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Iran rules out OPEC deal as Russia, Saudi push for oil output hike

Reuters, *18.06.2018*

Iran said on Tuesday OPEC was unlikely to reach a deal on oil output this week, setting the stage for a clash with Saudi Arabia and Russia, which are pushing to raise production steeply from July to meet growing global demand.

The Organization of the Petroleum Exporting Countries meets on Friday to set output policy amid calls from U.S. President Donald Trump and China to cool down oil prices and support the global economy by producing more crude. OPEC's de facto leader.

Saudi Arabia, and non-member Russia have proposed gradually relaxing production cuts - in place since the start of 2017 - while OPEC members Iran, Iraq, Venezuela and Algeria have opposed such a move. "I don't believe at this meeting we can reach agreement. OPEC is not the organisation to receive instruction from President Trump ... OPEC is not part of the Department of Energy of the United States," Iran's oil minister Bijan Zanganeh told reporters after arriving in Vienna, where OPEC is headquartered. Zanganeh said he would leave Vienna on Friday before OPEC holds talks with non-OPEC producers the next day and added a recent rise in oil prices was mainly the fault of Washington, which imposed new sanctions on OPEC members Iran and Venezuela. Trump has called on OPEC to raise output, and Saudi Arabia and Russia said in recent weeks the world needed more oil.

"Oil demand usually grows at the steepest pace in the third quarter ... We could face a deficit if we don't take measures," Russian Energy Minister Alexander Novak said on Tuesday. "In our view, this could lead to market overheating." Novak said Russia wanted OPEC and non-OPEC to raise output by 1.5 million barrels per day (bpd), effectively wiping out existing production cuts of 1.8 million bpd that have helped rebalance the market in the past 18 months and lifted oil prices to $75 per barrel from as low as $27 in 2016. In addition to Iran, OPEC members Iraq, Venezuela and Algeria said they opposed a production increase despite supply outages in countries such as Libya and Venezuela. Demand growth has surprised market watchers on the upside in the past two years, with annual increases exceeding 1.5 percent. Global oil consumption is expected to hit 100 million bpd next year. Novak said that if a decision were taken this week to raise output, OPEC and its allies could meet again in September to review the impact and fine-tune production policy. Iraq and Iran have said they would oppose output increases on the grounds that such moves would breach previous agreements to maintain cuts until the year-end.

Both countries would struggle to increase output. Iran faces renewed U.S. sanctions that will impact its oil industry and Iraq has production constraints. Two OPEC sources told Reuters that even Saudi Arabia's Gulf allies Kuwait and Oman were against big, immediate increases in output. One OPEC source said the Saudi-Russian proposal of a 1.5-million-bpd increase was "just a tactic" aimed at persuading fellow members to compromise on a smaller rise of around 0.5-0.7 million bpd. Saudi Arabia and its Gulf allies have the capacity to raise output. Russia has also said that limiting supply for too long could encourage unacceptably high output growth from the United States, which is not part of the production agreement.

On Tuesday, the head of Russia's second-largest oil firm Lukoil, Vagit Alekperov, said global production cuts should be halved and that Lukoil could restore its oil output levels within two to three months. Commerzbank commodities analyst Carsten Fritsch said that given big differences in the positions of OPEC members, the Friday meeting was likely to be tough. "Unanimity is needed for any OPEC decision. This recalls the June 2011 meeting, when OPEC was unable to agree on an increase in production to compensate for the outages ... in Libya," Fritsch said. "That meeting ended without any joint declaration. The then Saudi Oil Minister Ali al-Naimi described it as the worst OPEC meeting of all time." Adding to the tensions, Iran and Venezuela continued to insist that OPEC on Friday debate U.S. sanctions against the two countries, but the organisation's secretariat has rejected their requests, according to letters seen by Reuters.

Wood Mackenzie: Uncertainty weighs at OPEC meeting

Anadolu Agency, *19.06.2018*

Both OPEC and some non-OPEC countries must contend with differing oil production expectations for Iran and Venezuela when they meet in Vienna.

Ann-Louise Hittle, vice president of macro oils, said that the exact impact of the newly restored U.S. secondary sanctions against Iran remained unknown, and Venezuela's production outlook also remained uncertain. The decision-makers will also have to consider external pressure for action from the U.S..

Hittle added referring to U.S. President Donald Trump's recent announcement that oil production could be raised by at least 1 million barrels per day (b/d) to help address perceived crude losses in the market. In addition, recent outages in Libya may also weigh on decision-makers' minds, she said. Hittle noted that focusing on market fundamentals, Wood Mackenzie analyzed the impact of three possible options for OPEC and co-operating non-OPEC producers. She said that based on their fundamentals forecast, which sees a 380,000 b/d decline in supply from Venezuela, and Iran's output slipping to 3.4 million b/d by the end of the year, OPEC could maintain its goal of stable oil prices and continue the current production cut agreement.

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"In our base case outlook, the losses from Venezuela and Iran are somewhat offset by continued growth in the U.S. This view leads to a small implied stock draw in Q3 2018, followed by an inventory build in Q4 2018 which is expected to weaken prices heading into 2019 when we see an oversupply for the year," she added.

The second option, Hittle said, is a decision to boost production in the second half of the current year, if the consensus at the meetings turns out to be for a larger decline in Venezuela or Iran, or both, compared with Wood Mackenzie's base case. "Our analysis shows a moderate production increase in OPEC and non-OPEC could be absorbed by the market, with prices averaging $71 per barrel Brent in 2018 versus our base case of $74/b." "This analysis assumes OPEC agrees to increase its output by 0.5 million b/d, and Russia by 0.1 million b/d in H2 2018," she underlined. Hittle also explained the possible implications of a third option, which would see OPEC increase output by a more dramatic 1 million b/d, adding a further 0.3 million b/d from Russia to bring the total gain closer to 1.5 million b/d. "Saudi Arabia could do this with Russia to weaken oil prices significantly – leading to a reduction in gasoline prices in the U.S., and providing support to President Trump," she said. Such a decision, if implemented, would have a large impact on the supply-and-demand fundamentals by creating implied stock builds averaging 0.9 million b/d in the second half of 2018, and 1.8 million b/d in 2019, according to Hittle. "If OPEC and Russia were to agree on a production increase, we think it would likely be a moderate one, which would avoid a sharp downward price adjustment, yet provide a response to U.S. pressure for more supply," she said. "This is akin to Option 2, which is more likely to gain wider OPEC ministerial support than the larger increase mooted in Option 3."

Oil climbs as OPEC producers discuss size of output increase

Bloomberg, *18.06.2018*

Crude climbed as traders weigh signals from OPEC producers on the potential size of an output increase.

