Oil & Gas Bulletin

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Erdogan announces Turkey's 100-day energy plan

Anadolu Agency, *03.08.2018*

Turkish President Recep Tayyip Erdogan on Friday announced that the country's plans to develop the domestic energy sector would include the purchase of a second drilling vessel to conduct offshore exploration of hydrocarbons in waters surrounding the country.

Erdogan, speaking at a press conference in Ankara, said that efforts would be tripled to research, explore and exploit potential domestic natural resources. The ministry will also conduct deep exploration activities.

As part of the country's 100-day action plan, he said that private corporations would run public non-operational coalfields located in the Aegean towns of Soma and Tuncbilek. The plan also involves renewables through a series of tenders for solar power plants with a total capacity of 3 gigawatts (GW) with an anticipated investment of nearly $4.8 billion. In addition, he announced that another tender would be launched to build a thermal power station in Eskisehir’s Alpu town in central Turkey with an installed capacity of 1 GW. In reference to the country's nuclear power ambitions, he said the construction of Turkey's first nuclear plant, the Akkuyu Nuclear Power Plant is on schedule and that the second would be built in Sinop in the Black Sea province. He added that plans also comprise the development of a third nuclear power plant in the Thrace region of Turkey. Russian State Nuclear Energy Agency, Rosatom will build the first plant comprising four units, each of which has a capacity of 1,200 megawatts. It will produce 35 billion kilowatts of electricity at full capacity to meet about 10 percent of Turkey's electricity needs. The Akkuyu NPP has an operational date set for the first reactor by 2023, while the plant is expected to be up and running at full capacity by 2025.

-Natural gas projects; He noted that Turkey has already launched the Trans Anatolian Natural Gas Pipeline (TANAP) project in 2018. The 1,850-kilometer-long TANAP was officially inaugurated on May 29 during a ceremony held in Baku with the participation of Azerbaijan's president. TANAP, with around $8 billion of investment, will deliver 6 billion cubic meters of Azeri gas to Turkey and 10 billion cubic meters to Europe per year. The European part of the project is expected to become operational in 2020. Erdogan said that works are ongoing for the TurkStream natural gas pipeline project as well as other projects in the region. The TurkStream project will carry 31.5 billion cubic meters of natural gas to Turkey from Russia. The first line of the project will meet Turkey's energy demands and the second line with a capacity of 15.75 billion cubic meters will transfer gas to Europe via Turkey. Erdogan stressed that access to natural gas use would now reach two more cities within 100 days with the gas network extending to Sirnak and Artvin cities, which will now provide gas to 80 cities in total. "We are also receiving offers to increase Turkey's Tuz Golu (Salt Lake) underground gas storage facility's capacity to 600 million cubic meters from 450 million cubic meters," he said.

Bulgaria, Turkey launch new gas pipeline

Anadolu Agency, *03.08.2018*

Turkey and Bulgaria officially launched the Lozenets-Nedyalsko natural gas pipeline on Friday.

The opening ceremony was held with the attendance of Bulgaria's Prime Minister Boyko Borisov, Turkey's Energy and Natural Resources Minister Fatih Donmez and Bulgaria's Energy Minister Temenuzhka Petkova. The new Lozenets-Nedyalsko 20-kilometer pipeline will increase the current Trans-Balkan pipeline's capacity from 14 billion cubic meters to 15.7 billion cubic meters.

Donmez commented that the realization of the new pipeline was as a result of the trust and durable relationship between Turkey and Bulgaria. He said the new pipeline would continue the 30-year-long bilateral gas trade between Turkey and Bulgaria in which Turkey has received natural gas through Bulgaria. The Turkish Minister noted the pipeline would also enable reverse flow gas transmission from Turkey to Bulgaria with the possibility of Bulgaria receiving Russian gas through the TurkStream natural gas pipeline.

TurkStream's second line, with a transfer capacity of 15.75 billion cubic meters of natural gas per annum, aims to transfer gas to Europe via Turkey. Russia is currently negotiating plans for TurkStream's second line with Greece and Bulgaria. "Our energy diplomacy is based on a win-win understanding, global peace and stability," Donmez said, who hailed the existing Turkish pipeline infrastructure at a length of 15,000 kilometers, as sufficient to meet the region's gas demand.

Turkey to purchase second drillship for Med exploration

Cyprus Mail, *06.08.2018*

Turkish president Tayyip Erdogan has reiterated that his nation will protect its 'rights' in the Mediterranean sea, announcing plans to purchase a second drillship for hydrocarbons exploration.

According to Turkish and Turkish Cypriot media, Erdogan said Turkey will start conducting deepwater and shallow sea drilling in the Mediterranean, stressing that Ankara will show its determination to protect Turkish rights in the region. He was quoted as saying:

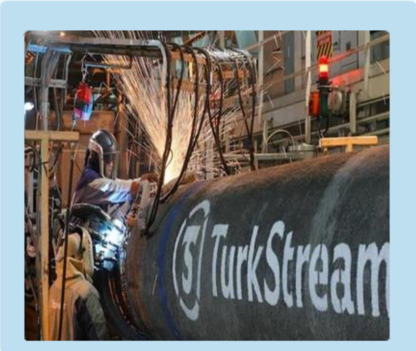
“Some people come to us and talk. They are asking what Turkey is doing…Turkey knows what she is doing. Turkey will buy its second drilling vessel for explorations. “We will triple our efforts to get maximum benefit from the hydrocarbon reserves in the sea.” Erdogan made the remarks on Friday during the unveiling of his new government’s action plan for its first 100 days. It was titled “First 100-day goals of Turkey’s new presidential cabinet.” Among a host of major infrastructure and energy projects, it listed the following: “A second sea drilling vessel will be bought for hydrocarbons exploration activities in the seas.” Turkish Cypriot daily Star Kibris reported that during the same presentation Erdogan talked about the Cyprus problem: “Taking into consideration that Turkey’s efforts on the national cause in Cyprus have been proved until today fruitless due to the Greek Cypriots’ stance, a different process will be tried. The Secretary General of the UN will be informed regarding the realities on the island and the efforts to convince him will be continued.”

Turkey has already acquired one drillship, the Deepsea Metro 2, since renamed to ‘Fatih’ (Conqueror). The vessel is currently anchored off Antalya on the southern coast of Turkey. Erdogan’s remarks come at a time when Cyprus is planning a new round of natural gas exploration. Later in the year, American energy giant ExxonMobil is scheduled to carry out two back-to-back drills in block 10 of Cyprus’ Exclusive Economic Zone (EEZ). Block 10 is not contested by Turkey. Turkey is laying claim to parts of various blocks in Cyprus’ EEZ saying the areas in question form part of its continental shelf. The claim includes part of Blocks 1, 4, 5, 6 and 7. Turkish Cypriots signed a ‘Continental Shelf Delimitation Agreement’ with Turkey in September 2011. This ‘agreement’ states that it has been signed in line with international law and with respect to the principle of equity, though the ‘TRNC’ is not recognised internationally. It is on this basis that Turkish Cypriots declared an ‘EEZ’ which in effect claims that half of Cyprus’ EEZ belongs to them, including blocks 1,2,3,8,9,12 and 13.

In February, Turkish warships, on the pretext of conducting military drills in international waters off Cyprus, interdicted a drillship while it was en route to a site in block 3. The drillship withdrew after a two-week standoff. Ankara, which does not recognise the Republic of Cyprus, says Greek Cypriots cannot ‘unilaterally’ exploit hydrocarbon reserves unless and until a comprehensive peace deal is signed on the island. In late July, the Turkish foreign ministry put foreign diplomats in Cyprus on notice, following comments by Israeli and Egyptian ambassadors during an event in Nicosia. Turkish foreign ministry spokesperson Hami Aksoy recommended to the foreign diplomats – which he did not name – “that they do not exceed their authority.” It’s understood he was referring to the Egyptian and Israeli ambassadors to Cyprus, who had made remarks during a Greek Cypriot Diaspora event held in Nicosia between July 25 and 27. Israeli ambassador Sammy Ravel was quoted as saying he hoped “military force would not be necessary against Turkish provocations.” For his part, Egyptian ambassador Mai Taha Mohammed Khalil had said: “We hope we don’t reach the point where we will have to use the military in the area,” while adding “we will provide any possible assistance to Cyprus.”

Bulgaria braces for TurkStream 2 with gas flow boost

Anadolu Agency, *07.08.2018*



The ability to have reverse gas flows via the Trans-Balkan pipeline between Bulgaria and Romanian, Greek and Macedonian markets will ensure the pipeline's full-capacity utilization, which otherwise would be almost idle with the launch of the TurkStream 2 natural gas pipeline.

According to a Senior Fellow at the EastWest Institute, an international affairs think tank on Tuesday. Danila Bochkarev told Anadolu Agency it seems from a logistical and demand point of view that Bulgaria.

