Oil & Gas Bulletin

▸ 08.09.2017

Turkey's 2017 gas consumption to hit 50 bcm

Anadolu Agency, *29.08.2017*

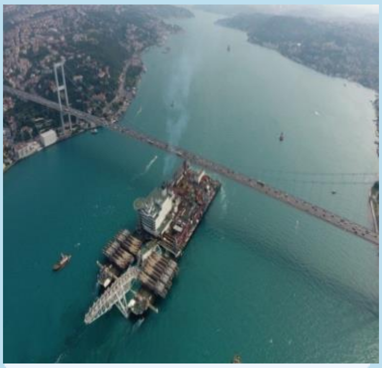
Turkey's natural gas demand could hit 50 billion cubic meters by the end of the year, Natural Gas Distribution Companies Association (GAZBIR) said on Tuesday. Cold weather conditions and increased electricity generation from gas power plants could increase natural gas use, GAZBIR said.

Last year, Turkey consumed 46.3 billion cubic meters of natural gas. Gas demand is expected to rise by about 10 percent from 2016 levels, GAZBIR said. Every year, there are 1 million new gas user in the country, due to the measures taken by the Ministry of Energy and Natural Resources and new investments by natural gas distribution companies.

With new investments in the natural gas market, the number of natural gas users is estimated to reach 50 million.

Petrofac secures €340 mln TurkStream contract

Anadolu Agency, *05.09.2017*



Jersey based oil field services company Petrofac secured a €340 million contract along with Gazprom subsidiary South Stream Transport BV to build a gas receiving terminal in Turkey, the company announced on Tuesday.

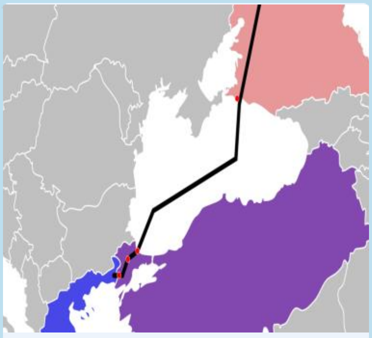
Petrofac announced that the engineering, procurement and construction (EPC) contract includes the development of onshore pipelines and a gas receiving terminal near Kıyıkoy on Turkey's northeastern Black Sea coast. The company has been undertaking early works since April, which includes detailed design and procurement for the offshore section of the TurkStream natural gas pipeline.

Under the contract, Petrofac will provide engineering, procurement and construction for the receiving terminal, which will be ready for commercial operations in December 2019. When completed, the facility will receive 31.5 billion cubic meters of gas annually from the TurkStream pipeline originating from the compressor station in Anapa, Russia.

“We’re delighted to be working with South Stream Transport to help open up a vital gas export channel to Turkey and Southeast Europe," said Roberto Bertocco, Managing Director, EPC for Petrofac Engineering and Production Service. More than 20 percent of the TurkStream natural gas pipeline, which will have a length of 900 kilometers and carry Russian gas to Turkey and Europe, has been already constructed.

TurkStream off-shoots on old terms must be avoided – EU

ICIS, *05.09.2017*



TurkStream extension into southeast Europe, or off-shoots to countries along the route that would ship Russian gas under terms that prolong old legacy supply contracts would counter the EU’s diversification efforts and must be “absolutely avoided”, the director of the European Commission’s internal energy markets division told ICIS in an interview on Monday.

Klaus-Dieter Borchardt said the commission considered there was already sufficient capacity between the EU and Russia and therefore other sources of natural gas such as LNG supplies imported via Greece and Croatia,

Black Sea production from Romania or Bulgaria or gas from the eastern Mediterranean basin should be encouraged to reach EU markets. He added there was interest from the commission to cooperate with Turkey, a transit country for future Caspian gas, which is expected to reach southern Europe by the end of the decade, as well as a partner in the TurkStream project, which is currently being built across the Black Sea into Turkey. There are currently talks that a second string of the pipeline could bring Russian gas into southern and eastern Europe, although plans are yet to firm up.

“Since Turkey is not part of the EU or of the [related] Energy Community, it is not subject to the EU rules applicable to transmission pipelines. EU rules start from the interconnection point on European territory. “That said, there is certainly an interest to cooperate with Turkey and applying EU or similar rules on the border with Turkey would allow to better connect it to EU markets, which could be beneficial for both sides,” Borchardt said.

Speaking about the development of central and eastern European gas markets, Borchardt said significant progress had been made, largely thanks to the work of the Central and South Eastern Europe Gas Connectivity (CESEC) initiative, whose aim is to speed up the integration of regional countries and diversify their supplies.

However, he said that countries in the region were still lagging behind their western European peers and a major impediment to their development has been the existence of long-term contracts. The contracts were signed in the late 1980s or 1990s between Russia and European buyers under onerous terms including high take-or-pay conditions, a ban on re-exports and a full indexation to oil or oil-derived product prices.

“Legacy contracts are not in line with EU rules. We are working with all parties to resolve these matters,” he explained. However, he insisted that markets needed to develop in a sensible manner that responded to national realities, but added that countries were required to implement the EU’s network codes for gas and electricity and take measures to develop their markets in terms of increasing liquidity and competition.

He said that the CESEC high-level group, which was now being extended to electricity, renewable energy and energy efficiency, had organised workshops in Romania and Bulgaria to ensure the countries were making progress in complying with EU rules. Further workshops are planned for Greece, he said.

Borchardt said the commission offered both technical and political support to ensure compliance and proper implementation of EU rules. However, he added that if breaches of EU law were identified, the commission could also use competition law enforcement or initiate infringement procedures against member states, but rejected the view that the disbursement of EU funding should be conditioned on members’ compliance.

“Conditioning an EU funding instrument on compliance with EU law could breach member states’ right of defence in the infringement procedure, in particular if the possible non-compliance with EU law has not been ascertained yet by the European Court of Justice.”

In fact, he said, it was in the EU’s broader interest that states received grants under the Connecting Facility Europe (CEF) for projects of common interest (PCIs), which help countries to fulfil their diversification, security of supply and market integration objectives.

“It may occur that failure to implement certain pieces of EU law into national legislations prevents [a] project from generating such positive externalities, in which case they would not be eligible for funding under CEF. “Moreover, as the grant beneficiaries are the project promoters, they are held by strict obligations to comply with EU law in accordance with the grant agreement,” Borchardt said.

Turkey's energy imports increase by 38.5% in July

Anadolu Agency, *29.08.2017*

Turkey's energy imports increased by 38.5 percent to $2.90 billion in July from $2.10 billion year-on-year, according to Turkish Statistical Institute's (Turkstat) data Tuesday.

The data shows that Turkey's imports in July 2017 totaled $21.48 billion, out of which energy accounted for nearly 13.5 percent. Additionally, the country's crude oil imports showed a 7.81 percent drop in July compared to the same period in 2016. Turkey imported approximately 2.15 million tonnes of crude oil in July 2017, down from 2.33 million tonnes for the same period in 2016.

Petrofac to build gas receiving terminal in Turkey

DailySabah, *05.09.2017*

Jersey-based oil field services company, Petrofac has secured a €340 million contract along with Gazprom subsidiary South Stream Transport BV to build a gas receiving terminal in Turkey, the company announced Tuesday.

The engineering, procurement and construction (EPC) contract includes the development of onshore pipelines and a gas receiving terminal near Kıyıköy on Turkey's northeastern Black Sea coast, a statement said.

The company has been undertaking early works since April, which includes detailed design and procurement for the offshore section of the TurkStream natural gas pipeline, it added. Under the contract, Petrofac will provide engineering, procurement and construction for the receiving terminal, which will be ready for commercial operations in December 2019.

When completed, the facility will receive 31.5 billion cubic meters of gas annually from the TurkStream pipeline originating from the compressor station in Anapa, Russia. "We're delighted to be working with [Amsterdam-based] South Stream Transport to help open up a vital gas export channel to Turkey and Southeast Europe," said Roberto Bertocco, Managing Director, EPC for Petrofac Engineering and Production Service. More than 20 percent of the TurkStream natural gas pipeline, which will have a length of 900 kilometers and carry Russian gas to Turkey and Europe, has already been constructed.

