

## TANAP project vital for Turkey, Azerbaijan: Erdogan

Anadolu Agency, 10.07.2018



The Trans-Anatolian Natural Gas Pipeline (TANAP) is a vital project for both Turkey and Azerbaijan.

Speaking at a joint news conference with his Azerbaijani counterpart Ilham Aliyev. Erdogan -- resh off his inauguration as Turkey's first executive president -- said: "TANAP is a vital project for both us and Azerbaijan". TANAP, which went live in June, is a natural gas pipeline stretching from the Turkish-Georgian border to the Turkish-Greek border to supply natural gas to both Turkey and also European countries.

The 1,850-kilometer pipeline is the largest section of the 3,500-kilometer Southern Gas Corridor, which was inaugurated on May 29 in Baku. Erdogan said the project has great importance in terms of making a connection between Azerbaijan and Europe, besides the connection between Turkey and Azerbaijan. "It also carries importance in that it is a strategic investment," Erdogan said. The president emphasized that Turkish-Azeri relations are strengthened on the basis of "one nation, two states," referring to the Turkic roots of both. Erdogan's trip to Azerbaijan is his first state visit since Monday's inauguration to a second term, under Turkey's new presidential system of government, continuing the tradition of Turkey's leaders first visiting Azerbaijan and the Turkish Republic of Northern Cyprus (TRNC) after taking office. Turkey officially switched to a new presidential system of government after Erdogan on Monday took the presidential oath of office to become the Republic of Turkey's first president under its new government system.

His re-election in the June 24 polls marked Turkey's transition to an executive presidential system of government, doing away with the prime minister's post, among other changes. Erdogan won an absolute majority in the presidential election with 52.5 percent of the vote, according to Turkey's Supreme Election Council (YSK).



## Baku-Tbilisi-Ceyhan p/line delivers 3 bbl oil in 12 yrs

Anadolu Agency, 07.07.2018



The Baku-Tbilisi-Ceyhan (BTC) pipeline delivered 2.99 billion barrels of Azeri oil from Ceyhan marine terminal in the Adana Province of southern Turkey to international oil market since 2006, according to Turkey's BOTAS Pipeline Corporation on Saturday.

The 1,776 kilometer-long BTC pipeline, which ends in the Ceyhan port, was built by the Baku-Tbilisi-Ceyhan pipeline company, BTC Company. It became operational in June 2006 and has a capacity of 1.2 million barrels per day.

It delivers Azeri light crude -- mainly from the Azeri-Chirag-Guneshli field -- through Georgia to Turkey's Mediterranean port of Ceyhan for further export via tankers. Oil deliveries from the Ceyhan marine terminal in the Adana Province of southern Turkey reached 2.99 billion barrels in 12 years, according to Turkey's BOTAS Pipeline Corporation. BOTAS' data showed that over 3.9 thousands tankers transferred Azeri oil to the world market from the Haydar Aliyev Marine Terminal in Ceyhan since 2006. The largest amount of oil deliveries was made in 2010 with 286.2 million barrels and the lowest was made in 2006 with 57.7 million barrels.

The pipeline transferred 57.7 million barrels of oil in 2006 when started to pump oil. The BTC pipeline delivered 252.7 million barrels of oil in 2017. In addition to that from the beginning of this year 127 million barrels of Azeri oil were delivered via BTC until today.

# June's oil exports surge in Saudi Arabia, Kuwait, Iraq

Kallanish Energy, 05.07.2018



OPEC core members Saudi Arabia, Kuwait and Iraq have all increased crude oil exports in June, while drops were seen in Iran and Venezuela, Kallanish Energy learns from TankerTrackers.com this week.

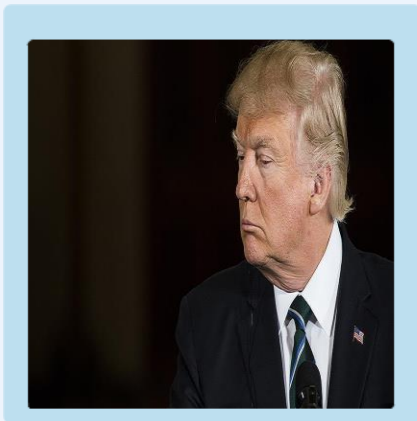
According to the tracking, shipping and storage data analysts, Saudi Arabia exported 7.57 million barrels per day (MMBPD) last month – an increase of 160,000 BPD from May, when it shipped 7.41 MMBPD. The volume was the highest since July 2017, but 3.19% lower than exports in June of last year.

Japan was the largest market for the Saudi crude, purchasing 1.25 MMBPD, or 16.51% of the kingdom's market share. Some 901,064 BPD went to South Korea (11.89%), 799,352 BPD to China (10.55%) and 700,778 BPD to India (9.25%). The U.S. (8.34%) was among the five-largest destinations, receiving some 631,419 BPD of crude. Kuwaiti exports were up roughly 140,000 BPD, to 2.16 MMBPD. Iraqi shipments, including exports from southern Iraq (Basra) and the Kurdistan Regional Government (KRG) rose 170,000 BPD, to 4.02 MMBPD – that's more than Iran is currently pumping. Amid anticipated supply disruption concerns ahead of U.S. sanctions in November, Iranian oil exports have already started to drop. Last month, shipments plunged 8.46%, or 220,000 BPD, to 2.38 MMBPD. Year-over-year, June's exports were up 11.73%, or 250,000 BPD.

India took 23.49%, or 559,467 BPD of Iranian oil and China another 23.39%, or 557,211 BPD. Other major destinations included South Korea (252,178 BPD), Japan (205,885 BPD) and the UAE (184,077 BPD). Venezuelan exports totaled 1.01 MMBPD, according to the analysts, with the U.S. accounting for 30.25% of its market share, importing 308,402 BPD. India took a 26.93% chunk of the shipments (274,571 BPD) and Singapore 17.44% (177,852 BPD).

