Oil & Gas Bulletin

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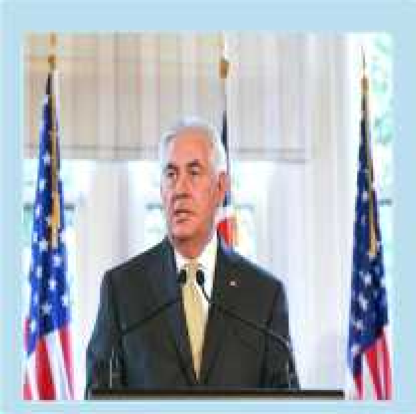
Rex Tillerson to receive award for 'excellence in petroleum industry' during Turkish state visit

Independent, *06.07.2017*



The US Secretary of State is to receive an award from the World Petroleum Congress (WPC) during his upcoming state visit to Turkey.

Rex Tillerson, a former ExxonMobil CEO from 2006 to 2016, will be presented with the Dewhurst Award for "scientific and technological excellence in the petroleum industry" at the conference taking place in Istanbul, according to the WPC conference's website. The award was named after Thomas Dewhurst, a former president of the Institute of Petroleum in the UK. Former recipients include past CEOs of Royal Dutch/Shell, BP, and Chevron.

The State Department and WPC have not yet responded to questions about when Mr Tillerson was notified of the award. There was also no word on why Mr Tillerson did not decline the award that is for his private sector service while he currently serves as the top US diplomat. He worked for the company for nearly 40 years and accumulated millions of shares in that time which have paid him close to $90m (£69.6m) in the last three years alone, according to Forbes.

A senior Department official commented that "this is a good opportunity to reach Turkish counterparts and other countries will be there as well". However there is no indication the Turkish Foreign Minister Mevlüt Çavuşoğlu will be in attendance. The official also said that Mr Tillerson's visit to Turkey would partly be about how "energy security is a regional priority" for the US.

Mr Trump last month announced the US would withdraw from the accord, which has been signed by 200 countries in an effort to combat global warming and help poorer countries adapt to the already changed planet. The President said the deal put American workers at an "economic disadvantage," particularly those in the coal and natural gas sectors. The move is in line with the Trump administration's proposed deep cuts to the Environmental Protection Agency. Jeffrey Sachs, director of the Earth Institute at Columbia University, told The Independent that "the Trump government is all about fracking. The oil and gas lobby has been given a free run."

Mr Tillerson's former employer ExxonMobil certainly benefits from the administration's policies, said Mr Sachs. He called the policies and Mr Tillerson's acceptance of the award "rather dreadful from the point of view of planetary realities". However, Guy Caruso, Senior Adviser with the Energy and National Security Program at the Center for Strategic and International Studies, said it was "appropriate" for Mr Tillerson to accept the award.

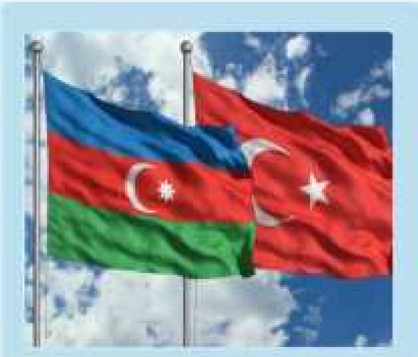
The Secretary of State was a board member of the Washington, DC think tank and Mr Caruso has known him since the late 1990s. The award is "pretty prestigious" and akin to an honorary doctoral degree, according to Mr Caruso who has planned conferences such as the WPC's. As far as what Mr Tillerson will speak about - energy security - that may be a more murky point.

Mr Caruso noted that what constitutes energy security is still "waiting to be fleshed out" in the Trump administration. He explained that Mr Tillerson will likely push a message of harmony among oil-producing nations, particularly between Qatar and Saudi Arabia. Last month, Saudi Arabia, Libya, Yemen, UAE, Bahrain, and Egypt cut diplomatic ties with Qatar over the small monarchy's alleged financial ties to terrorist groups.

Saudi Arabia has issued "demands" to Qatar in order to restore ties and trade. Mr Tillerson has been calling for a quick and diplomatic resolution to the row to no avail. Mr Tillerson will likely want to "continue to move that smooth flow of oil from that region. Even with that success the US has had domestically, that region is important to us," said Mr Caruso. But, the Secretary of State is "probably going to give a more sophisticated approach to it...more inclusive, more diplomatic," said Mr Caruso. The big concern for the administration is making sure it looks as if Mr Tillerson is "on the same page" in Turkey.

Azerbaijan's H1 oil exports via Turkey pipeline fall 12 pct yr/yr

Reuters, *05.07.2017*



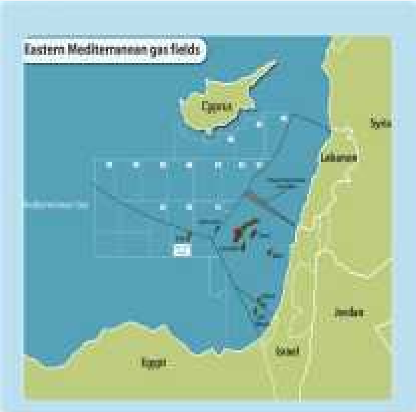
Azeri oil exports through the Baku-Tbilisi-Ceyhan (BTC) pipeline via Georgia and Turkey fell 11.8 percent year on year in the first half of 2017 to 13.174 million tonnes from 14.930 million tonnes in the same period last year, state energy company SOCAR said.

Oil exports through the BTC in 2016 totalled 28.86 million tonnes, up 1.3 percent. Azerbaijan exports oil via the pipeline from the Azeri, Chirag and Guneshli (ACG) oil fields operated by BP.

It also exports oil via Russia, through the Baku-Novorossiisk pipeline and via Georgia by rail and through the Baku-Supsa pipeline.

