Oil & Gas Bulletin
▸ 21.09.2018

Turkey will protect its energy rights in Mediterranean

Anadolu Agency, *20.09.2018*

Turkey will not allow any unilateral hydrocarbon drilling or exploration in the Eastern Mediterranean Sea, Turkey's Energy Minister confirmed on Thursday.

Speaking at the 9th Exploration and Production Activity Consultation meeting in Ankara, Turkish Energy and Natural Resources Minister Fatih Donmez said that Turkey would not allow any parties to breach Turkey's rights or those of the Turkish Republic of Northern Cyprus (TRNC) based on international law.

Turkey on many occasions has contested the Greek Cypriot administration's unilateral drilling activity for gas in the Eastern Mediterranean, saying Turkish Cypriots also have rights to the resources around the area. According to the Greek Ekathimerini newspaper, Greek Cypriot Minister of Energy, Commerce, Industry, and Tourism Yiorgos Lakkotrypis and Egypt's Oil Minister Tarek El-Molla signed an agreement on Wednesday for the construction of a sub-sea pipeline to export natural gas from the Cyprus Island to Egypt. The pipeline will transfer natural gas from the island's Aphrodite natural gas field to a liquefaction plant based in the Edku town of Egypt's Beheira governorate. Cyprus was divided into a Turkish Cypriot state in the north and a Greek Cypriot administration in the south after 1974 military coup was followed by violence against the island's Turkish people, and Turkey's intervention as a guarantor power. Negotiations over Cyprus resumed after a 2004 UN-backed Annan Plan to reunify the Turkish Cypriot and Greek Cypriot communities. The reunification talks -- brokered by UN Special Cyprus Envoy Espen Barth Eide -- were launched in May 2015 to discuss a permanent settlement for the divided Mediterranean island.

The status of the island remains unresolved in spite of a series of discussions that resumed in May 2015. There has been an on-and-off peace process over recent years, the latest failed initiative having taken place in Crans-Montana, Switzerland in July 2017 under the auspices of guarantor countries Turkey, Greece and the U.K., collapsing earlier this year. Turkey, in its capacity as a guarantor on the island, has also strengthened its presence in the Mediterranean Sea with its seismic and drilling vessels - the Barbaros Hayrettin Pasa, Oruc Reis and Fatih. The Fatih vessel will conduct its first drilling in the Mediterranean in the new few months, he revealed. This drilling is based on the success from Turkey's exploration and production industry, which has spent over $10 billion in the past 16 years. "The exploration and production industry is creating $5 billion in value with its subsidiary industries today, but our potential is far above that," he said. "We prevented imports of $20 billion in return for these investments, however, we are not at the point we want to be," he added. He also vowed that domestic production would increase to support a strong economy and encourage more energy independence through utilizing Turkey's local resources.

Greek Cyprus, Egypt sign deal for gas pipeline project

Anadolu Agency, *20.09.2018*

The Greek Cypriot administration and Egypt signed an agreement for the construction of an underwater pipeline to export natural gas from the island to Egypt, Greek media reported on Wednesday.

According to Ekathimerini newspaper, the deal was signed on Wednesday by Greek Cypriot Minister of Energy, Commerce, Industry, and Tourism Yiorgos Lakkotrypis and Egypt's Oil Minister Tarek El-Molla. The pipeline will transfer natural gas from the island's Aphrodite natural gas field to a liquefaction plant at Edku town of Egypt's Beheira governorate.

The aim of the agreement is to ensure timely and safe development, construction and operation of the underwater pipeline, Lakkotrypis said. The terms of the deal for the construction of the pipeline will be later discussed between the companies involved in the project. In order to oversee the project, a joint committee is expected to set up in 30 days.

Israel, Greece, Greek Cyprus plan underwater gas pipeline

Israel National News, *13.09.2018*

Prime Minister Binyamin Netanyahu on Thursday, at the Prime Minister's Office in Jerusalem, held a trilateral meeting with Greek Foreign Minister Nikos Kotzias and Cypriot Foreign Minister Nikos Christodoulides. He also met with both men separately.

The three discussed, in continuation of previous meetings, the laying of a joint Israel-Cyprus-Greece East-Med gas pipeline in order to export gas to Europe. They also discussed – inter alia – regional issues, the deepening of cooperation and the initiative to establish a multi-national firefighting force.

"Foreign Minister Christodoulides and Foreign Minister Kotzias, this is one of our regular meetings between Israel, Greece and Cyprus. We have many things that we cooperate on—the environment, energy, security, emergency services, tourism, many others," said Netanyahu. "Our prime focus right now is on energy, on developing the eastern Mediterranean pipeline. It's a great project, could be one of the great underwater projects in the world. And obviously it's something that we think is important. "And let me say a word in Hebrew if I can. [Translated from Hebrew] We are privileged to have the Eurovision in Israel. It will be held in Tel Aviv, and it will be an excellent Eurovision. Tel Aviv is an international city, a vibrant city, and the whole world will see it and Israel. "I talked about the Eurovision. They had a small competition there. The best competed with the best. The next Eurovision is going to be held in Tel Aviv. It is, as you know, a great international city. Tel Aviv, it's a powerful presence. It'll be a powerful Eurovision, and you're all invited." The previous trilateral meeting was held in Cyprus this past May with the participation of Prime Minister Netanyahu, Cypriot President Nicos Anastasiades and Greek Prime Minister Alexis Tsipras.

Can Iran's gas sector thrive in the face of fresh sanctions?

Oil & Price, *11.09.2018*

In what can arguably be called a strategic geopolitical gesture toward France, Iran's oil minister Bijan Zanganeh said on Saturday that the country would refund French oil major Total for its investment in the South Pars natural gas field.

