

## Turkey's STAR refinery to launch in October

Anadolu Agency, 21.05.2018



SOCAR Turkey, an affiliate of Azerbaijan's state oil company SOCAR, will launch the STAR refinery with a \$6.3 billion investment in Izmir in October, the general manager of the refinery said Monday.

The refinery is expected to narrow Turkey's current account deficit by \$1.5 billion by alleviating raw material imports including diesel. The facility is currently under construction on a 2,400-hectare site on the Aliaga Peninsula in Izmir, the Aegean city of Turkey. Mesut Ilter, STAR Refinery's general manager.

In an exclusive interview with Anadolu Agency, said that 99.1 percent of the refinery has been completed. The investment to date is \$5.2 billion, but once the project is completed, the total investment volume is anticipated to reach \$6.3 billion. The company is constructing the project with \$3.3 billion in project financing from exim banks in countries including; Spain, Japan, Korea, Italy, the U.S. using \$3 billion in equity. Ilter said subsystems have already started operations at the refinery, which will have crude oil processing capacity of 10 million tons per year. It will also input 5 million tons of diesel per year - an amount that would decrease Turkey's diesel imports from 55 percent to 40 percent, Ilter said. Turkey's current diesel consumption is 24 million tons per year out of which 10 million tons are produced in Turkey.

The refinery is also expected to halt jet fuel imports while decreasing LPG imports from 79 percent to 70 percent after the plant becomes fully operational. Ilter outlined the timeframe for the refinery and said, "We will receive first crude oil shipment by the end of June and it will come from Azerbaijan. This will also have a symbolic meaning for us. "Then, we will take the first crude oil processing unit into operation in the third week of July. We will receive three or four more cargoes mostly from the Middle East and Russia. After these, we will have around a one-month gap during which all other systems will become operational. So the refinery will be ready to process first product at the beginning of October." However, the refinery may not work at 100 percent capacity at the very beginning but by 2019 will be operating at full capacity, he added. Ilter highlighted the growth in Turkey's demand for fuel products as an important reason for the facility. He said Turkey's fuel consumption increased 4 percent in the last 10 years and is expected to grow by 2-3 percent in the coming 10 years. With such growth in Turkey's economy, Ilter said that it has also been reflected in greater fuel consumption. "This shows us that the investment in the STAR refinery is the right decision," he said. He also argued that the country still needs further refinery investments to combat imports and advised that these investments be integrated with a petrochemical facility for project feasibility. The STAR refinery will also meet the raw material needs of Petkim, SOCAR Turkey's petrochemical facility located on the same peninsula as the refinery.

## Turkey's total gas imports fall by almost 7% in March

Oil & Price, 23.05.2018



Turkey's natural gas imports decreased by almost 7 percent in March 2018 compared to the same month last year.

Turkey's total natural gas imports fell to 4.7 billion cubic meters (bcm) in March 2018 from 5 bcm in March 2017, Turkish Energy Market Regulatory Authority (EMRA) announced in its Natural Gas Market Report for March 2018. The country imported 3.8 billion cubic meters of natural gas via pipeline and 0.9 bcm as LNG cargo, EMRA's data shows. In March 2018, Turkey's total natural gas consumption decreased by 6 percent year-on-year.

In February 2018, Turkish households became the biggest consuming sector with 1.9 bcm of natural gas. Electricity production facilities consumed 1.3 bcm and industrial facilities followed consuming 1.1 bcm. The country's natural gas production rose from 31.8 million cubic meters (mcm) in March 2017 to 34.5 mcm in March 2018, the majority of which came from the northwestern Tekirdag province.

## World Bank approves \$600M loan for Salt Lake storage

Anadolu Agency, 23.05.2018



The World Bank approved a \$600 million loan for Turkey's Gas Storage Expansion Project, which aims to support capacity increases at the Salt Lake Natural Gas Storage Facility, the Bank announced Wednesday.

The project's aim is to increase the reliability and security of gas supplies in Turkey by expanding the underground gas storage facility near the Salt Lake in the Central Anatolia region of Turkey, the statement said. In November 2005, the Bank approved a \$325 million loan for a first gas storage project at Salt Lake.



And in July 2014 it approved additional financing of \$400 million to provide storage for about one billion cubic meters of gas, the statement showed. "The Gas Storage Expansion project will support government efforts to quintuple the size of the storage facility at the same location. Turkey's national gas company, BOTAS will implement the Gas Storage Expansion Project, which will consist of three components," the statement read. The first component involves building an underground gas storage facility within the salt formation close to the Salt Lake to further increase capacity by approx. 4 billion cubic meters, the statement said. The second component involves the construction, supervision, and monitoring of the environmental and social impact assessment (ESIA) and the resettlement action plans (RAP), the Bank said.

Turkey's President Recep Tayyip Erdogan announced last February that the storage capacity would increase from 1.2 billion cubic meters to 5.4 billion cubic meters. The first phase comprises the storage of 1.2 billion cubic meters of natural gas in 12 caverns. Currently, storage works have started at six caverns this year and the remaining caverns will be stored with gas up to 2020. The number of caverns will rise to 60 when the capacity of the project expands to 5.4 billion cubic meters. Each cavern will hold around 100 million cubic meters. The expansion is expected for completion by 2023. Turkey aims to have a storage capacity that will be able to meet at least 20 percent of its gas demand. The Salt Lake facility will have enough capacity to meet almost 10 percent of Turkey's current natural gas consumption of around 50 billion cubic meters per year. The statement said, "the project is expected to help Turkey lower its greenhouse gas emissions by reducing dependence on coal, especially in the winter months. Increased flexibility in the natural gas supply will also support greater integration of renewables as they become a larger part of Turkey's energy mix".