# Iran asks Trump to 'pls stop' tweets for oil price cuts

Anadolu Agency, 07.07.2018



Iran's OPEC governor has slammed the latest tweet of U.S. President Donald Trump in which he ordered OPEC to bring down oil prices.

Shana posted the full message of Hossein Kazempour Ardebili to Trump, in which the senior Iranian energy official asked the U.S. president to "pls stop," or the prices will go even higher. In a tweet posted on Wednesday, Trump said: "The OPEC Monopoly must remember that gas prices are up & they are doing little to help. If anything, they are driving prices higher as the United States defends many of their members for very little \$'s. This must be a two way street."

Ardebili accused Trump of imposing sanctions on major oil producers, and then asking them to bring down the prices. "Mr. President, may I ask you, what are you talking about? OPEC has not defined oil prices for the past 30 years, it is a financial market and regional hubs for marker crudes," Ardebili retorted. "Who does it?! You impose sanctions on major producers, founders of OPEC, and yet you are asking them to reduce the prices?! Since when did you start ordering OPEC! Your tweets have driven the prices up by at least \$10/b [per barrel]," he continued. "Pls stop it, otherwise it will go even higher!" Ardebili urged. Here is the remainder of his message: "Your Excellency, there are not that much oil available to respond to your orders; you are hammering on good guys in OPEC, which you are claiming, you are defending them. You are actually discrediting them and undermining their sovereignty, we expect you to be more polite.

"Our brothers in Saudi Arabia are a proud Muslim nation, educated and mature who do not let you talk with such rhetoric. And you say it is a two way road!? We are also in this highway. "Mr. President, we may have some differences with our brothers but have learned how to live together; You want to escalate the situation, I advise you to rush to join Vienna talks of tomorrow?!" The price of International benchmark Brent crude dropped slightly to \$77.82 per barrel as of 09.30 a.m. local time (0630GMT) Thursday, compared to \$77.94 on Wednesday.

# Eni declares 2nd oil prospect in onshore Egyptian basin

Anadolu Agency, 10.07.2018



Well opens for production and delivers 5,130 barrels of light oil per day at gravity of 37° API, Eni announces. Italy-based multinational energy company Eni announced a second light oil discovery on Monday on the B1-X exploration prospect located on the South West license in the Egyptian Western Desert, 130 kilometers north of the oasis of Siwa.

The well is the second drilled by Eni to explore the deep geological sequences of the Faghur Basin, the company announced in a press release. "SWM B1-X has been drilled seven kilometers away from the first discovery"

"SWM A2-X, to a total depth of 4,523 meters and encountered 35 meters net of light oil in the Paleozoic sandstones of Dessouky Formation of Carboniferous age and in the Alam El Bueib sandstones of Cretaceous Age," the press release read. The well opened for production in the Dessouky sandstones and delivered 5,130 barrels of oil per day of light oil with a gravity of 37° API, the press release said. The API, an acronym of American Petroleum Institute, is used to classify gravity of oils as light, medium, heavy, or extra heavy. As the "weight" of an oil is the largest determinant of its market value. Oil over 31.1° API is considered to be good quality light oil. According to Eni's statement, the discovery on the B-1X confirms the high exploration and production potential of deep geological sequences of the Faghur Basin. Consequently, in the near term, the company plans drilling of other exploratory prospects located near the A2-X and B-1X discoveries to consolidate what could result in a new productive area for Eni in Egypt.

Eni, through its subsidiary the International Egyptian Oil Company (IEOC), holds a 100 percent stake in the South West Meleiha license. IEOC through its operating company Agiba, which is equally held by IEOC and the Egyptian General Petroleum Corporation, currently produces 55,000 barrels of oil equivalent per day from the Egyptian Western Desert.



## Kazakhstan's oil output rises 6.2% in first half of year

Reuters, 10.07.2018



Kazakhstan's oil output rose 6.2 percent year-on-year in the first half of 2018 to 45.2 million tonnes, Energy Minister Kanat Bozumbayev said on Tuesday.

Output at Tengizchevroil, owned by Chevron, ExxonMobil, Lukoil and KazMunayGaz was 14.7 million tonnes. The giant Kashagan field, developed by Eni, ExxonMobil, CNPC, Shell, Total, Inpex and KazMunayGaz, produced 6.2 million tonnes. The Karachaganak field, operated by a consortium led by Shell and Eni, produced 6.3 million tonnes.

Kazakhstan's total oil exports from January to June rose 6.0 percent from the same time a year ago to 36.5 million tonnes, Bozumbayev told a government meeting.

## Energy prods. form 75% of EU imports from Russia in '17

Anadolu Agency, 12.07.2018



Over three quarters of all EU imports from Russia were energy products in 2017, according to a newly released article by the European Commission (EC) on Thursday.

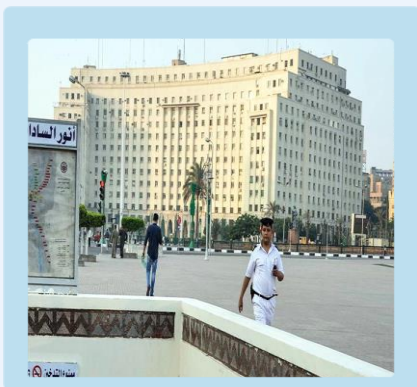
The article, EU Imports of Energy Products - Recent Developments, showed that Russia was the largest supplier of natural gas to the EU, both in 2016 and 2017. Russia's share of EU imports of natural gas stood at 37 percent in 2017, down from 39.5 percent in 2016. The other country that had a large share of the EU's natural gas imports was Norway, and significantly lower contributions came from Algeria and Qatar, the EC noted.

