Oil & Gas Bulletin

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Turkish Petroleum transfers assets to Turkish Petroleum International Company

Anadolu Agency, *20.07.2017*

Turkish Petroleum (TP) will transfer its assets and oil field services operations and equipment's for its existing domestic oil and gas wells to Turkish Petroleum International Company (TPIC), in accordance with the cabinet decree as announced in Turkey's Official Gazette Thursday. The transfer of the services related assets will be transferred free of change based on its registered took value, the announcement said. Additionally, TPIC's direct domestic and foreign oil exploration and operation licenses ownership and shares in those licenses will be transferred to TP free of charge including all rights and obligations.

A committee that includes officials of Turkish Ministry of Energy and Natural Resources will coordinate the take-over and working protocols between the two companies.

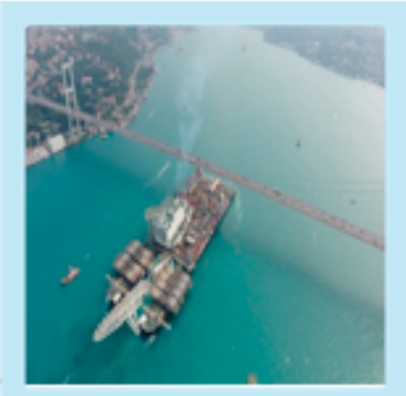
The decision is part of Turkey's Ministry of Energy and Natural Resources strategy to transform TP into an exploration and production (E&P) company and TPIC into an oil services company. The move will enable TP to mitigate oil price fluctuations and enable TPIC to become global in its operations.

TPIC was established in 1988 as a subsidiary of TP, while the company's ownership was transferred to Turkey's state-owned pipeline company BOTAS in 2013.

The company has been carrying out activities in the areas of exploration and production, oil field services, oil trading and distribution in the Middle East, North Africa, Caucasus, Central and South Asia and South America countries.

Gazprom starts Turk Stream 2 natural gas pipeline preparations

Platts, *20.07.2017*



Russia's Gazprom has begun carrying out preparations for the laying of the second string of the two-line Turk Stream natural gas pipeline to Turkey, a company spokesman said Wednesday, but he denied a report in a Russian newspaper that pipe-laying in the Black Sea for the second string had started. TurkStream -- whose two lines will each have a capacity of 15.75 Bcm/year -- is designed to supply the Turkish domestic market and markets in southeast Europe, bypassing the traditional transit route via Ukraine.

Any accelerated work on laying the pipeline comes as the US continues to consider new sanctions that would target companies investing in or building new Russian energy pipelines. Russian newspaper Vedomosti Wednesday reported that the Allseas vessel Audacia had begun laying pipes in shallow water near the Russian port of Anapa. According to the report, some 20-25 km (12.4-15.5 miles) of pipe has already been laid by contractor Allseas. Asked whether Gazprom had started laying pipes for the second line of TurkStream, a spokesman said: "No, so far we are carrying out preparation work."

Allseas could not immediately be reached for comment. Gazprom has yet to conclude the details of the line's onward route after making landfall in Turkey so it would seem premature for the company to begin laying the second line.

Gazprom has also not secured the necessary commercial or governmental agreements on gas offtake. The first line is set to be completed in 2018 and the second in 2019 for gas to start flowing through both by the end of 2019. Gazprom has said the line could split into two afer landfall in Turkey , with one branch headed for Italy via Greece and the other moving gas northward via Bulgaria and Serbia to Hungary.

Commenting on the Vedomosti article, analysts at VTB Capital said Wednesday that investors could be concerned that Gazprom had reportedly started to construct the second line of TurkStream before all the negotiations with the participant countries were concluded.

"Political risk remains one of the project's key risks," they said. The European Commission could also have concerns about Russian gas coming to Europe via TurkStream, as this would undermine Ukraine 's role as a transit country.

The EC has repeatedly said it supports Ukraine as a reliable transit partner and it is helping Ukraine reform its gas markets in line with EU rules. The EC is also pushing to diversify supply sources to southeast Europe by supporting the Southern Gas Corridor link to Azerbaijan and an East Mediterranean gas hub, both of which would compete with Russian gas.

South Stream, which was the forerunner of TurkStream, was ultimately abandoned in part because of alleged breaches of EU law for the planned onshore section. EU law applying to offshore pipelines starting outside the EU is currently limited mainly to permitting and environmental issues.

Russian President Vladimir Putin has repeatedly said that the realization of the second TurkStream line would depend on whether there was European interest in the project. Last year, Putin said Moscow needed a "clear, understandable, and unambiguous position" on TurkStream from the European Commission.