BHGE ready to support Turkey's seismic explorations

Anadolu Agency, *07.09.2017*

Baker Hughes, BHGE as a GE company, is ready to support Turkey's upcoming offshore projects in the Mediterranean and the Black Sea along with Phase II of Trans Anatolian Natural Gas Pipeline Project (TANAP), BHGE's president of MENA, Turkey and India said on Thursday.

"This [support for the projects] will be done through our new full-stream BHGE offering which will allow us to leverage our combined strengths and offer a full range of services and solutions across the oil and gas value chain – from upstream, to midstream, to downstream," Rami Qasem, BHGE's president for MENA, Turkey and India, told Anadolu Agency.

GE completed $7.4 billion merger with Baker Hughes and acquired 62.5 percent interest in the company in July. With this merger, BHGE was created.

"We created BHGE because oil and gas customers need to withstand volatility, work smarter and bring energy to more people. Our offering is differentiated from any other in the industry across the value stream and enables and assists our customers in driving productivity, while minimizing costs and risks, which is of significant value to our customers in the region," he said.

"We will help our partners not just in new fields but also in brownfield ventures, monitoring wells, and enabling them to achieve higher levels of productivity. We can help increase production by leveraging the advanced data analytics, and through our full-stream competencies. There are various other related aspects too that will benefit the industry – including power generation, where we can create long-term value," he explained.

He reminded that the company calls itself "the first and only full-stream company" and in line with Turkey's Vision 2023 and National Energy Strategy, BHGE will continue to support the high potential in meeting the goals for diversification, sustainability and independence in energy.

Qasem stated that both GE and Baker Hughes have well-established operations in Turkey and have demonstrated their commitment for the efficient and sustainable development of the country's natural resources. "As BHGE, we are more than ready to support the country's gas storage expansion plans, for both these projects - Kuzey Marmara Phase-III (Silivri) and Tuz Golu Natural Gas Storage Facility - where we can leverage our expertise in several aspects," he said.

Turkey plans to gradually increase its natural gas storage capacity up to minimum 20 percent of its natural gas consumption per year which is around 50 billion cubic meters. "Our proven track-record to support game-changer projects, such as TANAP, where our high-end aeroderivative gas turbines will transport gas from Azerbaijan via Turkey to European energy markets, will also continue to strengthen our commitment to strengthen the local economy. It is evident that Turkey remains a very important country to BHGE as a long-term partner," Qasem explained.

"Working across the oil and gas value chain, from extraction, to transportation, to end-use, BHGE will continue supporting Turkey and its long-term partners for upcoming Mediterranean and Black Sea offshore drilling projects," he concluded.

As oil prices weather storm, OPEC looks for long-term boost from Harvey

Reuters, *31.08.2017*

For veteran OPEC officials, Hurricane Harvey's impact on global oil markets is one of the strangest things they have seen. The storm has led to some of the biggest disruptions to U.S. energy infrastructure; yet it has failed to boost crude prices.

In contrast with previous major hurricanes such as Katrina in 2005, Harvey has actually seen oil prices edge down as traders have focused more on the hit to demand from damaged U.S. refineries than the blow to supply from knocked-out production.

That is deeply frustrating for OPEC countries currently restricting oil supplies in an attempt to push prices higher. "It seems no event will move the oil price up much," said one OPEC delegate, surprised by the lack of impact from Harvey.

Another was also bemused after oil prices fell this week, defying too a steep drop in Libyan production due to unrest. "It is all really strange. The sentiment of the market has changed a lot in the last 10 years," he said.

Whether the market continues to frustrate its would-be masters remains to be seen, however, with analysts divided whether demand from U.S. refineries will recover more quickly than U.S. production.

OPEC long ignored the U.S. shale revolution that helped the world's largest oil consumer sharply raise output and become a major exporter of both crude and products in recent years. When it finally recognized the threat, OPEC led by Saudi Arabia embarked on a pump war with the United States aimed at hitting the high-cost U.S. industry with lower oil prices.

In the past two years, however, OPEC has restrained production to prop up prices, because the pain of cheaper barrels was putting too much stress on most members' finances. The move has revived growth in the U.S. oil industry, with production and exports hitting new highs - until Harvey.

Unlike hurricanes Katrina or Gustav, when strong winds mainly caused damage to oil production, Harvey has also severely disrupted the U.S. refining industry and products pipelines, causing a spike in products prices.

Olivier Jacob from consultancy Petromatrix said U.S. gasoline prices were trading at levels normally equivalent to oil prices of around $84 per barrel, whereas Brent and WTI crude futures are actually at $51 and $46 per barrel respectively.

“OPEC must be raging, they're not getting any of this (gain),” Jakob said.

The jury is still out, however, whether this will continue, or whether Harvey will ultimately help OPEC's efforts to rebalance the oil market by hitting supply more than demand. OPEC and several non-OPEC producers led by Russia have cut a combined 1.8 million barrels per day (bpd) from their output since the start of the year in the hope of bringing global oil and products stocks down to around 2.7-2.8 billion barrels from the current record-high of over 3 billion.

U.S. stocks have declined steeply in the past few weeks. Investment bank Goldman Sachs, one of the most active banks in commodities trading, said it believed the market rebalancing would be slowed by Harvey as it would cut demand by 0.7 million bpd in the next month and have an overall bearish impact.

ING said U.S. crude prices were set to fall as production hit by the hurricane would return quicker than demand from refineries, which remain shut due to record flooding. But another crucial factor to bear in mind is U.S. exports. When Katrina hit the U.S. Gulf in August 2005, the United States was exporting 1.3 million bpd of petroleum. Today, it normally exports 5-6 million bpd of crude and products. According to Petromatrix's Jakob, Harvey will help OPEC and its target of reducing stocks in the rest of the world should the current disruption to exports be prolonged.

“Ultimately, at OPEC they should care about global molecules (of oil) and in that sense Harvey is bullish even if it is bearish U.S. crude in the near-term,” said Amrita Sen from Energy Aspects. She said that given the spike in products prices, refineries in Europe and Asia would run at top capacity, ultimately supporting crude prices across the globe.

OPEC fails to cut oil exports below 2016 levels

Oil & Price, *07.09.2017*

OPEC exported 25.19 million bpd of crude oil last month, the lowest since April this year, Thomson Reuters Oil Research said, but the eight-month average for the year to date was 25.05 million barrels, exceeding the average for the corresponding period of 2016, which stood at 24.85 million bpd.

What's more disheartening for the cartel, which has been cutting production since last December, is that the August fall was mostly a result of supply disruptions in Africa rather than the outcome of the conscious effort.

"Crude oil exports from OPEC's African members tumbled by 540,000 bpd month-on-month to below 5 million bpd after posting their highest export volumes in July since at least Jan. 2015, thereby breaking a four-month streak of rising exports," the research unit said in a report on Wednesday. While this fall in crude oil exports from Africa compensated for higher shipments from Middle Eastern OPEC members, it will likely be short-lived, Thomson Reuters Oil Research said. The crisis in Venezuela, however, which was the other main contributor to the 370,000-bpd decline in OPEC exports from July to August, will probably persist, providing further support for lower exports.

Yet not everyone agrees with Reuters figures. Earlier this month, energy data provider Kpler reported that OPEC's August exports averaged 25.897 million barrels daily, on the back of Saudi Arabia's 494,000 bpd cut in shipments as per its pledge to export no more than 6.6 million barrels in that month.

According to Kpler, three African members of the cartel actually increased their exports in August: Algeria, Angola, and Nigeria. The combined increase from these three countries exceeded 350,000 bpd. OPEC officials insist that the output cut deal is working and global supply is falling, despite export patterns. Even so, the deal might get another extension beyond March 2018, as per comments made yesterday by Russia's Energy Minister Alexander Novak. The chance of this happening remains uncertain but the option is on the table.

Israel mulls LNG purchase as regulator declares emergency

ICIS, *07.09.2017*

Israel may be looking to snap up spot LNG in the coming weeks as the Natural Gas Authority regulator (NGA) declared emergency throughout a period of maintenance at its sole supplying offshore field, Tamar, the authority confirmed to ICIS on Thursday.

Constantine Blyuz, the NGA's deputy director, said the Israel Electricity Company (IEC), the country's electricity generation and utility and thus only LNG buyer, had purchased two cargoes for delivery throughout the Tamar field outage which has been scheduled between 19 September and 31 October.