However, that assurance comes with a caveat, the refund won't be issued until phase 11 of the massive gas field becomes operational. France, for its part, had been one of the main EU members that had lobbied, unsuccessfully albeit, for Trump to reconsider his pledge to reimpose sanctions on Iran.

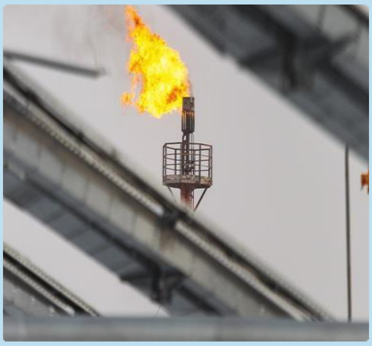
"Total is not supposed to pay a sum as a penalty to Iran, but the money that this company has invested in phase 11 of South Pars until now will not be reimbursed until the time of operation and production," Zanganeh said. In July 2017, Total signed Iran's first major energy deal since sanctions had been removed the previous year. Under terms of the 20-year deal, Total agreed to invest an initial $1 billion for the first stage of the project, taking a 50.1 percent interest, while its total investment would eventually reach $5 billion. Chinese National Petroleum Corp. (CNPC) was slated to own 30 percent and Iran's Petropars a 19.9 percent share. However, shortly after President Trump announced that he would reimpose sanctions against Iran over its nuclear development program in May, Total once again had to rethink its Iranian oil and gas sector policy. Last month, the company officially pulled out of Iran and exited the South Pars Deal. The first series of reimposed U.S. sanctions were reinstated in early August and target the country's automotive sector, issuance of debt and metals trade. More sanctions are to come on November 4, that will directly target the country's oi and gas sector, shipping industry and financial institutions.

The problem for Total and other foreign firms that were ramping up deals with Iran include the possibility of so-called secondary sanctions leveled against them for continuing to cooperate with Iran. The Total pullout was a major blow for Iran which has been trying for years to jump start its fledgling natural gas production to help meet domestic demand as well as the possibility of restarting its mothballed liquefied natural gas (LNG) project that had also been canceled due to earlier Western sanctions. As recently as last November, it appeared that Iran could be set to export its first LNG cargoes within a year or two as the country pressed ahead with its proposed floating LNG (FLNG) production project. National Iranian Oil Co (NIOC) signed a contract with joint venture company IFLNG. At the time analysts said the $600 million project would be “insignificant” in terms of volume but would nonetheless help Iran to deepen its integration with partners in Asia and Europe and build up the country’s experience in LNG trade and marketing.

However, Iran’s natural gas supply deals already in place will not suffer the brunt of upcoming sanctions as much as its oil sector. As much as 1 million barrel per day (bpd) of Iranian oil will be removed from global markets, with that number likely to increase as sanctions take hold. Iranian gas sector for its part, though a considerably smaller part of the country’s total energy sector, should see a number of key gas supply agreements remain in place despite sanctions. Turkey, which obtains around 40 percent of its electricity from natural gas, is due to buy 9.5 million cubic meters (bcm) of gas from Iran in a contract which runs through 2026. In a speech in July, Turkish President Recep Tayyip Erdogan asked: “Who will heat my country throughout the winter?” Iran and Turkey's ability to continue with their gas contract has also been helped by an agreement signed last October when the two sides agreed to allow their own currencies to be used for bilateral trade instead of U.S. dollars. Tehran has tried to set up similar arrangements with other governments including Russia. If deals go ahead on that basis, it will effectively remove one of Trump’s main leveraging tools by allowing Iran and its partners to bypass the U.S. financial system. Other major gas clients, especially Armenia and Azerbaijan, are likely to continue their gas deals with Iran as well despite sanctions.

Iran, Turkmenistan to form oil, gas committee

Anadolu Agency, *16.09.2018*



Iran and Turkmenistan will establish an oil and gas committee to bolster energy ties, head of Iran's Presidential Office, Mahmoud Vaezi, was quoted as saying by Shana.

According to the report of the Oil Ministry's news outlet, Vaezi's remarks came after a recent meeting with Turkmen President Gurbanguly Berdimuhamedow, and other officials from the country. "Even though it was a short visit, it had good achievements and we hope the ground would be ready for developing cooperation and interactions between the two countries," Vaezi said.

The official added that his visit followed a recent meeting of the presidents of the two neighbors, and many important topics were discussed in the meeting with Turkmen president which "can set the roadmap for furthering cooperation by the two states". Upgrading the level of economic relations between the two countries to about $60 billion was one of the goals set by the two sides, the official said. "By preparing this road map, over the next 10 years, the two countries will have advanced cooperation in the fields of industry, trade, transport and engineering services. They will also enforce a number of agreements which were struck in the past but were left idle," Vaezi added. According to BP Statistical Review of World Energy 2018, Turkmenistan holds the world's fourth largest proven natural gas reserves, which stood at 19.5 trillion cubic meters (tcm) as of the end of 2017. With a 10.1 percent share in the total proven gas reserves in the world, it is right behind Qatar which holds 24.9 tcm, and a 12.9 percent share. Iran is ranked second with 33.2 tcm, and a 17.2 percent share, while Russia has the largest proven natural reserves with 35 tcm, holding a 18.1 percent share.

OPEC warns of threats to oil supply from Iran and other producers

Bloomberg, *18.09.2018*

The Organization of Petroleum Exporting Countries is concerned by threats to crude supply from large producers such as Iran, the group's top official said.