Future of natural gas in East Mediterranean

Yeni Safak, *01.07.2017*



The East Mediterranean Reserve has, in recent years, through discoveries of natural gas shown its potential as a source and is starting to draw the attention of the world's leading energy companies and high energy demanding countries. Hence, we might well say that the energy sources discovered in the East Mediterranean signal hot days in the region in the new term.

However, from time to time, the countries in the region see internal conflicts, political disputes and problems. As a matter of fact, some of these problems are now no longer regional, but international problems instead.

Of these, the Palestine issue, the Cyprus issue and Egypt's instability in the region are the most striking. Today, while these problems in the region are not yet solved, with the energy sources discovered, existing debates are increasingly ongoing.
Because, it is a fact that countries' diplomatic relations are affected by the energy issue. Hence, primarily due to the Cyprus issue, the security problem and Israel's wrong and problematic policies, the region is becoming even more chaotic.

In this aspect, for countries that have reserves in the region, energy has the potential to solve problems through cooperation and trade activities.

The way energy will be transferred to help solve the ongoing problems in the region is the most important agenda item. Looking at the projects that stand out in the region, the East Med (East Mediterranean Natural Gas Pipeline) Project led by Israel, Greece and the Southern Cyprus Greek Administration and which bypasses Turkey, stands out.

However, considering the project route, it is clear that this project is not rational. In fact, the project is kept on the agenda with the EU's help. However, the financing problem and the limited amount of reserves in the region are the most important obstacles preventing this route from materializing.

This is because the investment amount and the cost required for the planned project increases the price of East Mediterranean gas. Hence, EU countries that want both competition and the option to buy cheaper gas are turning to alternative routes in the region.

Other than East Med, there are three more routes to transfer East Mediterranean gas to outside markets. The first of these is the Israel-Turkey route that will be created with the pipeline planned to be built between Israel and Turkey. The second is the route that foresees gas transfer from Israel to Egypt and the third is the Southern Cyprus Greek Administration-Egypt route that will result from an agreement between the two countries. Looking at the four alternative routes, taking into consideration the geographical position, it is clear that the Israel-Turkey route is more advantageous and realizable.

The reality that Turkey is the most suitable route in providing the export of energy sources discovered in the East Mediterranean to Europe and other countries is accepted by all actors in the region. Also, Turkey, which wants to ensure source localization and demand security in oil and natural gas, is among the important actors in the equation of the region.

As Turkey is ensuring its own energy demand security by transferring Caspian region natural gas through TANAP, TurkStream and other planned major energy projects, it has also formed a reliable route for this gas to reach Europe.

The addition of East Mediterranean gas to the existing pipelines means that Turkey's corridor image can turn in to a natural gas trade center. This line will add southern gas to Turkey's natural gas flow from the east and north and Turkey will become a hub in natural gas trade.

Hence, both in terms of creating an alternative with East Mediterranean gas and by playing an active role in transferring this gas to Europe, Turkey will increasingly strengthen its profile in becoming a regional hub base in energy.

TurkStream deepwater pipe-lay commences

Reuters, *05.07.2017*

Gazprom has started laying the TurkStream gas pipeline in the deep-water area off the coast of Anapa, Russia. Operations on board the Pioneering Spirit were launched at the command of Vladimir Putin.

TurkStream is an export gas pipeline stretching across the Black Sea from Russia to Turkey. The pipeline will come ashore on the Turkish coast some 100 kilometers west of Istanbul, near the village of Kiyikoy. From Kiyikoy, an underground pipeline will be developed connecting TurkStream to the existing network at Luleburgaz.

The first string of the gas pipeline is intended for Turkish consumers, while the second string will deliver gas to southern and southeastern Europe. Each string will have the throughput capacity of 15.75 billion cubic meters of gas per year.

On October 10, 2016, Russia and Turkey signed the Intergovernmental Agreement on the TurkStream project. South Stream Transport B.V., a wholly-owned subsidiary of Gazprom, is responsible for the construction of the gas pipeline's offshore section. On May 7, 2017, the Audacia vessel started the construction of the TurkStream gas pipeline near the Russian coast.

TurkStream will be the first 32-inch system to be laid at depths of over two kilometers. Each of the two offshore pipelines is made up of thousands of individual pipe joints of 12 meters (40 feet) in length.

The pipes are produced in special mills and shipped to construction yards on the coats. The walls of the pipeline are made from 39 millimeters of high-quality carbon manganese steel and each joint to improve the mechanical characteristics of the pipe so that it can withstand the huge pressure. Pipes laid closer to the shore are coated in concrete for added stability and protection against marine activities.

For Turkey, natural gas is the key energy source accounting for 38 percent in the country's electricity generation and used for heating and cooking in upward of 12 million households.

“Natural gas is of equal importance to southern and southeastern Europe. The declining indigenous gas production and the necessity to reduce coal's share in electricity generation across the Balkan countries create the potential for sustainable growth in natural gas demand in that part of Europe,” said Alexey Miller, Chairman of the Gazprom Management Committee.

In 2016, Gazprom's exports to Europe hit a record of 179.3 billion cubic meters, 12.5 percent more than in 2015. The largest buyers were Germany, Turkey and Italy. Germany, Gazprom's number one market in Europe, imported 49.8 billion cubic meters of Russian gas, a historical high for the country.

In 2017, gas supplies have grown further: over the first five months of the year, the company exported 9.5 billion cubic meters, 13.3 percent more than in the same period of 2016.

The Nord Stream 2 gas pipeline is under construction and has an annual capacity of 55 billion cubic meters of gas. On April 24, 2017, Nord Stream 2 signed the financing agreements for the project with Engie, OMV, Royal Dutch Shell, Uniper and Wintershall. The companies will provide long-term financing for 50 percent of the total cost of the project.

Saudi Arabia tightens its grip on Japan, its biggest Asian oil market

Reuters, *03.07.2017*

Saudi Arabia has boosted its market share in Japan, the world's top oil exporter's biggest Asian market, by selling more light crude to the country as a way to offset revenue lost implementing OPEC's production cuts.