The 138,000 cubic metre (cbm) British Merchant chartered by BP is expected to reach Hadera, in Israel, where IEC's chartered floating import terminal is located, on 10 September, according to LNG Edge. Blyuz said another cargo was likely to arrive in the first week of October. "We believe the two will be enough, but if there are any small cargoes in the area, IEC might be interested in discussing with sellers for a potential spot deal," he said.

Production at the Tamar field is expected to drop by an estimated 50% during the outage, feeding only around 15 million cubic metres (mcm)/day to the domestic market. Output will be cut for approximately 20 days during the period, as the field will undergo two periods of maintenance.

"We don't know the exact dates for the outages, but we expect them to be over by 15 October. However, to be on the safe side, we've quoted the [outage] period between 19 September and 31 October," he explained.

The source also confirmed that the outages were declared as emergency to signal that there may not be enough gas throughout the maintenance period. Earlier this year, the government introduced emergency state regulations, based on the Natural Gas Law, including for periods of maintenance.

Gina Cohen, gas expert and lecturer at the Technion University said the extreme declaration of emergency times in the natural gas market by the regulator was a reflection of the fact that there was only one field so far connected to the Israeli market. "Two more fields – Leviathan and Karish – are moving ahead each at their own pace. However, there are still a host of issues to be solved," she said.

"Three of the most prominent issues include: increasing gas consumption in the market which can easily be accomplished by reducing coal consumption and using local produced natural gas; developing the transmission and distribution infrastructure to the areas of demand especially in the south; ensuring there are no hurdles in bringing Leviathan to the designated northern entry point."

Failing this, Cohen said, Israel could be inflicted by recurring emergency declarations which are not befitting of a mature and transparent natural gas market.

“At the end of the day, the state’s motivation should be to focus on increasing the number of gas fields (exploration & development) in order to achieve security of supply and meet the objectives determined by the regulators.”

LNG capacity to grow 60% in 5 years: Int. gas association

Anadolu Agency, *07.09.2017*

Total effective LNG capacity is expected to increase significantly from 244 million tons per annum (mmtpa) in 2015 to 387 mmtpa in 2021, according to Cedigaz's, an international non-profit organization, latest report on late Wednesday.

Cedigaz said that the LNG capacity will increase, in total, around 60 percent in the coming 5 years. "Demand will struggle to keep up with supply ramp-up at the beginning of the projection period and an over-supply situation should prevail,"

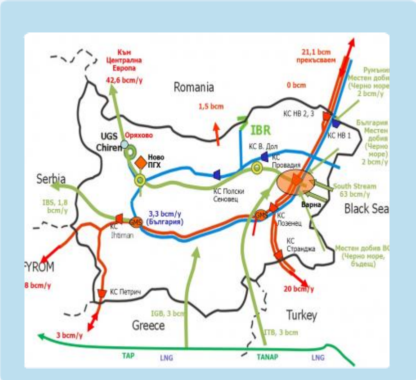
Cedigaz said and stressed that rebalancing of the market is not expected before 2023 or even 2024. The organization said that effective capacity from facilities currently operational or under-construction should progressively decrease to reach 354 mmtpa by 2035 due to aging of some assets and gas shortages in some producing countries.

"After that, the continuous growth of the LNG market will leave a large margin for the implementation of new projects," it added. Cedigaz also noted that the significant increase in effective liquefaction capacity to 2020-21 is led by a strong growth in Australia and the United States until 2019 and 2021 respectively.

"The ramping up of Australian and the U.S. projects will upset the hierarchy among LNG producers as soon as 2020, with Australia overtaking Qatar to become the number one capacity holder, and the U.S., an insignificant producer before 2016, moving up to the third rank, ahead of Malaysia," it stated. Cedigaz, based in France, is an international non-profit association dedicated to natural gas information.

Bulgaria to introduce entry – exit tariffs for natural gas

ICIS, *01.09.2017*



With the introduction of entry – exit tariffs Bulgaria will comply with EC requirements regarding the functioning of the natural gas market, Bulgarian energy Minister Temenuzhka Petkova said on Thursday during a meeting with representatives of industrial gas and power consumers, the energy regulator and state-run companies Bulgargaz and Bulgartransgaz.

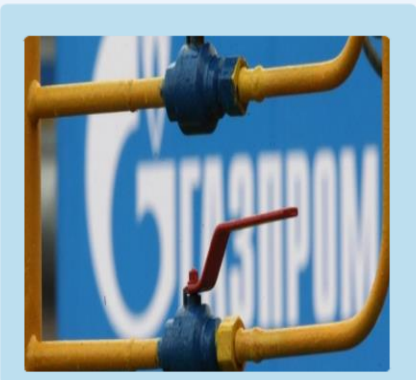
The energy ministry reminded in an ensuing press release that in 2012 two charging models were developed which have been subject to public discussion.

“The entry – exit model was selected by gas transport grid operator Bulgartransgaz under entirely public conditions”, the statement read.

State-run supplier Bulgargaz and grid operator Bulgartransgaz are to make further calculations so that the new pricing model for gas transport could be applied fairly to different groups of energy consumers. The meeting was a result of striking warnings issued by the Bulgarian Federation of Industrial Energy Consumers (BFIEC) because of anticipated gas transport fees increase due to the adoption of the new tariff model.

Gazprom’s gas dominance grows in Europe

Hurriyet Daily News, *04.09.2017*



It is doubtful that there could be a less appropriate time to increase Russian gas exports to Europe, yet that is exactly what Gazprom is doing. Despite sanctions from both the U.S. and the EU, and Europe’s determination to reduce its reliance on Russian gas.

Russia has been setting all-time highs in its exports throughout the past eight months. Although Gazprom has not yet surpassed its January 27, 2017 daily exports record of 636.4 MCm per day, it has been setting all-time summer season export records.

Gazprom has been slowly mending its ties with the European Union, to the benefit of its business activities. After the October 2016 decision of the EU Commission, authorizing Gazprom to use up to 80 percent of the OPAL pipeline, which transports gas from Nord Stream's final point, Greifswald, to the Czech-German border, the Russian export monopolist gained access to 12.8 BCm/year of additional export capacity. Although the new OPAL modus operandi has certain limitations – Gazprom's share by default cannot reach 100 percent as at least 10 percent ought to be granted to 3rd party suppliers – it is a significant step towards a gradual, yet all-encompassing arrangement between Brussels and Gazprom. It is telling that the OPAL resolution will be in effect until 2033 (i.e. much longer than the Gazprom-Ukraine transportation agreement which runs out in 2019) and that the EU General Court denied the Polish PGNiG's appeal which claimed that the OPAL deal would disrupt Poland's gas supply.

Closely connected with the OPAL and Nord Stream matter, the EU's antitrust investigation is gradually drawing to its logical end, reportedly, a draft deal was already concluded this March. The investigation was founded on three provisions in which Gazprom has been incriminated – unfair pricing vis-à-vis Central and Eastern European countries, pegging the prices to oil and banning the resale of gas. The gas resale issue, along with the one delivery destination clause, was cleared up with Gazprom's December 2016 commitments fully satisfied the EU Directorate-General for Competition.

The oil-peg claim is practically unprovable, as pegging gas prices to oil ones is still a very frequent practice and Gazprom can hardly be imputed with malfeasance. For instance, the current Polish LNG supply contract with Qatargas is oil-pegged, yet there are no complaints from Europe over this issue. The unfair pricing claim is the toughest nut to crack, as it is quite difficult to compare pricing conditions in Western and Eastern Europe, but Gazprom has committed to introduce hub benchmarking into its long-term supply contracts, as well as to enhance price revision flexibility.

Despite manifest success in the perennial negotiations, ramming through the whole EU-Gazprom deal will require much more time. Countries that oppose Russian gas, like Poland will inevitably politicize the issue, thereby seeking to upset the apple cart. In a very similar vein, the Nord Stream 2-related quarrels risk to be protracted into the upcoming decades and will put a sporadic crimp into the EU-Gazprom relations. The latest spat seems to be taking form around the Danish government wanting to amend legislation in order to be able to ban Nord Stream on the grounds that it allegedly jeopardizes EU supply security.

The problem with this endeavor is that Copenhagen only have the ability to ban the project due to environmental concerns, of which there are none (during the construction of Nord Stream-1 the two sides addressed all relevant issues, including but not limited to the avoidance of chemical munition dumping sites and fishing areas in the Baltic Sea). If the Danish Folketing decides against Nord Stream-2, German business interests will make sure to react swiftly, causing considerable friction along the Danish-German border.