"Financing the proposed Gas Storage Expansion Project is an integral component of the World Bank's program of policy, technical and financial assistance in Turkey to support energy reform in general and gas sector reform specifically "With this project, the World Bank is also helping Turkey raise financing from other sources, including commercial finance through due diligence on BOTAS' technical, procurement, and environment and social safeguards work on the project. The Asian Infrastructure Investment Bank is a co-financier of the project," the World Bank said. The lending for the project is based on an International Bank for Reconstruction and Development (IBRD) flexible loan with 22.5-years maturity, including a seven-year grace period, according to the statement. The Salt Lake Underground Gas Storage Facility is the first of its kind in Turkey and one of few such projects globally, Johannes Zutt, the World Bank country director for Turkey was quoted as saying. "The facility will play a key role in improving Turkey's energy security and in enabling flexibility in meeting the growing demand for natural gas among households and businesses," Zutt continued. "In particular, the facility will help ensure that enough natural gas is available to consumers at all times, especially when global supplies are tight or when demand escalates suddenly due to winter cold," he concluded.

# Oil falls on shock U.S. stock builds, OPEC supply worries

Reuters, 23.05.2018



Oil benchmarks fell on Wednesday after an unexpected build in U.S. crude and gasoline inventories despite strong demand, and as traders weighed a possible increase in OPEC crude output to cover any shortfalls in supply from Iran and Venezuela.

U.S. crude inventories rose 5.8 million barrels last week, while gasoline stocks increased by 1.9 million barrels, the Energy Information Administration said. “Normally, you don’t see builds at this time of year. With Memorial Day Weekend and summer driving season coming up.

“We were expecting a draw and getting a build - and such a large build, was surprising,” said Tariq Zahir, managing member at Tyche Capital Advisors. Brent crude LCOc1 futures slipped 23 cents to settle at \$79.80 a barrel, while U.S. crude CLc1 lost 36 cents to \$71.84 a barrel. A 5.8 million-barrel build is kind of like a slap in the face, where it’s like, ‘Where did this oil come from?’ And as you look through the numbers, it doesn’t make a lot of sense,” said Phil Flynn, analyst at Price Futures Group in Chicago. “It is definitely a shock to the system.”

The increase in U.S. inventories came from a combination of reduced exports and rising imports. The latter is somewhat surprising, Flynn said, because Brent crude is trading at more than a \$7 premium to U.S. crude WTCLc1-LCOc1, making exports more attractive. Indeed, Sinopec (600028.SS), Asia’s largest refiner, will boost U.S. crude oil imports to an all-time high as China tries to reduce its trade deficit with the United States, two sources with knowledge of the matter said. Oil prices have gained nearly 20 percent this year, driven primarily by coordinated supply cuts by the Organization of the Petroleum Exporting Countries (OPEC) and partners including Russia.

OPEC may decide to raise oil output as soon as June as Venezuelan output collapses, U.S. sanctions against Iran loom, and after Washington raised concerns that the oil rally was going too far, OPEC and oil industry sources familiar with the discussions told Reuters. “It does seem like any move above \$80 attracts selling interest right now and that could potentially lead us to a period of consolidation, where I think \$77.50 or even \$75 might be in focus,” Saxo Bank senior manager Ole Hansen said. Prices have also been affected by rising geopolitical tensions that could dent global output just as demand is set to hit 100 million barrels per day in the final quarter of this year, according to the International Energy Agency.

# Iraq prioritises Aqaba export pipeline

Meed, 20.05.2018



Iraq's Oil Ministry is prioritising the project to build an oil export pipeline to the port of Aqaba in Jordan amid escalating regional tensions, according to industry sources.

“This has become a key project for the oil ministry,” said one source. “Officials are going to do everything they can do to make sure this project progresses smoothly.” “The election results have increased uncertainty about all projects. It’s impossible to guess exactly how things will change, but this project should still be prioritised.” Complete the pipeline comes amid increasingly difficult relations between countries

In March, Turkey’s President Tayyip Erdogan said Turkish forces had started operations in Iraq’s Sinjar region to try to crack down on Kurdish militants, despite Iraq’s Joint Operations Command saying there is no reason for troops to “cross the Iraqi border into those areas”. While relations between Baghdad and Turkey remain cordial, tensions could well ramp up over coming months if incursions continue. Baghdad’s difficult relationship with the semi-autonomous northern region of Kurdistan has meant that it has been unable to export crude from Kirkuk to the port of Ceyhan in Turkey over recent months. The Kirkuk-Ceyhan pipeline can transport 150,000 barrels a day (b/d) and is controlled by the Kurdistan Regional Government (KRG). Iraq’s dealings with Iran, another potential recipient of crude exports, are also likely to be complicated by the return of US sanctions.

On 8 May, US President Donald Trump announced that he was going to withdraw from the 2015 nuclear deal and resume sanctions on Iran. The oil-focused sanctions are due to snap back into place on 4 November. The pipeline to Jordan’s Aqaba is expected to extend from an energy station in the Iraqi governorate of Najaf, a distance of 350km. Originally it was due to be constructed as a twin pipeline, with parallel pipes carrying oil and gas separately. Now it is thought that the oil pipeline will be build first, with the gas pipeline added at a later phase. The scope of the project is also expected to include pump stations. The contract is expected to use the build-operate-transfer (BOT) model and is estimated to be worth \$3bn. The Najaf-Aqaba pipeline project, which has seen significant delays in the past, was approved by Jordan’s cabinet in February.