The global percentage share in trade of all other natural gas exporting countries to the EU was 6 percent in 2016 and 8 percent in 2017, it added. Russia was less dominant in petroleum oils than in natural gas but was still far ahead of the second largest supplier, Norway, the article showed. Russia's share of petroleum oils in EU imports was 30.9 percent last year and 31.7 percent in 2016. "Kazakhstan and Iraq were third and fourth while Nigeria replaced Saudi Arabia as the fifth largest producer. The share of the top six [producers] dropped from 72.1 percent in 2016 to 69.9 percent in 2017," the EC article read. With the exception of peat and coke, the EU is a net importer of energy products, by which imports are higher than exports, the EC noted. Crude oil largely dominated EU imports of energy products with a share of 69 percent in 2017, followed by natural gas with 20 percent.

The amount of crude oil imported last year was 0.6 percentage points more than 2016, the EC noted, adding that the amount of natural gas imported was 1.4 percentage points less. The share of coal increased by 1.2 percentage points, according to the EC's article. The average monthly value of imports during 2017 in energy products rose by 31 percent compared with 2016, from €17.3 billion per month to €22.7 billion, according to the article. However compared with 2012, the energy bill decreased by 40 percent from €38 billion per month to €22.7 billion in 2017.

## A hard balancing act for Egypt's gas market

Anadolu Agency, 11.07.2018



The new gas market law regulates the entire gas chain and targets liberalizing the gas market by 2022.. The Egyptian government has struggled to manage and restructure its energy sector as a result of rapid domestic demand growth, particularly in natural gas.

The government's best efforts to reform the natural gas market over the past ten years has seen much-reduced gas demand growth, but nonetheless, subsidized natural gas prices are still pushing demand growth far beyond expectations.

As part of a solution, the Egyptian government aimed at maintaining a balanced gas market through initiating a number of reforms both to control gas demand as well as to avoid any unpleasant gas supply deficit cycles in the future. After the 2011 Revolution, the Egyptian government realized that the country's natural gas sector would become unbalanced with greater domestic demand and with sharp declines in domestic gas production. Although the government had prioritized bringing in extra gas supplies to the domestic gas market in the short term by importing additional LNG, it realized this initiative would only be a temporary solution. Therefore, to unlock the long-term, dormant domestic production and boost upstream gas development, the government launched a new roadmap.



Following the shift in the Egyptian government's decision to revitalize domestic gas production, it signed approximately 80 oil and gas production agreements with various companies around the world. To facilitate fact-track gas supplies, in 2015, the government's initiative paid off when Italian Eni discovered the supergiant Zohr Prospect in the deep waters of the Egyptian offshore Mediterranean. The Zohr field is reported to possibly hold over 30 trillion cubic feet of gas and the field's maximum production was expected to reach as high as 2.7 billion cubic feet per day. Other newly found upstream projects, such as the Greater Nooros concession in the West Nile Delta and the Atoll offshore field, are both indicators of the great investor potential of Egypt's energy sector. The Ministry of Petroleum and Mineral Resources recently announced that in the next five years, another 11 gas projects worth over US\$2.7 billion would be implemented. Some of these projects include Salamat, North Tort, Merit, Aten, and Salmon among others. Although details on these projects have not been made public, the Ministry stated that when these projects become operational, a total of 1.3 billion cubic feet of gas would be produced by the end of the 2020's. And once this happens, Egypt's natural gas demand could be met while surplus gas supplies could be exported to neighboring countries.

Currently, the Ministry of Energy and the Natural Gas Holding Company (EGAS) are responsible for running and managing the oil and gas industry. These institutions came up with an Oil and Gas Sector Modernization Project in 2017 to design and regulate a new transformative program with the aim of initiating an improved oil and gas sector to boost the Egyptian economy and create a new model for other sectors to follow suit. The program aimed at promoting Egypt as a regional natural gas hub and supported the country's upstream performance by optimizing capital development and initiating structural reform. It is too early to analyze the project's outcome. The modernization project, which is supported by the World Bank and European Bank for Reconstruction and Development, once proven successful, would help Egypt cut its fiscal deficit, attract more global energy investments, and create a well-functioning oil and gas sector that could benefit other similar sectors in the country.

Among the major improvements and reform, investors have welcomed a new law to regulate the midstream and downstream gas market. The new gas market law regulates the entire gas chain and targets liberalizing the gas market by 2022. By mimicking other well-advanced gas markets in the West, the Egyptian government would be prepared for a fully functioning gas market, however, given the hardships endured in many fully liberalized gas markets, this process could well be harder than planned. The critical set of reforms undertaken with the new law would strengthen Egypt's gas market over the targeted timeframe by attracting more investment and creating a role model for other sectors, but the challenges ahead for a liberalized gas market, especially under a subsidized gas market, promises to be difficult. Back in the 1970's and the 1980's, it was much easier and more manageable for the government to subsidize the gas sector since the volumes consumed were much lower than at present. However, with the discovery of new production fields, the demand for natural gas exploded and reached a level that was unsustainable for the government to continue.



Unless plans for a full unbundling and phasing out of gas market subsidies are scheduled, achieving a fully functioning gas market will never be able to go beyond theoretical promises. Therefore, strong and bold action is called for if the state no longer wishes to carry the financial burden of heavy subsidies. The enactment of the new law is a great sign of the government's desire to remove any impediments to a fully functioning gas market that is able to meet domestic market demand while potentially strengthening the government's hand in natural gas exports to its neighbors. Currently, fossil fuels continue to meet approximately 95 percent of Egypt's primary energy consumption. Demand projections suggest that gas demand will continue to increase in the years ahead. It is clear that fiscal sustainability with a more balanced and fully functioning gas market is of urgent need for Egypt to continue to supply the burgeoning domestic market. New regulations and projects are a sign of progress in meeting the future demands of the domestic market, however, it is only through addressing the complex issues of phasing out subsidies and unbundling the market will Egypt move forward from merely an importer country to a regional hub.