Still, against such a volatile background, with old disputes making only tiny strides towards resolution whilst new ones appear at a worrying pace, Gazprom is on the verge of having a historically good year. In January-August 2017, Gazprom exported 126.3 BCm of gas to countries outside the Commonwealth of Independent States (CIS), a 12.1 percent increase year-on-year. Considering that gas supplies this year have been a constant 12-13 percent higher than last year, Gazprom is intent upon bringing its 2017 export volumes within the 190-200 BCm interval, an all-time high for the Russian energy giant.

The underlying cause of “dogs bark but the caravan moves on” phenomenon lies in an overall very agreeable gas pricing environment. Russian pipeline-supplied gas is cheap – hovering around $182-187/MCm in the last six months - and will remain so in the near future. Sure enough, Gazprom cashed in significantly more in the pre-oil crash years when the average gas price in Europe was around $350/MCm (as in 2014) – its H1 2017 net profit was a mere $3 billion (17.4 billion RUB) on the back of a weakening ruble and asset revaluation.

Thus, even if its profits are getting are slimmer, Gazprom seems to be winning the market share competition. As the largely anticipated advent of U.S. LNG into Europe failed to lead to any substantial changes in Europe’s LNG imports (last year they grew to only 38.1 mtpa from the 2015 level of 37.5 mtpa, preceded by four years of demand decline), Gazprom was not forced to go all out on its pricing conditions and could stick to the traditional script. Largely thanks to this benign market trend, Gazprom’s market share within the EU-28 area, which amounted to 34 percent in 2016, will challenge the 36 percent rate this year.

And one has to bear in mind that Gazprom is uniquely positioned on the European market – whilst Norway and the UK produce as much gas as they have production capacities for, Gazprom still wields a massive 150 BCm/year surplus capacity. Russia has been trying to depoliticize the issue of gas supplies to Europe, for it understands that the more politics prevail in gas-related decision-making, the more difficult it will get to market its abundant reserves in Europe, which despite ambitious projects in Asia remains its key outlet.

Oil price to be around $45-55 in 2018: Russian Minister

Anadolu Agency, *06.09.2017*

Brent oil's price will be in the range of $45-55 per barrel in the next year, said Alexander Novak, Russia's Energy Minister on Wednesday.

According to Russian news agency Tass, Novak spoke at the Eastern Economic Forum in Russia. He said that the range will be $45-55 per barrel in 2018, talking about brent crude oil. The Russian Energy Ministry's forecast for the oil price in the second half of 2017 in the range of $50-60 per barrel. Brent oil per barrel started Wednesday with a price of around $53.32, increased from $53.20 on Tuesday's ending.

Spain's natural gas demand grows 18% in August

Anadolu Agency, *31.08.2017*

Spain's natural gas demand reached 25,100 gigawatt-hours in August, up 18 percent compared to the same month the previous year, Enagas announced on Thursday.

"This percentage was the highest monthly growth figure in the summer period since 2008, and exceeds the figure recorded in July of this year," Enagas said. Conventional demand, destined for domestic, commercial and industrial consumption, grew 4.5 percent to exceed 17,300 gigwatt-hours, an all-time high for this month, Enagas calculated.

The increase was mainly due to "the greater use of natural gas by industry, which grew by about 6 percent," Enagas said. Demand for natural gas for power generation increased more than 60 percent to 7,800 gigawatt-hours, the highest figure for this month since 2011, "caused by very low hydroelectricity generation and a lower contribution from wind power."

Total sees output at Edradour and Glenlivet field

Anadolu Agency, *30.08.2017*

Total started production from the Edradour and Glenlivet gas and condensate fields, company said Wednesday.

The Edradour and Glenlivet development will bring additional production capacity of up to 56,000 barrels of oil equivalent a day, Total said. "The Edradour and Glenlivet development consists of a 35 kilometre tie-back of three subsea wells to the existing Laggan-Tormore production system, which include the 143 kilometre pipeline and the onshore Shetland Gas Plant. Following treatment at the gas plant, the gas is exported to the U.K. mainland via the Shetland Island Regional Gas Export System and FUKA pipeline.

And they will serve the U.K. domestic market. The condensates are exported via the Sullom Voe Terminal," Total explained. Total E&P U.K. operates Edradour and Glenlivet with a 60 percent interest alongside partners DONG with 20 percent and SSE with 20 percent. "We have completed this project ahead of schedule and 30 percent under the initial budget," said Arnaud Breuillac, president exploration & production. "This development will contribute to our production growth in the North Sea," Breuillac added.

France Plans to End Oil Output by 2040 With Exploration Ban.

Bloomberg, *06.09.2017*

France will stop granting new exploration permits next year as it seeks to end all oil and gas production by 2040, according to a draft bill presented at a cabinet meeting Wednesday.

The move would allow the government to turn down more than 40 exploration requests already made, while some existing permits may be extended to respect contracts, the presentation showed. That includes the Guyane Maritime license off French Guiana, in which Total SA has a stake, according to an adviser to Ecology Minister Nicolas Hulot.

This legislation would “allow us to progressively free ourselves,” Hulot said after the cabinet meeting, also confirming that current exploration permits off French Guiana would remain valid. “It will allow investors to go much further in their renewable investments. Currently oil and gas leave us dependent on geopolitics.”

The proposed legislation is part of President Emmanuel Macron’s broader plan to take the lead against climate change, after U.S. counterpart Donald Trump ditched the landmark Paris agreement to fight global warming. While France’s oil and gas output is small, the plan may affect companies such as Vermilion Energy Inc., which has several concessions, and could reduce the prospect of discoveries off French Guiana.

France pumped 6 million barrels of oil in 2015, covering just 1 percent of its demand, according to the presentation. Oil and gas exploration and production on French soil generates as much as 300 million euros ($358 million) in annual revenue, and accounts for as many as 5,000 jobs, directly and indirectly. Existing production licenses wouldn’t be extended beyond 2040 under the proposed law.

“We do not expect this new legislation, if passed, to have a material impact on Vermilion as our operations are focused on development activities such as well-workovers, infill drilling and waterflood optimization,” the Calgary-based company said previously.

Under a plan presented by Hulot in July, France will end the sale of gasoline- and diesel-powered vehicles by 2040. It will also progressively increase taxes on fossil fuels, close coal-fired power plants by 2022 and invest more in renewable energies.

Rosneft, Statoil agree for joint field dev. in Siberia

Anadolu Agency, *07.09.2017*

Russia's Rosneft signed a pact with Norway's Statoil for joint development of the North-Komsomolskoye field in West Siberia, the Russian company announced on Thursday.

"The document signed opens an important stage in the long-term cooperation of Rosneft and Statoil. Successful completion of pilot project confirms the efficiency of cooperation with the industry’s majors in implementation of technologically complex projects. I’m convinced that both companies will use their experience in the production of high-viscous oil when developing North-Komsomolskoye field," said Igor Sechin, CEO of Rosneft.

In accordance with the agreement, Statoil is planning to acquire 33,33 percent in the project. The agreement was signed at the Eastern Economic Forum in Russias far eastern city Vladivostok in elaboration of agreements on the cooperation within the North-Komsomolskoye field reached by Rosneft and Statoil in 2013, the Russian company said.

As of Jananuary 1st, 2017, the remaining recoverable oil and condensate reserves amount to 203 million tonnes and gas reserves 179 billion cubic meters.

US Is Said to Seek a Ban on Crude Oil to North Korea at UN

Rigzone, *06.09.2017*

The U.S. is circulating a draft resolution at the United Nations that would bar crude oil exports to North Korea, ban the nation's exports of textiles and prohibit employment of its guest workers by other countries, according to a diplomat at the world body.

The proposal, which also calls for freezing the assets of North Korean ruler Kim Jong Un, has been circulated to the 15 members of the Security Council, according to the diplomat familiar with the proposal who asked not to be identified discussing internal deliberations.

The U.S. has said it wants the council to take up tougher sanctions at a meeting Sept. 11. The bid for the toughest penalties yet against North Korea comes despite renewed warnings against such moves by the leaders of China and Russia, which have veto power in the Security Council. U.S. President Donald Trump and Chinese President Xi Jinping spoke for 45 minutes Wednesday about how to resolve the North Korean crisis following Pyongyang's stepped-up pace of nuclear and missile tests.