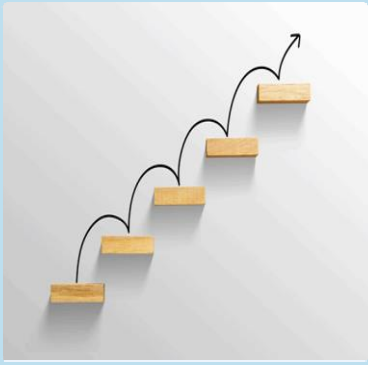
Unilateral U.S. sanctions on oil sales by Iran, OPEC's third-biggest supplier, take effect on Nov. 4. Iran's crude exports are already falling as the U.S. prepares to curb Tehran's ability to sell oil and participate in global financial markets. Iran is a "very important producer and exporter" of oil, the group's Secretary-General Mohammad Barkindo said at an event in the United Arab Emirates city of Fujairah. "When you have major producers facing supply challenges."

Crude is averaging about $72 a barrel this year, and the International Energy Agency warned last week that prices could rise above $80 unless producers compensate for lost supply from OPEC members Iran and Venezuela. While trade disputes and financial woes in some countries may affect crude demand, the IEA said supply risks are the more important issue. Venezuela is pumping half as much oil as in 2016 and faces further declines amid economic upheaval. Barkindo made his comments two days after noting unspecified threats to global demand for crude. Oil consumption is "robust," but crude use "is beginning to face some headwinds," he said Sunday in an interview in Dubai, without elaborating.

Saudi Arabia and Russia led OPEC and allied producers in agreeing to limit output starting in January 2017 to curb a glut. They changed course in June and have pledged to ensure that supplies are adequate to meet demand. A committee of OPEC members and other producers is to meet on Sept. 23 in Algiers to review compliance with their output targets. Most of the 25 producers in the alliance will attend, according to an OPEC delegate. OPEC plans to decide by December on a framework for permanent cooperation with allied producers, Barkindo said in Fujairah. The organization is to hold its next full ministerial meeting on Dec. 3 in Vienna.

Oil rises as Saudis said to be content with prices over $80

Rigzone, *18.09.2018*



Oil rose as Saudi Arabia was said to be comfortable with Brent crude exceeding $80 a barrel.

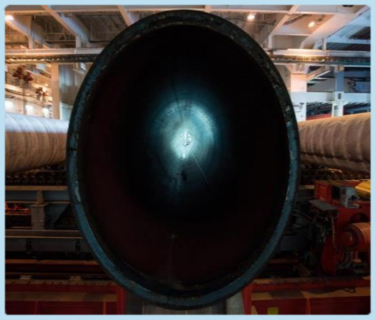
Futures in London added as much as 1.7 percent. The world's biggest crude exporter is content to see the global benchmark advance, at least in the short term, as markets adjust to the impact of U.S. sanctions on Iranian supply, according to people familiar with the kingdom's view. Iranian oil exports have already plunged to a 2 1/2-year low, tanker-tracking data show. "The comment from Saudi Arabia basically highlights the short-term risk that oil producers may struggle to keep crude between $70 and $80."

Brent has climbed more than 11 percent from the lows of August as buyers shun purchases from Iran even before U.S. sanctions officially start in November. Still, an escalating trade dispute between America and China is clouding the outlook for demand. Investors and traders are closely watching whether OPEC and its allies will increase output when they meet to discuss strategy in Algeria on Sept. 23. Brent for November settlement rose as much as $1.32 to $79.37 on the ICE Futures Europe exchange, and traded at $79.05 at 1:15 p.m. in London. The contract fell 4 cents on Monday. The global benchmark crude traded at a $9.51 premium to West Texas Intermediate for the same month. WTI for October delivery gained as much as $1.04 to $69.95 a barrel on the New York Mercantile Exchange, following Monday's 8-cent decline. Total volume traded was about 12 percent above the 100-day average.

Some other key oil-market figures, news and events: China vowed to retaliate after the U.S. said it will impose a 10 percent tariff on about $200 billion in Chinese goods next week and more than double the rate in 2019 Nationwide crude inventories in America likely fell 2.5 million barrels last week, according to a Bloomberg survey of analysts ahead of government data on Wednesday. Stockpiles fell to their lowest level since February 2015 in the week through Sept. 7 While production in the Permian Basin is still trending higher, output per rig has fallen every month since January, according to the Energy Information Administration. Russia’s production costs per ton of oil increased by 2.4 times during the past decade due to growing maturity of key fields, Energy Minister Alexander Novak said at an industry meeting with Premier Dmitry Medvedev.

Russia oil output is said to hit new highs before OPEC talks

Bloomberg, *20.09.2018*



Russia’s crude production has jumped to a new post-Soviet record, boosting the nation’s budget revenue as it prepares for talks with OPEC+ on further cooperation, according to a government official.

The country’s oil output is currently fluctuating between 1.54 million and 1.55 million tons a day -- driven mainly by state-run giant Rosneft PJSC -- the official said, asking not to be named as the information isn’t public yet. That equates to 11.29 million to 11.36 million barrels a day.

It was beating the previous record of 11.25 million barrels a day set in October 2016 before Russia agreed with the Organization of Petroleum Exporting Countries to cut production. Russia’s output increase comes just days before it meets in Algeria with other members of the group known as OPEC+. The producers agreed in June to start rolling back their output cuts to offset losses from countries including Venezuela and Iran while also responding to calls from U.S. President Donald Trump to ease pressure on prices. This weekend, ministers will discuss supply and demand forecasts for the fourth quarter and the potential for extending cooperation into next year. While Russia could boost its production by about 300,000 barrels a day above the October 2016 record within a year, there’s still no decision on tapping this spare capacity and the size of the increase will depend on talks with the wider OPEC+ group, Russian Energy Minister Alexander Novak said last week. Iran said this week that it would veto any OPEC decision which shrinks its market share. Iranian Oil Minister Bijan Namdar Zanganeh said an OPEC committee set to meet this weekend in Algiers has no authority to impose a new supply deal. He added that some producers are trying to create an alternative suppliers’ forum that supports U.S. policies hostile to Iran’s interests.