US SANCTIONS

Pipe-laying for the first line -- which will serve the Turkish domestic market and therefore falls outside of the scope of European Commission influence -- began in May. Laying of the deepwater section of TurkStream began in late June as momentum on realizing the Ukraine bypass link continued to gather pace.

While Gazprom has denied starting to lay the pipe for the second string, the threat of new US sanctions against investments in Russian pipelines could have added to the urgency of building it. The US Senate last month proposed measures that would put in place a framework for introducing future sanctions on investments in Russian export pipelines, including the planned Nord Stream 2 gas link and TurkStream.

While the sanctions are currently stalled in the US legislative process, there could be concern that companies developing TurkStream -- including Allseas -- would be penalized by the sanctions if they were formalized.

Germany and Austria already slammed the US Senate's proposals, saying that threatening to punish companies in Germany, Austria and other European countries for participating in or financing gas projects such as Nord Stream 2 brought a "completely new and very negative quality to European-American relations."

Turkey will take more active role in Mediterranean, energy minister says

Daily Sabah, *15.07.2017*

Turkey will not accept Greek Cypriots' unilateral actions and will take a more active role in the Mediterranean, Energy Minister Berat Albayrak said Friday, as he criticized the Greek Cypriot administration for restarting drilling studies for natural gas. "You cannot try to give orders and take action as you like in the region" Albayrak said, adding that it is not possible for Turkey to accept such provocation.
Albayrak noted that from now on, Turkey will play a more active role in the Mediterranean as it has finished searching in Gazimağusa (also known as Famagusta), and will now turn to Güzelyurt (also known as Morphou for exploration.

The Greek-Administered South Cyprus's attempt at restarting its drilling studies for natural gas in the Eastern Mediterranean has raised tensions in the region. The West Capella ship has gone to Cyprus to about to do drilling studies in the 11th Division on behalf of the French energy company Total and the Italian Eni.Turkey assigned TGC Gökçeada frigate Thursday to observe the drilling ship. Albayrak said that Turkey has also had meetings with some of these firms that are doing exploration activities.

The minister also provided information on his meeting during congress with Israel's Energy Minister Yuval Steinitz on the plans to come up with an agreement to construct a pipeline with Turkey.

"We have three considerations for us to be a partner, an interlocutor for any international, regional energy project" Albayrak said, noting that the project should benefit all sides, contribute to the regional and global energy supply and security and add to regional and global peace and friendship.

Canada's Valeura ready for 2nd drilling in Thrace: CEO

Anadolu Agency, *17.07.2017*

Canada's Valeura Energy has almost completed its first drilling in Turkey's Thrace Basin with Norway's Statoil while a second drilling is currently being planned, according to Jim McFarland, president and chief executive officer of Valeura on Monday. In an exclusive interview with Anadolu Agency, McFarland said that Valeura, which has been operating in Turkey since 2010, drilled 4,200 meters in the Thrace Basin, west of Istanbul.
According to the U.S. Energy Information Administration in 2013, shale gas and oil potential across Turkey is about 23 trillion cubic feet of gas and 4.7 billion barrels of oil.

"We will announce the results in the fourth quarter of this year. It will take some time. We have to design the program and execute it [for exploration and extraction]," he said. The CEO said the Canadian company has always been encouraged with the basin's potential.

"There has not been very much deep drilling in the Thrace basin. This is the second-deepest well," he said and added that Valeura and Statoil are arranging a second drilling in the Thrace Basin, which is planned to start in 2018.

He explained that as Turkey imports more than 90 percent of its oil and gas needs, he suggested that there should be very active exploratory programs for companies like Valeura.

"We always thought that Turkey was under-explored. All the discoveries haven't been made yet particularly with unconventional drilling. So obviously you need to encourage that kind of activity," he said. McFarland noted that the Turkish government is interested in more drillings in the Black Sea and the Mediterranean.

"You are never late. There has been some drilling in the Black Sea, some success has been achieved outside Turkey in the Black Sea but I think there is still potential in Turkish waters. I think there is still untapped potential in Turkey. There can be success. We have been operating in Turkey for almost seven years and we will continue our business in the Thrace Basin," he said.

Valeura Energy, established in 2010, is a Canada-based public company engaged in the exploration, development, and production of petroleum and natural gas in Turkey. The company’s shares are traded on the Toronto Stock Exchange in Canada under the trading symbol VLE.

The company has executed a number of transactions and currently holds interests in 21 production leases and exploration licenses in the Thrace Basin of Turkey. Valeura's petroleum and natural gas sales in the Thrace Basin of Turkey in the first quarter 2017 averaged 807 barrels of oil equivalent per day.