It is the preferred route for the South Stream Lite - what experts refer to as TurkStream's second leg for markets in Southern and Southeastern Europe. Bochkarev noted that to facilitate potential access to other countries in southeast and Central Europe, namely Serbia and Hungary, the planned inteconnector between Bulgaria and Serbia, which is expandable to 4.5 billion cubic meters (bcm), would facilitate access to these countries that declared their interest in obtaining gas via the TurkStream project. "Also, Gazprom’s intention to expand the Banatski Dvor gas storage facility in Serbia suggests it sees the country as part of the project [TurkStream]," he said noting that in June 2018, Hungary's Foreign Minister Peter Szijjarto said Budapest is interested in importing gas through Bulgaria and Serbia via the TurkStream pipeline. Italy's oil and gas industry contractor Saipem expects to finish the Bulgaria-Hungary gas link in October 2019, which will help deliver TurkStream gas to Hungary, he added. "These countries show interesting potential because of increased gas demand in Southeastern Europe," Bochkarev asserted.

At the Western Balkans summit of Leaders in Sofia, Bulgaria on May 17, the energy ministers of Bulgaria and Serbia jointly committed to implement a gas interconnector for the first time to link the gas systems of Bulgaria and Serbia. The interconnector aims to boost diversification of energy sources in the Western Balkan region, reduce dependency on one dominant supplier and increase energy security. On Friday, Aug. 3, a new 20-kilometer extension pipeline was launched between Turkey and Bulgaria. The new Lozenets-Nedyalsko pipeline will increase the current Trans-Balkan pipeline's capacity from 14 billion cubic meters to 15.7 billion cubic meters. The new line will also allow reverse flows between Bulgaria and Turkey. The TurkStream natural gas pipeline project with two legs and total capacity of 31.5 bcm, will serve 15.75 bcm to Turkey and 15.75 to Europe.

Iraq's oil exports from southern ports rise to 3.54 million bpd in July

Reuters, *01.08.2018*

Iraq exported 3.543 million barrels per day (bpd) of crude oil from its southern ports in July.

Iraq exported 3.521 million bpd of crude oil in June. All the volumes shipped in July came from the southern fields, the ministry said in a statement. There were no exports in July from the Kirkuk fields, located in northern Iraq but under the control of Baghdad. The average sale price in July was $69.163 per barrel, generating around $7.6 billion in revenue, the statement said.

July's higher shipments came amid protests sweeping the southern region over poor public services and widespread corruption. Iraq's oil officials said the unrest had not impacted crude production from the southern fields. The bulk of Iraq's oil is exported via the southern terminals, which account for more than 95 percent of the OPEC producer's state revenues.

Oil market will tighten amid significant loss of Iranian crude

Oil & Price, *03.08.2018*

The oil market is set to tighten further before the end of this year - a sign that OPEC's early response to boost supply may not be enough to offset a significant (possibly 1 million bpd barrel) loss of crude oil supply from Iran, Helima Croft, RBC Capital Markets global head of commodity strategy, told CNBC on Friday.

On Monday, August 6, the first set of U.S. sanctions on Iran will snap back, so we will be probably looking at tougher actions over August and September, Croft said. The question regarding Iranian oil supply now is, can the Trump Administration get everybody else except China.

It has already said it won't recognize U.S. sanctions on Iran, out of the market, according to the strategist. According to two officials, the U.S. hasn't been able to persuade China to reduce Iranian oil purchases, but Beijing has reportedly agreed not to increase its oil imports from Iran, Bloomberg reports. The U.S. can get Europe out of the market, and India—Iran's second-largest oil customer after China—will likely reduce Iranian purchases even if it doesn't get entirely out the market, Croft told CNBC. The combination of crumbling Venezuelan oil production and the aggressive U.S. efforts to curtail Iranian exports is going to tighten the market. OPEC has responded with boosting supply, but we are yet to see how much Iranian supply would be choked off, Croft said, adding that "it's going to be very significant."

"All signals are from the White House that they are being very tough with foreign refineries, they're going to their banks, they're going to the insurance companies and simply saying 'do not support the trade with Iranian crude," Croft said. According to a Reuters poll earlier this week, 44 economists and analysts expect the U.S. sanctions to take between 500,000 bpd and 1 million bpd of Iranian crude oil off the market. The return of sanctions on Iran was one of the reasons why the experts raised again—for a tenth consecutive month—their oil price forecasts for WTI Crude and Brent Crude prices, which are now expected to average $67.32 a barrel and $72.87 a barrel this year, respectively.

Does Iran pose threat to Mid. East oil transit?

Anadolu Agency, *08.08.2018*

The temporary halt in crossings through the Bab-El-Mandeb Strait and Iran's recent blockage threat of the Strait of Hormuz for the passage of cargo ships and oil tankers in the Middle East are raising concerns on whether oil transit would continue unabated in the region, and if the Hormuz blockage goes ahead, on whether oil prices would subsequently rise.

Iran warned the U.S. on July 3 that it could close the Strait of Hormuz, a critical choke point for global oil trade, separating the Persian Gulf from the Gulf of Oman, after Washington threatened to halt Iranian oil exports.

The Strait of Hormuz has been identified as the world's biggest oil transit chokepoint for six successive years, according to the U.S. Energy Information Administration (EIA). The strait had 18.5 million barrels per day (mbpd) of oil transported through it in 2016.

Meanwhile, the world's biggest oil exporter, Saudi Arabia, suspended crude oil transfers through the strategic Bab-El-Mandeb Strait on July 25 after two of its oil tankers were allegedly attacked by Iranian-backed Houthi rebels off Yemen’s coast. On Aug. 4, Saudi Arabia resumed oil shipments through the strait, while it warned that it will continue to 'monitor the situation and remain ready to take necessary actions' in efforts to constantly ensure the safety and reliability of its oil exports. The Bab-El-Mandeb Strait between the Horn of Africa and the Middle East, which links the Mediterranean Sea via the Suez Canal and Red Sea to the Indian Ocean, was the fourth biggest transfer strait with 4.8 mbpd of oil transit in 2016, according to the EIA.

The international benchmark Brent crude traded at $73.75 per barrel on July 25 when Saudi Arabia announced the suspension. Following the announcement, Brent crude gradually increased and traded at $74.93 per barrel on July 31, showing a 1.6 percent increase. Jean-François Seznec, an expert from the Middle East Institute, told Anadolu Agency Tuesday that Iran's threat to block the Strait is more of a signal of the Iranian leadership's tough stance directed in particular at the Iranian public and more generally at the world at large. "I think the Iranians are trying to pass the message to the world that they could block Hormuz even more easily than they are doing now with the Houthis in Bab-El-Mandeb," he said. "However, should Iran block Hormuz, it would immediately escalate the U.S.' presence and most probably a strong and devastating military intervention against Iran by the U.S.-French-Saudi-United Arab Emirates, and perhaps the Chinese as they would suffer the most from the blockage," he said.

One day after the alleged Houthis' attack on Saudi oil tankers, Qassem Soleimani, head of Iran’s elite Quds Force, said the Red Sea was “no longer safe” for U.S. naval forces. Seznec said the Iranian public is fully aware of the risks, but he argued that few are actually worried about the blockage of Hormuz, despite their annoyance of the Iranian leadership's warning over Bab-El-Mandeb. Perhaps the leadership's signal is more for the Iranian public showing they can be tough, he explained. Seznec said although the temporary suspension of Saudi oil transportation across the Bab-El-Mandeb Strait would have an effect on regional transit, he said it would not be an enormous impact as alternative transfer routes are available. "Saudi Arabia can export about 5 mbpd of crude through the pipeline from Abqaiq to Yanbu on the Red Sea North of Jeddah. Thus, they could fill tankers in Yanbu for Europe without having to go through Bab-El-Mandeb," he said. The Yanbu terminal on the Red Sea is one of Saudi Arabia's three primary oil export terminals, where almost 25 percent of the country's oil is exported. The Saud suspension of shipments is as much political as security-based, Seznec contended, adding that he believes it is meant to push the U.S., Europe, and indirectly China to become more involved in curbing Iran and its support of the Houthis.

"Bab-El-Mandeb sees the passage of about 5 mbpd of Gulf oil. Rerouting the shipments around Africa will increase costs, at least until Saudi Arabia decides to export through Yanbu," he concluded. Tension between Washington and Tehran mounted since May, when the U.S. withdrew from a 2015 nuclear deal signed between Iran and the P5+1 group of nations - the five permanent UN Security Council members plus Germany. The 2015 agreement placed strict restrictions on Iran's nuclear program in exchange for billions of dollars in sanctions relief. On July 2, the U.S. State Department announced its intention to reduce Iranian oil revenue to zero. The following day, Rouhani warned that if the U.S. impeded Iran's oil exports, those of the region's other oil producers would suffer a similar fate. The first round of the U.S. pre-nuclear deal sanctions on Iran, largely targeting the country's banking sector, went into effect on Aug. 7. Iran's Minister of Labor and Social Affairs Ali Rabiei said that around 1 million Iranians may lose their jobs due to the sanctions. The second wave of sanctions is set to take effect on Nov. 5, targeting Iran's port operators, petroleum-related transactions, and Iran's shipping sector and central bank.