West Texas Intermediate crude futures advanced 1.2 percent. OPEC members are considering a compromise that would boost output between 300,000 and 600,000 barrels a day over the next few months, according to people briefed on the talks. That's less than the increase proposed by Russia and Saudi Arabia, according to Ecuador's hydrocarbons minister, is for 1.5 million barrels. Producers will meet in Vienna this week. "OPEC headlines are going to be a bit more sensitive for the international benchmark than they are for WTI."

“That would be a bullish development if you’re going to have a number that’s closer to 300,000 than 1.5 million,” said Bob Yawger, director of futures at Mizuho Securities USA Inc. in New York. Crude has dropped about 1.8 percent so far this month in New York amid threats of OPEC easing its production limits that have been in place since early 2017. Iran, Venezuela and Iraq have expressed resistance to the idea, and traders are awaiting any potential formal decisions by the producer group later this week. WTI for July delivery rose 79 cents to settle at $65.85 a barrel on the New York Mercantile Exchange. Total volume traded was about 11 percent below the 100-day average. Brent futures for August settlement added $1.90 to end the session at $75.34 on the London-based ICE Futures Europe exchange. The global benchmark crude traded at a $9.65 premium to WTI for the same month.

OPEC officials are also working on putting the cooperation between the cartel, Russia and other oil producers -- the so-called OPEC+ group currently comprising 24 nations -- on a permanent footing. That would be a major diplomatic breakthrough for Riyadh and Moscow after just two years of cooperation on oil policy. Meanwhile, Tehran said it has Iraqi and Venezuelan support to veto any proposal for more output. “If the Kingdom of Saudi Arabia and Russia want to increase production, this requires unanimity,” Hossein Kazempour Ardebili, Iran’s OPEC representative, said on Sunday. “Iran coming out and saying they are going to veto a production increase along with Venezuela and Iraq gave the market another reason not to be short,” said Phil Flynn, senior market analyst at Price Futures Group Inc. in Chicago. Oil prices are rising amid signals that “the loss of exports from Iran because of sanctions and the continuing decline in Venezuela oil production” will keep the impact of a potential OPEC output rise muted, he said. Gasoline futures rose 1.6 percent to settle at $2.0546 a gallon. Saudi Arabia’s crude exports jumped in the first half of June, before the world’s largest oil exporter meets with other producer states to thrash out a collective production policy. U.S. crude inventories probably decreased 2.75 million barrels last week, according to the median estimate of analysts surveyed by Bloomberg. Cushing, Oklahoma crude stockpiles fell 450,000 barrels last week, according to a forecast compiled by Bloomberg. Investors removed $79.8 million from the U.S. Oil Fund last week, the largest weekly outflow since mid-April, data compiled by Bloomberg show.

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Can Saudi Arabia prevent the next oil shock?

Energy Voice, *15.06.2018*

The ongoing speculation online about the future of cooperation between Russia and OPEC seems to be a little one-sided.

The main point of discussion up until now has been the fact that, due to international pressure (such as Trump's Twitter diplomacy, perceived Russian willingness to open up the taps and pressure from Asian consumers) Saudi Arabia will be willing to revoke its current production cut stance. Current volatility in the global oil market is, according to most analysts, due to fears that markets are facing a severe threat.

A doomsday scenario is being painted in the media which suggests that oil prices will collapse as Moscow and Riyadh allow for OPEC compliance to slip, and that a glut of Saudi crude will be hitting the market. This has been the leading theme in the last couple of days, after reporters stated that Moscow and Riyadh are ready to assist the market. At the same time, analysts and pundits support the thesis that Saudi Arabia is able to produce at least 12.5 million bpd, which will be hitting the market on short notice. No one has really assessed the Saudi spare capacity capabilities though, with a majority of analysts taking the aggressive rhetoric for granted. Saudi Arabia, the Kingdom of Oil, will be the savior of the oil universe as it holds not only 276 billion barrels of reserves, but also can hit the market with millions of barrels of Saudi sweet to confront or mitigate possible shortages caused by Venezuela's collapse, the lack of U.S. oil infrastructure, and the impact of Iran sanctions.

The main question to be answered, hopefully before reality hits us, is if the Kingdom of Oil really is capable of opening the taps and keep them open in the long term. Several analysts have been warning about the possible technical issues Saudi Aramco is facing for years. The lack of inside information into the world's largest NOC is one of the main reasons behind this. Some insiders have, however, been opening up some doors, indicating that Aramco could have hit a possible production ceiling, as production on several large fields, including Ghawar, has been hit by a long list of issues. In addition to the normal upstream problems, such as black powder, corrosion, biological fowling and misuse of seawater injection for decades, other issues could also affect overall capacity. Sources have seen major pipelines being blocked by corrosion and scaling, while other production has been hit by major sludging threats. These production issues are known, but the impact has never been able to be assessed fully. Financial analysts have always based their forecasts on open sources, such as reports from the IEA, EIA and OPEC, in which the statement is being repeated that Saudi Arabia has spare production capacity.

In recent years, especially since the Russia+OPEC production cut agreement, it became a fact of life. Existing production capacity of Aramco was seen as a law, and analysts even concluded that production cuts increased overall spare capacity by the same number. Few analysts dared to ask the main question: “If there is spare capacity available, can you prove the figures? At the same time, market watchers should have asked themselves the question: “When did Aramco ever produce even 11 million bpd in the last few years. Additionally, there are other indicators that Saudi Aramco could be fighting an increasingly difficult battle to keep overall production up in its existing fields. While analysts differ about the exact rates, production declines can be expected to be above 6 percent per year on average. If this is taken as a fact for all production in the Kingdom, additional new production needed to come onstream is around 600,000-750,000 bpd per year.

Hence the ongoing impressive investment schemes, which were even in place during the last oil crisis, as continuous innovation is needed to keep existing production at the same level. This fact is also a major driver for the ongoing discussion within Aramco to speed up conventional field developments on- and offshore, such as in the Arab Gulf (shallow water) and the current focus on shallow-deep-water Red Sea area. The costs of drilling and developing these projects are much higher, than the very easy onshore oil that Saudi Arabia traditionally drilled. Still, the need is there to keep overall production figures at the same level, while even trying to get additional spare capacity. With the widely published spare capacity of 2-2.1 million bpd, the need for these projects would be much less than current investments show. When these questions are not being addressed, but become reality, OPEC’s upcoming meeting will be put in another light. Without a real spare production capacity, or with a much lower capacity, the current discussion is null and void. Additional oil on the market will be constrained, leaving a ceterus paribus situation, with increased threats from Venezuela and Iran.