## Mozambique: Eni and ExxonMobil submit Rovuma LNG Phase 1 development plan

Energy Pedia, 09.07.2018



Mozambique Rovuma Venture has submitted the development plan to the government for the first phase of the Rovuma LNG project, which will produce, liquefy and market natural gas from the Mamba fields located in the Area 4 block offshore Mozambique.

The plan details the proposed design and construction of two liquefied natural gas trains which will each produce 7.6 million tons of LNG per year. ExxonMobil will lead construction and operation of natural gas liquefaction and related facilities, and Eni will lead construction and operation.

As the Rovuma LNG project progresses, every effort will be made to actively build the local workforce and supplier capabilities in Mozambique. 'We are excited to be progressing the Rovuma LNG project, working with the government and leveraging the expertise and capabilities of all of the partners,' said Liam Mallon, president of ExxonMobil Development Company. 'The Rovuma LNG Project is moving forward swiftly,' said Stefano Maione, Eni's executive vice-president for the Mozambique Program. 'The size of the project makes it not only an important investment in the country, but also supports economic growth and opens new opportunities for Mozambicans.' A final investment decision by the Area 4 joint venture parties is scheduled in 2019, with LNG production expected to commence in 2024. Marketing activities are progressing, with negotiations on sales and purchase agreements underway, targeting completion in parallel with the development plan approval process. Rovuma LNG is operated by Mozambique Rovuma Venture, an incorporated joint venture owned by ExxonMobil, Eni and CNPC, which holds a 70 percent interest in the Area 4 concession alongside its partners Galp, KOGAS and Empresa Nacional de Hidrocarbonetos (ENH), each of which hold a 10 percent interest.

# Asian buyers look to replace Iranian oil amid U.S. sanctions

Oil & Price, 09.07.2018



Asian oil customers are looking to secure more oil supplies from Saudi Arabia, Kuwait, and Iraq, to replace oil from Iran after the U.S. announced the new sanctions on Tehran, Nizar al-Adsani, CEO at Kuwait Petroleum Corporation (KPC), told Reuters on Monday.

“There is demand now ... as sanctions are implemented on Iran ... Some of the companies are trying to find other options other than Iran, be it the kingdom (Saudi Arabia), Emirates, Iraq or Kuwait,” al-Adsani told Reuters on the sidelines of a China-Arab summit in Beijing.

According to the manager, KPC, the national oil company of Kuwait, has recently boosted its production by 85,000 bpd, in line with last month’s OPEC agreement to increase production, worded as ‘easing compliance rates.’ Any additional increase would depend on OPEC, the head of the Kuwaiti oil company told Reuters. After the U.S. signaled two weeks ago that it would take a harder line against Iranian oil exports and would push for ‘zero’ oil exports from Iran, Asian buyers have stepped up efforts to diversify their Middle Eastern crude oil imports and look for alternatives to crude oil from Tehran. Japanese refiners are considering stopping oil imports from Iran, and Japanese shipping companies have decided in principle not to accept Iranian oil cargoes from August onwards, in order to clear any payments before the U.S. sanctions on Iran kick in in early November. Asian buyers, however, do not seem overly concerned about a supply shortage, because Saudi Arabia and other Middle Eastern oil producers can provide similar-quality grades, according to Platts.

Indian refiners are also preparing for any scenario in case they won’t be able to import any Iranian crude oil, and some of the largest Indian buyers of Iranian oil have a wide basket of alternative grades. South Korea, for its part, is said to have suspended all buying of Iranian crude and superlight crude, more commonly known as condensate, after the U.S. stepped up pressure on Iranian customers to stop importing its oil. South Korea has since denied the reports.

# Chinese refiner stops U.S. oil imports, turns to Iranian crude

Anadolu Agency, 09.07.2018



An independent Chinese refiner has suspended crude oil purchases from the United States and has now turned to Iran as one of its sources of crude, media reports, citing an official from the refiner, Dongming Petrochemical Group.

What's more, the source said that Beijing is planning to slap tariffs on U.S. crude oil imports and replace them with West African and Middle Eastern crude, including crude from Iran. China has already said that it will not comply with U.S. sanctions against Iran and it seems to be the only country for now in a position to do this. U.S. crude oil exports to China reached 400,000 bpd at the beginning of this month.

However, now Beijing is planning to impose a 25-percent tariff on these as part of its retaliation for Trump's latest round of tariffs on US\$34 billion worth of Chinese goods. The retaliation began with tariffs on 545 U.S. goods worth another US\$34 billion, but, Reuters reports, the oil tariffs will be announced at a later date. Energy analysts seem to believe that these oil tariffs are more or less a certainty, and now expect a reshuffle of crude oil imports to Asia. With China turning to Iran for its crude, U.S. oil could start flowing in greater amounts to another leading importer in the region, South Korea. "If China retaliates with tariffs on U.S. crude, that could improve South Korea's terms of buying U.S. crude...because the U.S. would need a market to sell to," an analyst, from the Korea Energy Economic Institute.

Meanwhile, South Korea's embassy in Iran this weekend rejected media reports that the country had suspended oil purchases from Iran under pressure from the United States. The country is the third-biggest buyer of Iranian crude in Asia, buying Iranian crude at an average daily rate of almost 300,000 barrels since March this year.