# Iran says oil export drop not expected if EU saves nuclear deal

Reuters, 19.05.2018



Iranian Oil Minister Bijan Zanganeh said on Saturday that U.S. President Donald Trump's decision to quit a multinational nuclear deal would not affect Tehran's oil exports.

"Every new decision in OPEC needs unanimity... I believe that if the European Union helps us... the level of the oil exports of Iran will not change," Zanganeh told after a meeting with the EU's energy chief Miguel Arias Canete. Following Trump's decision on May 8, the U.S. Treasury said Washington would reimpose a wide array of Iran-related sanctions after the expiry of 90- and 180-day wind-down periods.

It is including sanctions aimed at Iran's oil sector and transactions with its central bank. The EU wants to salvage the 2015 nuclear deal, which offers the Islamic Republic relief from economic sanctions in exchange for curbs on its nuclear programme. Europe sees the agreement as an important element of international security. During the last round of sanctions, Iran's oil supplies fell by around one million barrels per day, but the country re-emerged as a major oil exporter after sanctions were lifted in 2016. However major European companies, partly wary of the remaining U.S. sanctions on Iran, have been reluctant to do business with Tehran, which needs to attract over \$100 billion in foreign investment to boost its crude output. "I have no doubt that these extraterritorial sanctions from U.S. against Iran will have an impact on (foreign) investment in Iran," Zanganeh told reporters. "It will not stop us but will reduce the rate of growth." In the wake of new U.S. sanctions, some buyers of OPEC's third-largest oil producer said they would seek U.S. waivers to purchase Iranian crude. "Our main customers are in Asia ... but we expect to preserve and save this level of exports to Europe and Africa," he said.

Arias Canete, who is in Tehran for a two-day trip, presented Iranian counterparts with an array of potential measures drafted by the EU this week to mitigate the impact of U.S. sanctions in a bid to bolster moderates around President Hassan Rouhani, who want to keep trade open with the West. "We want to solve all the problems that are impeding normal trade in oil," Arias Canete said. Zanganeh said Iran was particularly keen for the EU to act on a proposal urging EU governments make direct euro-denominated payments for oil exports to Iran's central bank, bypassing the U.S. financial system. Other measures included renewing a sanctions-blocking measure to protect European businesses in Iran and allowing the European Investment Bank to do business in Iran. EU investment in Iran, mainly from Germany, France and Italy, has jumped to more than 20 billion euros since 2016, in projects ranging from aerospace to energy. But some foreign firms have already started signaling their intent to pull back from Iran.

The French energy company Total (TOTF.PA) said on Wednesday it will pull out of a multibillion-dollar gas project in Iran if it cannot secure a waiver from U.S. sanctions. Iran had hailed the contract as a symbol of the accord's success. "If Total does not receive U.S. waivers, they will quit and will be replaced by a Chinese company," Zanganeh said. French gas and power group Engie (ENGIE.PA), Polish gas firm PGNiG (PGN.WA) and German lender DZ Bank were the latest companies on Friday to say that their business dealings with Iran would be affected by new U.S. sanctions. Zanganeh said other countries such as Russia and China were keen to fill the vacuum left by the potential exit of European investors. "The Chinese are very eager. Two big companies SINOPEC and CNPC are our historical partners for Iran. In the biggest fields in Iran they are eager to be involved," Zanganeh said.

## Radev pleads in Moscow for 'Bulgarian Stream' pipeline

Euractive, 22.05.2018



Bulgarian President Rumen Radev used the first day of an official trip to Moscow on Monday (21 May) to try and resurrect plans for a pipeline that would bring gas directly from Russia to Bulgaria's Black Sea coast, after it was cancelled in 2014.

Radev was initially received yesterday by Russian Prime Minister Dmitry Medvedev ahead of a meeting with Vladimir Putin today. Radev, a former pilot of Russian MIG 29 jet fighters who is fluent in Russian and English, insists that as a NATO general his loyalty is with Bulgaria's allies.

But he also says he is in favour of dialogue with Russia..Medvedev was quoted as saying that Russia is expecting Prime Minister Boyko Borissov to visit Russia soon and expressed hope that the intensity of official Russian-Bulgarian contacts will grow. The Russian PM added that the peoples of both countries are connected by strong bonds of friendship and spiritual closeness. He also stressed the need to step up trade and economic cooperation, "because lately the trade between our two countries is unfortunately not growing but rather declining". Radev praised Russia as "a strategic partner" in the energy sector, highlighting Moscow's role in supplying natural gas, oil and nuclear fuel, as well as helping modernise and maintain Bulgaria's facilities. The president added that "security of energy supply is extremely important for both Bulgaria and the EU. I hope that our governments will also review the possibility of direct supply of gas from Russia through the Black Sea." Bulgaria hopes that the second pipe of the "Turkish Stream" pipeline network, under another name (possibly "Balkan" or "Bulgarian Stream"), will reach the Black Sea port of Varna, instead of the European territory of Turkey.