Kuwait oil production hits 18-month high

Oil & Price, *01.08.2018*

Kuwait is pumping crude at a daily rate of 2.8 million barrels, the most since December 2016, the country's oil minister Bakheet al-Rashidi said today as quoted by S&P Platts.

This is 90,000 bpd more than Kuwait's June daily production and the figure highlights the difficulties the cartel faces in boosting production quickly enough to rein in prices: OPEC's total, as estimated by analysts, only rose by 70,000 bpd in July. As OPEC ramps up production in response to vocal disgruntlement with oil prices, Kuwait and Saudi Arabia are preparing to restart production in the Neutral Zone.

This could bring another half a million barrels daily to global supply. The restart will likely take place no sooner than December. Separately, the minister said that the oil market is approaching stability. This is something the market was supposed to have done earlier this year, before it turned out those price levels were not exactly optimal for buyers. Now, things have changed. "It is clear today based on the current level of production that we are approaching a very stable stage ... whether for the consumers or the producers," Al-Rashidi said, as quoted by Reuters.

Kuwait is not stopping at current production rates, either. The foreign-investment division of the country's state-owned oil company, Kufpec, has borrowed US$1.1 billion to develop shale oil resources abroad, notably in Canada. Kufpec's current daily production stands at 100,000 barrels of oil equivalent, but the company aims to raise this to 119,000 in September and further to 150,000 bpd in 2020. In Canada, Kufpec pumps just 8,000 barrels of oil equivalent daily but plans to expand this significantly after the drilling of 2,000 more wells in the Alberta shale patch. Kuwait's total production capacity currently stands at 3.15 million barrels of crude from wholly owned fields, but plans are to boost this to 4 million bpd by 2020 and 4.75 million bpd by 2040.

Indications that gas finds will be high in block 10

Cyrus Mail, *05.08.2018*

ExxonMobil and Cyprus could hit the jackpot later this year when the US energy behemoth bores down into the seabed in search for natural gas. But according to an energy analyst, the potential windfall could have broader ramifications for the government's arrangements with other companies operating in the island's exclusive economic zone.

Charles Ellinas tells the Sunday Mail of highly sanguine chatter inside the industry over the potential of block 10, located southwest of Cyprus and licensed to a consortium of Exxon and Qatar Petroleum.

The seismic data is extremely encouraging. Weeks ago, Ellinas was speaking to a senior executive of one of the companies that had bid for block 10 but did not get the contract. "He told me: 'If they [Exxon] don't find something big there, I'll quit my job'." The expert adds the obligatory disclaimer that nothing is for certain until drilling actually commences. But indications are so buoyant that Ellinas says that if Exxon do discover a reservoir, it may hold up to 15 trillion cubic feet (tcf) of gas. That alone would be enough to warrant construction of a land-based natural gas liquefaction facility with three trains (or production lines) of 5 tcf each, per the industry norm. What's more, says Ellinas, Exxon possess the wherewithal as well as the technical know-how to finance and build the plant themselves. "Exxon always tend to go it alone; that's how they operate, and they get things done as fast as possible." The US company is planning two back-to-back exploratory drills in the last quarter. Assuming all goes as planned, the results could be in six months from today.

But a bonanza in block 10 would be a real game changer for all players in the exclusive economic zone (EEZ). Should Exxon find a significant amount of gas – even 10 tcf – it would then make sense to likewise divert the gas from the Aphrodite and Calypso fields into a land-based LNG facility. In this way, development of the (potentially) three fields could be combined, rather than developing them on a standalone basis, for example building separate pipelines. The Aphrodite play, in block 12, holds an estimated 4 to 4.5 tcf; and preliminary estimates point to anywhere from 6 to 8tcf for Calypso in block 6. It is for this reason that Ellinas advises both the government and the stakeholders – Noble, Shell and Delek – not to rush with Aphrodite.

“They’ve waited years to develop Aphrodite, so what’s another six months until they see what Exxon finds?” His remarks relate to developments this week, when it came out that the Aphrodite consortium is pushing for a renegotiation of their Production Sharing Contract (PSC) with the government. The news was leaked after a briefing given to party leaders by energy minister Giorgos Lakkotrypis. It was reported that the Aphrodite consortium want to amend the PSC because, having crunched the numbers, they’ve found that their profits from developing the reservoir (laying a pipeline to Egypt) might not justify the investment. It is believed that, under the PSC formula for Aphrodite as it stands, the Cypriot state’s share of profits is between 60 and 62 per cent. Lakkotrypis reportedly told politicians that the government saw best to continue talks with the consortium, in a bid to find a ‘sweet spot’ satisfying both sides. This suggests the government is willing to renegotiate the PSC – but that is a bad idea, says Ellinas. “If they do, it will open a can of worms, as other concession holders in the EEZ will also want to renegotiate their share of revenues. In real terms, this could mean hundreds of millions less for the Cypriot state in the long term.”

Whereas the analyst understands why the Aphrodite companies are asking for tweaks to the PSC, he recommends that the government hold fast. Especially since a major Exxon discovery might be around the corner. Lakkotrypis decided to get ‘feedback’ from the political parties regarding the Aphrodite consortium’s request. He is to launch a round of meetings with the parties later this month. Then, in September, the minister will reportedly be summoning representatives of the Aphrodite consortium for new talks, aimed at hammering out a revised deal. Asked about this, Ellinas said that tactically it was a sound move by the minister. “It’s obviously aimed at putting the parties in the loop, so that they cannot later accuse the government of going it alone and fumbling the Aphrodite PSC and losing millions for the state.” On a related front, the expert brought up the matter of Energean’s pitch to Cyprus to build a pipeline from its Israeli offshore gas fields and import 0.5 to 1 billion cubic metres (bcm) of gas per year to the island.

Ellinas calculates that the gas could be delivered to Cyprus at less than $6.50 per million btu – substantially lower than what it would cost to import Liquefied Natural Gas (LNG) via the tender put out by the Natural Gas Public Company (Defa). “I don’t understand why Defa are not considering Energean’s offer. If Defa goes with its tender, the final cost – including infrastructures – works out to between $10 and $11 per million btu, resulting in higher electricity prices. “And Cyprus is already one of the most expensive countries in the EU in terms of electricity. So why are we going down this path?” Over and above these issues, there looms the threat of Turkish provocations at sea. The Turkish foreign ministry has stated unequivocally that if the Greek Cypriots proceed with exploration, “We will drill too.” Earlier in the week, Turkish foreign ministry spokesperson Hami Aksoy put foreign diplomats in Cyprus on notice not to overstep, after two foreign ambassadors here hinted that their countries would come to the Republic’s aid in the event of a new standoff at sea. “The Turks will drill, after all that’s why they acquired a drilling platform. The question is where; perhaps in the undeclared EEZ to the north of the island, perhaps off the southern coast of Turkey” Ellinas says. “But not in the Republic’s declared EEZ, I don’t think. Not at this stage, at least. Although Turkey has made it crystal clear it will stop any new exploration activities in block 3, operated by ENI.”

OPEC plus or OPEC minus?

Bloomberg, *08.08.2018*

Since late 2016, the Organization of Petroleum Exporting Countries and other nations, including Russia, Kazakhstan and Mexico, have managed the oil market, giving birth to a group popularly known as OPEC+.

Yet the future of the bloc, which includes arch-enemies Saudi Arabia and Iran, is so uncertain that Rosneft PJSC, the Russian state-run oil company, told investors on Tuesday it didn't know whether OPEC+ or some other combination of producers would be calling the shots in the near future. Rosneft's oil-output plans for late 2018.

"Will depend on what happens on the OPEC front," said Eric Liron, the company's top executive in charge of production, "Be it OPEC, OPEC plus, OPEC plus plus, OPEC minus, minus minus. Whatever!" So far, none of the countries within OPEC+, which accounts for more than half of the world's oil output, have signaled plans to leave the alliance. Yet, there are clear tensions between Saudi Arabia and Russia on one side, and Iran on the other. Tehran has accused Riyadh and Moscow of flooding the market in violation of their agreement. Saudi Arabia and Russia have also considered forming a new body that could one day supplant OPEC. Mexico has recently elected a new government, opening the door to a change in oil policy. Ultimately, the exact configuration of the group may not matter much. Saudi Arabia and Russia are already calling the shots, making the big decisions on oil output bilaterally. The most important word of Liron's comment could be the last one: "Whatever!"