Russian gas from Turkish Stream likely to go through TAP - expert

Trend News Agency, *17.07.2017*

Russian gas pumping by the Turkish Stream pipeline will more likely to get to Europe via Trans-Adriatic Pipeline (TAP), Gareth Winrow, an independent analyst on Turkey and energy security in Eurasia believes.

"Russia is still very much interested in connecting the second leg of Turkish Stream to Turkey and the rest of Europe via Greece. This would link up either with the Trans-Adriatic Pipeline, once its annual capacity is doubled to 20 bcm, or would connect Greece and Italy by reviving the previously proposed Interconnector Turkey-Greece-Italy (ITGI)," Winrow told Trend by email.

The expert noted that Russian Gazprom recently held talks with Greek DEPA and Italian Edison companies on promoting the latter project. According to Winrow, it seems that the EU would also not oppose the flow of Russian gas to Europe via an enlarged TAP as this would not be in breach of EU regulations concerning the Third Energy Package.

He went on to add that the Europeans have already shown that they are not opposed to more Russian gas imports with regard to the planned expansion of Nord Stream for Russian gas supplies to the EU. Winrow also noted that for the foreseeable future, it is not clear what additional non-Russian gas (besides Azerbaijani gas) could be transported to Europe via TAP pipeline.

"Further exports from Azerbaijani gas fields or gas deliveries from Turkmenistan, northern Iraq or even Israel to Europe via Turkey and the Southern Gas Corridor are not likely in the near-medium term because of political problems, the lack of infrastructure, or delays in developing gas fields," he said.

Meanwhile, according to the expert, there is certainly an ongoing competition between various countries in southeastern Europe concerning the possible route for the second leg of the Turkish Stream pipeline which would have a planned capacity of about 16 bcm per year. He reminded that the Prime Minister of Bulgaria, Boiko Borissov, and the Serbian President, Aleksandr Vucic, have attended the 22nd World Petroleum Congress in Istanbul this week, where they have taken the opportunity to lobby for the routing of the second leg of Turkish Stream via their countries.

Moreover, a few days earlier Hungary had also expressed a serious interest in hooking up with Turkish Stream via Serbia. “Although this possible gas pipeline has been receiving a lot of publicity of late… and in spite of lobbying from Bulgaria, Serbia and Hungary, Moscow may still prefer one of the two options via Greece,” Winrow said, adding that in particular, using the upcoming open season of auctions to provide an extra 10 bcm per year to an enlarged TAP would be attractive to Gazprom as it would restrict the volume of non-Russian gas flowing to Europe along this key component of the Southern Gas Corridor.

Russia and Turkey signed an intergovernmental agreement on the implementation of the Turkish Stream project in October 2016. The agreement envisages construction of two strings of the main gas pipeline through the Black Sea, the capacity of each string being 15.75 billion cubic meters of gas. One string is meant to supply gas directly to the Turkish market and the other for the supply of gas by transit through Turkey to Europe. Initially, Russia and Turkey planned to build four strings of the pipeline. Russian Gazprom began laying pipes for the Turkish Stream pipeline off the Russian Black Sea coast in early May 2017.

TAP is a part of the Southern Gas Corridor, which is one of the priority energy projects for the European Union. The project envisages transportation of gas from Azerbaijan's Shah Deniz Stage 2 to the EU countries. The pipeline will connect to the Trans Anatolian Natural Gas Pipeline (TANAP) on the Turkish-Greek border, run through Greece, Albania and the Adriatic Sea, before coming ashore in Italy’s south.

TAP will be 878 kilometers in length (Greece 550 kilometers, Albania 215 kilometers, Adriatic Sea 105 kilometers, and Italy 8 kilometers). TAP’s shareholding is comprised of BP (20 percent), SOCAR (20 percent), Snam S.p.A. (20 percent), Fluxys (19 percent), Enagás (16 percent) and Axpo (5 percent)

Brent breaks $50-a-barrel for first time in 6 weeks

Financial Times, *20.07.2017*

The price of crude rose above $50 a barrel for the first time in six weeks on Thursday, gaining strength from a report that showed a further reduction in US oil stocks Aided by a weaker US dollar, Brent, the international oil marker, rose as much as 1 per cent to $50.19, its highest level since early June. It later fell back and was trading at $49.56.

Oil has been inching higher in recent weeks, but has struggled to break above $50 because of concerns that rising output will offset supply curbs put in place by Opec and other big producers.

A report released by the Energy Information Administration on Wednesday showed total US commercial crude oil and fuel stocks had fallen by 10m barrels last week to 1.32bn and were now almost 30m below last year's level. In an effort to reduce a global supply glut Saudi Arabia, Opec's largest exporter and de facto leader, has been sending less crude to the US, one of the few markets where timely government data on stocks is available to investors.