In an interview with Russian daily Kommersant published the same day, Radev said the Bulgarian request for “Bulgarian Stream” is no different from Germany’s request for “Nord Stream 2”, adding that both projects would be compatible with EU legislation. In 2014, the Borissov government cancelled the South Stream pipeline project, which was designed to bring 63 bcm of Russian gas annually under the Black Sea. There was indeed pressure from the European Commission to cancel the project, but this pressure was based on anti-competitive texts in the intergovernmental agreement, like promises that only Bulgarian, Russian and Greek firms would build the pipeline on Bulgarian territory. which is about to begin in breach with EU laws. Russia immediately turned to Turkey, replacing South Stream with a “Turkish Stream” project, under which a first pipe will bring Russian gas to the European territory of Turkey.

No decision has been made concerning the second pipe, and the possibility that it could reach Bulgaria still exists. Radev said that in the recent weeks the Bulgarian government “has emerged from lethargy” with regard to energy projects with Russian participation. “You know that there are already announcements for the restart of the Belene nuclear power plant [project], which implies Russian participation. The Minister of Energy was also in Russia, all this is commendable, but it is still inadequate,” Radev said. Six years after he personally froze the construction of a second nuclear power plant in the Danube town of Belene, Borissov recently announced plans to resume the project. Bulgaria depends on Russia for 89% of its petrol, 100% of its natural gas, and all of the nuclear fuel needed for its Kozloduy nuclear power station, which has two functioning reactors. The plan for a second nuclear central at Belene was shelved by Borissov’s government in 2012. It is widely assumed that it was cancelled following Western pressure. The Russian press published today several commentaries, suggesting that the chances that Moscow would “pardon” Bulgaria for blocking South Stream are slim and that until Bulgaria provides official guarantees that the project will not be blocked again, Russia will not discuss the prospect of “Bulgarian Stream”.

Igor Yushkov, representing the Fund for National Energy Security of Russia, is quoted as saying that Bulgaria should wait until the dispute over Nord Stream 2 ends in favour of the pipeline, and then argue that its project is treated in the same way. Some commentaries in the Russian press claim that according to the Bulgarian constitution the powers of the president are limited, and that Prime Minister Boyko Borissov is “anti-Russian”. This assessment should be taken with a grain of salt given that Borissov is in favour of having good relations with Russia and is very interested in the construction of a gas hub near Varna, which would makes little sense without big projects like the “Bulgarian Stream” pipeline.



# Gazprom's gas pipeline to China 83% completed

Oil & Price, 18.05.2018



Gazprom is advancing with the construction of its Power of Siberia pipeline to China, which is now 83 percent complete, as the Russian gas giant looks to supply more pipeline gas to the Chinese market, where demand is expected to surge in the coming years amid growing efforts to switch from coal to gas.

As of May 17, a total of 1,791 kilometers (1,113 miles), or 83 percent of the linear section of the pipeline from the Chayandinskoye field to the Chinese border in the Amur Region, has been built, Gazprom said in a statement today.

“This year the main part of construction and installation works on this section will be completed,” the Russian company said. Gazprom has a 30-year contract with CNPC for the supply of an annual 1.3 trillion cu ft of natural gas via the infrastructure. The pipeline is expected to start sending gas to China at the end of 2019 and its completion is among Gazprom’s top priorities. This year, Gazprom plans to invest nearly US\$3.5 billion (218 billion Russian rubles) in the pipeline project, up from the US\$2.56 billion (158.8 billion rubles) investment last year, according to Russia’s TASS news agency. Gazprom and CNPC have also discussed another pipeline from Russia to China via the western route—the so-called Power of Siberia 2 pipeline—that would source gas from Western Siberian gas fields, but little progress has been made regarding the specifics of this project.

Gazprom is dominating gas supplies to many European markets while it vies to meet the surging Chinese natural gas demand as the country is in the middle of a massive switch from coal-fired to gas-fired heating in millions of homes. Natural gas demand in China is growing at a fast rate, and according to a recent report by Eurasia Daily, the Power of Siberia will be essential to solve future gas shortages in the north of the country. This winter, northern China experienced a shortage of gas due to colder than usual weather, and the local authorities have had to enact restrictions on gas consumption.

# EU, Gazprom reach agreement in 7-year antitrust case

Oil & Price, 24.05.2018



President The European Commission (EC) and Russian gas giant Gazprom have reached an agreement to end a seven-year antitrust case, EU Antitrust Commissioner said.

The EC's decision imposes a series of obligations on Gazprom that will enable the free flow of gas at competitive prices in Central and Eastern European gas markets. "Today's decision removes obstacles created by Gazprom, which stand in the way of the free flow of gas in Central and Eastern Europe. But more than that – our decision provides a tailor-made rulebook for Gazprom's future conduct," said.

According to an EC statement, Gazprom will remove any restrictions placed on customers to re-sell gas cross-border. Gazprom will allow natural gas sales to be carried out through its own infrastructure if there is no connection between Central and Eastern European countries. Natural gas prices that the company will apply to customers in Eastern and Central European countries will be determined in line with levels in Western European markets and with liquid gas centers. Gazprom will not be able to take advantage of its infrastructure to increase its position on the market. With the current agreement in place and with compliance to the commitments made, Gazprom will not pay any penalties. However, if Gazprom fails to comply with any of its obligations, the EC can impose a fine of up to 10 percent of the company's worldwide turnover, without proving that this is a violation of antitrust rules. The EC has the authority to check whether there are any contradictions in the sectors of companies operating in the EU.