Gas pipeline deal reached with Egypt

Cyprus Mail, *06.08.2018*

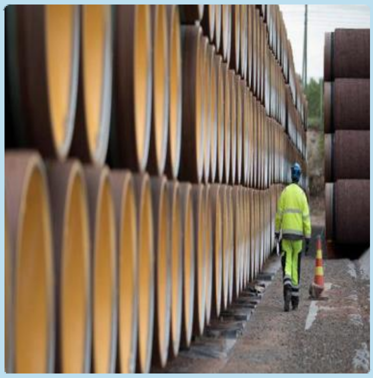
Nicosia has reached an agreement with Cairo on a pipeline to connect the Aphrodite gas field in block 12 to Egypt.

According to state broadcaster CyBC, the inter-state agreement is expected to be signed in the autumn. The two countries had signed in 2017 a preliminary agreement to transport natural gas from Cyprus to Egypt to be liquefied at Egypt's LNG facilities and re-exported to Europe and other markets. CyBC, citing diplomatic sources, said that the agreement has already been given the green light by the EU and it is being scrutinised for the final touches.

Cyprus demarcated its maritime border with Egypt in 2003. The Aphrodite gas field, discovered in December 2011 by Houston-based Noble Energy, is estimated to hold some 4.5 trillion cubic feet of gas.

Friendship no more: how Russian gas is a problem for Germany

Reuters, *06.08.2018*



Ukraine For decades, the Friendship pipeline has delivered oil from Russia to Europe, heating German homes even in the darkest days of the Cold War.

But a new pipeline that will carry gas direct from Russia under the Baltic Sea to Germany is doing rather less for friendship, driving a wedge between Germany and its allies and giving Chancellor Angela Merkel a headache. For U.S. President Donald Trump, Nord Stream 2 is a "horrific" pipeline that will increase Germany's dependence on Russian energy. Ukraine, fighting Russian-backed separatists, fears the new pipeline will allow Moscow.

It comes at an awkward time for Merkel. With the fraying of the transatlantic alliance and an assertive Russia and China, she has acknowledged that Germany must take more of a political leadership role in Europe. "The global order is under pressure," Merkel said last month. "That's a challenge for us ... Germany's responsibility is growing; Germany has more work to do." In April she accepted for the first time that there were "political considerations" to Nord Stream 2, a project she had until then described as a commercial venture. Most European countries want Germany to do more to project European influence and protect eastern neighbors that are nervous of Russian encroachment. But letting Russia sell gas to Germany while avoiding Ukraine does the opposite, depriving Kiev of transit revenues and making it, Poland and the Baltic states more vulnerable to cuts in gas supplies.

"The price would be an even greater loss of trust from the Baltics, Poland and Ukraine," said Roderich Kiesewetter, a Merkel ally on the parliamentary foreign affairs committee. "We Germans always say that holding the West together is our 'center of gravity', but the Russian approach has succeeded in dragging Germany, at least in terms of energy policy, out of this western solidarity." Many analysts say the business case for Nord Stream 2 is thin. Another pipeline already links Russia and Germany under the Baltic. Nord Stream 2 will double capacity but future demand is uncertain. On the flip side, German industry likes anything that will provide energy more cheaply. Merkel's Social Democrat coalition partners, the leading voices in Germany calling for a conciliatory approach towards Russia, are also in favor.

The issue has divided Berlin’s political class. The parties agreed in their coalition talks earlier this year to make a commitment to the pipeline, but did not put it in writing. According to Margarita Assenova, an analyst at the Centre for European Policy Analysis who is critical of Nord Stream 2, Russia can double gas exports to Europe via existing Ukrainian pipelines without building the new conduit. But despite opposition from European partners, from Washington and from within Merkel’s party, Nord Stream 2 continues. Germany’s diplomatic ambitions are being thwarted by the project’s brutal business logic. On the other hand, it has the strong backing of Gazprom, Russia’s state-owned energy giant which owns Nord Stream 2 AG, the project company. Its boss Matthias Warnig, once an East German spy tasked with reporting on West German business, is seen as one of Berlin’s most formidable lobbyists. The pipeline is one of a network of Kremlin-sponsored projects seemingly designed to circumvent Ukraine, the largest and most troublesome of the countries once ruled from Moscow. They include Turk Stream, which crosses the Black Sea to bypass Ukraine to the south.

Lawmakers say Warnig has responded to their skeptical queries about the project by promising to take their concerns direct to Russian President Vladimir Putin, adding to the sense that the pipeline serves the Kremlin’s strategic interests. But, for Gazprom, it makes sense: transit across a country with which Russia is in an undeclared war is risky and increasingly unreliable as Ukraine’s Soviet-era pipelines grow older. Germany and the European Union are attempting to broker an agreement between Moscow and Kiev to keep the gas flowing across Ukraine when the current transit contract ends in 2019. Critics say this means European consumers will pay a subsidy to help keep Ukraine afloat. In the SPD, sympathy for Nord Stream 2 runs deep. Gerhard Schroeder, the party’s last chancellor, was appointed to senior positions at Russian energy companies after leaving office and regards Putin as a close friend. For many of Schroeder’s generation, cooperation with Russia is in the tradition of the “Ostpolitik” of their hero, 1970s Chancellor Willy Brandt, who defied a skeptical Washington to reach out to the Soviet Bloc, now seen as a prelude towards ending the Cold War. But a younger generation in the party, often critical of Schroeder’s links to the Kremlin, is more cautious. Germany is bound to Russia by decades of cooperation on energy supply, but it has to offer something to its western allies too, officials say. That cooperation goes a long way: last week, Merkel hosted Russia’s Foreign Minister Sergei Lavrov in Berlin. He was accompanied by Russian general staff chief Valery Gerasimov, who has been banned from the EU since Russia annexed Crimea from Ukraine in 2014. Keeping lines open to the Kremlin is popular in Germany, where polls show people are better-disposed towards Russia than in almost any country. Increasingly, though, officials wonder if Germany is not paying too high a price in lost face.

Why Nord Stream 2 is the world's most controversial energy Project

Economist, *07.08.2018*

Pipelines are meant to be safe, reliable and deadly boring. Yet the proposed €9.5bn ($11bn) Nord Stream 2 (NS2) pipeline, which from next year will double the natural-gas carrying capacity from Russia to Germany, is as controversial as energy projects come.

In recent weeks the 1,200km undersea pipeline has generated tension between President Donald Trump, Angela Merkel, the German chancellor, and President Vladimir Putin of Russia. For years it has caused rifts between Europe and America, and within Europe. Germany vigorously supports it.

Denmark intends to stop it passing through its territorial waters. Poland says it is anti-competitive. Ukraine sees it as a potential Russian noose around its neck. Yet, for all that, dredging has started and workers will begin laying the pipes across the Baltic sea shortly. Why is it such a geopolitical problem? And will it go ahead regardless? Ukraine is the biggest potential flashpoint. The reason is that NS2 gives Russia a bigger cudgel to bully its neighbour over natural gas. Much of Europe's gas from Russia to Europe passes via Ukraine, earning Naftogaz, a Ukrainian gas company, $2.8bn last year. This is an important part of the state budget. But after the annexation of Crimea in 2014, Gazprom, the Kremlin-backed energy giant, has played havoc with Ukraine's gas supplies. Ukraine frets that once NS2 is completed, Russia will divert the rest of its European gas supplies directly to Germany, cutting off its transit income and crippling its economy. In support of Ukraine, and to punish the Kremlin for the annexation of Crimea, America's Congress has threatened sanctions on those involved with NS2. The European Union is engaged in talks with Russia and Ukraine to ensure fair play. But once pipeline construction is under way, the harder it will be to stop—and the less incentive Mr Putin will have to make concessions to Ukraine.

The former Obama administration, in its efforts to isolate Mr Putin, complained rightly that NS2 would make Europe even more dependent on Russian gas, and would isolate Ukraine. Russia, in turn, argued that America's concern for Ukraine was a red herring; in its eyes, America wanted to stop the deal so it could sell more liquefied natural gas (LNG) to Europe. Mr Trump has shifted the ground in Russia's favour. In Europe last month, he lambasted Germany for supporting NS2, then acknowledged the commercial reality that America wants to sell more LNG to Europe and will compete with Russian gas. His mixed message was typically confusing. But it suggested one important conclusion: the Trump administration is not itching to use the biggest weapon it has in its arsenal to stop the pipeline: sanctions. So will NS2 go ahead? Absent sanctions, probably yes. The consortium financing the project, which comprises Gazprom and its five backers, Uniper and Wintershall of Germany, OMV of Austria, Engie of France, and Royal Dutch Shell, the Anglo-Dutch supermajor, is in place. German industrial giants such as BASF consider it essential to secure Russian gas to compete with their American rivals—after all, piped gas is cheaper than LNG. And Europe's own home-produced gas resources are diminishing.