Middle East crude sellers consider Japan, the world's fourth-largest oil importer, a premium market since its refiners will pay more to secure supply than other Asian buyers. Saudi Arabia raises revenue by boosting sales of more expensive light crude since it cut its supply of so-called heavy crude to comply with the agreement between OPEC and some non-OPEC producers to reduce output.

Japan's imports of Saudi crude between January and June reached 1.3 million bpd, 7.7 percent higher than a year ago, making it Japan's biggest supplier, according to trade flows data on Thomson Reuters Eikon. The increase was mainly in Arab Extra Light as state oil giant Saudi Aramco offered extra cargoes on top of contracted volumes to Japanese buyers, two Japanese refining sources said. They declined to be named due to company policies.

Imports of Arab Extra Light and Arab Light were 160,000 barrels per day (bpd) higher through May at 1.03 million bpd, said Virendra Chauhan, Singapore-based analyst at consultancy Energy Aspects. Saudi Arabia "clearly sees Asia as its backyard and as a center of growth and long-term source of demand. As such, it does not want to give up too much market share here," he said.

Saudi Aramco did not respond to an e-mail from Reuters seeking comment. Japan's spending on oil through May this year surged 73 percent from the same time a year ago to 3.82 trillion yen ($33.64 billion) as global oil prices rose and imports climbed, data from the Ministry of Finance shows. Saudi imports came at the expense of Iran, whose imports dropped 20 percent in the first half of 2017, and Kuwait and the United Arab Emirates, which fell by 8 percent and 5 percent respectively. Saudi crude exports to its second- and third-largest Asian buyers - China and South Korea - were little changed in the first half of 2017 from a year ago, the trade flow data showed.

Exports to India and Taiwan dropped 3 percent and 13 percent respectively, the data on Eikon showed. Trade sources said this was because Saudi Aramco was unable to supply more heavy crude. The tighter supplies have pushed the official selling price that Saudi Arabia sets for its Arab Heavy crude for August loading to the highest since the end of 2013. "People are asking for more (heavy crude) but the Saudis can't give because of the OPEC cuts," said a Gulf oil source who requested anonymity because of the sensitivity of the topic.

Minister: Iraq has right to achieve oil output in line with reserves

Reuters, *03.07.2017*

Iraq has the right to achieve oil output that is in line with its crude reserves, Oil Minister Jabar al-Luaibi said on Monday at an event in London.

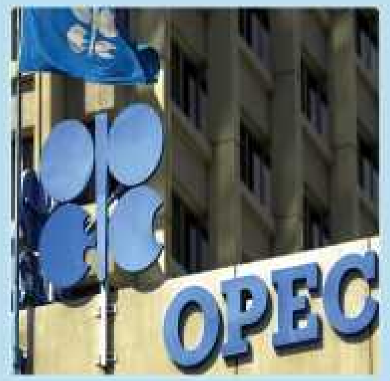
Iraq is the second-largest producing member of the Organization of the Petroleum Exporting Countries after Saudi Arabia. "Iraq is a country that maybe in our life, or after our life, (will) definitely have reserves that will be equal to Saudi Arabia," Luaibi said. "Why should Iraq be deprived from increasing its production? Not to disturb or disrupt OPEC at all, or the prices, but it is our right to have our production that corresponds to our reserves," he said.

OPEC members and other producers led by Russia agreed last year to cut output by about 1.8 million barrels per day (bpd) to tackle bloated crude inventories and support prices. Under the deal, Iraq agreed to cut production by 210,000 bpd.

Its output reached 4.4 million bpd in June, marking a cut of 170,000 bpd, according to a Reuters monthly survey of OPEC output. "We have gas, we have oil. We have the right to do well. As simple as that," Luaibi added.

OPEC has lost control but prices could hit a bottom

CNBC, *03.07.2017*



OPEC has lost its grip on the oil market, but crude prices will likely set a bottom in the low $40s per barrel, according to the latest CNBC Oil Survey.

Sixty percent of participants agree that OPEC has lost control of the oil market, and the same percent also expect the cartel to continue its efforts to "jawbone" or talk up prices. Just over half — or 53 percent of the participants in CNBC's latest survey — say the bottom for oil prices is likely to be in the low $40s per barrel. However, 70 percent would not rule out a further drop into the $30s. Forty-six percent see it holding in the high $30s if it does go below $40 per barrel.

Forty-seven percent of the 15 oil market experts say there is more downside risk, but 40 percent say there should not be. Oil prices are expected to end the year between $40 and $49 per barrel, according to 47 percent, while 33 percent see prices in the $50 to $59 per barrel range.

Oil prices rose for an eighth day Monday, in the longest winning streak in more than five years. West Texas Intermediate crude futures settled up 2.2 percent at a one-month high, $47.07 per barrel. WTI hit a recent low of $42.05 per barrel on June 21, a level it had been near in November. The low in August 2016 was $39.19 per barrel. Oil rose as U.S. government data on drilling activity for new oil production in the United States fell for the first time since January, dropping by two rigs. Monthly government data also showed crude output fell in April for the first time this year.

U.S. Energy Information Administration figures, released Friday, showed that U.S. output fell by 24,000 barrels per day on a monthly basis, a bullish signal for the market. Oversupply was cited by 93 percent in the survey, as the biggest factor influencing prices right now, and 80 percent expect it to be the biggest factor for the remainder of the year. Just 7 percent see demand as the biggest issue. Seven percent see geopolitical threats as a bigger factor affecting prices, and 6 percent expect OPEC will be the greatest influence in the second half of the year.

Forty-seven percent believe demand is stronger but 40 percent believe it is flat. Thirteen percent say demand is trending weaker. Commodities analyst Dennis Gartman, publisher of the Gartman Letter, says that the world must understand that the hydraulic fracturing and horizontal drilling technologies used by U.S. drillers have not even begun to be used in other parts of the world. “It WILL, the effects of which are obviously long term very, very bearish,” he wrote in comments supplied with survey results. Gartman said U.S. technology will expand to Russia, Mexico, China the Middle East and Africa.