## China keeps LNG off tariff list for now

Business Times, 06.07.2018



**CHINA'S** omission of LNG from its vast list of US products that face hefty import duties from Friday has preserved a potential weapon should the trade war with Washington.

It also underscores Beijing's desire to ensure supplies of gas as it pushes to switch millions of households and businesses away from using coal as a key part of its 'war on pollution'. China will impose tariffs on US\$34 billion of US goods from pork to soybeans to cotton in retaliation for a similar move by Washington as trade relations sour between the world's top two economies.

"If the (trade) war escalates, (I expect) the government will not hesitate to add LNG," a state oil and gas company executive said, declining to be identified due to the sensitivity of the issue. Although US LNG supplies to China have so far been tiny in volume and value compared with the around US\$12 billion per year of US crude that arrives in the country, analysts say those levels could be set to shoot up as Beijing forges ahead with its battle to clear its skies. Morgan Stanley has estimated annual Chinese imports of US LNG could rise to as much as US\$9 billion within two or three years, from US\$1 billion in 2017. The amount could be even larger if Washington resolves a logistics bottleneck. That would go a long way to helping balance China's trade surplus with the United States, a major bugbear for Washington in the trade dispute.

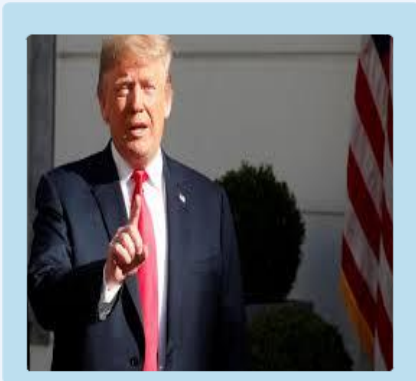
But the strategy also hands Beijing another weapon in its arsenal if the spat deteriorates further. China's Commerce Ministry did not immediately respond to requests for comment. However, some industry sources said the country would feel the impact of any increased tariffs on US LNG, as there is a limited number of major alternative suppliers. "If we impose tariffs on US LNG, we pay a much higher opportunity cost," Mei Xinyu, a researcher at a think tank affiliated with the Commerce Ministry, told Reuters. "It is easier for China to switch into other suppliers in the soybean market. Duties on soybeans hurt the US more, but duties on energy products would hurt both sides." At a meeting between the government and China's three oil and gas majors ahead of the US president's visit to the country last September, the companies underlined that China would have limited alternative sources for LNG imports, an official from one of the firms told Reuters. "The conclusion at that time was that US oil is not competitive," the official said. "In the gas market, we don't have much choice, mainly Qatar, Australia and the US."

And China is eager to avoid any repeat of last winter's gas crunch, when plunging temperatures drove people to crank up their heating amid the moves to turn away from coal. Domestic natural gas demand rose 17.6 per cent in the first five months of 2018, way above government forecasts of an annual growth rate of 7 or 8 per cent, data from the National Development and Reform Commission showed. "With domestic gas production restrained, we need to expand imports to meet the target of having natural gas account for a 10 per cent share of the energy consumption basket," said Wang Haohao, gas analyst with Zibo Longzhong Information Group.



# Trump slams gas pipeline deal, calls Germany Russian 'captive'

Reuters, 11.07.2018



U.S. President Donald Trump launched a forceful public attack on German support for a Baltic Sea gas pipeline deal with Russia on Wednesday, saying Berlin was a "captive to Russia" and criticising its failure to raise defense.

In comments to NATO Secretary-General Jens Stoltenberg as the two met in front of reporters before a NATO summit in Brussels, Trump said it was "very inappropriate" that the United States was paying for European defence against Russia while the richest European state Germany supported gas deals with Moscow.

He is due to meet German Chancellor Angela Merkel at the summit later in the day and will meet Russian President Vladimir Putin in Helsinki on Monday.

# ELA: US crude stocks slump nearly 13 million barrels to Feb 2015 Low

Reuters, 11.09.2018



U.S. crude oil stocks fell by nearly 13 million barrels last week, the most in nearly two years, dropping overall crude stocks to their lowest point since February 2015.

Crude inventories fell by 12.6 million barrels in the week to July 6, compared with analysts' expectations for a decrease of 4.5 million barrels. That dropped overall crude inventories, not including the U.S. strategic reserve, to 405.2 million barrels. The decline in overall inventories was partially due to a fall-off in stocks at the Cushing, Oklahoma, delivery hub for U.S. crude futures, which were down by 2.1 million barrels.



An outage at Syncrude facility in Canada has reduced the flow of synthetic crude from Canada, sapping stocks in Cushing. In addition, overall crude imports declined on the week, falling to 7.4 million barrels per day, off by 1.3 million bpd from the week-earlier period. "It looks like it's all in the import number. Imports were down 1.6 million bpd, multiplied by 7 that's 11.9 million barrels," said Robert Yawger, director of energy futures at Mizuho in New York. "There's some refinery throughput pull back as well. Those two numbers are where this is all coming from." U.S. oil prices jumped on the news, but later retreated, though were still above the day's lows. U.S. crude fell 88 cents to \$73.22 a barrel by 10:43 a.m. EDT (1443 GMT) while Brent crude dropped \$1.81 to \$77.03 a barrel. Refinery crude runs fell by 1,000 bpd, EIA data showed. Refinery utilization rates fell by 0.4 percentage point. Gasoline stocks fell by 694,000 barrels, compared with expectations in a Reuters poll for a 750,000 barrels drop. Distillate stockpiles, which include diesel and heating oil, rose by 4.1 million barrels, versus expectations for a 1.2 million-barrel increase, the EIA data showed.

## U.S. sanctions could add \$50 to oil prices

Oil & Price, 05.07.2018



The oil industry might not be able to produce enough oil to meet global demand in a few years' time.

