was due to rising oil prices, as Brent crude futures hit their highest level since late-2014. “Oil is by far the world’s biggest energy market. It dictates the direction for most other commodities,” said one trader. “It is particularly important for gas and LNG as many supply contracts are priced off crude.” Global oil prices held steady on Friday but remained close to recent highs. Global benchmark Brent crude settled at $72.58 a barrel, up 56 cents by the end of the session, while U.S. benchmark, NYMEX-traded West Texas Intermediate (WTI) crude futures were up 32 cents to $67.39. Prices for both climbed in post-settlement trading. Walter Zimmerman, chief technical analyst at United-ICAP, said “it does look like there’s further upside ahead. People are still nervous about what’s going to happen in Syria ... nothing was solved overnight.”

Oil rises over 3% day after US pulls out of Iran deal

Oil & Price, *16.05.2018*

Crude oil prices rose more than 3 percent on Wednesday - a day after U.S. President Donald Trump said his country would withdraw from the historic nuclear deal with Iran.

International benchmark Brent crude rose 3.4 percent to as high as $74.85 per barrel on Wednesday, after closing Tuesday at $77.42 a barrel. After ending Tuesday at $69.06 a barrel, American benchmark West Texas Intermediate climbed 3.3 percent to as much as $71.34 per barrel on Wednesday. The U.S.’ sanctions on Iran will take full effect from Nov.

4 onwards, which is expected to lower the level of foreign investment into the country’s energy sector, as well as its oil production and exports. Although Saudi Arabia said Wednesday that it would help stabilize global oil markets in order to support oil prices, investors maintained their strong buying position in the market. “I would like to confirm our commitment to oil market stability for the benefit of producers & consumers, #Saudi will work closely with major OPEC, non-OPEC producers & with key consumers to mitigate the effects of any supply shortages,” Saudi Energy Minister Khalid Al-Falih wrote Wednesday in his Twitter account. “I am in close contact with #OPEC ‘s Presidency, #Russia and the #US, and will be connecting with other producers and major consumers over the next few days to ensure market stability,” he added.

Brent oil above $77 level at week ending May 11

Anadolu Agency, *11.05.2018*

International Benchmark Brent crude traded at $73.28 per barrel at 15.03 GMT+2 while American benchmark West Texas Intermediate (WTI) saw prices of $71.38 per barrel on Friday.

Brent crude increased to $77.90 per barrel on Thursday after President Donald Trump announced Tuesday that he would withdraw the U.S. from the Iran nuclear deal. Such a high level has not been seen since November 2014. The U.S.' sanctions on Iran will take full effect until Nov. 4. The level of foreign investment is expected to lower in the country's energy sector, as well as in its oil production and exports following the implementations of the sanctions.

Although Saudi Arabia said Wednesday that it would help stabilize global oil markets in order to support oil prices, investors maintained their strong buying position in the market. "I would like to confirm our commitment to oil market stability for the benefit of producers & consumers, #Saudi will work closely with major OPEC, non-OPEC producers & with key consumers to mitigate the effects of any supply shortages," Saudi Energy Minister Khalid Al-Falih wrote Wednesday on his Twitter account. Investment banking giant Bank of America Merrill Lynch detailed in a report on Thursday the risk of crude oil prices hitting $100 per barrel next year due to the tightening of supply and demand balance in the global oil market.

Announcements & Reports

► *Pricing and Competition in Mature & Liquid Markets*

Source : OIES
Weblink : https://www.oxfordenergy.org/wpcms/wp-content/uploads/2018/05/Pricing-and-Competition-in-Mature-and-Liquid-Markets.pdf

► *Is this the end of the OPEC+ deal?*

Source : OIES
Weblink : https://www.oxfordenergy.org/publications/end-opec-deal/

► *Indian upstream taxation and the potential impact on the Indian gas market*

Source : OIES
Weblink : https://www.oxfordenergy.org/publications/oxford-energy-podcast-indian-upstream-taxation-potential-impact-indian-gas-market/

Upcoming Events

► *4th International LNG Congress*

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

► *Bucharest International Energy Charter Forum*

Date : 06 – 07 June
Place : Bucharest
Website : Bucharest International Energy Charter Forum

Supported by PETFORM

► *Energy Trading for Central and South Eastern Europe 2018*

Date : 13 – 14 June 2018
Place : Budapest, Hungary
Website : http://www.energytradingcsee.com/

ETCSEE 2018
ENERGY TRADING | CENTRAL & SOUTH EASTERN EUROPE
13 - 14 June 2018

► 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

► Eastern Unconventional Oil & Gas Symposium 2018

Date : 05 July 2018
Place : Washington DC
Website : http://www.euogs.org/

► 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/