“The Deputy Crown Prince of Saudi Arabia knows these things as well as anyone and it is his intention to sell his country’s oil reserves as quickly as he is able to secure what ‘wealth’ he can before crude oil at some point in the next two or three generations falls to near zero and is used only as a source of product production and not as a fuel for internal engines. He ‘gets’ it; few others around him do,” Garman wrote.

Mohammed bin Salman, now crown prince, has been promoting a program to diversify Saudi Arabia away from its dependence on crude. As part of the plan, the kingdom hopes to take its state-owned oil giant, Saudi Aramco, public. Analysts say that is one reason Saudi Arabia is willing to keep to an agreement to cut production, hoping it will help stabilize the market and boost prices. The increase in production by U.S. shale drillers, or frackers, has been a key issue for the market, with U.S. output at about 9.3 million barrels per day. According to the CNBC survey, 60 percent say President Donald Trump’s pro-energy policies have had no effect on prices, but 33 percent say they have hurt prices a little and 7 percent see a large negative impact. “If frackers continue to push to 10 million barrels per day — oil will be in the low $30s by the winter,” wrote Anthony Grisanti of GRZ Energy.

Kurdish Reg. Gov. pays $40.66M for Tawke field oil ops.

Rigzone, *06.07.2017*

Tawke field partners in the Kurdish Regional Government (KRG) received $40.66 million for April 2017 crude oil deliveries, Norway's DNO announced.

According to DNO's announcement, the payment reflects full settlement of the invoiced amount for April 2017 oil sales, and includes $34.1 million towards monthly entitlement and $6.56 million towards recovery of historical receivables. DNO is an energy company based in Oslo, which focuses on the Middle East and North Africa's (MENA) oil and gas markets.

Qatar to boost LNG production 30% by 2024

Reuters, *04.07.2017*

Qatar plans to increase its LNG output by 30 percent within seven years, according to the chief executive of Qatar Petroleum.

Saad Sherida Al Kaabi, at a press conference in Qatar's capital Doha said that the country plans to increase gas production from its huge North Field. The increase at the North Field will boost the country's LNG production to 100 million tons per year from the current 77 million tons.Al Kaabi also noted that demand for LNG is growing faster than oil demand.

According to official figures from the International Gas Union and the International Group of Liquefied Natural Gas Importers, Qatar exported 77 million tons of LNG in 2016. While sales to the Asian region accounted for more than 60 percent of Qatar's total LNG exports, the country's top export destinations were Japan, South Korea, India, the U.K. and China.

Qatar exported 14.5 million tons of LNG to Japan, 12.3 million to South Korea, 8.8 million to India, 9.3 million to the U.K. and around 5 million tons to China. Several Arab states -- including Saudi Arabia, Egypt, the United Arab Emirates, Bahrain, and Yemen -- have imposed a diplomatic and economic blockade on Qatar, which they accuse of supporting terrorism. Doha denies the accusations and has rejected a 13-point list of demands it received from the four countries to restore ties.

Iran to ink gas deal with Total, China's CNPC

Reuters, *03.07.2017*

Iran will sign a new contract on Monday to develop phase 11 of the world's largest gas field development project, the South Pars gas field with French oil company, Total and China National Petroleum Corporation (CNPC), according to the National Iranian Oil Company (NIOC).

The Iranian Petroleum Contract (IPC) for gas production for the Iranian market from 2021 onwards is the first such contract in Iran designed to attract foreign investors, and will cover a 20-year period. This is the biggest foreign deal worth $4.8 billion after sanctions against Tehran were removed in 2016.

The French company will have a 50.1 percent stake in the development project while China's CNPC will hold a 30 percent share while Iran's Petropars will hold a 19.9 percent interest. In November 2016, Total signed a Heads of Agreement with the National Iranian Oil Company (NIOC) for the development of phase 11 of the South Pars Field.

Phase 11 will have a production capacity of 1.8 billion cubic feet per day, or 370 000 barrels of oil equivalent per day, from which the produced gas will feed into Iran's gas network. The South Pars field is one of the largest independent gas reservoirs in the world lying on the territorial border between Iran and the State of Qatar in the Persian Gulf.

Hungary to receive gas via TurkStream

Reuters, *06.07.2017*

Hungary signed a deal with Russia's Gazprom to receive natural gas through the TurkStream pipeline by the end of 2019, according to Hungarian Foreign Minister Peter Szijjarto late.

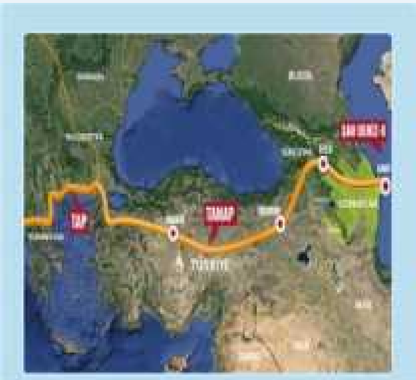
The minister told Hungarian new agency MTI that the TurkStream pipeline is the best option for Hungary to receive gas from the southern route. He said that energy security is vital in the region as international interconnections between Hungary and possible partners Romania and Croatia are planned for construction.

"Energy security is very important. That's why gas coming from the south of Hungary is a matter of national security," he noted. The TurkStream pipeline is a transit-free export gas pipeline which will not only stretch across the Black Sea from Russia to Turkey but will further extend to Turkey's border with neighboring countries.

One line is expected to supply the Turkish market, while a second line will carry gas to southern and southeastern Europe. Each line will have the throughput capacity of 15.75 billion cubic meters of gas per year. The pipes for the TurkStream will start from the southern Russian town of Anapa on the Black Sea coast and will be laid over a 900-kilometer route under the Black Sea to reach the Thrace region of Turkey along the Black Sea coast.

Deputy Min.: Albania expects to finalize TAP by 2018

Anadolu Agency, *01.07.2017*



Works on TAP are underway with the construction of two compressor stations, Deputy Minister of Energy and Industry of Albania told.