As U.S. bank Goldman Sachs already indicated, demand for crude oil and products is not showing any real slowdown. If production cuts stay in place, markets will tighten at an even faster pace. Despite the still elevated inventories and a small supply overhang, the Russia/OPEC mission has been mostly accomplished. A healthy appetite for crude, combined with an unexpected high level of compliance (or forced compliance in Venezuela’s or Libya’s case), has stabilized markets. Demand, as reported by all institutions and market watchers, is expected to be robust. The threat of higher oil prices culling demand is still very low, but will be looming on the horizon. For 2018-2019, no real risks exist for an oil price showdown. Without a real global financial crisis, lights are on green for a tight crude oil market for an extended period of time. OPEC’s Vienna meeting will not trigger a new oil glut. Some goodwill gestures might be expected, such as the use of Saudi’s floating storage, but in reality no options exist to move anything. Without major new investments outside of Saudi Arabia or the GCC region, the world is heading for higher prices long-term. Counting on Saudi Arabia’s spare capacity could be foolish.

Russia holds 18pct of total global proven gas reserves

Anadolu Agency, *22.06.2018*

Russia holds around 18.1 percent of total proven natural gas reserves globally, according to BP report.

The country holds 35 trillion cubic meters (tcm) of natural gas reserves while Iran follows with 33.2 tcm. LNG giant Qatar is ranked third with 24.9 tcm. According to the report, the Middle East is the leading region with 79.1 tcm of proven gas reserves, while Europe has the least amount with 3 tcm. In 2017, the gas production in the U.S. totaled 734.5 billion cubic meters (bcm), representing 20 percent of global gas output last year, the report revealed.

In natural gas output, the U.S. has been a world leader since 2009 when it first surpassed Russia in gas production. The U.S. is also a world leader in gas consumption since 1985 -- the year BP gas data was first released. "Global proved gas reserves are sufficient to meet 52.6 years of global production at 2017 levels. Israel was the largest single contributor to gas reserve growth," the report read.

Russian Novatek sends first LNG cargo to Spain's Fenosa

Anadolu Agency, *22.06.2018*

Russian Novatek's Yamal LNG shipped the first cargo of liquefied natural gas to Spain's Gas Natural Fenosa in accordance with a long-term offtake agreement.

Novatek said that annual sales volumes according to the 24-year contract were 2.5 million tons of LNG, which equals to more than 3 billion cubic meters of natural gas. The 170 thousand cubic meter Arc7 ice-class LNG carrier Fedor Litke unloaded the first cargo in the port of Mugardos in accordance with the lifting and delivery schedule, the statement added.

Novatek's Board Chairman Leonid Mikhelson called the shipment "a new milestone in Russian natural gas deliveries," as it was the first Russian gas delivered under long-term agreements to Spain where Russian pipeline gas is not supplied. "We look forward to fulfilling our long-term LNG contract by supplying clean-burning natural gas to Gas Natural Fenosa - the largest supplier of natural gas in the Spanish market," Mikhelson added.

Russia pushes ahead with controversial Nord Stream 2

Oil & Price, *21.06.2018*

Russia is talking up its yet to be built Nord Stream 2 natural gas pipeline that has put the U.S. at odds, not only against Russia, but against many of its EU partners.

Dmitry Peskov, a Kremlin spokesman, said on Monday that the pipeline is merely a commercial ambition. "We know that some countries express their disagreement. But we would like to reiterate that this project is purely commercial, it has no political background. Attempts to somehow disrupt the implementation of this project would certainly be a violation of the principles and norms of free competition."

Nord Stream 2 is a 759 mile (1,222 km) natural gas pipeline running on the bed of the Baltic Sea from Russian gas fields to Germany, bypassing existing land routes over Ukraine, Poland and Belarus. It would double the existing Nord Stream pipeline's current annual capacity of 55 bcm and is expected to become operational by the end of next year. Peskov's remarks come as the geopolitically divisive pipeline cleared another hurdle. Gazprom, the major force behind Nord Stream 2, said in a statement that on June 7 it had received the necessary permit to advance construction of the Nord Stream gas pipeline through Swedish waters. The permit for an approximately 510-kilometer section in the Swedish Exclusive Economic Zone (EEZ) was granted by Sweden's Ministry of Enterprise and Innovation, which is in charge of the application, Gazprom said. The Russian energy giant, in remarks covered in major Russian media outlets, said that the approval marked an "important milestone" for the project.

With Swedish approval, seabed intervention works, such as the construction of rock berms and concrete mattresses for cable crossings, will commence within months, while pipelaying in the Swedish EEZ is scheduled to start later this year, Gazprom added. Earlier this year, Nord Stream 2 received necessary permits from Germany and Finland. Denmark now stands in the way, putting the tiny country of some 5.7 million not only under intense pressure but also a regional even global spot light as it considers permits for the project. Upping the geopolitical ante even more, late last year Denmark passed legislation that could block the project being built in its coastal waters due to security concerns.

However, thought the proposed Nord Stream 2 route goes through Danish waters, the pipeline consortium is investigating an alternative route north of the Danish island Bornholm which would run in international waters and therefore not be impacted by a potential Danish ban. Ukraine, which has argued that it will lose revenue since the Nord Stream 2 project would bypass it, is pressing ahead to form a consortium of EU-based companies to stop the new pipeline. In words diametrically opposed to the Kremlin's recent remarks, Ukrainian President Petro Poroshenko said this week that "Nord Stream-2 is an absolutely political project against Ukraine, which has no economic component, trying to take away almost $3 billion away from the Ukrainian budget." "That is why we are now creating a group in the European Union, which should stop the Nord Stream-2.

That is why we are actively negotiating with Germany. We invite them to create an international consortium for the management of the gas transportation system of Ukraine," he added. Going forward, however, it's likely that Nord Stream 2 will be completed, even without Danish permission, a prospect that will not only help Russia protect its decades long monopoly over European gas markets but also continue to give the Kremlin uneasy geopolitical power over EU members. U.S.-based LNG producers offer the continent gas alternatives, but that option is not only more expensive than Russian pipeline gas but also faces headwinds amid claims that President Donald Trump is meddling in European affairs and also pushing his America First agenda by promulgating the use of U.S.-LNG.

European LNG imports up by 19.5% in 2017

Anadolu Agency, *15.06.2018*

Europe's net liquefied natural gas (LNG) imports were up by 19.5 percent to 7.5 million tonnes in 2017, compared to the previous year, according to the latest annual report of the International Group of LNG Importers (GIIGNL).

Europe's demand was mainly driven by demand for power generation. A combination of low hydropower, low nuclear production in France and hot weather in the summer led to the 9.1 million tonnes increase in southern Europe countries; France, Greece, Italy, Portugal, Spain and Turkey.