Russia and Saudi Arabia “can cooperate as much as they want based on their own interests,” Zanganeh told reporters in Tehran on Tuesday. “But from the OPEC countries I have higher expectations and particularly in the current situation — and I’ve said this many times before — it’s not appropriate that two members start leading and taking on the leadership of an anti-Iranian current,“ he said. Oil was trading near two-month highs in London, at almost $80 a barrel, as concern over demand contraction amid U.S.-China trade tensions is countered by supply losses from Iran and Venezuela. Crude in rubles is close to the highest-ever levels reached earlier in September amid the currency’s weakness. Russia’s budget gains from energy taxes are set to jump almost 46 percent this year to a record-high 8.71 trillion rubles ($131 billion), according to estimates from the Russian Finance Ministry. Reliance on energy, which President Vladimir Putin has been struggling to cut in the past few years, is set to exceed 46 percent of the country’s overall budget, compared to 40 percent in 2017. That would be the highest level since 2014. If Russian producers maintain September levels through to the end of the year, the nation’s full-year output target could be increased to 555 million tons, meaning an additional 2 million tons in the remaining 100 days, the government official said. That equates to as much as 150,000 barrels per day in addition to last month’s output of 11.21 million barrels.

Russia’s Energy Ministry and Rosneft, which accounts for more than 40 percent of the nation’s production, didn’t immediately comment. The highest level reached by the country during the Soviet era, on an annual-average basis, was 11.416 million barrels a day in 1987, according to BP Plc data. While state forecasts anticipate an increase in production later this year, there’s no clarity yet on 2019 plans. The current OPEC+ cuts deal expires at the end of this year, unless producers replace it with a new one. Novak has said that Russia sees the need for continued cooperation across the group. This could involve removing output quotas but with an option to use this tool in future if the market requires. Russia’s major oil producers have so far declined to comment on their output targets for next year. Gazprom Neft PJSC, the nation’s third-biggest oil producer, said it has the capacity to increase output next year. “We in principle are aiming to show growth,” Chief Financial Officer Alexey Yankevich said in an interview earlier this month. “But everything will depend on how the OPEC+ agreement will look.” The company hopes there will be some clarity by December when plans for 2019 are set.

Russian piped gas is critical for Europe's supply needs

Oil & Price, *19.09.2018*

The European Union's decision on the route and volume of natural gas flow through Russia's new pipeline infrastructure, namely the Nord Stream 2 and TurkStream pipelines, remains critical to meeting Europe's requirement for liquefied natural gas (LNG), according to an expert at Wood Mackenzie late on Tuesday.

Murray Douglas, research director of Europe gas at Wood Mackenzie, believes Europe's appetite for gas has undergone a renaissance in recent years.

Douglas said that by 2025, Europe would require an additional 79 billion cubic meters per annum of imports versus 2018 levels, which are comparable to the size of Europe's largest gas market, Germany. Russia's new gas infrastructure with the two new pipelines will mean that Europe's market space can open up for LNG suppliers and for more Russian supplies, he argued. He maintained that Russia would increase volumes through its new pipeline infrastructure but that it eventually would hit constraints without further capacity growth – especially on a seasonal basis. "The level of supply flexibility to the European market diminishes as Europe's indigenous supply falls and risks to proximate legacy piped supplies grow," he said noting that these risks have resulted in higher gas prices in Europe in 2018. He highlighted that global LNG supply growth over the next few years would mitigate Europe's lack of supply flexibility but cautioned that the market would tighten again.

"If a subsequent wave of LNG supply does not progress, competition in the global LNG market will intensify," he said, adding that the strategies of European gas buyers will be put to the test. However, contrarily, he said if the next wave of LNG supply progresses as the consensus suggests, the European market would continue to enjoy the benefits as a liquid market available for LNG volumes. However, he underlined that any downside to LNG supply growth would necessitate a lift in European prices to a level where they must become competitive with Asian buyers," he said. According to Wood Mackenzie's data, the current average for Europe LNG price is trading around $9.35 per million British thermal units (for delivery in October), whereas the average LNG price for the Asian market is around $12 per million British thermal units (for delivery in November).

Russia mulls oil output rise prior to Algerian meeting

Anadolu Agency, *14.09.2018*

Russia and some members of the Organization of the Petroleum Exporting Countries (OPEC) will discuss increasing oil output by up to 1 million barrels per day during OPEC's sub-committee review in Algeria on Sept. 23, Russia's Energy Minister Alexander Novak said on Monday.

During a press conference in Russia's Black Sea city of Sochi, Novak said the Algeria meeting would see discussions on various production scenarios for the oil market. He stated that all OPEC members.

Some non-OPEC producing countries might well benefit from the outcome of the upcoming meeting. "All alternatives for the oil market for OPEC and non-OPEC countries will be discussed," he said. On June 23 in Vienna, OPEC and some non-OPEC countries agreed to add 1 million barrels of daily production, based on the decision that Russia would increase its oil production by around 200 thousand barrels per day.

Azerbaijan's Socar, BP confident TAP natural gas link to be completed 'on time'

SP Global, *12.09.2018*

Senior officials from Azerbaijan's Socar and BP -- the lead sponsors of the Southern Gas Corridor linking Azeri natural gas supplies with the European market via Turkey -- are confident the corridor's final section, the TAP pipeline, will be completed as planned by 2020.