İlir Bejtja said that the pipe installation has already started in the project's three location points in Albania, and completion of the installation is expected by 2018. "I think by 2018 the installation will end but now they are starting with the two pumping compressor stations. Meanwhile, we are hoping to take an license for subsea works that plan to start immediately. They are on track," the Minister said.

The TAP project aims to connect the Trans Anatolian Natural gas Pipeline (TANAP) at the Greece-Turkey border and cross northern Greece, Albania and the Adriatic Sea before going onshore in southern Italy, where it will link up with the Snam-operated Italian natural gas network. The entire project will be 878 kilometers in length with an initial capacity of 10 billion cubic meters per year to transfer Azerbaijan’s natural gas to several European markets.

Bejtja asserted that the TAP project would help the Albanian economy and the country hopes that more than €1 billion will enter the economy, through investments, construction, planned works and secondary infrastructures as part of TAP project, Bejtja noted. “All this money enters the economy and Albanian companies make all the investments,” he underlined. He highlighted that currently 2,000 people are employed through the TAP project including in transportation, environment, construction, out of which more than 90 percent are Albanians. He added that this number could reach at least 3,000 but even reach more in the long run.

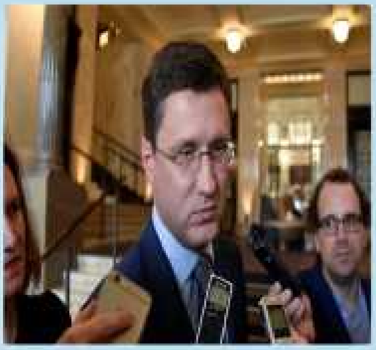
In the final period of construction, he forecasted that there would be employment opportunities for between 5,000 and 7,000 people. Once constructed, there will be around 700 permanent employees, according to the minister. On the question of whether Albania will import gas from TAP, he replied that Albania would not import gas directly from the first 10 billion cubic meters (bcm) that is set to be sent to European customers. “We are guaranteed 0.3 billion cubic meters only for the Vlora thermal power plant (TPP),” he noted.

The Albanian minister hailed the investments that Turkish companies have made in the country’s energy, mining and refining sectors as well as in many other sectors in the country. Electricity produced from plants constructed by Turkish companies can be exported to Turkey, Bejtja affirmed, adding that no restrictions have been placed on these companies. “We do not charge for exports, or in cross border taxes and we have no VAT or customs either. We have enough interconnections that make it easy to export in Greece, via Kosovo, and Bulgaria, via Montenegro. So there is a possibility to export to whether it is to Turkey or to other neighboring countries, it doesn’t matter. They can do good business in Albania,” he asserted.

Albania is a country with low energy costs because it has good running water throughout all seasons, according to Bejtja. The Albanian minister said that Turkey and Albania are not neighboring countries and although it would be far easier to cooperate in the electricity sector for countries that border one another, he believes that any cooperation in non-bordering countries in this area would be beneficial for all parties concerned. “If it [electricity network] goes wider, it will be better. So if we go to Turkey through Bulgaria or other countries, it will be beneficial for them [all countries involved] because they also have investments in our country and for us, because we can sell energy even further than our neighbors,” he concluded.

Russia says no further curbs on oil output needed as OPEC pact is working

Anadolu Agency, *03.07.2017*



Russian Energy Minister Aleksandr Novak said a global agreement between the OPEC oil cartel, Russia, and other producers is working and no further measures to curb oil output are needed at this time.

“I think that the decisions that were taken, they were the right ones,” he told Reuters on July 6, adding that any additional measures would create “chaos” and misunderstanding in the oil market. “The prices have been stabilized at higher levels, which allows the interests of investors, producers, and consumers to be taken into account,” Novak said.

Oil prices registered their biggest first-half decline in almost two decades this year but remain near the $50-$60 a barrel range Novak said Russia and OPEC targeted when they agreed in November to 1.8 million barrels a day in output cuts. Premium crude in London is currently trading around $48. “Despite the recent drop of oil prices, we believe that the OPEC deal is effective” and is causing a declne in global stockpiles of oil that will bolster prices, Novak told.

Gazprom hikes H1 natural gas export to Europe 12% on year, raises 2017 output forecast

Platts, *01.07.2017*

Russian gas giant Gazprom has increased gas supplies to Europe and Turkey by 12% year on year in the first half of 2017, which has also encouraged the company to boost its gas output forecast to 450 Bcm this year, as it sees growing demand for pipeline gas in the region, CEO Alexei Miller said Friday.

“Gas demand continues rising in 2017. In the first six months, export volumes rose by 12.4%, or by 10.5 Bcm, compared with the same period in 2016,” Miller told the company’s annual shareholder meeting in Moscow.

Gazprom sees a continued rise in European gas demand after setting a record in gas exports to Europe and Turkey, at 179.3 Bcm last year, with its share of European gas demand reaching a record 33.1% in 2016, and refreshing historical highs in daily exports to the region, he added.

To accomplish that, the company's 55 Bcm/year Nord Stream pipeline carrying gas to Germany via the Baltic Sea, pumped beyond capacity, he said. "Our gas in Europe sees increasing demand. Gas export pipeline Nord Stream is in demand by more than 100%. On certain days at the last fall/winter season, the flow stood at 111% of its capacity," Miller said. Last week, the deputy chairman of Gazprom's management committee, Andrey Kruglov, estimated Gazprom's 2017 exports to the region at similar levels to last year, "at least at 178 Bcm or higher."

With demand for Russian gas increasing, the company raised its forecast for gas exports to Europe and Turkey to 450 Bcm, up 7.3% year on year, Miller said. The new figure also represents a 5% increase from the company's May forecast of 430 Bcm in full-year gas production. "Given the factual gas production in the first six months of 2017, we forecast full-year production above 450 Bcm, which is above yearly indicators of three preceding years," Miller said.