## EU says Ukraine to offer Gazprom discounted transit fees

Reuters, 19.05.2018



Ukraine will offer Gazprom discounted fees for natural gas transit to ensure a flow from Russia to Europe after 2020, European Commission Vice President on Friday.

Russia's Gazprom and five European companies, with German backing, plan to build the North Stream 2 gas pipeline on the Baltic seabed to connect Russia directly with Germany, bypassing eastern Europe and limiting the flows via Ukraine. The pipeline will double Russia's gas export capacity to Germany but threatens to cost Ukraine valuable revenues, while increasing EU reliance on Russian gas.

"Ukraine is saying they want to maintain the transit of Russian natural gas to Europe and will seek solutions that would guarantee the higher the volume the cheaper for Gazprom," Sefcovic told Reuters at the Globsec security forum. The volume of transit would have to be "commercially viable" for Ukraine, Sefcovic added. According to energy firm Naftogaz's expectations, Ukraine will earn around \$3 billion from transit in 2018. Russian President Vladimir Putin said on Friday after meeting with German Chancellor Angela Merkel that Moscow was ready for talks with Ukraine on continued gas transit through the country.

## Russia - Germany gas pipeline raises intelligence concerns: U.S. official

Reuters, 17.05.2018



The planned Nord Stream 2 gas pipeline from Russia to Germany raises U.S. intelligence and military concerns since it would allow Moscow to place new listening and monitoring technology in the Baltic Sea, a senior U.S. official said on Thursday.

Sandra Oudkirk, Deputy Assistant Secretary of State for Energy Diplomacy, said in Berlin she would meet German officials to voice Washington's concerns about the subsea project.



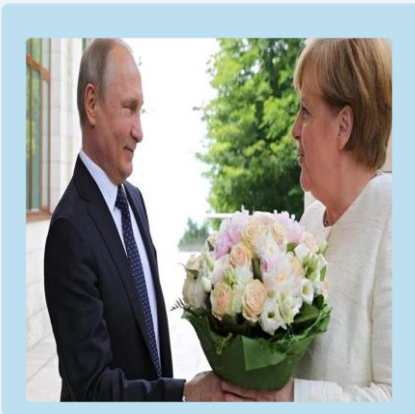
A consortium of western companies and Russia's Gazprom said this week it was starting preparatory work off Germany's Baltic coast. Oudkirk told reporters the U.S. Congress had given the president new authority to impose sanctions against a variety of Russian pipeline projects. Any companies involved were in "an elevated position of sanctions risk", she said. However, she added that Washington was focused on using diplomatic means to halt Nord Stream 2, one of several Russian projects to export gas to western Europe via routes avoiding Ukraine, with which Moscow is involved in a series of disputes. The U.S. push came a day before Chancellor Angela Merkel travels to Sochi to meet Russian President Vladimir Putin for talks that will touch on Nord Stream 2, as well as the U.S. decision to withdraw from the Iran nuclear deal.

The German government's point man for Russia, Dirk Wiese, said it would continue to look for "islands of cooperation" with Russia, including a continued commitment to the Iranian nuclear accord, despite differences over Ukraine and EU sanctions. He said Germany viewed Nord Stream 2 as primarily a commercial project, but saw the need to consider the interests of Ukraine as a gas transit country, and of countries in Central and Eastern Europe. Oudkirk said Washington's objections included past Russian moves to turn off gas supplies to Ukraine and other countries, adding that it would perpetuate "vulnerabilities" in Russian-European ties for another 30 to 40 years. The United States also opposes the TurkStream land pipeline that would run through Turkey for the same reasons, she said. She said the Baltic was a congested, sensitive military area. "When we look at the ability of governments and companies to use infrastructure deployments as a means to convey devices and technologies that can listen and follow and monitor, that is a concern with regard to this particular undersea pipeline project in the Baltic Sea," she added.

"The new project would permit new technologies to be placed along the pipeline route and that is a threat." Oudkirk rejected suggestions that Washington is opposing the pipeline to help U.S. liquefied natural gas exports. The Nord Stream 2 project has said it will tap banks for financing in the fourth quarter of 2018 or early next year. Denmark must still rule on whether the pipeline can be built near its coast, and other routine permissioning processes are still under way in Sweden and Russia. Oudkirk said Washington supported the planned Danish-Polish Baltic Pipe because it would diversify sources and routes. The pipeline, to be built by 2022, is aimed at reducing reliance on Russian gas. Gazprom's Western partners are energy companies Uniper, Wintershall, Engie, Austria's OMV and Anglo-Dutch group Shell.

# Putin, Merkel discuss gas pipeline project in Sochi

Anadolu Agency, 19.05.2018



President Vladimir Putin and German Chancellor Angela Merkel confirmed Friday that Russia would continue gas transit through Ukraine after the construction of the Nord Stream 2.

The Nord Stream 2 natural gas pipeline project is aimed at linking Russia and Germany, but it is vastly opposed by Ukraine, Poland and the Baltic States, through which Russia generally exports its natural gas. "After the launch of the Nord Stream 2, it is not planned to suspend the transit of Russian gas through Ukraine... I want to stress that supplies will continue if they prove to be economically justified.

And it is appropriate for the participants of economic activity," Putin said at a news conference on Friday. "We consider the Nord Stream 2 as an economic project but there are other components in it. That is why we have to think over the guarantees for Ukraine," Merkel said. Commenting on Trump's intentions to impede the project, Putin said the U.S. president had pursued American economic interests. "We consider the project beneficial and will fight for it," he said. The U.S. has opposed the project because it fears Europe's reliance on Russia for gas will increase. It has also put forth security issues as justification. About the start of political process to resolve Syria, Merkel said it should be done with the participation of all groups including participants of Astana, Sochi, representatives of Syria. "A political process is necessary, it must begin and we are ready to contribute in it." Putin hailed Germany's intention to participate in restoration of the Syrian social and economic infrastructure.