Speaking during an Atlantic Council webcast briefing from Washington Tuesday, Socar deputy vice president Vitaliy Baylarbayov said there was "no Plan B" and he was confident Italy would see the 10 Bcm/year TAP pipeline was completed "on time".

The new Italian government that came to power in May cast immediate doubt over the TAP project, with environment minister Sergio Costa dismissing the pipeline as "pointless" and questioning its economic viability. TAP is the final piece of the Southern Gas Corridor, which also comprises the 16 Bcm/year, BP-operated Shah Deniz 2 field offshore Azerbaijan that started in May, the expanded South Caucasus Pipeline via Georgia and the recently commissioned 31 Bcm/year TANAP pipeline in Turkey. The corridor, backed by the US, was driven by Europe's desire to diversify its gas import sources and Azerbaijan's need to monetize its vast gas resources. With the main components of the corridor up and running, attention is firmly on whether TAP will be fully completed by 2020 as planned. Emily Olson, BP vice president responsible for external affairs for the Southern Gas Corridor, said she acknowledged the obstacles regarding Italy's stance toward TAP. "We still have challenges [with Italy]," Olson said. "It is difficult...and the politics will be complex. That is the nature of the beast."

Despite there still being issues around the landfall of TAP in Italy, partly due to the need to move olive trees from around the landing point, Olson said she was "very confident" the pipeline would land in Italy on time. Asked whether there was a back-up plan if Rome vetoed TAP's landfall in Italy, Olson said she saw no need to consider a "Plan B" yet and that making the government appreciate the project was the most important step. "It is important to reflect that this is a new government. We need to continue to work with them to get them to a point where they feel comfortable," she said. "I am not willing to go to Plan B yet. They just need to be brought up to speed on the best way forward." Baylarbayov was more direct. "There is no Plan B. And there should not be any Plan B. Italy needs this gas. Gas demand in Italy is growing and volumes of imports are growing," he said. Italian gas is currently the most expensive in Europe. According to S&P Global Platts assessments Tuesday, the PSV day-ahead price was Eur30.48/MWh ($35.3/MWh), the only European day-ahead price above Eur30/MWh. The relatively isolated Italian market is reliant on imports from Russia, North Africa, northwest Europe and in the form of LNG. The government has said that against the backdrop of stagnating gas demand there was no need for additional import infrastructure to Italy. Other participants in the panel were more scathing about the Italian government's position toward TAP.

Brenda Shaffer, senior fellow at the Atlantic Council's Global Energy Center, slammed Italy for casting doubt over the pipeline. "Italy is the prime market in Europe for more gas -- you would think they would want more gas, more security of supply," Shaffer said. "If Europe cannot get this right, what are you going to do?" she said, pointing to gas prices being extremely high and Russia's share of the European market being at a record level. "The real risk is in Europe itself," Shaffer said. BP's Olson also expressed surprise that it was Italy that represented an obstacle to the full completion of the Southern Gas Corridor. Olson said the project sponsors might have anticipated geopolitical issues with Georgia, Turkey or Albania, but that turned out not to be the case. Neil Brown, director at the KKR Global Institute, said at the briefing that the Italian government may not last that long, suggesting the state's attitude toward TAP could change depending on who had the reins of power.

OMW joins Dow Jones Sustainability Index

Anadolu Agency, *19.09.2018*

Austrian Oil and gas company OMV joined the Dow Jones Sustainability Index (DJSI World) on Thursday, Sept. 13, the company announced last week.

The company is the only Austrian company included in the index, OMV said. "The inclusion places OMV among the top 10 percent oil and gas companies in terms of Environmental, Social, and Governance (ESG) criteria," according to OMV's statement. Launched in 1999, the DJSI World represents the gold standard for corporate sustainability.

And it is the first global index to track the leading sustainability-driven companies based on international investment company RobecoSAM's analysis of financial material based on environmental, social, and governance factors. RobecoSAM specific focuses on sustainability investments.

Exxon, Chevron and Occidental Oil and gas climate group

Rigzone, *20.09.2018*

Exxon Mobil Corporation, Chevron Corporation and Occidental Petroleum will become official members of the OGCI September 24, the organization announced Sept. 20.

The three companies represent 5 percent of global oil and gas production and with their addition, OGCI members represent 30 percent of global oil and gas production and supplies close to 20 percent of global primary energy consumption. The goal of the OGCI, which launched in 2014, is for members to work collaboratively toward solutions to mitigate the risks of climate change.

“It will take the collective efforts of many in the energy industry and society to develop scalable, affordable solutions that will be needed to address the risks of climate change,” ExxonMobil CEO Darren Woods said in a company statement. “Our mission is to supply energy for modern life and improve living standards around the world while minimizing impacts on the environment. This dual challenge is one of the most important issues facing society and our company.” Exxon, Chevron and Occidental join 10 other OGCI members. Those companies are BP, CNPC, Eni, Equinor, Pemex, Petrobras, Repsol, Saudi Aramco, Shell and Total.

Egypt inks $1B exploration deal with Shell, Petronas

Egypt O & Gas, *17.09.2018*

The Egyptian Ministry of Petroleum has signed a deep-water oil and gas exploration agreement with Royal Dutch Shell and Malaysia's Petronas worth around $1 billion to drill eight wells in the country's West Nile Delta region, local media reported.

Citing a statement issued by the ministry, Daily News Egypt said an additional $10 million agreement was signed with the U.K.'s Rockhopper, Kuwait Energy, and Canada’s Dover Corporation to drill four wells in the Western Desert.