GIIGNL said in contrast, net imports to northern countries Belgium, the Netherlands and the U.K. declined by 2.1 million tonnes. "The decline is attributable to the U.K. which experienced a sharp drop in LNG intake due to the reduction of deliveries from Qatar," the report read. "Despite the increase in imports in 2017, Europe's share of global LNG imports has fallen by nearly 50 percent since 2010 mainly due to a decline in gas demand and to competition from pipeline imports," it explained. The European Union's (EU) natural gas demand increased by 6 percent to 491 billion cubic meters (bcm) while production fell by 3 percent to 128 bcm in 2017 compared to 2016. Russia remains the EU's top supplier via pipelines, covering 43 percent of total supplies, followed by Norway with 34 percent and LNG imports with 12 percent.

EU Commission probes Qatar Petroleum's LNG sales

Anadolu Agency, *21.06.2018*

The European Commission announced Thursday the launch of a formal investigation into restrictions on the free flow of liquefied natural gas sold by Qatar Petroleum in Europe.

The probe will assess whether supply agreements between Qatar Petroleum companies exporting LNG and European importers have hindered the free flow of gas within the European Economic Area, in breach of EU antitrust rules. Commissioner Margrethe Vestager, in charge of competition policy, said in a written statement that energy had to flow freely within Europe, "regardless of where it comes from".

"We have opened an investigation to look at whether there are problematic territorial restriction clauses in gas supply contracts with Qatar Petroleum," she said. Vestager underlined that such clauses might harm competition and prevent consumers from enjoying the benefits of an integrated European energy market. Qatar Petroleum is the largest supplier of LNG globally and to Europe, accounting for around 40 percent of the EU's overall LNG imports, according to the EC. The company controls several firms that produce and export LNG to Europe. The Commission will further investigate whether Qatar Petroleum's long-term agreements (typically 20 or 25 years) for the supply of LNG into the EEA contain direct and/or indirect territorial restrictions.

Shell concludes Malaysia LNG Tiga equity sale

Anadolu Agency, *13.06.2018*

Shell Gas Holdings (Malaysia) Limited, a subsidiary of Royal Dutch Shell plc, said Wednesday that the company had completed the sale of its 15 percent shareholding in Malaysia LNG Tiga Sdn Bhd (MLNG Tiga) to the Sarawak State Financial Secretary (SFS) for an agreed consideration of $750 million.

According to the statement, the transaction has an economic date of Sept, 1, 2017 and the net final consideration paid to Shell after adjustments for dividends the company received up to completion was approximately $640 million.

With the completion of this transaction, SFS increased its shareholding in MLNG Tiga to 25 percent, it said. The other shareholders are Petronas with 60 percent equity, Nippon Oil Finance (Netherlands) B.V. with 10 percent equity, and Diamond Gas (Netherlands) B.V., a Mitsubishi Corporation subsidiary with 5 percent equity. Shell said the sale was consistent with the company's strategy to simplify its portfolio and reshape itself into a "simpler, more resilient and focused" company. Following the expiry of the MLNG Satu and Dua joint venture agreements, MLNG Tiga was Shell's only remaining interest in the Petronas LNG complex in Bintulu, Sarawak, according to the statement. Malaysia LNG Sdn Bhd, a Petronas subsidiary, operates MLNG Tiga as part of the complex.

Norway grants 12 oil exploration licenses to 11 firms

Anadolu Agency, *19.06.2018*

Norway has awarded 12 oil and gas exploration licenses on the Norwegian continental shelf to 11 companies in its latest licensing round, the Ministry of Petroleum and Energy said.

The ministry said that nine of the licenses were located in the Barents Sea located off Norway's northern coast, while the remainder was located in the Norwegian Sea, which is a part of the North Atlantic Ocean, situated northwest of Norway. Petroleum and Energy Minister said that offering new acreage for exploration was a "vital" part of the government's petroleum policy.

"Through the 24th licensing round, additional promising acreage will be explored, thereby making new discoveries possible. This licensing round confirms that the oil companies see opportunities for further profitable petroleum activity in the north," Soviknes added. In the latest licensing round, 11 companies were offered participating interest, while six were offered operatorships. Norske Shell, AkerBP, Equinor, Idemitsu, OMV and Wintershall are among the companies which were awarded licences.

Spain's gas natural Fenosa signs €30bn supply deal with Algeria to 2030

Middle East Monitor, *15.06.2018*

Gas Natural Fenosa, one of Spain's largest energy companies, has renewed a deal to take natural gas from Algeria for another 12 years in what amounts to a €30bn agreement over the life of the contract, reported The Financial Times.

The deal will see Gas Natural Fenosa buy gas from Algeria's state-energy company Sonatrach equivalent to more than 40 per cent of the Spanish company's annual gas purchases and worth €2.5bn a year, according to a person familiar with the details.

In a statement, the company said its 40-year-old "partnership" with Sonatrach would be reinforced. The Algerian state-backed company already owns 4 per cent of the Madrid-listed energy company. "This agreement is a major step forward to strengthen our historical strategic alliance with Sonatrach," Francisco Reynés, executive chairman of Gas Natural Fenosa said in a statement. "This renewal guarantees the stability of gas supply to Spain."

Romania and Bulgaria prepare for BRUA-TAP link

Interfax, *15.06.2018*

The transmission system operators (TSOs) of Romania and Bulgaria are working together to connect the Bulgaria-Romania-Hungary-Austria (BRUA) pipeline to the TAP.

The move may be good news for companies operating in the Black Sea, which had intended to use BRUA to send gas to Austria's Baumgarten hub but were frustrated by Hungary's move in July last year to exclude Austria from the project. Ciprian Octavian Alic, director of the European Funds Accessing and International Relations Division at Romanian TSO Transgaz.

Hungary's MOL buys Eni's Adriatic offshore gas stakes

Anadolu Agency, *21.06.2018*

Hungarian integrated oil, gas and petrochemicals company MOL Group agreed to buy Eni Croatia BV, a wholly-owned member of Italy's Eni Group, through its Croatian unit INA.

INA will become the 100 percent owner and the sole operator of the Northern Adriatic and Marica fields after all conditions are fulfilled, including receiving clearance from the antitrust authorities, wich is expected in the coming months, a press release said. The transaction covers 4.3 million barrels of oil equivalent proven and probable reserves and would increase hydrocarbon production by around 2,500 boe per day.

INA will also become, for the first time in its history, the sole operator of offshore fields, the company noted, adding that this would also allow INA to carry out further investment in the Northern Adriatic and Marica areas. Following the transaction, all gas produced in the Northern Adriatic concession area will be directed towards the Croatian supply system. The gas produced in the Marica area will continue to be transported to Italy, under a gas sales contract between INA and Eni.