With the company's resource base shifting north toward the Arctic, Miller noted the increasing production at the Yamal Peninsula's largest gas field, Bovanenkovo, where the company launched new production at the start of the year, raising its peak output to 260 million cu m/d. Gazprom expects to bring the field's production to 115 Bcm/year by 2022, Miller said. "This single field's capacity will be comparable to the total gas supplies to Europe from the UK, Qatar, and the Netherlands in 2016," he said.

With Europe's growing need for imported gas due to rising demand and falling production, Miller noted increasing interest in Russian pipeline gas, along with a drop in LNG supplies to the region from elsewhere. LNG supplies to the European market fell by nearly 2%, or more than 1 Bcm, last year, he said. "Forecasts of LNG replacing gas supplied to Europe by pipeline have not been fulfilled. In the real market conditions, LNG loses. So the European business is ready to take part in pipeline import from Russia in partnership with Gazprom," he said.

The company is partnering with European companies on two new pipelines -- the 55 Bcm/year Nord Stream 2 line to Germany and the 31.5 TurkStream line to Turkey -- to redirect gas flows away from Ukrainian transit after 2019. Five European companies -- Germany's Uniper and Wintershall, Austria's OMV, France's Engie and Anglo-Dutch Shell -- are partnering with Gazprom on implementing Nord Stream 2, the second underwater pipeline crossing the Baltic Sea, which is set to double the amount of gas pumped via the northern route.

Each company pledged in April to provide up to Eur950 million in funding, or a combined total of half the project's estimated cost of Eur9.5 billion ($10.6 billion), he said, noting the project's efficiency. "Once we implement Nord Stream 2, we will complete forming the foreign part of the northern gas corridor. It will be the most efficient route, both technically and economically, for Russian gas supplies far abroad," he said. He estimated gas delivery costs via the northern route and Nord Stream 2 specifically to be half of those via the central corridor via Ukraine. Meanwhile, Gazprom's LNG sales hit 4.94 Bcm last year, up 4% on the year, having more than doubled sales since 2013, with main volumes going to Japan, India, Taiwan, Mexico, the UAE, and South Korea, Miller said.

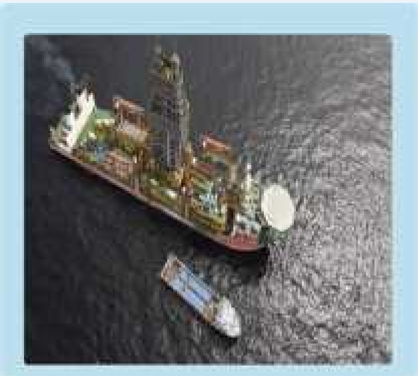
Gazprom is also stepping up projects for pipeline gas deliveries to Asia, and expects to reach an agreement with China’s CNPC on specific timeframes for the launch of the 38 Bcm/year Power of Siberia pipeline, “the core of our strategy in Russia’s East and in the Asia-Pacific,” Miller said. “Today, we are completing the discussion of precise timeframes for the supplies via the Eastern route via Power of Siberia according to the contract. The relevant document is expected to be signed in the coming days with our Chinese partners,” Miller said.

So far, the timeframes for the pipeline launch stand between May 2019 and May 2021, according to Miller’s presentation. The agreement could be signed during the next meeting of the countries’ leaders. China’s leader Xi Jinping is expected on an official visit to Russia early next week, when he is due to meet Russian President Vladimir Putin, according to the Kremlin.

Miller also said Gazprom and CNPC intend to agree gas supplies by another route, from Russia’s Far East, by the end of this year. Gazprom also is continuing its cooperation with Chinese partners on underground gas storage in China, power, and promoting the use of LNG as motor fuel, Miller said. “We have come a long way with our Chinese partners, and we are bounded by the true relationship of long-term strategic partnership,” he said.

Eni makes new oil discovery in offshore North Norway

Forbes, *03.07.2017*



Eni announced a new oil discovery in the southwest of the Johan Castberg field offshore Norway, according to the company.

The well is located approximately 23 kilometers southwest of the discovery well of Johan Castberg and 226 kilometers North West of Hammerfest in Norway. The company underlined that the discovery was in the company’s “near field” exploration model, which serves to guarantee the production of reserves via synergies with existing infrastructure, significantly reducing the time to market.

“The new discovery has been made via the well 7219/9-2, drilled in 336 meters of water depth in the Kayak prospect of the Barents Sea PL532 License (Statoil 50 percent Op., Eni 30 percent and Petoro 20 percent),” the company said.

The company underlined that preliminary estimates of the size of the discovery are between 100 and 180 million barrels of oil in place (25 – 50 million barrels of recoverable oil) with further potential to be evaluated.

Gazprom to send gas to China via Power of Siberia by'19

Financial Times, *04.07.2017*

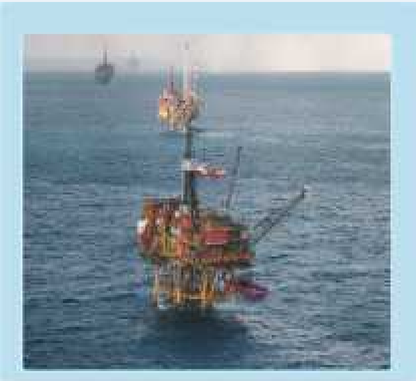
Gazprom will start gas supplies to China via the Power of Siberia gas transmission pipeline in December 2019, the Russian company announced.

According to Gazprom's statement, a new agreement between China National Petroleum Corporation (CNPC) and Gazprom was signed, in addition to the agreement that was signed on May 21, 2014. Gazprom's CEO Alexey Miller commented that the Power of Siberia pipeline under construction in Eastern Siberia is on schedule to provide gas to China in December 2019 as per the new agreement.

China and Russia signed a $400 billion deal in May 2014 to send 38 billion cubic meters of Russian gas per year to China through the Power of Siberia's western gas transmission route. The Power of Siberia project consists of two routes, eastern and western. The eastern route is currently in its development stage to transit gas from the natural gas fields in Eastern Siberia, including the Chayanda and Kovykta gas fields. The western route will supply 30 billion cubic meters of natural gas via pipeline from the Yamal-Nenets autonomous region to northwest China for a period of 30 years.