The English daily quoted Minister Tarek El-Molla as saying that the launch of international tenders and agreements in Egypt’s oil and gas sector would continue in full swing, to develop Egypt’s resources, thereby increasing production to meet domestic market needs and reduce imports. He added that the reforms undertaken in the country had yielded "outstanding results", with the petroleum sector having signed 63 new agreements for the exploration of oil and gas since June 2014 with a total investment of around $15 billion. "Egypt aspires to become a regional gas hub, following the discovery of the giant Zohr gas field in offshore Egypt, the largest gas field ever discovered in the Mediterranean, with reserves estimated at 30 trillion cubic feet," the daily said, adding this increase would almost double the field's output capacity, bringing Egypt a step closer to ending its dependency on LNG imports.

The Qatar-China LNG deal ıs a game changer

Oil & Price, *11.09.2018*

PetroChina has just inked a deal to buy 3.4 million tonnes per annum (mtpa) of LNG from QatarGas in a move representing the Chinese firm's largest ever to date LNG supply deal by volume.

Per terms of the new 20-year agreement, state-controlled QatarGas has agreed to supply PetroChina from the QatarGas 2 project, a joint venture between Qatar Petroleum, U.S.-based oil major Exxon Mobil and French major Total SA. The first cargo will be delivered later this month. The deal has several market and geopolitical take-aways.

First, it comes as President Donald Trump ramps up the ongoing trade war between the U.S. and China. On Friday, Trump said he was ready to levy additional taxes on practically all Chinese imports, threatening duties on $267 billion of goods over and above planned tariffs on $200 billion of Chinese products. On cue, China's foreign ministry on Monday vowed (once again) to defend itself over any possible new tariffs on its products going into the U.S. "If the U.S. side obstinately clings to its course and takes any new tariff measures against China, then the Chinese side will inevitably take countermeasures to resolutely protect our legitimate rights," Foreign Ministry spokesman Geng Shuang told a regular briefing, when asked about Trump's warning. China has already threatened a 25 percent tariff on American LNG imports that have the potential to dramatically set back the so-called second wave of the U.S. LNG sector. Most new American LNG project proposals have been counting on not only Chinese funding for their CAPEX intensive LNG projects, but for Chinese firms to sigh much needed long term off-take agreements that help projects reach a final investment decision (FID) that must be in place before projects can be built.

Moreover, the new deal between PetroChina and QatarGas could also arguably be called an opportunity cost/loss for U.S.-based LNG projects already operational that need to sign new agreements to finance additional production trains. Not only is it a potential loss for American projects but these volumes can also help PetroChina offset the reduction and possible elimination of buying U.S. LNG cargoes on the spot market in Asia. If Beijing pushes through with its retaliatory LNG threat, those duties would push up the price of U.S. LNG above what companies could afford to pay for them in the near term.

"[A] 25 percent [tariff] is not something we can absorb even if domestic demand is strong," said a source at a state-owned Chinese company in August. "So while this uncertainty persists, I doubt buyers will be buying a lot of spot US LNG." The PetroChina deal also comes as China continues to revolutionize global LNG markets as it looks to replace dirtier burning thermal coal power production plants with cleaner burning natural gas. Both LNG and piped gas imports to China have escalated within the past year with that trajectory projected to continue its ascent. China’s August gas imports (both LNG and pipeline gas) spiked some 37 percent year-on-year, while gas imports in August were up 5.4 over the previous month. In the first eight months of 2018, China has imported 57.18 million mt of gas, up 34.8 percent compared with the same period of 2017. However, August’s figures are merely a flash in the pan compared to the International Energy Agency’s (IEA) projections. In December, the Paris-based agency said that China's demand for natural gas will continue to soar toward 2040, outstripping domestic output by around 43 percent.

"China's annual gas production will more than double to 340 billion cubic meters in 2040, with shale gas a major contributor, but consumption is foreseen to grow even faster, reaching 600 billion cubic meters," said the China Special Report of the World Energy Outlook 2017. Another take-away from the recent PetroChina-QatarGas deal is that it supports Qatar’s determination to remain at the top of global LNG production and dominance. Sometime next year Australia is slated to bypass the tiny-gas rich kingdom as the world’s largest LNG producer in terms of liquefaction capacity. However, mid-last year Qatar fought back by announcing its plan to ramp up LNG capacity from a current 77 mtpa to a market shocking 100 mpta within five or six years, effectively positioning itself to become the world’s top LNG producer again around 2023, a pivotal date that could mark the end of the ongoing supply overhang and ushering in a once unthinkable shortage of the super-cooled fuel in global markets. Until China’s 25 percent retaliation threat on LNG, the U.S. was also in a good position to challenge Qatar’s dominance for not only the number two slot it will inherit next year but even as the new global leader when Qatar’s 100 mpta production kicks in. However, Beijing’s LNG threats could derail U.S. plans to take the top LNG production slot - creating an intriguing causal effect between global LNG producers, consumers and warring trading partners.

China's crude oil output up after almost 3 years

Anadolu Agency, *10.09.2018*

China's crude oil production increased in August, marking the first time the output went up in almost three years, according to official figures released on Friday.

Last month, the country produced 16 million tons of crude oil, up 0.2 percent from the same month in 2017, the National Bureau of Statistics (NBS) said. The increase in August also marks the first increase on an annual basis since October 2015, the bureau added. The amount of crude oil production from Jan to Aug, on the other hand, was down 1.8 percent compared to the same period last year.

Crude oil imports continued to increase, according to the data. In August, imports hit 38.38 million tons, an increase of 2.36 million tons compared to July, and 12.9 percent year-on-year. Imports in the first eight months of the year were also up, increasing by 6.5 percent year-on-year, and hitting 299.19 million tons. In August, coal production stood at 3 million tons, up 4.2 percent on an annual basis, after falling 2 percent in July. Average daily production hit 957 million tons, an increase of 49 million tons. From January to August, the output of raw coal was 2.28 billion tons, a year-on-year increase of 3.6 percent. Last month, coal imports were 28.68 million tons, a slight decrease of 330,000 tons from the previous month, but still maintained a high level, rising by 13.5 percent year-on-year, the NBS said. Imports in the first eight months, on the other hand, reached 200 million tons, up 14.7 percent on an annual basis.