To be sure, much of the oil world is focused on the supply fears in the near-term. The outages in several OPEC nations, plus the tightening noose on Iran from the U.S. government, could lead to a supply shortfall towards the end of this year, a hole so big that Saudi Arabia could struggle to fill it, even if it burned through much of its spare capacity. But over the long-term, there are also questions about the global oil industry's ability to supply enough oil to the market.

It isn't the same "peak oil" theory as yesteryear, but there certainly seem to be echoes of that argument bubbling up the surface once again. While the world isn't running out of oil, there could be a shortage of cheap oil by the early part of the next decade. The majors have cut spending on exploration and development so drastically that there will be a dearth of new large-scale projects coming online in the next few years. And the new hyper-focus on profitability at the expense of growth, a mantra pressed upon oil companies by restive shareholders, could keep supply constrained. The IEA has repeatedly warned over the past few years that U.S. shale growth would likely plateau in the 2020s, which means that the world would be right back to where it started – dependent on oil-producing nations in the Middle East. There are some shale boosters that see nothing but sunny days ahead for U.S. shale, but a lot of other market watchers see shale flattening out in the next decade before entering into an extended period of decline. After that, as the IEA has argued, the Middle East will once again be the supplier of last resort.



The problem is that the supply crunch might be so severe that Saudi Arabia won't be able to come to the rescue. The most vital industry information will soon be right at your fingertips. Join the world's largest community dedicated entirely to energy professionals. "Something like shale oil...it is not going to really create a major dent in total global supply requirements up until 2040," Saudi Aramco's CEO Amin Nasser said in an interview with the Financial Times. "Everybody needs to do his share...We will contribute, but how much we will contribute?" he said, a recognition that Saudi Arabia won't be able to do it alone. U.S. shale growth over the past decade has been so explosive that it helped crash oil prices in 2014. But the supply surge masks "chronic underinvestment," Sanford C. Bernstein & Co. analysts wrote in a note last week. The investment manager said the newfound focus on profitability, which has led a long list of oil and gas companies to deprioritize growth, could create the conditions for a major supply crisis. "Investors who had egged on management teams to reign in capex and return cash will lament the underinvestment in the industry," the analysts wrote. "Any shortfall in supply will result in a super-spike in prices, potentially much larger than the \$150 a barrel spike witnessed in 2008."

Of course, for many, this is a problem for another day. The oil market is arguably facing a supply crisis right now. Until recently, the oil market assumed a loss of about 0.5 mb/d from Iran because of U.S. sanctions. But statements from the U.S. government about "zero tolerance" towards Iran could mean that those losses will end up being much higher. Just by shifting the supply outages from 0.5 to 1 mb/d would translate into an oil price increase of about \$8 to \$9 per barrel, according to Bank of America Merrill Lynch. "We estimate that every million b/d shift in [supply and demand] balances would push the oil price by \$17/bbl on average. So based on those assumptions, we estimate zero Iran exports could push oil up by \$50/bbl if Saudi caps out. We expect in this game of chicken, someone will blink before that happens." In other words, if Saudi Arabia is unable to plug the deficit, the U.S. would likely have to back down on its "zero tolerance" policy towards Iran. The oil market is too tight, and the supply gap would be too large. Cutting Iran exports by that much, in an increasingly tight oil market, would send prices skyrocketing, something that the Trump administration probably won't be able to stomach. If Trump proceeded, a price spike of that magnitude would lead to a meltdown in demand.

# Could U.S. oil become part of the Brent benchmark?

Reuters, 09.07.2018



U.S. crude oil exports are upending global oil trade and oil flows to various regions in the world, snatching up market share in Asia and Europe from the traditional suppliers such as OPEC, Russia, and West Africa.

At the same time, oil flows from the biggest fields in the North Sea that are used by S&P Global Platts to determine the Brent benchmark assessment are set for a structural decline as those fields mature. S&P Global Platts has been looking for years to make the Brent assessment and the many contracts that underpin it relevant to the market in the North Sea.

In one of the newest assessments for crude oil delivery to the North Sea market—the Dated Brent Cost-Insurance-Freight (CIF) Rotterdam assessment—S&P Global Platts may one day consider including U.S. oil delivered to one of Europe’s largest oil hubs, Rotterdam in the Netherlands. “These should be grades currently being delivered into the region, which could start with current North Sea grades and be expanded into others, could include grades from West and North Africa, the Mediterranean, as well as the U.S.,” Joel Hanley, senior director for European oil pricing at S&P Global Platts, told Bloomberg last week. Consideration and addition of another price assessment to the many North Sea oil price assessments takes years. But talk of U.S. oil deliveries possibly being considered for inclusion—less than three years after the U.S. lifted its restrictions on crude oil exports—highlights the growing importance of U.S. exports on the global oil markets.

At the core of the Brent crude complex is Dated Brent, which includes not only the namesake crude—it currently comprises five crudes loading in the North Sea on any given day—Brent Ninian Blend, Forties, Oseberg, Ekofisk, and Troll. The latest addition to this Dated Brent assessment – Troll -was added in January this year in a bid to ensure that there will be sufficient deliverable North Sea crude reflected in the price assessments. But apart from Dated Brent, the Brent crude complex includes many other assessments and contracts. One of the newest such contracts from March 2016 is Dated Brent Cost-Insurance-Freight (CIF) Rotterdam—a price assessment of North Sea light sweet crude on a delivered basis into Rotterdam. With U.S. exports rising and global oil flows shifting, one day it might make sense for U.S. oil to be included in the Rotterdam delivered-oil assessment. American exports are on the rise, recently setting a new weekly record—3 million bpd in the third week of June. Europe, the Netherlands, and the UK in particular, are some of the largest destinations of U.S. crude oil exports, behind Canada and China. According to an S&P Global Platts report from February 2018, in 2016 and 2017 the U.S. quietly become a major source of light sweet crude to Europe, supplementing the absence of North Sea barrels shipping to Asia.