“We will not be putting up with what's happening in North Korea,” Trump told reporters Wednesday after the conversation. The two leaders had a “very, very frank and very strong call,” he added. Asked about possible U.S. military action, the president said, “That's not our first choice, but we'll see what happens.”

Xi reiterated China's commitment to a denuclearized Korean peninsula while Trump emphasized Beijing's role in influencing Kim, according to a summary of the call published in Chinese state-run media.

The call between the U.S. and Chinese leaders came after Russian President Vladimir Putin earlier in the day expressed concern that halting oil supplies to North Korea would hurt its people. Putin's comments followed a request from South Korean President Moon Jae-in that he support more stringent United Nations sanctions.

“Stopping oil supply to North Korea is inevitable,” Moon’s spokesman Yoon Young-chan quoted him as saying. “I’m asking for Russia’s cooperation.”

Putin explained at length to Moon that sanctions won’t work on North Korea and that halting its oil supply would damage hospitals, his foreign policy aide Yuri Ushakov said after the meeting, echoing the Russian leader’s earlier remarks that such action would be “useless and ineffective.” On Tuesday, Putin told reporters that Russia’s trade with North Korea is “almost zero,” and that its quarterly exports of 40,000 tons of oil to the country are “as good as nothing” relative to its global sales.

Even so, Ushakov said the talks had led to more “elements of commonality.” The two leaders’ interaction raises questions over how far the Security Council will go in punishing Kim’s regime after it conducted its sixth and most powerful nuclear test on Sunday. Russia and China have opposed doing anything that could lead to the collapse of Kim’s regime.

Trump has warned North Korea of “fire and fury” if it continues threatening America. He has also threatened to cut off trade with all countries that do business with North Korea. China is North Korea’s biggest trading partner.

Stocks fell in most Asian markets on Wednesday, and almost every sector of the Stoxx Europe 600 Index retreated, as nations grapple with how to deal with North Korea’s escalating provocations. The yen was near its strongest level for the year.

In a conversation with Putin on Monday, Moon had said it was time for the UN to seriously consider blocking North Korea’s foreign currency sources by cutting off crude oil supplies and banning its overseas labor.

“If we fail to stop North Korea’s provocations now, it could sink into an uncontrollable situation,” Moon said in remarks before the meeting with Putin. “I want to seek a fundamental solution to resolve the North Korea nuclear problem here.”

Oil rises on falling US output after hurricane

Upstream Online, *08.09.2017*

Oil prices rose on Friday as US crude production was hit harder by Hurricane Harvey than expected, with even bigger storm Irma heading for Florida and threatening to cause more disruption to the petroleum industry.

US West Texas Intermediate crude futures were at $49.21 barrel early on Friday, 12 cents above their last settlement. Brent crude futures, the benchmark for oil prices outside the US, were up 24 cents to $54.73 a barrel, after reaching a session high of $54.79 a barrel, their highest level since April. Hurricane Harvey hit the US Gulf coast two weeks ago, and crude prices initially slumped.

Almost a quarter of the country's huge refinery industry was knocked out by the storm, cutting demand for crude oil, refining's lifeblood. But as the refinery sector gradually recovers, so is its crude processing, shifting the focus to oil production.

But data shows Harvey's impact was also felt there. US oil output fell by almost 8%, from 9.5 million barrels per day to 8.8 million bpd, according to the Energy Information Administration (EIA). Port and refinery closures along the Gulf coast and harsh sea conditions in the Caribbean have also impacted shipping.

"Imports (of oil) to the US Gulf Coast fell to levels not seen since the 1990s," ANZ bank said. Traders said it would take weeks for the US petroleum industry to return to full capacity, and that under the current conditions it was difficult to identify fundamental market trends.

"The data for this week and next will be taken with a grain of salt as the underlying trend will be obscured by the effects of the hurricane," said William O'Loughlin, investment analyst at Rivkin Securities. Even as the oil industry continues to grapple with the fallout from Harvey, a much bigger Hurricane was lashing the Caribbean islands and heading for the US.

Hurricane Irma, which has become one of the biggest storms ever measured - picking up the Twitter hashtag #irmageddon - early on Friday was over the Dominican Republic and Haiti, heading for Cuba and the Bahamas. It was predicted to hit Florida on Sunday or Monday. The US National Hurricane Center (NHC) said that Irma was still a Category 5 Hurricane, with wind speeds of 175 miles per hour (280 kilometres per hour).

Norway plans tax breaks for remotest Arctic oilfields – letters

Reuters, *06.09.2017*

Norway's government plans to make taxpayers rather than oil companies pay special U.N. fees for any offshore production from remote Arctic regions, according to letters sent to oil firms and seen by Reuters.

The plan could serve as an example for other nations looking to fund exploration of the seabed ever further from land. It was criticized by opposition parties that want tighter limits on exploration in the fragile Arctic environment, days before an election in which the future of Norway's big offshore oil and gas sector is a major issue.

Opinion polls show a neck-and-neck race between Conservative Prime Minister Erna Solberg's center-right block and center-left parties headed by Labour leader Jonas Gahr Stoere. "There is too little risk on the companies, and too much risk on the people of Norway," said Ola Elvestuen, the head of parliament's Energy and Environment committee and a member of the small Liberal Party.

"Neither me, nor the committee were informed about this," he said of the plans, outlined in letters provided to Reuters by the Oil and Energy Ministry, for implementing a dormant provision of the 1982 U.N. Convention on the Law of the Sea.

Under Article 82 of the treaty, rich nations are due to pay up to 7 percent a year of the value of any production -- of oil, gas or other minerals -- from their continental shelves more than 200 nautical miles (370 km) from land to a fund to help developing nations.

The money would be channeled to poor nations via the United Nations' International Seabed Authority in Jamaica. The mechanism is untested as there is no production so far offshore.

The Oil and Energy Ministry included a warning about Article 82 when it offered parts of the Arctic Barents Sea, more than 200 nautical miles from land, for exploration in the latest licensing round awarded in 2016.

"The licensees could be required to cover certain costs in this connection," it wrote in the letters to oil companies. "Any such cost will be deductible in the calculation of the petroleum tax." The ministry viewed the deductions as matching Norwegian petroleum policy, which includes a principle that "an investment project that is profitable before tax is also profitable after tax," an official source said.

Last month, Statoil(STL.OL) and partners Chevron(CVX.N), ConocoPhillips (COP.N), Lundin Petroleum (LUPE.ST), and Petoro drilled the first well in the Arctic Korpfjell prospect, 410 km from the nearest land. They found only small, non-commercial quantities of natural gas, but Statoil plans more drilling in the area in 2018. The government has also offered three additional blocks behind the 200 nautical miles threshold in upcoming licensing rounds, with awards expected in 2018. Of the 166 nations that have ratified the Law of the Sea, Norway has apparently gone furthest in outlining how it would apply Article 82, legal experts said.

The United States, which has not signed up, tells bidders for oil and gas leases far offshore in the Gulf of Mexico that they might be at risk of extra charges if Washington were to join. “Norway and the United States are the only two countries that have spent any time talking about Article 82,” said Wylie Spicer, a Canadian legal expert who has written reviews of Article 82 for the United Nations. John Norton Moore, a law professor at the University of Virginia who helped draft Article 82, said Oslo was trying to balance the interests of its citizens, oil companies and developing nations.

This strikes me as a sound decision by Norway. It recognizes that it is an obligation of the state” to pay any charges under Article 82, he said. He said it was reasonable to give oil companies tax breaks for taking on the risks of operating so far from land. Article 82 makes states responsible for payments but lets them decide how to raise the cash.

Rasmus Hansson, the only Member of Parliament for the opposition Green Party and a member of the Energy and Environment Committee, criticized the government plan. “This is yet another round of subsidizing Norway’s future contributions to global warming with taxpayers’ money,” he said.

Environmental group Greenpeace also criticized the plan, saying that oil and gas in the high north was simply too risky. “There is no anchor in the democratic process,” said Truls Gulowsen, leader of Greenpeace Norway. Legal scholars say Article 82 is based on the idea that the high seas, owned by no nation, usually start 200 nautical miles offshore, the limit of each country’s exclusive economic zone (EEZ).