According to the statistics, last month, China produced 12.9 billion cubic meters of natural gas, up 9.7 percent year-on-year. The production between January and August also increased to reach 104 billion cubic meters, up 5.9 percent compared to the same period last year. Gas imports continued to grow at a high rate, the bureau said. In August, natural gas imports hit 7.77 million tons, marking a 37.3 percent increase year-on-year, while the country imported 57.18 million tons of gas in the first eight months of the year, an annual increase of 34.8 percent. In August, the power generation capacity was 640.49 billion kWh, a year-on-year increase of 7.3 percent. The growth rate was 1.6 percentage points higher than that of the previous month, the NBS said, adding the average daily power generation was 20.66 billion kWh, marking a new high. From January to August, power generation increased by 7.7 percent compared to the same period last year. According to the report, thermal power was up 6 percent in August compared to the same month last year, while hydropower rose 11.5 percent. Nuclear and solar power generations were also up, increasing by 16.9 percent and 12.2 percent, respectively. Wind power, on the other hand, diminished last month due to extreme climatic factors including strong typhoons and heavy rainfall with the growth rate dropping 24.1 percentage points from the month of July. It was up just 0.6 percent on an annual basis.

Strong growth in short term Egypt gas production expected

Rigzone, *20.09.2018*

Fitch Solutions Macro Research expects “strong growth” in gas production in Egypt in the short term, a new report by the company has revealed.

“We expect strong growth in gas production in Egypt in the short term as several major offshore development[s] ramp up output over 2018,” Fitch Solutions Macro Research said in the report, which was sent to Rigzone. “Over the longer term, subsequent phases of development from major fields, most notably the Zohr field, provides substantial upside to gas output,” the company added.

LNG exports will be “one way” of monetizing domestic gas production, “with existing LNG terminals able to be utilized immediately,” Fitch Solutions Macro Research stated in the report. The company also said that the upside from Zohr, and several other offshore fields, over the next five years “will reduce Egypt's gas import burden and could facilitate a consistent restart of LNG exports from as soon as the end of 2018”. “As production exceeds domestic demand, we see the potential for gas to be exported via LNG to European and Middle Eastern markets, where LNG demand is expected to rise over the long-term,” Fitch Solutions Macro Research added.

US, Russia can meet global energy demand together: Novak

The News, *13.09.2018*

Russia and U.S. could meet the growing global energy demand if they work together, Energy Minister Alexander Novak told his U.S. counterpart Rick Perry at a meeting held in Moscow on Thursday.

In remarks made in front of reporters, Novak acknowledged that the relations between the two countries were far from perfect, but Russia and the U.S. were two of the world’s leading energy producers. "Our countries can meet the growing energy demand in the world only through joint efforts," he said.

The Russian minister also said that Russia supports both the transparency of global energy markets, and the right of customers to choose their own source of supply. Novak's words came after Perry reiterated Washington's opposition to the Nord Stream 2 gas pipeline project, which is expected to cost around $11 billion, and transport 55 billion cubic meters of Russian gas per year to Germany via the Baltic Sea after it becomes operational in early 2020. Poland, Denmark and Ukraine also oppose the project, arguing that it would increase the EU's dependency on Russian gas and Europe should instead focus on diversifying its energy resources. The U.S. secretary of energy said that the Nord Stream 2 project would "create a new choke point at a shallow depth vulnerable to disruption", and called on Russia to "stop using its resources for influence and disruption". Novak replied by saying: "I am glad that we share the view that energy should not be used as a means of pressure, and that consumers should be able to choose the suppliers".

Perry said that despite the disagreements between the two countries, they could work together to ensure market stability and further energy diversity. "So as world leading energy producers, the U.S. and Russia, we have an opportunity to cooperate to ensure market's stability and sustainability as well as increase energy diversity," he said. In early April, after meeting with the leaders of Latvia, Lithuania and Estonia at the White House, U.S. President Donald Trump criticized the Nord Stream II pipeline, saying it just was not "right".

"Germany hooks up a pipeline into Russia, where Germany is going to be paying billions of dollars for energy into Russia. And I'm saying: What's going on with that? How come Germany is paying vast amounts of money to Russia when they hook up a pipeline? That's not right," he said. Germany, for its part, blames Washington for seeking to block the Russia-Germany gas pipeline to boost its own exports of natural gas.

US liquefied natural gas sector sees boost in 2018

Anadolu Agency, *17.09.2018*

The U.S.' liquefied natural gas (LNG) is once again gaining momentum since a second wave of projects from early 2018 is set to bring more than 10 million tonnes per annum (mtpa) to the market under sales and purchase agreements (SPAs), according to senior in Wood Mackenzie on Monday.

Kristy Kramer, director of Americas gas research, at global natural resources consultancy at Wood Mackenzie, said the increase in SPAs is "remarkable". In the period since the first wave of U.S. LNG projects in late 2017, just 2 mpta had been locked in. At the end of August this year, the U.S. FERC announced regulatory timelines for 12 LNG projects.

"At the same time, strengthening fundamentals mean Wood Mackenzie believes the global LNG supply-demand gap in 2025 will increase from 45 mpta to 65 mpta," Kramer said. This increases the pressure on U.S. LNG projects to make commercial arrangements as they look to take FIDs in the next 12-18 months, she warned. "Gas supply will rise in importance for the next wave of U.S. LNG. The U.S. market will increase by more than 30 billion cubic feet per day between 2012, when the first U.S. project took FID, and 2022 when those projects will be online," she said.