But if the project does go ahead it not only leaves Ukraine at the mercy of its Russian foe: it also makes Europe more dependent on Russian gas and pipelines at a time when its own supplies are dwindling. Germany has not yet woken up to that stark reality.

Azerbaijan set to send LNG shipment to Pakistan

Daily Pakistan, *04.08.2018*

Azerbaijani state oil company SOCAR will begin delivery of liquefied natural gas (LNG) to Pakistan in the coming months, according to Pakistan LNG Limited.

The LNG will be delivered in two cargoes, 140,000 cubic meters each. The first cargo will be shipped on October 10-11; the second on October 20-21. Pakistan's energy needs are 79.58 million tons of oil equivalent. Some 38% of these needs are met with natural gas, 34% with oil, and 6 percent with LNG and other resources. Pakistan is increasing LNG intake amid increasing demand for gas and decline in production.

Eni, Snam to build 20 CNG refueling stations in Italy

Reuters, *07.08.2018*

Italian energy company Eni and gas utility Snam, through its subsidiary Snam4Mobility, will build 20 new compressed natural gas (CNG) refueling stations for vehicles, according to a joint press release issued on Monday.

"The companies signed a second contract implementing the framework agreement signed in May 2017, aimed at creating 20 new CNG refueling stations for vehicles in Italy as part of both companies' commitment to promoting sustainable mobility in the country," the statement read. The deal follows the contract signed a few months ago to create a group of 14 CNG stations.

Under the agreement, Snam will design, create and maintain 20 new CNG stations within Eni's national distributor network. The investment for these activities is expected to be within the region of €10 million. According to the statement, natural gas is "one of the best technologies available to help reduce emissions in mobility, with benefits in terms of air quality, as well as significant financial advantages for consumers". "Mobility using natural gas is also becoming increasingly renewable through the gradual development of a biomethane supply chain that uses existing facilities," it added. With this initiative, both Eni and Snam4Mobility aim to promote and strengthen sustainable mobility throughout Italy "to the benefit of both the environment and consumers". According to the statement, within Eni's network of 4,400 stations, 3,500 supply Eni Diesel+, the premium diesel with a 15 percent renewable component made from vegetable oils, including used vegetable oils, at the Venice bio-refinery using proprietary technology, while around 1,000 stations supply LPG and methane, two of which are LNG and 180 are CNG.

Bulgaria expands Trans-Balkan line for TurkStream 2 gas

Anadolu Agency, *06.08.2018*

Bulgarian state officials' decision to increase the capacity of the current Trans-Balkan pipeline appears as if they wish to capture the entire gas volume of TurkStream's second line, according to the Oxford Institute for Energy Studies' Natural Gas Research Program Founder, Jonathan Stern, on Friday.

Stern told Anadolu Agency that Bulgaria is not necessarily the most powerful candidate for TurkStream's second line to transfer gas to Europe, which has a transfer capacity of 15.75 billion cubic meters of natural gas per annum. The new Lozenets-Nedyalsko pipeline, launched on Friday, Aug. 3.

It will increase the current Trans-Balkan pipeline's capacity from 14 billion cubic meters to 15.7 billion cubic meters. TurkStream is a gas pipeline project stretching across the Black Sea from Russia to Turkey and further to Turkey's border with neighboring countries. The first line of the pipeline intends to supply gas to Turkish consumers, while the second line is designated for consumers in southern and southeastern Europe. Each line will have the throughput capacity of 15.75 billion cubic meters of gas per year. "This looks like a move from Bulgaria to try to capture the entire volume of gas from TurkStream 2," Stern noted. However, Stern explained the decision that TurkStream operator Gazprom will take on the line's transfer route depends on which European markets Gazprom will find more profitable in targeting.

Gazprom has two candidate transfer countries for the second line of the giant pipeline, Stern explained, adding, "If Gazprom believes that the ultimate market for TurkStream 2's gas is Italy - then Greece is a better option. If Gazprom believes that the ultimate market for TurkStream 2's gas is Central Europe - then Bulgaria is a better option." Turkey and Bulgaria officially launched the natural gas pipeline on Friday, Aug. 3. The new Lozenets-Nedyalsko 20-kilometer pipeline will allow reverse flows between Bulgaria and Turkey. The opening ceremony was held with the attendance of Bulgaria's Prime Minister Boyko Borisov, Turkey's Energy and Natural Resources Minister Fatih Donmez and Bulgaria's Energy Minister Temenuzhka Petkova. John Roberts, a senior fellow at Atlantic Council's Global Energy Center asserted that based on the launch of this Bulgarian-Turkey Lozenets-Nedyalsko pipeline, Gazprom is at least assessing the prospect of sending some TurkStream gas volumes to Bulgaria "But we need to know more about Gazprom's willingness to use existing lines in the Balkans, such as the Trans-Balkan line, or to invest in building new infrastructure in the Balkans before we can judge how serious they are," he said. He argued that Gazprom might look at sending some gas to Balkan customers via Bulgaria and some via Greece. However, he said the big issue, which this pipeline does not resolve, is how Gazprom can deliver gas via the TurkStream 2 to customers in Central or Western Europe.

Saudi Arabian crude oil imports to Canada easy to replace, says energy economist

CBC News, *08.08.2018*

Canada can easily replace the oil it imports from Saudi Arabia should relations with the Middle Eastern kingdom deteriorate to the point that trade in crude is halted, says an energy economist.

But this week's trade tension escalation means Canada will be on the sidelines as the Saudis try to diversify their economy away from its dependence on oil and gas, said Omar Allam, a Canadian consultant who specializes in advice on doing business in Saudi Arabia.

Eastern Canadian refineries import about 75,000 to 80,000 barrels per day of Saudi Arabian crude, said Judith Dwarkin, chief economist with RS Energy Group in Calgary, on Tuesday. That's less than 10 per cent of total imports and amounts to a "drop in the bucket" compared with the United States, she said, which accounts for two-thirds of imports and could easily cover Saudi's share thanks to growing domestic production. It is also dwarfed by the 3.5 million barrels per day of Canadian oil that Canada exports mainly to the U.S. "The Saudis, if they choose to supply less to Canada, will divert those barrels, possibly to China, and U.S. barrels that would have gone to China, but are uncompetitive under Chinese tariffs, come to Canada," Dwarkin said. "Basically, the cupboard gets rearranged." Saudi Arabia declared a freeze on new trade with Canada and recalled thousands of students attending Canadian universities following a tweet last week from Global Affairs Canada that expressed concerns about the arrest of activists in the kingdom. The Saudi foreign ministry has also ordered Canada's ambassador, Dennis Horak, to leave the country.

"A rise in tensions puts Canadian bids to win major healthcare projects, education projects, transportation projects, on an increasingly shaky footing," said Allam, a former Canadian diplomat and head of Allam Advisory Group. "What you're seeing is that Riyadh's hard line against Ottawa is going to result in substantial harm to the Canadian economy in general." He said the recall of 12,000 to 15,000 Saudi students from Canada, and accompanying relatives, is going to remove as much as $2 billion in annual investment in the Canadian economy. The cancelling of flights between the two countries means Canada loses an important link not only with Saudi Arabia but with numerous Saudi allies such as the United Arab Emirates, which was quick to declare its support for the measures against Canada, he said. According to the Canadian Trade Commissioner Service, Canada exported $1.45 billion worth of products to Saudi Arabia in 2017, with about half in the category of vehicles and equipment at $760 million.

The federal office says Canada imported $2.6 billion worth of goods from Saudi Arabia, with $2.5 billion of that in mineral production. Could impact Canadian companies in Saudi Arabia
A handful of Canadian companies operate in Saudi Arabia and could potentially be affected by the ongoing trade battle. Precision Drilling Corp. of Calgary has about 900 employees working between Kuwait, where it has five active rigs, and Saudi Arabia, where three of its four rigs in the country are currently active, the company confirmed, without offering further comment. SNC-Lavalin Group Inc. says on its website it has had a 24-year relationship with Saudi Aramco, the national Saudi Arabian oil company, providing general engineering services for its oil and gas facilities. "We greatly value our contributions to the Kingdom of Saudi Arabia over the past five decades. Our operations are locally formed and run entities, with Saudi Arabian management, partners and employees," said spokesman Nicolas Ryan in an email, refusing further comment. Armoured tanks and personnel carriers have been Canada's biggest recent export to the kingdom. A London, Ont.-based firm called General Dynamics Land Systems signed a $15-billion deal with Saudi Arabia in 2014 to export its light-armoured vehicles to the kingdom.