Azerbaijan's pipeline conundrum

Oil & Price, *16.06.2018*

Upwards of a thousand dignitaries – including the presidents of Turkey, Georgia, Azerbaijan, Ukraine, and Serbia – assembled June 12 at a barren site outside the northwestern Turkish city of Eski?ehir to take part in a new Turkish tradition: the glitzy infrastructure commissioning ceremony.

The occasion was the inauguration of the first phase of the Trans Anatolian Gas Pipeline (TANAP), designed to carry gas from Azerbaijan via Turkey to Europe. The pipeline's construction is now almost complete, but questions remain about its prospects. First announced in November 2011 by Azerbaijan's state oil company, SOCAR.

TANAP is being developed by a consortium led by SOCAR, with junior partners the Turkish state gas company BOTA? and British giant BP. It is designed to realize the European Union’s long-stated plan of creating a “Southern Gas Corridor” to compete with Russian gas, which currently accounts for the bulk of imports into the EU. While other pipeline projects designed with the same aim have failed to get off the ground, TANAP has succeeded in forging a commercial link between the consortium developing Azerbaijan’s Shah Deniz gas field on the one hand and gas buyers in Europe on the other. With the first phase now complete, gas is scheduled to start flowing to Turkey at the end of June. The ceremony was timed to get ahead of Turkish elections on June 24, which have turned into an unexpectedly tight contest for Turkish President Recep Tayyip Erdogan, who is seeking to maintain control of the Turkish parliament as well as his own office.

The election added drama to the proceedings, with martial music and giant high-tech video projections preceding speeches by Erdogan, Azerbaijani President Ilham Aliyev and the presidents of Serbia and Ukraine, in a ceremony clearly designed for TV audiences across Turkey. Blatant electioneering was kept to a minimum, however, and speakers focused more on the significance of the close relations between Turkey and its neighbor Azerbaijan as well as the significance of TANAP itself. “TANAP has been realized through the strong, joint political will of Turkey and Azerbaijan. It was a major challenge, both financially and technically, but we did it,” Aliyev said. Erdogan went further: “When TANAP was first announced, some said it was a dream and could never be realized, but we were patient and proved them wrong,” he said. At 1,850-kilometers long and costing around $11 billion, few would argue that constructing TANAP is anything other than a major achievement, not least because it forms the main component of the EU’s 3,500-kilometer Southern Gas Corridor.

But while gas can now be shipped from Azerbaijan’s Caspian Sea to northwestern Turkey, much must be done before the entire corridor is complete As it stands, the completed section of TANAP can carry 31 billion cubic meters (bcm) a year of gas but has commitments of only half that, about 16 bcm, and in its current phase can supply only up to 6 bcm a year of gas to Turkey, where it will find a ready market. The remaining 10 bcm of committed gas is to be transited to the Turkey-Greece border where it will be transferred to a second pipeline, the 20 bcm Trans Adriatic Pipeline which is slated to carry the gas through Greece and Albania and across the Adriatic to Italy, where existing infrastructure can carry it to European markets, starting in the middle of 2019. The final section of TANAP running to the Turkey-Greece border is scheduled to be completed as planned, but the Trans Adriatic Pipeline has run into problems. Construction was already behind schedule before Italy’s newly elected Euroskeptic government last week announced that it saw no reason to support the project and launched a “review.” That has raised the specter of construction being canceled, leaving the Southern Gas Corridor incomplete, TANAP without an export route, and Azerbaijan itself without a major source of income from gas sales.

“Almost $40 billion has been invested over the past decade in bringing Azeri gas to Europe, and now the project is threatened because the last 108 kilometers of pipeline can’t be completed,” said John Roberts, a Caspian gas analyst, though he predicted that ultimately a compromise will likely be found. “A lot of money is riding on the prospect of gas flows into southern Italy and northwards into Europe,” noted William Powell, editor in chief of Natural Gas World. Fortunately for Azerbaijan and Turkey, alternatives do exist: Azerbaijani gas could be carried from TANAP to Greece and Bulgaria and on to other markets in southeastern Europe via existing pipelines and planned interconnectors. Hence the appearance of the presidents of Serbia and Ukraine at the commissioning ceremony, heaping pre-election plaudits on Erdogan, as well as on Aliyev, and confirming their respective interests in importing gas from Azerbaijan via TANAP.

“We fully support the creation of new gas transit routes and want to receive gas from TANAP via Bulgaria and Romania,” Ukraine President Petro Poroshenko said at the ceremony, pointing to Russia’s notorious past use of gas cuts to put political pressure on Kyiv. Those sympathies were echoed by Serbian President Aleksandar Vu?i?, who confirmed both his admiration for Erdogan and his country’s readiness to take gas from TANAP. In the short term, both may face disappointment with the Trans Adriatic Pipeline issue likely to be resolved and gas flows to Italy started, if not on time, then without major delays. Over the longer term, though, TANAP still has nearly half its capacity unallocated, which Azerbaijan hopes to fill with gas expected from new Caspian fields now under development. That gas is projected to come online within five years: just in time for the next Turkish elections.

Anadarko in heads of agreement with Tokyo Gas and Centrica to sell Mozambique LNG

Energy Pedia, *14.06.2018*

Anadarko has announced Mozambique LNG1 Company, the jointly owned sales entity of the Mozambique Area 1 co-venturers, has signed a Heads of Agreement with Tokyo Gas and Centrica LNG for the long-term supply of LNG.

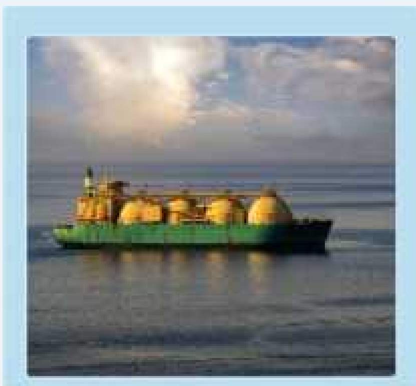
The co-purchasing off-take agreement calls for the delivered ex-ship supply of 2.6 million tonnes per annum (MTPA) from the start-up of production until the early 2040s. ‘Tokyo Gas and Centrica have a strong global reputation in the industry we are delighted they have made this commitment.