Article 82 lets rich nations exploit resources beyond their EEZs in offshore areas where, such as in Arctic Norway, a shallow continental shelf extends beyond 200 nautical miles. Under Article 82, countries will have to start paying 1 percent of the value or volume of any production after five years, with the annual rate rising to a plateau of 7 percent after 12 years.

Norway’s parliament debated and ratified the Law of the Sea in 1996, and included an assessment that any application of Article 82 was unlikely to have a big economic impact.

Lloyd’s Register signs risk analysis contr. with Statoil

Anadolu Agency, *05.09.2017*

Global professional services company Lloyd's Register (LR) signed a contract with Statoil to conduct total risk analysis at the Johan Sverdrup oil field on the Norwegian Continental Shelf, LR said on Tuesday.

The contract will use LR’s expertise to conduct total risk analysis for the riser platform modification project at the Johan Sverdrup field. “This is a significant and important win for LR as this is one of the fifth largest development projects on the Norwegian Continental Shelf, and is one of the most important developments to be located in Norway over the next 50 years," said Robert Nyiredy.

Johan Sverdrup expected to have resources of between 2-3 billion barrels of oil equivalent and the project is forecasted for production in late 2019. The oil field will be developed in several phases.

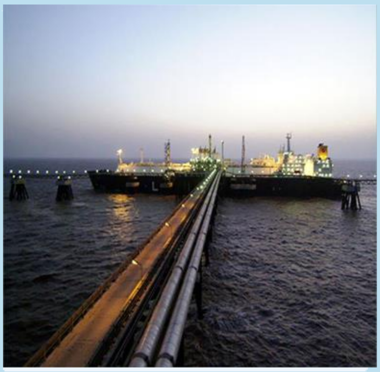
Phase 1 is expected to start up in late 2019 with production capacity estimated at 440,000 barrels of oil per day.

Phase 2 is expected to start up in 2022, with full field production estimated at 660,000 barrels of oil per day.

Peak production on Johan Sverdrup will be equivalent to 25 percent of all Norwegian petroleum production. Statoil holds 40.02 percent of the field while Lundin Norway holds 22.6 percent, Petoro 17.36 percent, Aker BP 11.57 percent and Maersk OIil 8.44 percent.

Indian Petronet to set up LNG terminal in Sri Lanka

Anadolu Agency, *07.09.2017*



Indian Petronet recieved a letter of intent from the Sri Lankan government to set up LNG terminal near Colombo in Sri Lanka, the company announced on Wednesday.

"The two countries in their efforts to strengthen relations have been in discussions on this issue since last more than one year [sic]. The Sri Lankan Government issued a Letter of Intent to the Govt. of India during the visit of External Affairs Minister to Colombo on Sept 1," the company explained. Petronet LNG Limited, India's largest LNG importer, will soon form a joint venture with Japanese and Sri Lankan companies.

A joint venture of Petronet LNG Limited along with Japanese and Sri Lankan companies will develop an LNG Terminal in Sri Lanka to provide regassified natural gas to various power plants, domestic and transport sectors in Sri Lanka. The capacity of the LNG Terminal will be decided upon the gas demand in Sri Lanka and is expected to be developed in 2 years after completion of initial formalities.

The LNG terminal would be set up on the western coast of Sri Lanka in close vicinity of Colombo where most of the power projects operating mainly on costly liquid fuel are located. As of now, 82 percent of the primary energy consumption is met through petroleum products and bio-mass in the country.

"It's a giant step towards energy security of Sri Lanka and underscores the 'neighbourhood first' policy of Prime Minister Modi. It shall pave the way for further cementing primeval bonds," the company noted.

Qatar manages diplomatic crisis - minimal LNG impact

ICIS, *30.08.2017*

The diplomatic crisis around Qatar has not substantially impacted the wider LNG market and different trade flows from Qatar this year have instead been the result of changing demand and price signals.

Despite initial concerns of a serious effect of the crisis on Qatar's LNG deliveries, the impact on the LNG market has been minimal, observers said, and they believe that a further deterioration of the situation is unlikely.
The crisis emerged in early June after the UAE, Saudi Arabia, Bahrain and Egypt broke diplomatic and economic ties with Qatar.

"Some optimisation is still possible but [market participants] have to source cargoes from further locations," said Lucas Schmitt, senior research analyst on gas and LNG at consultancy Wood Mackenzie, referring to the UAE's ban on Qatar-sourced cargoes.

Anglo-Dutch Shell used to deliver LNG to Dubai's Jebel Ali terminal from the Qatargas 4 export project under contract but has sourced from elsewhere to cover. The last Qatar-sourced cargo into Dubai Shell was delivered on 23 May, according to LNG Edge.

Since the start of the crisis, Shell delivered cargoes into Dubai from the US, Angola, Australia, Equatorial Guinea and Nigeria, LNG Edge data showed. "Shell has been able to leverage its large portfolio and its positions in the region to optimise and reshuffle deliveries," Schmitt said. "The portfolio aspect is becoming very important."

In June, the company replaced a Qatar-sourced cargo with US-sourced volumes to deliver to Dubai. More importantly for Dubai is that gas flows through the Dolphin pipeline from Qatar have continued.

Schmitt said that a ban on that supply would increase the price of gas imports significantly for the UAE. "The UAE market is very seasonal and the country does not have enough LNG capacity to switch from pipeline imports to LNG," Schmitt said.

"Neither Qatar, nor the UAE are interested in cutting that supply." More broadly in the global market, Qatari exports have changed significantly since June when compared to 2016. Deliveries to Europe are down substantially - with the exception of Spain and Portugal. Deliveries to Egypt are down but up sharply into Pakistan and China. But these can be explained by taking demand, spot pricing and rising contractual obligations into account.

Qatar has also found new locations to bunker its vessels instead of using facilities in nearby Fujairah. According to sources, Qatar was able to organise bunkering for its vessels in the Dutch Rotterdam port, Las Palmas in Gran Canaria Island, and Singapore.

Qatar has also arranged ship-to-ship bunkering which can be done in Qatar. The political situation remains difficult with the Qatari economy suffering from inflation, a sharp decline in liquidity within the Qatari capital market and the instability of the country's currency which fell sharply against the US dollar for the first time in 12 years. To compensate its economic losses, Qatar has started to seek new political allies among Turkey and Iran.

Qatar restored diplomatic relations with Iran on 24 August, after it pulled its ambassador from Tehran in early 2016. Even before this news came out, local media reported that the volume and value of non oil exports to Qatar from Iran had risen in the previous five months.
Despite the restoration, which may cause anger among boycotting countries, observers believe further sanctions against Qatar are unlikely.

"More sanctions will [affect] the Qatari people," said Najah Alotaibi, a Middle East political expert with Henry Jackson Society, a London-based think tank. "The boycotting countries try to be careful with that. So far, the boycott had a massive economic and political impact on the government of Qatar, and this is the target." Observers believe that a further deterioration of the situation may hurt the sanctioning countries themselves.

Chinese government merges energy giants global leader

Hurriyet Daily News, *28.08.2017*

Chinese authorities have approved a mega-merger between the country's largest coal producer and a top electricity firm, the government said on Aug. 28, reportedly creating the world's biggest power company in terms of capacity.

The tie-up between the two state-owned companies -- coal producer Shenhua Group Corp. and China Guodian Corp. -- will be named the National Energy Investment Group Co. Ltd., the State-owned Assets Supervision and Administration Commission said in a statement. The new firm will become the world's largest power company in terms of installed capacity.

According to Bloomberg News, which said its total assets will exceed 1.8 trillion yuan ($271 billion). Beijing has promised to cut its coal production capacity to curb pollution and shift the economy towards a consumer-driven one, while also trimming bloated industrial sectors.

It has halted construction of dozens of new coal-fired power plants across the country this year to address overcapacity. The main business of Shenhua Group Corp. involves the production and sale of coal, railway and port transportation of coal-related materials and power generation and sales, according to its website.

China Guodian Corp. mainly develops, operates and manages power generation assets and organizes electricity production and sales. Its total assets reached 803.1 billion yuan ($121 billion) as of 2016, the company said on its website.

A war with North Korea could send oil prices skyrocketing

Oil Price, *04.09.2017*

An open military conflict in Northern Asia would disrupt more than a third of global seaborne crude oil trade, Wood Mackenzie warned last week amid yet another escalation between North Korea, its neighbors, and the U.S.