Tanzania wants to build pipeline to pump gas to Uganda

Energy Economic Times, *07.08.2018*

Tanzania wants to build a pipeline to pump natural gas to neighbouring Uganda, another step in the two countries' bid to expand energy cooperation.

State-run Tanzania Petroleum Development Corporation said on Monday that the pipeline would start from its capital Dar es Salaam, then pass through Tanga port on the Indian Ocean and to Mwanza, a port on Lake Victoria before crossing the border to Uganda. It said it was looking to hire a contractor to conduct a feasibility study to determine current and future natural gas demand "by identifying all potential customers".

The study would also establish the most economically viable route for the pipeline, it said. Tanzania boasts estimated recoverable natural gas reserves of over 57 trillion cubic feet (tcf), mostly in offshore fields in the south of the country. In 2016 the two countries agreed to develop a crude oil export pipeline to help transport land-locked Uganda's crude reserves from fields in the country's west to offshore markets.

China tariffs on LNG aim at US energy dominance agenda

Reuters, *06.08.2018*

Reuters are reporting that China's proposed tariffs on US LNG and crude oil exports opens a new front in the trade war between the two countries, at a time when the White House is trumpeting growing US energy export prowess.

China included LNG for the first time in its list of proposed tariffs on 3 August, the same day that its biggest US crude oil buyer, Sinopec, suspended US crude oil imports due to the dispute. On 3 August, China announced retaliatory tariffs on US$60 billion worth of US goods, and warned of further measures.

That could cast a shadow over US President Donald Trump's energy dominance ambitions. The administration has repeatedly said it is eager to expand fossil fuel supplies to global allies, while Washington is rolling back domestic regulations to encourage more oil and gas production. "The juxtaposition here is clear: It is hard to become an energy superpower when one of the biggest energy consumers in the world is raising barriers to consume that energy. It makes it very difficult," said Michael Cohen, head of energy markets research at Barclays. The US is the world's largest exporter of fuels such as gasoline and diesel, and is poised to become one of the largest exporters of LNG by 2019. US LNG exports were worth US$3.3 billion in 2017. China is the world's biggest crude oil importer. China had curtailed its imports of US LNG over the last two months, even before its formal inclusion in the list of potential tariffs. It had also become the largest buyer of US crude oil outside of Canada, but Kpler, which tracks worldwide oil shipments, shows crude cargoes to China have also dropped off in recent months. It comes at a time when the US has several large-scale LNG export facilities under construction, and after Trump's late 2017 trip to China that included executives from US LNG companies.

China became the world's second-biggest LNG importer in 2017, as it buys more gas in order to wean the country off dirty coal to reduce pollution. "This will not affect the trade but will simply make gas more expensive to Chinese consumers," said Charif Souki, chairman of Tellurian Inc, one of several companies seeking to build a new LNG export terminal. China, which purchased almost 14% of all US LNG shipped between February 2016 and May 2018, has taken delivery from just one vessel that left the United States in June and none so far in July, compared with 17 in the first five months of the year. "The US gas industry will be much harder hit by this as China imports only a small volume whereas US suppliers see China as a major future market," said Lin Boqiang, professor on energy studies at Xiamen University in China. With LNG demand expected to skyrocket over the next 12 to 18 months, there are still some two dozen firms seeking to build new LNG export terminals in the US and tariffs may limit their ability to secure sufficient buyers to finance their proposed projects.

"Cheniere continues to see China as an important growth market and LNG as a 'win-win' between the United States and China," said Eben Burnham-Snyder, a spokesman at Cheniere Energy Inc, which owns one of the two LNG export terminals currently operating in the United States. He added they do not see tariffs as productive. One project being developed is in Alaska, which would carry natural gas through an 1287 km pipeline across the state to a terminal that would convert it to LNG to take it to China. The US$43 billion project is still in development, and the Alaska Gasline Development Corp said on 3 August that it believes the "current trade tensions between the United States and China will be resolved well in advance of Alaska LNG exports to China."

China's oil futures jump to record high

Oil & Price, *07.08.2018*

China's yuan-denominated crude oil futures contract for September delivery jumped to an all-time high on Tuesday by its daily limit, as speculators are eagerly trading the Chinese futures, while investors are uncertain where the most actively traded international benchmarks—Brent Crude and WTI Crude—are heading.

The Chinese oil futures, launched in March this year, have jumped as much as 5 percent so far in August and have been steadily gaining over the past two weeks. Meanwhile, Brent Crude and WTI Crude are stuck in a tight range.

As market participants and traders try to make sense of the conflicting forces in the current oil market—the returning U.S. sanctions on Iran on the one hand, and fears that trade wars could curb demand growth, on the other hand. On Tuesday, the Chinese crude futures contract for September jumped by its 5-percent daily limit compared to Monday's settlement price, to US$78.37 (537.20 yuan) per barrel. At 08:29 a.m. EDT on Tuesday, WTI Crude was up 1.10 percent at $69.24, and Brent Crude was trading up 1.26 at $74.13. According to Bloomberg, there could be several reasons why the Chinese oil futures are soaring these days, unlike the two most active and important crude oil benchmarks.

One is that a weaker yuan versus the US dollar could be enticing traders to buy the cheaper yuan-denominated Chinese futures, Bruce Xue, an analyst with Haitong Securities Co, told Bloomberg. Then China's reduction of U.S. crude oil imports amid the ongoing trade war raises speculation that the world's biggest crude importer may see a shortage of cargoes, according to the analyst. After months of subdued trading in the December 2019 futures contract, it has now become popular, and one of the reasons behind its appeal could be that Chinese oil traders and speculators prefer to trade futures on a quarterly instead of on a monthly basis, Xue told Bloomberg. Chinese traders are also more speculative in their trading. According to data compiled by Bloomberg, traders in the Shanghai oil futures have held contracts for less than 2 hours on average, compared to 65 hours of contracts held in Brent.

Chinese tariffs on US gas exports may shift the global market

CNBC, *08.08.2018*

China's threats of new tariffs on $60 billion worth of U.S. imports will create shifts in the energy market, as American liquefied natural gas makes the list of goods Beijing will target, analysts said.

The move to include LNG raised eyebrows as China had previously held back at including the fuel on the list of products subject to tariffs. That is as the country looks to natural gas as part of its efforts to clean up politically sensitive air pollution. But things have changed since trade tensions with the U.S. escalated dramatically.

The U.S. is the world's top producer of natural gas and is a growing major exporter of LNG. If implemented, a tariff on LNG "would deal a serious blow to the U.S. gas industry and President (Donald) Trump's 'energy dominance' agenda," said Hugo Brennan, senior Asia analyst at consultancy Verisk Maplecroft. "Chinese gas demand forecasts are underpinning a raft of proposed LNG export terminals along America's East Coast, which align with the Trump administration's bid to turn the U.S. into an energy superpower. But some of these projects will struggle to attract financing if (China) goes ahead and raises tariff barriers on U.S. LNG," Brennan wrote in a Tuesday note. China was the world's second-largest importer of LNG last year. The country is expected to become the world's top importer of the super-chilled fuel next year, the International Energy Agency said in June. Last year, about 15 percent of U.S. LNG exports went to China.

The current standoff is a sharp shift from the situation earlier this year when Beijing offered to buy more U.S. energy exports to reduce the massive bilateral trade deficit. Now, that "looks like a distant prospect, given that high-level talks have broken down against a backdrop of threats and counter-threat," said Brennan. Still, there are analysts who counter that the U.S. gas export boom is something that cannot be stopped — with or without China. Currently, most U.S. LNG exports are secured on long-term contacts, so the impact will be fairly limited until the deals expire.

However, the spot LNG market — which has been growing steadily — will be hit. Longer term contract negotiations could also be affected. "A 25 percent import tariff, amid a backdrop of strong government rhetoric against U.S. energy imports, is likely to see U.S. LNG priced out of the lucrative Chinese gas market," said analysts at Fitch Solutions Macro Research. Brennan echoed that sentiment, writing in his note that "geopolitical dynamics will undermine American exporters' bid to become major gas suppliers to China." Indeed, U.S. LNG customers from China have told energy information firm Platts that companies will be deterred from ordering American supplies in the near-term as the tariffs will push prices above what they can afford. Platts cited unnamed sources at state-owned and privately-held Chinese companies.