In the second half of 2017, thanks to the wide discount of WTI relative to Brent, U.S. crude shipping from the Gulf Coast to refineries in Europe jumped sharply. According to Platts trade flow software cFlow, U.S. crude imports accounted for just over 4 percent of the total crude refined in Northwest Europe as of February 2018. However, that market share is expected to rise as U.S. Gulf Coast export infrastructure continues to grow over the next few years, Platts said. “Additionally, while most of the crude coming out of the US Gulf Coast is currently light and sweet, improved pipeline capacity in the US is likely to bring additional heavier, sourer volumes out via the Gulf, which could begin to compete more actively with traditional sources of sour crude like Russia’s Urals,” according to S&P Global Platts. It will take years for various price assessments for the Brent benchmark to include oil delivered to the North Sea hubs from elsewhere, but if U.S. exports to those hubs continue to increase, one day U.S. oil might help determine one of the many contracts underpinning the Brent benchmark.

## Big oil’s next major move

Oil & Price, 08.07.2018



Several oil majors, including Royal Dutch Shell and BP, are boosting their share of natural gas output. A Bloomberg report said these two oil companies, by increasing gas production, are trimming the lead between them and ExxonMobil, the world’s largest publicly traded oil company. ExxonMobil has a current market cap of \$348 bn, while Shell has market cap of \$317 bn, and BP at \$156 bn.

BP expects by 2020 to produce about 60 percent gas and 40 percent oil, a reversal from 2014 when it was the opposite – a pivot that many other oil companies will likely follow.

ExxonMobil for its part currently produces about 55 percent oil and 45 percent gas and remains the largest natural gas producer in the US. Shell’s acquisition of UK-based BG Group for \$50 bn in 2016 boosted the share of natural gas to 50 percent of its global fossil fuels output and made it the world’s largest natural gas trader. Steve Hill, executive vice president for gas trading at Shell said recently “we see the market growing rapidly, with gas demand growing faster than overall energy demand,” adding that “we don’t see renewables as being a threat to gas.” Brian Youngberg, an analyst at Edward Jones & Co., based in St. Louis, said in reference to gas that “in the fossil fuel area, it’s the one clear growth part of the business.”





LNG is also increasingly taking a larger share of gas trade. LNG's share of total gas trade is forecast to rise from a third last year to almost 40 percent in 2023, with much of this increase attributed to LNG demand growth in China. According to the Paris-based International Energy Agency (IEA), Chinese demand for natural gas will rise by almost 60 percent between 2017 and 2023 to 376 billion cubic meters (bcm). This includes a rise in its LNG imports to 93 bcm by 2023 from 51 bcm in 2017. Emerging markets in Asia, including Vietnam, the Philippines, Thailand and Pakistan, will account for about half of global LNG imports by 2023. This continued and sustained rise in LNG demand will have significant impacts on trade flows, LNG pricing structures and global gas security. BP in its 2018 Energy Outlook projects that natural gas demand continues to grow strongly to 2040, supported by broad-based demand and the continuing expansion of LNG.

Global LNG supplies more than double over the BP outlook period, with around 40 percent of that expansion occurring over the next five years. The Outlook added that the sustained growth in global LNG supplies greatly increases the availability of gas around the world, with LNG volumes overtaking inter-regional pipeline shipments in the early 2020s. Shell in its LNG Outlook 2018 added that global LNG markets have continued to defy expectations, growing by 29 million tonnes in 2017, more than 30 percent more than expected. Based on current demand projections, Shell sees potential for a supply shortage developing in the mid-2020s, unless new LNG production project commitments are made soon.

Moreover, since the start of the century, the number of countries importing LNG has quadrupled, while the number of countries supplying LNG has almost doubled. LNG trade increased from 100 million tonnes in 2000 to nearly 300 million tonnes in 2017. Finally, as buyers procure more of the super-cooled fuel on the spot market and via shorter-term deals, amid a re-configuring of contract conditions and the removal of restrictive clauses such as take-or-pay and destination clauses, the fuel will increasingly trade more like a true commodity, similar to iron ore and even crude oil. While Big Oil and global oil markets will still dominate the headlines due to geopolitical dynamics as well as still growing oil demand growth amid supply concerns (at least in the short to mid-term), gas with LNG as a large part of the equation will command more attention and increasingly move out of the shadow of oil markets – a development that many in the industry claim is long overdue.



## Ice-class LNG tankers en route via Northern Sea Route

Anadolu Agency, 06.07.2018



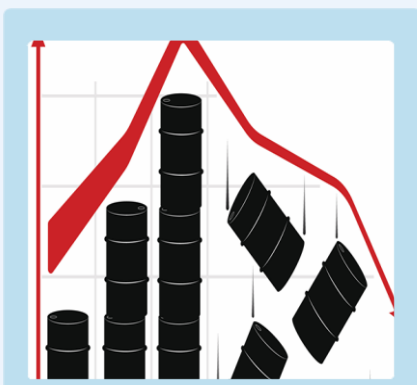
Novatek's Arc7 ice-class tankers loaded with LNG produced by Yamal LNG project in Russia launched this year's summer navigational period on the Northern Sea Route along the Russian Arctic coast, Novatek said in a statement on Friday.

The tankers, Vladimir Rusanov and Eduard Toll, made the first voyages with Russian LNG via the Northern Sea Route without the escort of icebreakers. According to the statement, their voyages mark the start of regular LNG shipments via the Northern Sea Route, which was only made possible due to the unique characteristics of the ice-class LNG carriers developed for Novatek to serve Arctic projects.