‘At 2.6 MTPA, this HOA represents a significant portion of the marketing off-take target we have set for FID, and it further reinforces our previous updates on the project, which have stated our focus now is on converting these non-binding commitments into fully termed Sale and Purchase Agreements. Importantly, this HOA brings together the Anadarko-led Mozambique LNG project and two additional prestigious customers, and it is closely aligned with the Japanese government’s desire for a competitively priced and flexible long-term supply of LNG to enhance the nation’s energy security. ‘This off-take arrangement takes full advantage of Mozambique’s favorable central location, which enables Mozambique LNG to supply customers in both the European and Asian-Pacific markets,’ added Ingram. ‘The innovative co-purchasing arrangement provides flexibility to assist both customers in proactively managing demand fluctuations in their own home markets.’

The Anadarko-operated Mozambique LNG project will be Mozambique’s first onshore LNG development, initially consisting of two LNG trains with total nameplate capacity of 12.88 MTPA to support the development of the Golfinho/Atum fields located entirely within Offshore Area 1. Anadarko operates Offshore Area 1 with a 26.5-percent working interest. Co-venturers include ENH Rovuma Area Um (15 percent), Mitsui E&P Mozambique Area1 (20 percent), ONGC Videsh (10 percent), Beas Rovuma Energy Mozambique (10 percent), BPRL Ventures Mozambique (10 percent), and PTTEP Mozambique Area 1 (8.5 percent).

LNG spot prices in Asia spike to four-year highs

Oil & Price, *18.06.2018*



Asian spot LNG prices continue their upward trajectory, reaching seasonal highs not seen since mid-2014 when global oil prices were trading over $100 per barrel.

This time, however, spot prices aren’t spiking on the back of exorbitantly high global oil prices but come as buyers in North Asia compete for cargoes with Mexico and Egypt amid supply outages from global producers. Production setbacks in the United States, Australia and Malaysia also tightened supply, while recent LNG trading volumes in Asia have also been supported by the restocking of depleted inventories.

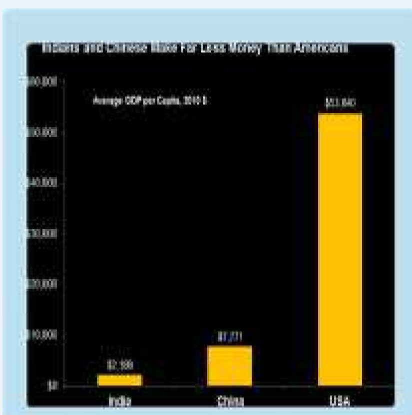
Spot-LNG refers to LNG that is traded on a cargo to cargo basis, and does not mean term contracts of LNG (so-called long, medium, and short-term contracts). Long term LNG contracts are priced to an oil-indexation formula thus are more sensitive to swings in global oil prices than spot prices. However, spot prices are also affected to some degree by changes in oil prices. Spot LNG prices for July delivery in North Asia spiked some $1.80 per million British thermal units (MMBtu) last week to settle at $11.60/MMBtu – a massive increase for the super cooled fuel and a seasonal four year high. This time last year prices hovered just under $6/MMBtu.

Sharp price gains forced portfolio LNG players and end-users in Asia to urgently fill short positions, paying well in excess of $11.60/MMBtu, Reuters said in a report. One source at an Asian producer said that producers were offering August cargoes at $12/MMBtu. Japan Korea Marker (JKM) prices for LNG hit $11.40/MMBtu last week, increasing by 95 cents on Thursday, the largest single-day price movement for the Asian benchmark since March 2011. The price increases are exceptional since they come during spring months in the Northern Hemisphere when LNG demand is usually tepid. Demand for LNG and consequently its price increases during cold winter months in North Asia and drop considerably during milder spring months, and often pick back up to some degree again during hot summer months amid more air conditioning usage. The concern now for LNG users and traders is that high mid-year prices could translate to even higher prices for the upcoming winter season.

North Asian buyers, Japan, China, and South Korea represent the three largest LNG buyers in the world, with that demand growth projected to increase even more as China buys more natural gas to offset record air pollution levels in its urban centers and per Beijing's mandate that gas make up at least 10 percent of the country's energy mix by 2020.. Further gas earmarks are set for 2030. China's LNG imports for the first four months of 2018 were up almost 60 percent compared to the same period last year. In December, China passed South Korea to become the world's second largest importer of LNG. According to commodities data provider S&P Platts Global, China imported 5.05 million mt of LNG, up 38.25 percent year on year, registering its single highest ever monthly import volume since it started importing LNG in 2006. China's increased LNG procurement could also shorten the ongoing supply glut of the super cooled fuel that until around a year ago was projected to last until round 2022, even later. China's gas demand is projected to triple to more than 400 bcm by 2040 from 210 bcm in 2016, the Paris-based International Energy Agency (IEA) said in November, a development that has already altered gas markets in Asia, and even globally.

What if India and China used natural gas and oil like the U.S.?

Forbes, *13.06.2018*



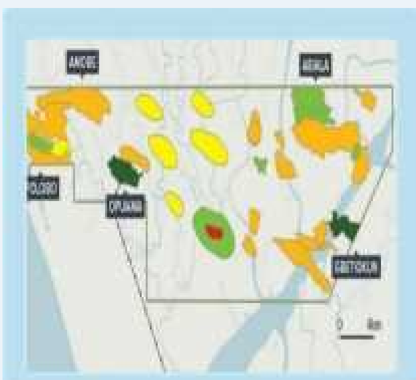
BP's just released Statistical Review of World Energy 2018 has got my wheels turning. The first thing you should know is that global energy consumption has essentially just begun: around 85% of the global population - 6 in every 7 humans - still lives in developing nations.

They don't live in rich cities, like San Francisco, Toronto, New York City, Los Angeles, London, or Tokyo; they live in poorer ones, like Mumbai, Lagos, Jakarta, Guangzhou, Calcutta, and Karachi. This is where the future energy action is man: at least 90% of future demand will be in nations that are currently not developed.

We rich, “all the energy that we want at our fingertips” Westerners still aren’t grasping a sad and cold reality: most of the world is poor and energy deprived. Given that economic growth, especially in the still developing nations where energy demand structures are still immature, is directly tied to more energy usage. So, this has got me thinking about the future energy demands of the world, which of course naturally focuses on the most critical giants, India and China. These two coal-based titans have really just started to consume natural gas and oil. For the picture left, don’t forget that “wealth is health.” The really tragic part of this next graphic is how a lack of access to electricity continues to block human development around the world. This reality that is tragically and regularly ignored is truly the world’s biggest problem. Sadly, the International Energy Agency’s, the most vital energy entity in the world, definition of “electricity access” is woefully inadequate: it’s 75 kWh per year, or what we Americans use in two days. In other words, whenever you cite the IEA’s energy access statistics (such as 1.3 billion people today having no electricity) you are citing numbers that are way too low. Electricity is the sine qua non of modern life: without it, there’s nothing. As rich Leonardo and Al fly the world, seeking to block access to critical sources of energy like oil, coal, and gas, the digital divide continues to expand.