Natural Gas Statoil starts production at Gina Krog field

Rigzone, *03.07.2017*



Norway's Statoil started oil and gas production on the Gina Krog field in the North Sea, the company announced. Statoil said in a written statement that it and the partners invested around $3.7 billion in the development of the field.

The preliminary plan is to drill 11 production wells and three injection wells at the Gina Krog field. "We are proud to have delivered Gina Krog in line with the cost estimate in the plan for development and operation," said Margareth Ovrum, Statoil's executive vice president for technology, projects and drilling.

More than 600 people have been working on the Gina Krog field preparing the platform for production since last August. Gross recoverable reserves from the field located 230 kilometers southwest of Stavanger city of Norway are estimated at 225 million barrels of oil equivalent. Statoil is the operator of the field with a 58.7 percent interest. Partners Total has a 15 percent interest, KUFPEC Norway holds a 15 percent stake, PGNIG Norway has 8 percent interest and Aker BP has a 3.3 percent share.

GE completes $7.4 billion merger with Baker Hughes

Oilprice, *04.07.2017*

The completion of the merger of GE's oil and gas business and Baker Hughes into a newly structured company BHGE was announced by GE.

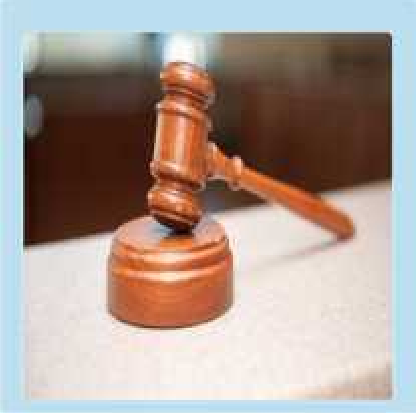
According to the statement, BHGE will bring together capabilities across the full value chain of oil and gas activities - from upstream, midstream to downstream. Under the terms of the agreement, which was previously announced on October 31, 2016, the transaction resulted in a partnership structure between Baker Hughes and GE's oil and gas business.

GE contributed $7.4 billion to the new partnership, which will be used to "fund the cash dividend to legacy Baker Hughes shareholders," the company stated. GE has a 62.5 percent interest in this partnership and legacy Baker Hughes shareholders have the remaining 37.5 percent interest through their ownership of BHGE. BHGE provides differentiated services for customers by combining digital solutions and technology from the GE Store brand that focuses on technology.

Jeff Immelt, chairman and CEO of GE and chairman of BHGE, said in the statement that BHGE is an industry leader positioned to deliver in any economic environment and assist customers in driving productivity. "This deal capitalizes on the current cycle in oil and gas while also strengthening our position for market recovery. I am extremely proud of the GE and Baker Hughes teams for completing the combination in just eight months, which is a testament to the team's unwavering focus and dedication since the announcement last October," he added.

Ofgem probes British Gas customers' exit fees dispute

Business Daily, *06.07.2017*



U.K.'s independent energy regulator Ofgem launched an investigation against British Gas Trading Limited in relation to termination fees charged for domestic customers at the end of their supply contracts, the regulator said on Thursday.

"The investigation will examine whether British Gas breached license conditions relating to British Gas' obligations to customers who switch to another supplier, including the requirement to waive termination fees," Ofgem said. Suppliers should not charge termination fees for any switch that takes place within the 49-day "switching period" before the end of a fixed term contract, according to Ofgem rules.

The investigation follows concerns raised by consumer affairs website moneysavingexpert.com who highlighted customer complaints on having to pay exit fees, Ofgem said. Ofgem is citing Standard License Conditions (SLC) 24 and 25C of the gas and electricity supply licenses while conducting the investigation.

SLC 24 sets out obligations concerning the termination of domestic supply contracts including the circumstances in which termination fees may be charged, the continuation of fixed term supply contract terms and the terms and conditions of supply contracts.

SLC 25C requires suppliers to take all reasonable steps to achieve certain standards of conduct and to ensure that the standards are interpreted and applied consistently with the customer objective, which is to treat customers fairly. "The opening of this investigation does not imply that we have made any findings about non-compliance," the regulator added.

Statoil to start UK exploratory campaign

Anadolu Agency, *03.07.2017*

Norway's Statoil will commence a three-well exploration drilling campaign on the U.K. continental shelf, the company announced.

The company said that in early July, the Transocean Spitsbergen rig would spud the first well as part of its exploratory campaign. "This is an exciting campaign testing three very different opportunities on the U.K. continental shelf. We hope to make discoveries that can add value to existing projects and also provide the resources necessary for new developments there," Jenny Morris, Statoil's vice president of exploration in the U.K. said.

The ongoing campaign plans that well drilling will be complete in approximately two to three months. According to Statoil, the first well, Mariner Segment 9, could prove additional resources and increase the extent of the Mariner Field. After completing this well, which is expected to take between 15 and 25 days, the rig will move to Jock Scott, a prospect on the underexplored margins of the Viking Graben.

Completion of the well is expected in 20-40 days. Completion of the last well in the campaign, the Verbier prospect in the Moray Firth area, is anticipated to take between 30 to 70 days. "We have three exciting wells to test with a proven and efficient rig that will enable us to continue to develop our understanding of the full exploration potential of this mature basin and hopefully add new commercial reserves to our U.K. portfolio," Morris said.

IGU: Gas-on-gas pricing continues to grow across Europe to 66%

Platts, *05.07.2017*

The share of gas-on-gas price formation in European natural gas consumption stood at 66% in 2016, up from 64% the year before, as oil indexed gas prices continue to lose favor, according to the latest International Gas Union price report published.

In the report -- trailed in May at the Flame conference in Amsterdam -- the IGU also confirmed that the average global wholesale gas price averaged just $3.35/MMBtu in 2016, the lowest price in any survey done by the IGU since it started in 2005.