The Vladimir Rusanov vessel passed through the Northern Sea Route and arrived at the Bering Strait, while the Eduard Toll entered open water in the Chukchi Sea. Both tankers are now heading towards the Chinese port of Jiangsu Rudong. "The tankers passed through the ice-covered section along the route in only nine days with no ice-breaking support, confirming the outstanding ice-breaking capabilities of the Arc7 ice-class vessels," Novatek's Chairman of Management Board Leonid Mikhelson said.

## Crude oil benchmark Brent sees biggest one-day fall in two years

Reuters, 11.07.2018



Global benchmark Brent crude oil had its biggest one-day drop in two years on Wednesday as escalating U.S.-China trade tensions threatened to hurt oil demand, and news that Libya would reopen its ports raised expectations of growing supply.

Brent crude fell \$5.46, or 6.9 percent, to settle at \$73.40 a barrel. The decline was the largest one-day move on a percentage basis since Feb. 9, 2016. U.S. crude fell \$3.73, or 5 percent, to \$70.38 a barrel. It would reopen ports which had been closed since late June.



"The headline on Libya was merely the trigger," said John Saucer, a vice president at advisory firm Mobius Risk Group. The sell-off intensified after news of a fall in U.S. crude oil inventories failed to reverse market sentiment. "The scope of today's sell-off is unequivocally a speculative washout," said Saucer. Hedge funds and other money managers with bullish wagers appeared to pare long positions, pulling back from positions added as crude approached three and a half year highs last month, Saucer said. The selling pressure intensified as trade tensions between the U.S. and China raised concerns about demand. The specter of tariffs on a further \$200 billion of Chinese goods sent commodities lower, along with stock markets, as tension between the world's biggest economies intensified. "Escalating trade tensions between the U.S. and China has prompted risk aversion in today's trading session, which is evident in oil prices," said Abhishek Kumar, senior energy analyst at Interfax Energy.

Crude oil prices also fell as the U.S. dollar rose on Wednesday's surprisingly strong U.S. inflation report, which increased prospects the Federal Reserve will raise interest rates twice more this year. A stronger dollar can weaken dollar-denominated commodities, like crude. "Trade concerns have bitten today," said Michael McCarthy, chief markets strategist at CMC Markets. "If these tariffs are introduced, there will be an impact on global growth and demand." China is a top buyer of U.S. crude, and has said it could tax U.S. oil if trade tensions escalate. Tripoli-based Libya National Oil Corp said on Wednesday four export terminals were being reopened after eastern factions handed over the ports, ending a standoff that had shut down most of Libya's oil output. Libyan oil production has fallen to 527,000 barrels per day (bpd) from a high of 1.28 million bpd in February following port closures in late June, the NOC said on Monday. "Libyan relief changes the conversation about spare capacity," said John Kilduff, a partner at Again Capital Management. Concerns about a lack of spare capacity had led crude to rally. Prospects of U.S. sanctions on crude exports from Iran, the world's fifth-biggest oil producer, has helped push oil prices up in recent weeks, with both crude contracts trading near 3-1/2-year highs until Wednesday. U.S. Secretary of State Mike Pompeo said on Tuesday that Washington would consider requests from some countries to be exempt from sanctions due to go into effect in November to prevent Iran from exporting oil.

Washington had previously said countries must halt all imports of Iranian oil from Nov. 4 or face U.S. financial restrictions, with no exemptions. The market shrugged off bullish U.S. government data showing crude stockpiles slumped by nearly 13 million barrels last week, the biggest slide in nearly two years. Supply to the U.S. market has also been squeezed by the loss of some Canadian oil production. "In spite of the extraordinary draw in crude oil inventories, the market is under pressure after refiners produced a record amount of gasoline this week and in conjunction with a greater than expected build in distillate inventories," said Andrew Lipow, president at Lipow Oil Associates in Houston. During the session, CME Group said a technical issue impacted connectivity for some customers. "Our markets remain open while we work directly



# Announcements & Reports

## ► *Short-Term Energy Outlook*

**Source** : EIA  
**Weblink** : [https://www.eia.gov/outlooks/steo/pdf/steo\\_full.pdf](https://www.eia.gov/outlooks/steo/pdf/steo_full.pdf)

## ► *Monthly Oil Market Report*

**Source** : OPEC  
**Weblink** : [http://www.opec.org/opec\\_web/en/publications/338.htm](http://www.opec.org/opec_web/en/publications/338.htm)

# Upcoming Events

## ► *Surveying of Offshore Floating Units*

**Date** : 12 - 29 July 2018  
**Place** : London  
**Website** : [http://www.lloydsmaritimeacademy.com/event/surveying-offshore-floating-units-distance-learning-course?utm\\_source=rigzone&utm\\_medium=listing&utm\\_campaign=FLR2998EXLRZ&xtsot=0](http://www.lloydsmaritimeacademy.com/event/surveying-offshore-floating-units-distance-learning-course?utm_source=rigzone&utm_medium=listing&utm_campaign=FLR2998EXLRZ&xtsot=0)

## ► *The Essentials of Rock Physics and Seismic Amplitude Interpretation*

**Date** : 07 - 12 July 2018  
**Place** : Houston  
**Website** : [http://www.peice.com/eventdetails.aspx?event=114805&utm\\_campaign=events&utm\\_medium=referral&utm\\_source=rigzone](http://www.peice.com/eventdetails.aspx?event=114805&utm_campaign=events&utm_medium=referral&utm_source=rigzone)

## ► *Basic Drilling Technology: BDT*

**Date** : 16 - 20 July 2018  
**Place** : Houston  
**Website** : <http://petroskills.com/course/basic-drilling-technology-bdt?sessionId=37513>

## ► *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/](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/>