"We mark the intention of the Federative Republic of Germany to participate seriously in the restoration of the social and economic infrastructure of this country. It is important to coordinate any aid with the legitimate authorities of the country," he said. Putin added the restoration of the country would help the return of the Syrian refugees from Europe back home.

# Total's Iran halt shows oil buyers will face sanctions trouble

Bloomberg, 17.05.2018



Total SA's decision to stop investing in Iran shows that international companies are going to have trouble doing any business with the Persian Gulf nation.

Continuing to do business in Iran would be too great a risk as Total has large operations in the U.S. and depends on the country's banks for financing, it said in a statement Wednesday. The comments from Total the first Western oil company to sign binding agreements to develop Iran's oil and gas fields following the end of a previous round of sanctions in 2015 illustrate the challenge.

The French energy giant, which also buys crude oil for its refineries from the Islamic Republic, won't commit any more funds to Iran's South Pars 11 project, in which it took a controlling stake last year. While it is planning to seek a waiver for the Iran project, the company also said it has much more to lose should it be penalized for breaching sanctions. "The risks of being on the wrong side of the U.S. government are not worth the benefits of trading with Iran once the sanctions are in place," said Jason Gammel, a London-based analyst at Jefferies LLC. "Oil companies are not going to be able to invest in the upstream sector, traders and purchasers of Iranian crude are going to have to find other sources, or seek an exemption from the U.S. government to be able to continue buying."

Total could be exposed to so-called secondary sanctions if it continues to do business with Iran, it said. That could affect, among other things, the company's funding in dollars. U.S. banks are involved in more than 90 percent of Total's financing operations, American shareholders represent upward of 30 percent of its investors and the company has more than \$10 billion of capital employed in the country, according to the statement. Total said it "is engaging with the French and U.S. authorities to examine the possibility of a project waiver." The European Union, also a signatory to the Iran nuclear deal that U.S. President Donald Trump has said he will pull out of, has pledged to take steps to salvage the accord. "The issue is that Iranian transactions can't be processed through any part of the banking system that needs access to the U.S. dollar," Gammel said. "There will be niche players who will far more benefit from trading with Iran than risk from the U.S. system, but it's going to be a very small set of players that are not going to be particularly well capitalized." Total said withdrawing from South Pars 11, in which it had planned to spend the equivalent of \$1 billion initially, will not affect its target to raise the company's production by 5 percent a year between 2016 and 2022. What it left unsaid was the fate of the millions of barrels of crude it purchases from Iran.



The company bought about 56 million barrels for nearly 2.6 billion euros (\$3.1 billion) last year, primarily for its own refineries, according to its annual report. In addition, about 14 million barrels of oil products were purchased from, or sold to, entities with ties to the Iranian government, generating 1.1 billion euros of revenue, and a net loss of 5.7 million euros. Oil refiners, including Spain's Cia Espanola de Petroleos SAU, and trading houses have started preparing to cut purchases from the Middle Eastern nation after the U.S. reimposed sanctions. One Asian customer said last week their company is already looking for other supplies as the firm has long-term contracts with Iran and needs two to three months to cut purchases and secure alternatives. Pulling out of the South Pars project could result in Total losing its stake to China National Petroleum Corp., National Iranian Oil Co. Managing Director Ali Kardor said this month. The French company said it has spent less than 40 million euros on the project so far. Total had projected an output of 370,000 barrels of oil equivalent a day from the Iran fields, making it the largest on its list of a dozen projects to be given the green light in the two years to 2018. Yet, Total would rather protect its interests outside Iran. "Iranian exports of crude oil are likely to fall pretty dramatically once the sanctions are in place," Gammel at Jefferies said.

## Poland's PGNiG plans to suspend gas project in Iran because of U.S. sanctions

Reuters, 18.05.2018



Poland's PGNiG plans to suspend gas project in Iran because of U.S. sanctions. Poland's dominant gas firm PGNiG plans to suspend a gas project in Iran because of the risk from U.S. sanctions, the company's deputy chief executive said.

"There is not much we can do about the contract in Iran. Any moment the sanctions will be put in place and nobody wants to take a risk," Maciej Wozniak of the state-run PGNiG told Reuters. "We can take risks when we are drilling and looking for hydrocarbons, but we will not take risks playing politics," he said, adding the project consisted of providing technical expertise in gas extraction in Iran.

## Croatian LNG terminal: now or never?

Energy Post, 18.05.2018



If constructed, the planned Croatian LNG terminal could provide an alternative source of supply for Russian gas in Central and Eastern Europe.

Yet without financial support from the region's governments and diplomatic engagement of the US and the EU, it is unlikely to be realized anytime soon, writes David Koranyi of the Atlantic Council Global Energy Institute. The planned Croatian liquified natural gas (LNG) import terminal is a critical, if yet unrealized, piece of the Central and Eastern European energy security puzzle.

If constructed, the terminal would provide a gateway for LNG to reach landlocked markets in the region, thus creating competition for Russian gas and ensuring access to alternative supplies in a crisis. However, without financial support from Central and Eastern European governments, who stand to benefit the most from the proposed terminal, and concerted diplomatic engagement by Brussels and Washington it will not be realized anytime soon.