European buyers of gas are increasingly pushing for more gas hub-indexed pricing at the expense of the traditional oil-indexed contract gas from suppliers such as Russia and Algeria. Norway's Statoil has shifted almost entirely to hub-indexed gas in its sales contracts, though Gazprom continues to laud oil indexation as a fair way to price gas.

In Northwest Europe -- Belgium, Denmark, France, Germany, Ireland, Luxembourg, the Netherlands and the UK -- the share of gas-on-gas priced consumption was 91% in 2016, down from 92% the year before, the IGU said. While a slight dip, it is still by far the largest share and is up from just 27% in 2005. Elsewhere, gas-on-gas pricing surged as some long-term import contracts ended and buyers renegotiated their import agreements to include more hub pricing.

In Central Europe -- Austria, the Czech Republic, Hungary, Poland, Slovakia and Switzerland -- gas-on-gas pricing increased its share of demand to 58% last year from 56%. And in Scandinavia -- Estonia, Finland, Latvia, Lithuania, Norway and Sweden -- the share of gas-on-gas pricing soared to 46% in 2016 from just 15% the year before.

But oil indexation is still the main pricing mechanism across the Mediterranean region, and actually registered a slight increase in Europe as a whole to 29.9% of the total consumption due to shifts in gas pricing strategy in Turkey, the IGU said. That compares with 29.6% in 2015. "Oil indexation increased at the expense of bilateral monopoly pricing in LNG price formation in Turkey," it said. "Oil dominates still in Mediterranean -- Spain and Turkey -- and has a 32% share in Southeast Europe."

Oil indexation continues to hold firm elsewhere in the world. According to the IGU survey, oil indexed gas demand accounted for 20% of the total, 1.5 percentage points higher than in 2015. "[This] reflected a small rise in Europe at the expense of bilateral monopoly in Turkey, but principally in Asia and Asia Pacific, as the share in LNG imports increased," it said. The increase also reflected a rise in domestic production in China, as the full-year effect of the change in city-gate pricing came through.

Regulated pricing formation still dominates elsewhere, including in the former Soviet Union, Africa and the Middle East. Gas-on-gas pricing has the largest share of global demand at 44%, totalling around 1,614 Bcm, dominated by North America at 963 Bcm, followed by Europe at some 344 Bcm and the former Soviet Union at 155 Bcm, the IGU said. “In all gas-on-gas pricing can now be found in some 52 countries, in one form or another, and in all regions,” it said.

The oil indexed share at 20% totals around 726 Bcm and is predominantly Asia Pacific (250 Bcm), Asia (229 Bcm) and Europe (157 Bcm). “It is widespread being found in some 61 countries, including virtually every country in Europe, and in all regions except North America.”

Crude oil trade sees 4% increase in ‘16

Anadolu Agency, *27.06.2017*

Global crude oil trade hit 2.1 billion tonnes last year, a rise of 4 percent from 2015 levels when oil trade reached 2.03 billion tonnes, BP’s latest report showed.

In 2016, with 585.7 million tonnes of production, Saudi Arabia, the world’s largest producer, exported the most oil worldwide. The country accounted for 17.7 percent of global oil trade with 375.3 million tonnes of exports. The country increased its export level by 4.5 percent in 2016, compared to the previous year. Last year, Japan, the U.S. and China were the top three countries to buy Saudi oil.

Japan imported 59 million tonnes of Saudi oil. The U.S. purchased 54.8 million tonnes and Saudi Arabia sold 51 million tonnes to China. Russia followed Saudi Arabia as the second biggest oil exporter, with 274 million tonnes. Iraq ranked third with 177.5 million tonnes of oil exports.

In 2016, oil production grew by 0.5 percent while consumption increased by 1.7 percent around the world. Last year, the U.S. imported the most oil in the world at 393.3 million tonnes and accounted for 18.5 percent of global trade. The second and third largest oil importers were China with 382.6 million tonnes and India with 212.3 million tonnes respectively.

US oil rig count declines first time in 24 weeks

Anadolu Agency, *01.07.2017*

The number of oil rigs in the U.S. declined last week for the first time in the past 24 weeks, oilfield services company Baker Hughes data revealed Friday.

The oil rig count decreased by 2 to reach 756 this past week, according to Baker Hughes data. Number of oil rigs in the country increased for 23 consecutive weeks before that. The end of the rally in oil rig count comes as U.S.' crude oil production also fell sharply last week. Domestic crude output decreased by 0.1 million barrels per day (mbpd) to 9.25 mbpd for the week ending June 23, EIA data showed.

The decline in crude output and oil rig count is a result of low oil prices. American benchmark West Texas Intermediate (WTI) fell to $42.05 per barrel last week -- its lowest level since August last year. American oil producers find it difficult to produce crude below $43 per barrel, according to experts. Oil prices, however, were on the rise after Baker Hughes data. WTI was trading at $46.09 per barrel with a 2.6 percent gain at 1840 GMT on Friday, while international benchmark Brent crude was at $48.77 a barrel with a 2.4 percent increase.

Announcements & Reports

► *The EU Competition Investigation into Gazprom's Sales to Central and Eastern Europe: a detailed analysis of the commitments and the way forward*

Source : OIES
Weblink : https://www.oxfordenergy.org/publications/eu-competition-investigation-gazproms-sales-central-eastern-europe-detailed-analysis-commitments-way-forward/

► *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

► *Iran International Oil, Gas & Petrochemical Summit 2017*

Date : 07 - 11 July 2017
Place : Rome, Italy
Website : www.iransummit.com/

► *Cuba Oil & Gas Summit 2017*

Date : 12 July 2017
Place : Havana, Cuba
Website : http://www.cubaoilgassummit.com/

► *22nd World Petroleum Congress*

Date : 09 - 13 July 2017
Place : Istanbul, Turkey
Website : http://www.22wpc.com/22wpc.php

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

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

► *European Gas Conference*

Date : 20 - 21 September 2017
Place : Amsterdam - The Netherlands
Website : https://www.icisconference.com/europeangas

► *European Gas Summit*

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

► *7th Iraq Oil & Gas Conference*

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