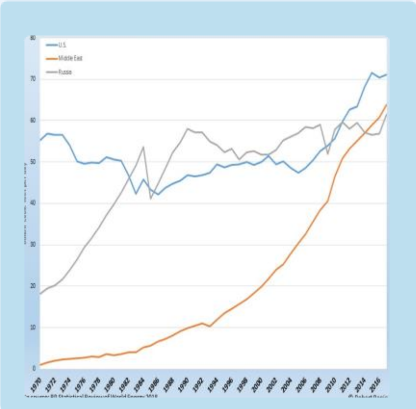
Fitch Solutions said it expected major LNG players such as Shell, Total and Trafigura to be the most affected as they acquire cargoes from U.S.-based projects before selling them onto markets where demand and prices are the strongest. On Wednesday, official data from China showed U.S. imports of LNG fell to their lowest level in a year for the month of July, Reuters records showed. That softening came amid the backdrop of strong 2018 gains: China imported about 17 percent more U.S. LNG from January to July this year than it did in all of 2017, S&P Global Platts Analytics data showed. Still, Giles Farrer, research director for global gas and LNG supply at Wood Mackenzie, said in a note last week that the U.S.-China spat was "unlikely to be terminal" for American suppliers because "plenty of appetite exists from other buyers in Asia and Europe." Analysts are now expecting China to look toward alternative sources with major LNG suppliers like Australia and Qatar likely benefiting from the developments in the long run. "The boost to Australia could be bigger over the next five to ten years as the opportunity of grabbing a larger share of China's growing LNG market may prompt Australian producers to expand capacity and output. That could help mitigate the long-term hit to Australia from a rise in global trade barriers," research consultancy Capital Economics said in a recent note. Demand for piped gas from suppliers like Central Asia and Russia may also get a lift, experts said.

China, meanwhile, could find itself more vulnerable to energy price spikes if its potential pool of LNG suppliers is reduced. Although U.S. LNG makes up a relatively small component of China's overall gas mix, seasonal spikes in household and industrial demand can drive up the need for short-term cargo purchases — such as those from the U.S. — to supplement long-planned volumes, said Fitch Solutions. The need for flexible cargo demand in the winter is evidenced by China importing more U.S. LNG from November 2017 to January 2018 than it did during the first 10 months of 2017, Fitch Solutions added.

PETFORM

The U.S. remains the natural gas king?

Oil & Price, *02.08.2018*



Data from the 2018 BP Statistical Review of World Energy show that last year the U.S. maintained a healthy lead as the global natural gas powerhouse.

In 2017, the U.S. produced an average of 71.1 billion cubic feet per day (Bcf/d) of natural gas. That's a 1.0 percent increase from 2016 production, but not quite good enough to beat the 2015 record of 71.6 Bcf/d. That was still good enough for a 20.0 percent share of the world's total natural gas production. To put the U.S. production numbers in perspective, natural gas production for the entire Middle East was 63.8 Bcf/d. Russia.

In second place among countries, saw its natural gas production surge by 8.2 percent, but at 61.5 Bcf/d that was still well behind the U.S. The U.S. had dominated global natural gas production until the 1980s, at which time it ceded the lead to Russia. The Middle East has grown its natural gas production at a much faster rate over the past 50 years, though, and is on pace to take the lead during the next decade. U.S. natural gas production had been in decline until the fracking boom that began in the middle of the previous decade. Production grew in the U.S. by an astounding 51 percent from 2005 to 2015, which pushed the U.S. back into the global lead. U.S. consumption has also grown rapidly as power plants have turned increasingly to natural gas as both a replacement for coal-fired power, and a backup for new renewable capacity. Another important outlet for U.S. natural gas production has been exports, both via pipeline and as liquefied natural gas (LNG). LNG exports from the U.S. reached 1.7 Bcf/d in 2017, equivalent to about 2.4 percent of U.S. natural gas production. Mexico received nearly 22 percent of these exports, while the Asia Pacific region received 41 percent.

Pipeline exports amounted to 6.3 Bcf/d, or 8.9 percent of U.S. daily production. Despite trade war rhetoric, Mexico remains the most important destination for U.S. natural gas exports, receiving 64 percent of the total. Further, exports to Mexico continue to grow rapidly. Last week RBN Energy reported that in early July, pipeline exports to Mexico breached 5.0 Bcf/d for the first time ever. The U.S. may continue to lead the world in natural gas production for a few more years, but the level of proved natural gas reserves implies that our lead could be short-lived. The Middle East's proved natural gas reserves at the end of 2017 were 2.8 quadrillion cubic feet, nearly ten times U.S. proved reserves of 309 trillion cubic feet. For perspective, U.S. proved reserves are only 4.5 percent of the global total. Russia has more proved natural gas reserves than any other country with 1.23 quadrillion cubic feet, followed by Iran with 1.17 quadrillion cubic feet. Total proved natural gas reserves at the end of 2017 were enough to satisfy 2017 global production rates for 52.6 years.

New wave of mega LNG projects is approaching

Reuters, *06.08.2018*

A new race to build multi-billion dollar LNG plants is gaining momentum after a long hiatus in investments as energy giants sense a widening supply gap within five years.

Spending on new, complex facilities that super-chill gas into liquid in order to allow its transportation dried up following the collapse in energy prices in 2014. Appetite was further dampened by fears that a plethora of LNG plants built since the late 2000s would lead to a large supply glut until early in the next decade.

But sentiment has radically changed over the past year. Buoyed by rising oil prices and exceptionally strong demand from rapidly growing economies such as China and India, executives are increasingly confident conditions are once again ripe for new projects. Qatar, the world's largest LNG producer, is preparing to expand its facilities by around one third to produce 100-108 million tonnes per year (mtpa) by 2023-2024. "The glut that people see I don't see ... If you just count on being pessimistic about the market, and don't build expansions, you will never catch that upside when the market is up," Saad al-Kaabi, the head of Qatar Petroleum, told Reuters in May. The state-owned company expects long-standing partners Exxon Mobil, Royal Dutch Shell, Total and ConocoPhillips to help build and fund the new expansion phases as well as possibly new entrants, he said. A major change in the outlook happened after China strongly boosted imports of LNG in recent years to reduce coal burn in its fight against pollution. "The supply-demand balance definitely looks more favorable towards producers these days," said Philippe Sauquet, the head of gas at France's Total, the world's second largest LNG trader after Shell. "China will continue to make the real difference in demand. I don't see them slowing down. They are shifting attention to building more and more infrastructure," Sauquet told Reuters.

The LNG market will require over 200 million tonnes per year of new supply through to 2030, or roughly 25-30 mtpa per year in new capacity additions to 2025, according to Bernstein. "We believe 60 mtpa needs to be sanctioned by 2020 and a further 100+ mtpa between 2020-2025 to ensure markets are adequately supplied," Bernstein said. Liquefaction capacity additions are expected to fall sharply by the end of 2019 as newly commissioned plants reach their maximum capacity, according to Bernstein. The main source of growth is expected to come from the United States, where supplies rose sharply and prices plummeted with the expansion of shale drilling. Investors were highly critical of oil and gas companies earlier this decade as costs ballooned for many LNG projects under development such as Chevron's $54 billion Gorgon project in western Australia, the most expensive in history, or Shell's $14 billion Prelude LNG, the world's largest floating structure. But with services costs still languishing in the wake of the 2014 slump and new technologies helping to simplify and improve designs, new projects are able to compete for capital. Executives also say they have learnt from past mistakes.

The renewed confidence in the outlook for LNG and the recovery in oil prices that has led to a surge in revenue for energy companies, boards are getting ready to invest Exxon last year bought for $2.8 billion a 25 percent stake in Eni's Rovuma development in Mozambique, which holds a massive estimated resource of 85 trillion cubic feet. Speaking to Reuters, Eni CEO Claudio Descalzi said partners in the project, Exxon, Korea Gas Corp and China National Petroleum Corporation [CNPET.UL], will take a final investment decision next year so it could be operational by 2023-2024. The project will produce 15 million tonnes of LNG per year, or 5 percent of global output. Shell, which acquired BG Group in 2016 for $54 billion to boost its gas output, is nearing a decision on the development of LNG Canada. It would be its first new LNG project since 2011. "We expect a supply gap in the gas market in the early 2020s ... LNG Canada looks very promising," Shell Chief Financial Officer Jessica Uhl said last month.

Shell Chief Executive Officer Ben van Beurden said the Anglo-Dutch company expects the partners in the Nigeria LNG processing plant, Nigerian National Petroleum Corporation, Shell, Total and Eni, to consider its expansion by the end of the year to increase its capacity to 30 mtpa. Shell's British rival BP and its partner Kosmos Energy will decide on the development of the Tortue field off the coast of Senegal and Mauritania by next year. Global demand for LNG surged by 12 percent in 2017, far exceeding forecasts, and is expected to grow by up to 10 percent in 2018, according to analysts at Bernstein. Oil and gas companies have heralded LNG as the fossil fuel of the future thanks to its relatively low carbon emissions. Natural gas, the least polluting fossil fuel, is a key growth area for energy companies which see it playing a pivotal role in the world's efforts to reduce greenhouse gas emissions to fight global warming. For companies like Shell and BP, the share of gas production has surpassed that of oil in recent years.