From a purely market perspective, the Croatian terminal is a classic case of redundant infrastructure. However, from a security of supply perspective, it is absolutely vital. Furthermore, as in the case of Lithuania, which recently constructed its own LNG terminal, its presence would significantly enhance the negotiating power of the countries in the region in purchasing gas from Russia. The mere presence of options could give countries leverage in their negotiations that was previously lacking. Timing is also critical, as Hungary and Ukraine are both slated to renegotiate their gas supply arrangements with Russia in the next two years. While the project is more important now than ever before, building an LNG receiving terminal in Croatia has been on the agenda since the late 1980s. The project went through various iterations over the course of the last thirty years, but discussions revolved around a land-based terminal. The latest proposal by LNG Croatia, the project consortium, aims to put in place a floating regasification and storage unit (FSRU) with an initial import capacity of 2.6 billion cubic meters annually. This represents a long overdue and realistic shift in thinking that corresponds with market realities and technological change.

The Croatian government's endorsement of the FSRU concept two years ago was a major step forward. Securing European Union (EU) funding from the Connecting Europe Facility to the tune of €125 million was another, underscoring that the European Union considers this a strategically important project. The project would increase the LNG import capacity of central and eastern European states, as all of the EU's terminals, save the Polish, Lithuanian, and Greek terminals, are situated in the Western part of the continent. However, while EU support is critical, EU funds only cover a fraction of the total costs, which amounts to more than €400 million. The private sector cannot be expected to foot the bill. Gas exporters will not finance such an investment as there is already huge overcapacity in LNG receiving terminals in Europe while gas prices are rather depressed.





The European Union as a whole has an LNG import capacity of over 200 billion cubic meters (bcm), out of which it only utilized 47.4 bcm in 2017. In the United States, the Trump Administration designated gas exports as a key policy priority. Yet due to various legal and policy constraints, US Trade and Development Agency (USTDA) or Overseas Private Investment Corporation (OPIC) funding does not seem to be feasible for the terminal in Croatia.

Thus, the remaining funds need to come from the region. Regrettably, Croatia recently concluded a ten-year agreement with Gazprom on gas imports for around 1 bcm, while the remaining two-thirds of the Croatian gas demand is covered by domestic sources. Russian influence remains strong in certain Croatian (and Hungarian) political circles, acting against the LNG terminal. This may be connected to local and environmental opposition to the project. The unresolved dispute between Croatian energy company INA and Hungarian energy company MOL and the lack of reverse flow capabilities due to a missing compressor station on the Croatian side are major stumbling blocks, undermining trust between the two countries. After more than thirty years, it is time to realize the Croatian LNG terminal. This requires regional unity and public investment by the three states that are the most to gain: Croatia, Hungary, and Ukraine. Resolving or at least setting aside disputes will be key. This shall be supported by a concerted effort from Washington and Brussels. Once confirmed, the new US special envoy on international energy affairs at the State Department should prioritize regional engagement and continue his predecessor's intensive mediation efforts.

Furthermore, the creation of a regional consortium of (state-owned) gas buyers from Ukraine, Hungary, and Croatia, supported by preferential loans from the European Investment Bank and/or the European Bank for Reconstruction and Development to put up the required investment, will be essential. US energy diplomacy should work together with the European Commission and regional stakeholders to bring the key stakeholders to the table. Dragging this project across the finish line is in the interest of the region, as it will bring safer supplies and potentially cheaper gas; the European Union, as it will contribute to overall European energy security and diversification of supplies; and the United States, in terms of providing energy security for allies, diminish Russian influence in the region, and provide a potential outlet for US LNG exports.

## French Agricole to give €600 million credit to Gazprom

Anadolu Agency, 18.05.2018



Gazprom and the French bank, Credit Agricole Corporate & Investment Bank (Credit Agricole CIB) signed a five-year €600 million loan agreement, Gazprom announced late on Thursday.

The company said the agreement was Gazprom's second to secure financing directly from Credit Agricole CIB. The first agreement was signed in March 2017 for €700 million. According to Gazprom, the strategy of Credit Agricole CIB in Russia is to cooperate with leading Russian and multinational companies.

In Russia, Credit Agricole CIB AO, registered in St. Petersburg in 1991, represents Credit Agricole CIB. Gazprom has been cooperating with the Credit Agricole Group since 1995. The Credit Agricole Group participated in many of Gazprom's financial operations including deals aimed at securing corporate and project financing as well as transactions with the Gazprom Group's Eurobonds in capital markets.

## Poland and US criticize Nord Stream 2 pipeline

Oil &Price, 22.05.2018



Poland's Foreign Minister Jacek Czaputowicz hopes diplomatic pressure from the U.S. will encourage European companies to withdraw from the Nord Stream 2 project, according to Polish news portal Radio Poland on Tuesday.

Radio Poland reported that at the meeting between the U.S. Secretary of State Mike Pompeo and Czaputowicz in Washington on Monday, the Nord Stream 2 project was discussed. The pipeline project aims to link Russia and Germany, but Ukraine, Poland and the Baltic States, through which Russia generally exports its natural gas, object to the project.