Eland Oil & Gas completes Opuama-9 well for production

Energy Pedia, *14.06.2018*



AIM-listed Eland Oil & Gas, an oil & gas production and development company operating in West Africa with an initial focus on Nigeria, has announced that its joint-venture subsidiary Elcrest Exploration and Production Nigeria has successfully drilled and completed the Opuama-9 well. The production tree is currently being installed and Opuama-9 well is expected to be handed over to the Opuama field production team in the coming week.

The well will then flow test into the production facilities and on to export.

Under the regulatory guidelines, the Opuama production team will conduct a Maximum Efficient Rate Test (‘MER Test’) incrementally testing the well at increasing choke sizes. It is expected that, following completion of the MER Test, initial gross production from Opuama-9 will be at the upper end of our guidance of between 4,000 and 6,000 barrels of oil per day (‘bopd’) (1,800 - 2,700 bopd net to Elcrest). On completion of the MER test the Company will announce the initial production rates. Furthermore, following the successful completion of Opuama-9 infill well, the OES Teamwork Rig will mobilise to the Opuama-10 drill site with spudding expected in June. Initial gross production is expected to be between 4,000 and 6,000bopd (1,800 - 2,700 bopd net to Elcrest).

PETFORM

Second fire shrinks storage capacity amid fighting at Libyan oil ports

Reuters, *17.06.2018*

Libya's National Oil Corporation (NOC) said storage capacity at Ras Lanuf port had been cut by 400,000 barrels after a second crude oil tank was set on fire amid fighting between rival factions for control of two key export terminals.

The NOC warned that the blaze that broke out at storage tank No. 2 early on Sunday could spread to three further tanks, which would "stop exports from Ras Lanuf port completely". Such an outcome would be a major blow for Libya's oil industry, which despite continuing political turmoil had staged a partial recovery over the past two years, raising national production to just over one million bpd.

Fighting over Ras Lanuf and the neighboring oil port of Es Sider began on Thursday, when an armed force opposed to Khalifa Haftar's Libyan National Army (LNA) stormed the terminals. The attack led the NOC to shut the ports and evacuate its workers, declaring force majeure on exports. Both terminals had been badly damaged in previous fighting, but had resumed operations after the LNA took control of them in September 2016. Before the latest clashes there were five functioning crude oil storage tanks at Ras Lanuf, the NOC said in a statement. Tank No. 12 was set alight on Thursday, and tank No. 2 caught fire on Sunday, reducing storage capacity at Ras Lanuf from 950,000 barrels to 550,000 barrels, it said. Tank No. 2 held 200,000 barrels of crude before it was hit, and No. 12 held 240,000 barrels, a fire fighting official said, adding that crews were running out of foam to contain the blazes.

The NOC earlier put the immediate production loss from fighting at the ports at 240,000 barrels per day, expected to rise to 400,000 bpd if they remained shut. LNA sources have said they are preparing a counter-offensive, and there have been daily air strikes in the area since Thursday. The NOC reiterated a call for Ibrahim Jathran, the armed group leader who announced Thursday's attack, to withdraw immediately from the ports, warning of further damage to key infrastructure. Jathran had controlled and blockaded the ports before losing them to the LNA two years ago. He has said he wants to overturn the "injustice" exacted by the LNA on residents of the oil crescent since then. He issued a video statement on Sunday saying he would deliver the ports to the control of the internationally recognized Government of National Accord (GNA) in Tripoli, which Haftar opposes, and to the NOC.

However, the head of the GNA has condemned Thursday's attack and disassociated the GNA from it, while the NOC has castigated Jathran for his previous blockades, which it said lost Libya tens of billions of dollars in export revenues. Jathran said his forces were holding 20 prisoners whom they would hand over to the Red Crescent, and called for the formation of a committee of tribes from eastern and western Libya to mediate an end to the fighting. The LNA has accused the Benghazi Defense Brigades (BDB), a group of anti-Haftar combatants that has previously tried to take the oil crescent and advance on Benghazi, of participating in Thursday's attack. Haftar took full control of Benghazi late last year, after a three year military campaign named "Operation Dignity" against Islamists and other opponents.

Moody's: Oil dependence challenge for Nigeria, Angola

Anadolu Agency, *19.06.2018*

Nigeria and Angola's continued dependence on oil and gas will create challenges for both countries in the coming years, the global rating agency Moody's said.

"Both Nigeria and Angola have seen their credit profiles come under pressure following the oil price shock in 2014," a statement by the company said. "For Angola, the key issue will be managing its liquidity pressures and higher debt burden alongside further currency devaluation. For Nigeria, it will be improving its ability to generate revenue," it added. With oil prices beginning to recover in 2017.

It is both countries saw rising production in their oil and natural gas industries. "The rise in hydrocarbon production will support growth in both countries and will help to stabilize their deficits," Moody's said. Yet, revenue generation is still a key weakness for Nigeria, while Angola finds it difficult to cut its large debt load, according to the rating agency. Meanwhile, Nigeria has struggled to reform its oil sector and increase transparency in the industry, Moody's said, adding that Angola, on the other hand, had created a transparent environment for its oil industry. Moody's underlined, however, that Angola's main challenge in oil production was higher costs, in which sustainable higher oil prices were crucial for future investment in the sector. Nigeria's credit rating is 'B2' with a stable outlook, while Angola's is 'B3' with a stable outlook, according to the rating agency.

US has most customers in LNG market in 2017

Anadolu Agency, *15.06.2018*

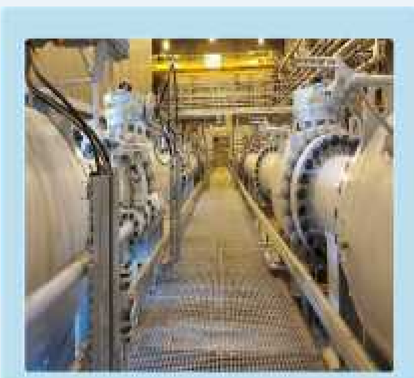
The U.S. lead the global liquefied natural gas (LNG) market in terms of customer diversification, according to the annual report of the International Group of LNG Importers (GIIGNL).

The group said the U.S. delivered LNG to 25 different countries in 2017, compared to 13 countries in 2016. Qatar followed the U.S. with LNG supplies to 24 countries and Nigeria increased its country customer numbers from 21 in 2016 to 24 in 2017. Around 40 percent of U.S. exports ended up in Asia, 34 percent were sent to the Americas, 15 percent went to Europe and 11 percent to the Middle East. Due to rising demand in Asian markets.