Such a conflict would cripple North Asia's production and refining capacity, the consultancy said. Some 65 percent of Asia's crude oil refining capacity is located in China, Japan, and South Korea, so the effects of an open wawar would be far-reaching and potentially long-lasting. The most pressing question, then, is how likely such an open conflict is.

Pyongyang seems determined to expand its military capabilities with intercontinental ballistic missiles that can carry a nuclear head. State media claim that the nuclear head is a fact, releasing a photo featuring the country's leader Kim Jong Un inspecting said weapon. After a quick succession of ballistic missile tests over the last couple of months that put South Korea, Japan, and the U.S. on red alert, more nuclear talk from Pyongyang is exactly what the world does not need. Yet it is what we are getting.

Talk is not enough to tip the region into a war—possibly even a nuclear war—but it serves to heighten the pressure, and decisions made under pressure are seldom the wisest. Analysts seem to be divided as to the most probable course the events would take. A recent analysis by SBS News' Kelsey Munro looks into the two basic scenarios: accept a nuclear North Korea, or prevent it from becoming nuclear as soon as possible. Geopolitics experts seem to be split on which scenario is the more sensible one to follow.

On the one hand, Munro notes, some researchers believe that accepting North Korea's nuclear capability would prevent a war that would result in hundreds of thousands of casualties and disrupt the Asian economy. This would be a conventional war, since the chances of success for a tactical nuclear strike seem to be too slim to be comfortable with.

On the other hand, acceptance of a nuclear Pyongyang will in all probability lead to other countries in the region going nuclear, ultimately pushing the world closer to a nuclear war as it would be that much harder to exercise any pressure on North Korea after it has solidified its second-strike capability. Last week North Korea launched an intercontinental missile over Japan. This Sunday, Defense Secretary Jim Mattis said in a statement that the United States is prepared for “a massive military response” to any attacks from North Korea to it or one of its allies. Mattis added that "We are not looking to the total annihilation of a country, namely North Korea, but as I said, we have many options to do so."

It seems an open war is not as far from reality as opponents would like it to be. Given the amount of refining capacity in the area would be affected and the fact that China, Japan, and South Korea are among the largest consumers of oil, a war would be good news for OPEC and oil bulls. But all of these countries, Wood Mac noted in its report, have solid stocks of crude. This means the effect of a war in Northern Asia on international crude prices may well be short-lived.

Last month, the UN approved a new round of sanctions against North Korea that would see a third of its annual exports, some US$1 billion, erased. So far, sanctions have failed to have any effect on Pyongyang’s missile development plans. Notable as it may be that Russia and China supported this round, its effects are doubtful – will Kim return to the negotiations table and agree to suspend his nuclear program? It’s hard to believe that is a possibility, so all options remain on the table while China continues to stock up on crude.

The Next Step In Mexico’s Oil & Gas Privatization Push

Oil Price, *04.09.2017*

Mexico’s Energy Regulatory Commission (CRE) released its first monthly price report on August 18, 2017. As part of its ongoing series of energy reforms that reduce government market controls, the Mexican government converted to a liberalized natural gas market on July 1, 2017.

Along with releasing the price index report, Mexico’s pipeline system operator (CENAGAS) launched its natural gas capacity reservation system with electronic bulletin boards for posting natural gas flows. The price index system captures data on day-ahead spot sales in the gas market.

For each transaction, CRE requires that marketers report the volume, price per gigajoule (GJ), storage and transportation costs, and several other variables. For now, CRE will compile the information submitted for each day and publish non-proprietary information in a monthly public report on its website within 15 business days after the end of each month. Price reports and greater transparency will be instrumental in establishing regional price indices at market hubs. Mexico's national energy ministry (SENER) has identified four potential pricing hubs located at the convergence of natural gas pipelines where most trading is likely to occur: Los Ramones (near the industry-intense city of Monterrey), Encino (in the northern state of Chihuahua), Bajío (near Mexico City), and Cactus (in the southern state of Chiapas).

Market hubs provide a means for balancing supply and demand through the transparent reporting of market prices. The CRE took its initial step toward creating a competitive market and more price transparency on June 16, 2017, when it removed the price cap that PEMEX could charge for natural gas.

Eliminating the price cap allows economic agents other than PEMEX to offer supply options and for natural gas to be sold in Mexico on a competitive-market basis. This shift has also led to increasing Mexican production of natural gas. Since the elimination of the price cap, Mexico has held three rounds of upstream auctions for oil and natural gas exploration in June and July 2017, selling 79 percent of available auction blocks. Mexico plans to hold two more auctions in early 2018. Mexico has opened its upstream development opportunities to private companies with success in the early stages, as outlined in a previous article.

Is Egyptian Oil Set For A Rebound?

Anadolu Agency, *03.09.2017*

This week Egypt signed three major exploration deals with oil giants Royal Dutch Shell and Apex worth at least $81.4 million. The hefty international contracts will kickstart a large-scale oil and gas exploration in 16 new fields in the oil-rich Western Desert.

In a statement released by the Petroleum Ministry, it was announced that Shell will be investing $35.5 million in a single deal, while U.S.-based Apex has signed two different deals totalling $45.9 million, a hefty investment for their first ever projects in Egypt. The deals collectively encompass a massive 1.7 million acres.

While Egypt was once a major player in the global oil supply, their production has fallen sharply over the last years as demand has increased, putting them in the unfortunate position of being a net importer after years of being an energy exporter. Now, after the last few years of political turmoil, the government is making effort to get back on its feet. These deals with Shell and Apex are just the latest in an aggressive government campaign to bring foreign investment and exploration back onto Egyptian soil.

Earlier this month Egypt's General Authority for Petroleum (EGPC) also announced that it would hold a tender for bids for oil exploration on the opposite side of the country in the Eastern Desert, including 50-square-kilometer Wadi Dara and 20-square-kilometer block G in West Gharib. All bids must be submitted before the end of the year.

In addition to a major boost in oil, Egypt is also aggressively ramping up its gas output. According to predictions by the country's petroleum ministry, three of the nation's newest natural gas fields are expected to collectively raise Egyptian gas output by 50 percent by 2018 and by 100 percent in 2020. Output has already been on the rise this year, and the government has released figures that show 5.1 billion cubic feet per day of production, a 0.7 billion cubic increase from last year thanks to the opening of a new phase of BP's North Alexandria project. These developments are coming at the same time that Egypt (along with Saudi Arabia, Bahrain, and other Gulf allies) is boycotting Qatar, the largest liquefied natural gas exporter in the world.

In 2015, Italy's Eni discovered Egypt's largest gas field "Zohr" in the Mediterranean, with estimated reserves of about 850 billion cubic feet. The company completed development procedures in February, and aims to begin production by the end of this year, a big step toward Egypt's goal of natural gas self-sufficiency by the end of 2018. International investment institutions are watching all of these developments with a hopeful eye. Egypt is expected to experience major economic improvement and a significant decrease in inflation rates in the next years thanks to increased foreign spending, mostly in oil and gas and a dramatic cut of interest rates by the Central Bank of Egypt.

According to a report on the Egyptian economy, UAE-based Renaissance Capital said that over half of the foreign $4.1 billion in direct investment in Egypt in the fourth quarter of 2016 went to the oil and gas sector. The biggest buyers were Britain (who has always been the biggest foreign contributor in Egypt), the United States and Belgium, while the United Arab Emirates is the largest investor from the countries of the Gulf Cooperation Council. And if you don't take them at their word, just follow the money: Renaissance Capital also recently announced that it will be opening a Cairo office.

Not everyone, however, is so confident about Egypt's potential turnaround. Swiss financial firm Credit Suisse Group has forecasted that the global demand for Egyptian oil will fall to 5,000 this year, a 90.1% from last year's 51,000 barrels per day. They also predict that that number will continue to fall, reaching a low of 4,000 barrels per day in 2018. Despite the mixed messages, the majority of industry experts seem to agree that Egypt is heading toward a major economic turnaround in the coming years. We can likely expect a new era of plentiful oil and gas coming from Egypt in the energy comeback of the year.

Is big oil prepared for the natural gas era?