The Polish official said Poland and the U.S. hold similar views on the Nord Stream 2, and have criticized it. The U.S. opposes the project because it fears that Europe's reliance on Russia for gas will increase. It has also put forth security issues as justification for stopping it. U.S. President Donald Trump pressured Germany to pull out of the controversial project, according to the Wall Street Journal on May 17. Trump told Chancellor Angela Merkel last month that Berlin should drop support for the pipeline linking Russia and Germany if it wants to avoid a trans-Atlantic trade war. As an alternative, Trump reportedly said the U.S. would start talks for a new trade deal with the European Union. In early April, after meeting with the leaders of Latvia, Lithuania and Estonia at the White House, Trump criticized the Nord Stream 2 pipeline. Despite Trump's speech on the project on May 19, Russian President Vladimir Putin and Merkel confirmed that Russia would continue gas transit through Ukraine after the construction of the Nord Stream 2, following Merkel's pressure on Russia to clarify Ukraine's transit role.

## Kazakhstan to boost oil prod. to 104 mln. tons by 2025

Platts, 14.05.2018



Kazakhstan will increase its annual oil production to 104 million tons by 2025.

This will be achieved through the development of Kazakhstan's energy industry with major oil and gas projects such as Tengiz, Karachaganak and Kashagan. He also noted that Kazakhstan increased its oil production from 78 million tons of oil to 86.2 million tons after starting oil production from the Karachaganak oil field. The country produced 30 million tons of oil during January-April period of 2018 - a 6 percent rise compared to same period of 2017.

The country expects to have 87 million tons of oil production in 2018, he said.

# Rolls-Royce to supply gas turbine for Japan's frigate

Anadolu Agency, 22.05.2018



Rolls-Royce has been selected to supply its MT30 gas turbine to power a new class of frigate for the Japan Maritime Self Defense Force (JMSDF), the company announced Monday.

Japan will be the fifth nation to select the MT30 for a major naval ship-building program, Rolls-Royce's press release said. For Japan, Rolls-Royce will deliver a power rating in excess of 40 megawatts, the highest so far for this gas turbine, according to the company's press release. "The MT30 is the world's most power dense marine gas turbine in service today.

A key feature for naval ships where high power in minimum space, whilst meeting the operational power demands of the future, is essential," Sam Cameron, Rolls-Royce, senior vice president of defense said in the press release. The MT30 recently powered the U.K. Royal Navy's new aircraft carrier HMS Queen Elizabeth during a program of successful sea trials. It is also powering the U.S. Navy's Freedom Class variant of the Littoral Combat Ship, and their new DDG-1000 destroyers. The Republic of Korea Navy's first FFXII frigate, powered by a single MT30, entered service earlier this year and Italy has selected the engine for its new Landing Helicopter Dock program. Rolls-Royce has customers in more than 150 countries, comprising more than 400 airlines and leasing customers, 160 armed forces, 4,000 marine customers including 70 navies, and more than 5,000 power and nuclear customers.

# Trump presses Germany to drop Russian pipeline: Report

Reuters, 18.05.2018



**U.S. President Donald Trump is pressuring Germany to pull out of the controversial Nord Stream 2 natural gas pipeline project, a report said Thursday.**

**Trump told Chancellor Angela Merkel last month that Berlin should drop support for the pipeline linking Russia and Germany if it wants to avoid a trans-Atlantic trade war, according to a report by The Wall Street Journal, which cited U.S., German and European officials. In return, Trump reportedly said the U.S. would start talks for a new trade deal with the European Union.**

The U.S. president in March imposed tariffs of 25 percent on steel and 10 percent on aluminum imports but gave EU countries until June 1 to negotiate new deals with the U.S. Trump's move could be aimed at expediting those trade negotiations and increasing U.S. exports of liquefied natural gas to Europe, according to some experts, although White House officials have denied such objectives. In early April, after meeting with the leaders of Latvia, Lithuania and Estonia at the White House, Trump criticized the Nord Stream 2 pipeline. "Germany hooks up a pipeline into Russia, where Germany is going to be paying billions of dollars for energy into Russia. "And I'm saying: What's going on with that? How come Germany is paying vast amounts of money to Russia when they hook up a pipeline? That's not right," he said.

Poland, Denmark and Ukraine also oppose the project, arguing that it will increase the EU's dependency on Russian gas and Europe should instead focus on diversifying its energy resources. The \$11 billion project is planned to carry 55 billion cubic meters of gas annually 1,230 kilometers under the Baltic Sea from Russia to northern Germany after it becomes operational in early 2020. The Nord Stream 2 project is also raising security concerns and could lead to U.S. sanctions, Deputy Assistant Secretary of State for Energy Diplomacy Sandra Oudkirk said Thursday in Berlin. Oudkirk said Russia could use the project to place monitoring and listening devices for surveillance under the Baltic Sea, which increases the risk of the pipeline from an intelligence and security point of view. She also noted that the U.S. Congress has given Trump the power to impose sanctions on a number of Russian energy projects, and companies involved in such projects carry the risk of incurring U.S. sanctions.



## Announcements & Reports

### ► *Decarbonisation of heat in Europe: implications for natural gas demand*

**Source** : OIES

**Weblink** : <https://www.oxfordenergy.org/publications/decarbonisation-heat-europe-implications-natural-gas-demand/>

### ► *The Oil Market's Mixed Price Signals*

**Source** : OIES

**Weblink** : <https://www.oxfordenergy.org/publications/oil-markets-mixed-price-signals/>

## Upcoming Events

### ► *4<sup>th</sup> 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](http://www.bucharest-energy-charter.com/)

*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/>

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### ► *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/>



► *27<sup>th</sup> 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/](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/>