Also, it is to the growing availability of Australian LNG volumes, intra-Pacific LNG flows retained the lion's share of global LNG flows with a 44 percent stake. According to the report, despite several delayed start-ups, new liquefaction capacity continued to come online in various areas of the world ranging from the U.S. to Australia, Malaysia and Russia, leading to a 9.9 percent increase in LNG supplies compared with 2016.

Global gas trade up by around 6pct in 2017

Anadolu Agency, *18.06.2018*



Trade of natural gas worldwide increased by 5.88 percent in 2017 year-on-year, according to British Petroleum's recently released Statistical Review of World Energy 2018 report.

BP noted that around 1.13 trillion cubic meters of gas was traded in the global market last year, up from 1.07 trillion cubic meters in 2016. The report showed that 65 percent of the natural gas trade was made through pipelines, with the remainder in LNG. Last year, 740.7 billon cubic meters (bcm) of gas was sold through pipelines, while LNG sales stood at 393.4 bcm.

Russia led natural gas sales via pipelines in 2017 with 215.4 bcm, while Germany saw the most gas demand with 94.8 bcm. Norway was the second country with the most exports by pipeline, and Canada ranked third. As for LNG sales, Qatar sold 103.4 bcm of LNG, followed by Australia with 75.9 bcm, and Indonesia with 21.7 bcm. The countries with the most LNG demand were Japan, South Korea and China. The total amount of LNG purchased by the three Asian countries totalled 217.8 bcm.

Brent up 2.7 pct as OPEC debates smaller output boost

Brookings, *19.06.2018*

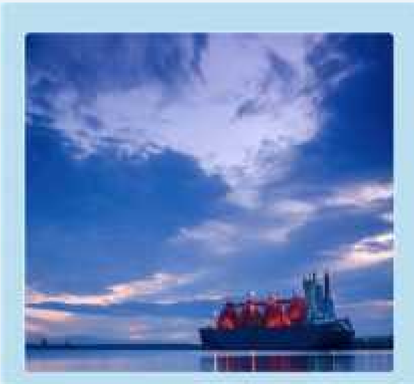
Crude oil prices gained close to 3 percent as a possible output hike by OPEC members and Russia is reported to be smaller than anticipated.

Price of Brent crude rose to as high as $75.46 per barrel on Monday, after Friday's close at $73.44 a barrel, a gain of 2.7 percent. WTI climbed to as much as $65.81 per barrel on Monday, marking a 2.5 percent increase after having closed at $64.19 a barrel. OPEC will hold its next semiannual meeting and Saturday, during which Russia was initially reported to demand that cartel members and non-OPEC countries increase their total output by 1.5 million barrels a day.

However, later reports in the U.S. media suggested that OPEC members are now proposing to boost total output by 300,000 to 600,000 barrels per day. As the output hike is now estimated to come under the initially anticipated level, investors have taken a relief and adopted a buying position in the market, analysts have said.

What will follow the age of oil?

Anadolu Agency, *21.06.2018*



U.S. natural gas production will increase by 10 percent this year alone and by as much as 60 percent by 2037, a new report from IHS Markit has forecast. The market research company is extremely upbeat about U.S. gas because of the shale gas revolution, seeing the country becoming a leading LNG exporter thanks to this revolution as well.

Besides production, IHS analysts also raised their estimates of gas supply in the United States that is economical at prices below the US$4 per MMBtu Henry Hub benchmark price—from 900 trillion cubic feet in 2010 to 1,250 trillion cubic feet.

Thanks to this consistent cost decline, IHS expects natural gas to come to account for almost half of power generation in the country by 2040, from about 42 percent today. To date, the U.S. produces around 81 billion cubic feet of natural gas daily. That's up from 50 billion cubic feet before the shale boom, but if IHS estimates are correct, the daily average will expand to 118 billion cubic feet by 2037. That's good news for the power generation sector where coal and nuclear plants are being retired at a faster pace now that there is so much cheap gas around. Moody's earlier this month estimated that growing gas production will make it possible to offset the loss of 35 GW of power generation capacity from plant retirements over the next five years. Sure, some renewable installation additions will help, too, but gas-fired plants will be the dominant alternative to coal and nuclear.

Since the United States cannot consume all this gas, a lot more of it will go to international markets, with IHS expecting the daily average LNG export rate in five years at a minimum of 10 billion cubic feet natural gas equivalent. That's up from an estimated 3 billion cubic feet this year and 1.9 billion cubic feet last year. There might be a temporary problem with gas exports in the near term as a result of the tariff match between Washington and Beijing, though. Beijing threatened it would respond to the latest tariff round announced by Washington with the introduction of its own tariffs on U.S. petroleum, gas, and coal imports. Shale producers have warned that this will have negative consequences for all energy exports since China is one of the biggest export markets for the industry.

Besides exports, another growth industry for the new gas revolution will be petrochemicals. IHS estimates that this revolution will drive capital investments of more than US$120 billion over the period from 2012 to 2020 into expanding petrochemicals capacity. Natural gas is finding its way into the transport and logistics sector. Though not popular as a fuel for vehicles—at least compared with gasoline—gas is becoming attractive. Earlier this month, UPS said it will spend US$130 million on the acquisition of a fleet of 730 vehicles running on compressed natural gas and on building five CNG fueling stations. The shale boom made natural gas abundant and cheap, and if IHS is right, it will only increase in abundance and decrease in cost in the future. While this may not be too good for producers' bottom lines, it's good for pretty much all other industries. We might see the gas age replace the oil age within our lifetimes.

Announcements & Reports

Quarterly Gas Review – Analysis of Prices and Recent Events

Source : OIES
Weblink : https://www.oxfordenergy.org/publications/quarterly-gas-review-analysis-prices-recent-events-issue-2/

OPEC at the Crossroads

Source : OIES
Weblink : https://www.oxfordenergy.org/publications/opec-at-the-crossroads/

Upcoming Events

American Petroleum Institute-International Association of Oil & Gas Producers (API-IOGP) Cybersecurity Europe Conference for the Oil & Natural Gas Industry

Date : 27 - 29 June 2018
Place : London
Website : www.api.org/products-and-services/events/calendar/2018/cyber-europe

27th World Gas Conference

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

Libyan-European Oil & Gas Summit

Date : 25 - 29 June 2018
Place : Vienna
Website : libyaogs.com

Eastern Unconventional Oil & Gas Symposium 2018

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

Four Corners Oil & Gas Conference

Date : 09 August 2018
Place : Farmington
Website : https://www.fourcornersoilandgas.com/

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/