Oil Price, *04.09.2017*

By 2034, natural gas will overtake oil as the main source of energy, and by 2050 it will be the single largest such source globally, satisfying 27 percent of demand. That's according to the first Energy Transition Outlook by DNV GL, a global quality assurance and risk management services provider for the oil and gas, maritime, and power industries. Gas supply, however, will peak in 2035.

In crude oil, DNV's report forecasts, supply will plateau between 2020 and 2028, after which it will begin declining steadily. That's bad news for pure-play oil producers, especially given that the company's report is conservative.

However, it would be welcomed by gas suppliers and those like BP and Shell, which are already moving away from oil, investing much more in gas and renewables. Renewables will be the culprit behind fossil fuels' decline: by 2050, fossil fuels and renewables will have an even share in global energy supply. This will happen thanks to the quickly falling costs of renewable energy installations, especially solar and wind, which means that the transition from fossil fuels to renewables will take place without any significant hikes in annual energy expenditure.

As solar PV and wind capacity doubles, the costs for each of the two energy sources will fall by 18 percent and 16 percent respectively. DNV says this will bring down the overall cost for global energy from the current 5 percent of the world's GDP to less than 3 percent.

Oil's biggest enemy is the electric vehicle. Increased adoption of electric cars will be the driver of oil's demise after 2028. By 2022, DNV estimates, EVs will "achieve cost parity" with internal combustion engines as their cost performance will improve at a much faster pace than the cost performance of ICE vehicles. By 2033, 50 percent of new car sales globally will be EVs. Although these trends sound optimistic, they won't be fast enough to help hit the Paris Agreement target of reducing the rate of global warming to 2.5 degrees Celsius by the end of the century.

Brent oil price at $52

Anadolu Agency, *05.09.2017*

International benchmark Brent crude fell by 0.13 percent to $52.27 per barrel on Tuesday at 07.22 GMT. North Korea conducted its sixth nuclear test on Sunday, raising international community's worries over an abrupt military clash between North Korea and U.S. ally South Korea which may spill over into a regional war.

Markets react negatively for fears of further escalation in tension between world powers may disrupt global economy and oil prices. Meanwhile, U.S. oil futures moved higher as refinery activity slowly resumed on the Gulf Coast after hurricane Harvey.

Yet, analysts say it could take months before the U.S. petroleum industry fully recovers from the effects of Harvey. American benchmark West Texas Intermediate (WTI) increased by 0.61 percent to $47.58 at 07.22 GMT.

Last week the hurricane caused shut downs in major U.S. refineries. In response, the U.S. Department of Energy opened the strategic petroleum reserve to send 500,000 barrels of oil from the underground store in West Hackberry to Louisiana's Phillips 66 refinery in Lake Charles.

The North Sea oil recovery is dead in the water

Oil & Price, *07.09.2017*

The oil majors issued a vote of confidence for the North Sea in recent days, citing precipitous declines in the cost of production, which they say will revive the region's oil and gas production. At an oil industry conference in the North Sea's oil capital, Aberdeen, the chief executives of BP and Royal Dutch Shell both offered bullish assessments for the turnaround underway off the coast of Scotland.

BP's Bob Dudley said the North Sea is "back to growth," according to the FT. The North Sea has long been a costly place to produce oil.

And as the aging oilfields in the North Sea suffer from declining output – a decline underway since the late 1990s – investing in a high-cost basin for the oil majors has slipped down on the priority list, especially when shale has emerged as an alternative in an uncertain market. Even when oil prices were high, production was falling. When prices started to crash in 2014, the North Sea looked like a dead man walking.

But things are looking a little better than they were a few years ago. The oil majors say they have overhauled their cost structures in the region, making production profitable in today's $50 market, even when the region struggled to be profitable with a $100 oil price a few years back. BP says costs of halved to just $15 per barrel.

Shell's CEO Ben van Beurden told the FT on the sidelines of the conference that the industry managed to avoid the "death spiral" that they were facing in 2014. At the time, a growing number of key pieces of infrastructure looked like they might have to shut down. As the industry planned on taking old oil fields offline, the ones remaining in operation would have to shoulder the burden of keeping certain pipelines and other infrastructure online, raising the cost for everyone left standing. At some point, the costs would become too great, and analysts worried that a tipping point would be reached, leading to cascading closures.

But because some oil companies have achieved significant cost reductions, "that big risk . . . looks to have been averted," Ben van Beurden told the FT. BP's chief executive echoed that sentiment. "We like the North Sea. It has been an important hub for us for a long time and it will remain one," BP's CEO Bob Dudley said, according to Reuters. "This year we will be drilling six exploration wells in the UK North Sea. That's more than we drilled in decades."

The acquisition of Maersk Oil by Total SA is also seen as a bet on the North Sea. The purchase will instantly make Total the second largest producer in the North Sea after Statoil.

Still, the North Sea is hardly the most competitive place to produce oil. Production has been declining for years, and the recent uptick in output pales in comparison to the region's decline. And in any event, the increase will be short-lived. By 2020 and thereafter, absent a substantial increase in exploration and investment, the North Sea will reenter decline, a descent that will be hard to pull out of. The queue of new projects does not look promising – the FT, citing data from Oil & Gas UK, said only one new oil field was given the green light in the first six months of 2017, compared to 22 in 2012.

Moreover, despite the positive rhetoric from the bosses of BP and Shell, both companies have reduced their presence in the North Sea. BP sold off a key pipeline as part of the Forties system earlier this year and Shell sold roughly half of its producing assets in the North Sea to an American private equity group.

In fact, the work of decommissioning old platforms and pipelines will overtake oil production as the region's main focus. According to Wood Mackenzie, the cost of decommissioning in the years ahead will make the North Sea oil industry a net drain on the UK treasury, as oil companies can recoup taxes paid to offset the cost of decommissioning. Beginning in 2017 and onward, the industry is expected to spend upwards of 53 billion pounds to close up old platforms and equipment, half of which will fall on the UK taxpayer.

So, far from a boon for the country, the North Sea is in danger of becoming “a significant annual expenditure for government, rather than a provider of income” in the decades to come, according to a Wood Mackenzie assessment from earlier this year.

Announcements & Reports

► *Natural Gas Weekly Update*

Source : EIA
Weblink : http://www.eia.gov/naturalgas/weekly/

► *This Week in Petroleum*

Source : EIA
Weblink : http://www.eia.gov/petroleum/weekly/

Upcoming Events

► *East Africa 2017 Oil & Gas Exhibition & Conference*

Date : 16 - 18 August 2017
Place : Dar-es-Salaam, Tanzania
Website : www.expogr.com/tanzania/oilgas/

► *Tanzania Oil & Gas Congress*

Date : 09 - 11 September 2017
Place : Dar-es-Salaam, Tanzania
Website : www.cwctog.com/

► *Global Oil & Gas Middle East & North Africa Conference*

Date : 15 - 16 September 2017
Place : Cairo, Egypt
Website : www.oilgas-events.com/Find-an-Event/Global-Oil-Gas-Middle-East-North-Africa-%281%29

► *Deloitte Oil & Gas Conference*

Date : 19 September 2017
Place : Houston, USA
Website : 10times.com/deloitte-oil-gas-conference

► *European Gas Conference*

Date : 20 - 21 September 2017
Place : Amsterdam - The Netherlands

Website : https://www.icisconference.com/europeangas

Supported by PETFORM

► *16th ERRA Energy Investment and Regulation Conference*

Date : 25 - 26 September 2017
Place : Astana - Kazakhstan
Website : http://erranet.org/conference/investment-conference-2017/

► *European Gas Summit*

Date : 26 - 27 September 2017
Place : Rotterdam - The Netherlands
Website : https://www.platts.com/events/emea/european-gas/index

► *Global Oil & Gas South East Europe & Mediterranean Conference*

Date : 27 - 28 September 2017
Place : Athens, Greece
Website : www.global-oilgas.com/SEEMED/

► *International Conference on Petroleum Industry & Energy*

Date : 28 - 29 September 2017
Place : İstanbul, Turkey
Website : www.waset.org/conference/2017/09/istanbul/ICPIE

► *IADC Drilling Middle East Conference & Exhibition*

Date : 03 - 04 October 2017
Place : Dubai
Website : www.iadc.org/event/me2017/

► *7th Iraq Oil & Gas Conference*

Date : 28 – 30 November 2017
Place : Basrah, Iraq
Website : http://www.basraoilgas.com/Conference/