US LNG is coming to Germany, says US dep. energy sec.

Anadolu Agency, *17.09.2018*

The U.S. will definitely export LNG to Germany, with only the question remaining as to when this will start, an article posted Sunday on German daily Bild's website cited U.S. Deputy Secretary of Energy Dan Brouillette as saying.

Brouillette's remarks came during an interview with a small group of journalists on Friday, according to the article. "U.S. liquefied natural gas is coming to Germany. The question is not if, but the question is when," the deputy secretary was quoted as saying. When asked about the biggest competitor to privately-owned U.S. gas.

It is namely Russia's state-owned gas giant Gazprom and its Nord Stream 1 and Nord Stream 2 pipelines, Brouillette said: "I can assure you that U.S. LNG will be competitive." "U.S. LNG will determine the maximum price for Gazprom and others who want to sell here. And because U.S. LNG is here, Gazprom will not be able to claim whatever it wants," he added. The U.S. ambassador to Berlin, Richard Grenell, who was also present at the meeting, said Chancellor Angela Merkel personally assured U.S. President Donald Trump that Germany wants to buy LNG from the U.S. According to Grenell, Merkel made these remarks during a conversation with Trump who said that he wanted to sell more LNG to Europe, and primarily Germany in the future. At present, Brouillette and Grenell are working together with both German and U.S. authorities "to remove all obstacles and get the necessary permits," Bild said. According to the article, it remains unclear when U.S. tankers can begin LNG shipments to Germany. "The current schedule of the three companies working against each other provides for terminal openings from 2022, i.e. only three years after Russia's Nord Stream 2 pipeline is due to commence operations," Bild said.

But Grenell, after talks with representatives of the companies, reportedly said: "They are in a race to see who can help us get to the finish line fastest. It will definitely be sooner [than 2022]". According to the article, so far, the German gas market is firmly in Russian hands with about 60 percent of German gas imports coming from Russia, sending billions of euros into the pockets of Gazprom. The U.S. administration opposes the Nord Stream 2 gas pipeline project, which is expected to cost around $11 billion to transport 55 billion cubic meters of Russian gas per year to Germany via the Baltic Sea after it becomes operational in early 2020. Germany, for its part, blames Washington for seeking to block the Russia-Germany gas pipeline to boost its own exports of natural gas. Poland, Denmark and Ukraine also oppose the project, arguing that it would increase the EU's dependency on Russian gas while also contending that Europe should instead focus on diversifying its energy resources.

Trump slams OPEC, criticizes high oil prices again

Anadolu Agency, *21.09.2018*

The U.S. President Donald Trump slammed the OPEC for high crude oil prices again, blaming high gasoline prices in the U.S. indirectly on the cartel as the mid-term elections loom.

"We protect the countries of the Middle East, they would not be safe for very long without us, and yet they continue to push for higher and higher oil prices! We will remember. The OPEC monopoly must get prices down now!" Trump wrote in his Twitter account. The U.S. has been an long-term ally of Saudi Arabia, the world's biggest crude exporter, in addition to Gulf countries such as the United Arab Emirates and Kuwait -- all OPEC members.

Yet, as crude oil prices in global market keep gasoline prices in the U.S. high, Trump is trying to lower fuel prices before the congressional elections in November. The President aims to keep his Republican Party in control of the Congress, which would otherwise hinder his ability and influence in the Senate and the House of Representatives when the White House proposes a legislation. However, this is not Trump's first strike against OPEC. In his 2011 book, Time to Get Tough: Making America #1 Again, he wrote: "We can start by suing OPEC for violating antitrust laws." And, in his 1987 book, Trump: The Art of the Deal, he wrote, "There was just one problem: OPEC. Almost immediately, oil prices started going through the roof, which devastated the airlines." During an interview with CNN's Larry King in 2009 in the middle of the financial crisis, Trump said: "When the economy starts getting better, you will have an OPEC problem. They'll just start raising the price of oil again and destroy the economy ... as soon as the world comes back, OPEC will raise its ugly head and destroy it again."

High oil prices, on the other hand, help American oil companies' finances and investments. Each barrel sold at a higher price means the possibility of more revenue and investment for companies and greater ability to raise output. Higher output and revenue means the gradual decline in U.S. dependence on foreign oil, further contributions to the American economy and employment, and more tax revenue for the federal government.

Brent oil starts week on Sept. 17 with price drop

Anadolu Agency, *17.09.2018*

International Benchmark Brent crude traded at $78.14 per barrel at 06.43 GMT on Monday, while American benchmark West Texas Intermediate (WTI) saw prices of $69.06 per barrel.

Brent crude traded a little higher at $78.25 per barrel at 12.12 GMT on Friday, while American benchmark West Texas Intermediate was recorded as $68.89 a barrel at that time. The fall in the Brent price is driven by an uptick in the U.S. oil rig count last week. The number of oil rigs in the country increased by seven for the week ending Sept. 14.

This brought the total number of oil rigs in the U.S. to 867, from 860 the week before. Moreover, experts contend that despite the upcoming U.S. sanctions against Iran in November and amid concerns that the U.S. is poised to impose additional tariffs on China, international oil prices decreased.

Announcements & Reports

► *IMO 2020 and the Brent-Dubai Spread*

Source : OIES
Weblink : https://www.oxfordenergy.org/publications/imo-2020-brent-dubai-spread/

► *LNG in marine transport – is it about to become the environmentally-friendly fuel of choice?*

Source : OIES
Weblink : https://www.oxfordenergy.org/publications/lng-marine-transport-become-environmentally-friendly-fuel-choice/

Upcoming Events

► *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/