US cuts 2018 crude oil production growth forecast

Reuters, *07.08.2018*

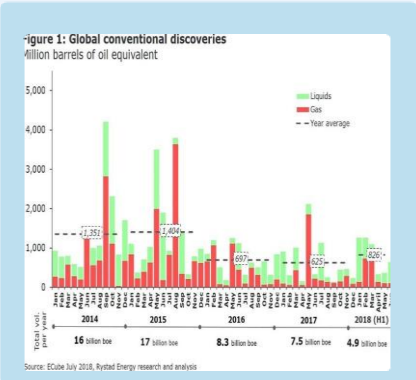
U.S. crude oil production in 2018 was expected to grow at a slower rate than previously forecast amid lower crude prices according to a monthly U.S. government report on Tuesday.

U.S. crude production has climbed dramatically, fueled largely by increased output from shale formations, but may now rise more slowly as prices drop. Output was expected to rise 1.31 million barrels per day (bpd) to 10.68 million bpd in 2018, lower than last month's forecast of growth of 1.44 million bpd to 10.79 million, according to the U.S. Energy Information Administration.

The agency slightly increased its expectation for 2019 production growth to 1.02 million bpd from 1.01 previously. The agency expects crude production to average 11.7 million bpd in 2019, compared with 11.8 million bpd previously. Shale output helped boost U.S. production to over 10 million bpd this year for the first time since the 1970s. The agency had previously expected crude output to average more than 12 million bpd by the fourth quarter of 2019, but revised that quarterly average downward to 11.94 million bpd. Higher production from Russia and members of the Organization of the Petroleum Exporting Countries has put downward pressure on crude oil prices in recent weeks, the agency said. "We continue to expect Brent crude oil spot prices to fall towards $70 per barrel by the end of 2018, as the market appears to be fairly balanced in the coming months," said Linda Capuano, EIA Administrator. Global benchmark Brent crude was trading at $74.44 a barrel at 12:32 p.m. EDT (1644 GMT). The agency said U.S. oil demand growth was expected to be 470,000 bpd in 2018, unchanged from its previous forecast. Demand growth is expected to rise 290,000 bpd in 2019, compared with 330,000 bpd previously expected.

Exploration this year brings steep rise in discovered resources

Offshore Mag, *28.07.2018*



Global discoveries of conventional oil and gas totalled more than 4.5 Bboe during H1 2018, according to analyst Rystad Energy.

Average monthly discovered volumes were 826 MMboe, roughly 30% higher than the comparable figure of 625 MMboe in 2017. Guyana led the way in terms of newly proven offshore resources followed by the US Gulf of Mexico, Greek Cyprus, and Norway. In the first three cases, all the finds were in deepwater and owned 100% by oil majors, indicating that this group is re-focused on deepwater exploration.

The biggest offshore discovery to date is thought to be Eni’s Calypso gas find offshore southern Cyprus, Rystad said. Off Guyana, ExxonMobil discovered oil in the Ranger, Pacora and Longtail prospects in the Stabroek block with estimated combined resources of close to 1 Bboe or more. In the GoM, Shell and Chevron discovered oil in the Ballymore and Dover prospects in the HP/HT Norphlet play, characterized by complicated and elusive structures. Ballymore was Chevron’s first discovery in the play, while Dover, 13 mi (21 km) from Appomattox, was Shell’s sixth in the play. Eni’s Calypso 1 NFW ultra-deepwater well in block 6 off Cyprus encountered an extended gas column in Miocene and Cretaceous rocks, confirming the extension of a “Zohr-like” play off neighboring Egypt into the Cyprus Exclusive Economic Zone. Finally, Rystad estimates OMV and Wintershall’s two discoveries in the Norwegian Sea at 240 MMboe recoverable (combined). Aker BP and Equinor also made two finds in the Norwegian North Sea with total resources of 75 MMboe.

Rystad expects this trend to continue during H2 2018 with continued exploration of emerging offshore provinces and many potentially high-impact wells. “E&P players are currently facing a low reserve replacement ratio, on average of less than 10%. This is worrisome considering the impact on global oil supply in long term,” cautioned Espen Erlingsen, Head of Upstream Research at Rystad Energy.

Brent oil trades above $73 in week beginning August 6

Anadolu Agency, *06.08.2018*

International benchmark Brent crude traded at $73.47 per barrel at 07.04 GMT on Monday while American benchmark WTI saw prices of $68.75 per barrel.

Brent crude traded at $73.35 per barrel at 11.55 GMT on Friday while American benchmark WTI saw prices of $68.94 per barrel. Following the fall in the U.S. oil rig count as per oilfield services company Baker Hughes data released Friday and with the decrease of Saudi Arabia's oil exports in July, Brent saw a limited uptick in prices. Baker Hughes data showed a drop in the number of oil rigs in the U.S. by 2 to 859 last week.

Saudi Arabia produced 10.29 million a day last month - a daily decline of 200,000 barrels, according to oil data reports.

Announcements & Reports

► *Weekly Natural Gas Storage Report*

Source : EIA
Weblink : http://ir.eia.gov/ngs/ngs.html

► *The Development of Natural Gas Demand in the Russian Electricity and Heat Sectors*

Source : OIES
Weblink : https://www.oxfordenergy.org/publications/development-natural-gas-demand-russian-electricity-heat-sectors/

Upcoming Events

► *Four Corners Oil & Gas Conference*

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

► *International Conference & Expo on Oil & Gas*

Date : 09 August 2018
Place : Madrid
Website : http://oil-gas.conferenceseries.com/

► *SPE Argentina Exploration & Production of Unconventional Resources Symposium*

Date : 14 - 16 August 2018
Place : Neuquén
Website : http://www.spe.org.ar/events/aneu2018/

► *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/

► *Asia Pacific Drilling Technology Conference & Exhibition*

Date : 27 – 29 August 2018
Place : Bangkok
Website : http://www.spe.org/events/en/2018/conference/18apdt/homepage.html

► *Machine Learning & AI Upstream Onshore Oil & Gas 2018*

Date : 29 – 30 August 2018
Place : Houston
Website : http://www.machinelearning-ai-upstream-congress.com/

► *Abu Dhabi International Downstream Summit*

Date : 03 - 04 September 2018
Place : Abu Dhabi
Website : https://adid.wraconferences.com/

► *LNG Transport, Handling & Storage Indonesia Forum*

Date : 04 – 07 September 2018
Place : Bali
Website : http://www.lng-world.com/#

► *Oil & Gas Thailand (OGET) 2018 & Petrochemical Asia 2018*

Date : 06 – 08 September 2018
Place : Bangkok
Website : http://oilgasthai.com/

► *Asia Pacific Congress on Oil & Gas 2018*

Date : 10 – 11 September 2018
Place : Shanghai
Website : https://www.clocate.com/conference/10th-Asia-Pacific-Congress-On-Oil-and-Gas-2018/70722/

► *China Smart Manufacturing—Oil, Gas & Petrochemical Summit 2018*

Date : 17 – 18 September 2018
Place : Shanghai
Website : http://www.smartfactorychina.com/

► *Asia Pacific Congress on Oil & Gas*

Date : 17 – 19 September 2018
Place : Beijing
Website : http://oil-gas.chemicalengineeringconference.com/

► *IoT in Oil & Gas 2018*

Date : 18 – 19 September 2018
Place : Houston
Website : https://www.iotinoilandgas.com/

► *Gastech*

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

► *World Congress on Oil, Gas & Petroleum Refinery*

Date : 27 – 28 September 2018
Place : Abu Dhabi
Website : https://petroleumrefinery.conferenceseries.com/

► *Kazakhstan International Oil & Gas Exhibition & Conference*

Date : 03 October 2018
Place : Almaty
Website : https://www.kioge.kz/en/home/30-conference/19-conf

Supported by PETFORM

► *17th ERRA Energy Investment and Regulation Conference*

Date : 09 - 10 October 2018
Place : Turkey - Antalya
Website : https://erranet.org/conference/investment-conference-2018/

► *Oil & Gas Tanzania 2018*

Date : 11 - 13 October 2018
Place : Tanzania
Website : https://www.clocate.com/conference/4th-Oil-and-Gas-Tanzania-2018/48067/

► *2018 LNG Summit*

Date : 14 - 16 October 2018
Place : Chicago
Website : http://www.lngsummit.com/

► *International Conference & Expo on Oil & Gas*

Date : 17 - 18 October 2018
Place : Toronto
Website : https://oilgas.conferenceseries.com/

► *Gas/LNG Contracts: Structures, Pricing & Negotiation*

Date : 22 – 26 October 2018
Place : Johannesburg
Website : http://www.infocusinternational.com/gascontracts/index.html

► *The European Autumn Gas Conference*

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