EU demand for gas up by 5% year on year in 1Q17

Anadolu Agency, *20.07.2017*

EU demand for natural gas grew by 5 percent in the first quarter of 2017 year on year as a cold 2016-2017 winter and a rapid growth use in power generation supported the expansion in gas consumption, according to newly-published quarterly report on European gas markets on Thursday.

The EU gas demand increased by 7 percent in 2016, with the U.K. and Germany taking the lion's share of the growth. These two countries were responsible for 58 percent of the annual increase in EU gas consumption, the report read.

Imports of natural gas in the first quarter of 2017 increased by 12 percent year on year which was driven by higher demand and falling domestic production."The growth was driven by increasing supply from traditional pipeline suppliers, particularly Russia and Algeria," it added.

The report also noted that Russia remained the top supplier of the EU in the first quarter of 2017, covering 41 percent of total extra-EU imports. "While Ukraine pulled through two consecutive winters without Russian supplies, Ukraine remained the main supply route of Russian gas coming to the EU," it said, adding that the EU's estimated gas import bill was around €20 billion in the first quarter of 2017, about 35 percent more than a year earlier.

Liquefied natural gas (LNG) imports fell by 5 percent in the first quarter of 2017 in the EU. In January and February, imports significantly decreased in Northwest Europe as cargoes were attracted to the high-priced Asian markets, according to market report. It also highlighted that the share of the U.S.' LNG imports from the total in the EU increased to 6 percent in the same period noting that Malta joined the ranks of LNG importers.

"Because of the strong weather-driven demand, storage withdrawals during the 2016-2017 winter were much stronger than a year ago and by the end of March filling rates decreased to 26 percent. The woes of the Rough facility in the U.K. continued, thereby affecting prices and gas flows in Northwest Europe," the report explained.

As a result of the below-average temperatures, low LNG imports in Northwest Europe and uncertainty about the Rough storage site, in January 2017 European hub prices increased to the highest level since 2015. Milder weather and a rise in LNG imports helped prices ease by March. Trading activity on European hubs decreased in the first quarter of 2017 and the Dutch TTF hub, the European benchmark for longer-term contracts, alone covered almost half of total traded volumes, the report showed.

Oil consultant says Saudi Arabia considering 1m b/d export cut

Financial Times, *18.07.2017*

A veteran oil consultant has said Saudi Arabia is weighing a unilateral 1m barrel a day cut to exports as the recovery in output from Opec members not bound by the group's supply deal risks derailing attempts to balance the oil market. Bill Farren-Price, a long-term Opec follower and consultant at Petroleum Policy Intelligence, said in a note to clients late last week that sources inside and outside the oil cartel had told him a 1m b/d export cut by Saudi "was on the table" among other options, though no decision had yet been made. "Saudi Arabia is considering cutting its exports unilaterally by up to a further 1m b/d", Mr Farren-Price wrote.

"The possible Saudi cut is a response to the second measure under discussion – Russia's demand that supply caps be introduced for Libya and Nigeria, whose growth during the first half of the year has undermined the impact of the cuts."

Saudi Arabia has led Opec's efforts – in alliance with other big producers like Russia – to remove 1.8m b/d from the oil market as they attempt to draw down bloated inventories and boost the price of crude. Since the cuts were first enacted on January 1, however, Brent crude has slipped by about 13 per cent, hampered by a recovery in supplies from Nigeria and Libya – two Opec members who were exempt from the cuts due to long-running disruptions in their countries – and a rebound in the US shale industry.

Mr Farren-Price said "an adjusted strategy" could emerge at the Joint Ministerial Monitoring Committee meeting in Russia on July 24, where cartel members will review the cuts so far. He said that while no decision has been made, Saudi was discussing exports rather than production – the usual measure Opec agreements are based on. The group has faced criticism for not cutting exports as quickly as production, with some members drawing oil out of domestic storage, keeping overseas shipments high.

"It will represent an effective response to market demands that Opec focus on exports – which have remained robust in recent months – and not just production, which does not take account of producer stock changes," Mr Farren-Price said.

"Such a move would critically demonstrate Saudi Arabia's commitment to the deal and cooperation with Russia, its determination to follow through and make the cuts work; and implies the kingdom is willing to shoulder additional cuts further down the line if needed." Some Opec members have said no more needs to be done until the next official ministerial meeting in November, however. Kuwait's oil minister told Reuters on Tuesday that he believed the cuts were working and would drain the surplus by early next year.

A third option under consideration, Mr Farren-Price said, was producers agreeing to maintain stricter compliance with existing production targets as many countries have not yet cut the full amount agreed. On Monday Ecuador said it was producing above target due to the economic situation in the country. On Tuesday Brent crude oil was up almost 2 per cent to $49.27 a barrel, the highest in almost two weeks, while US benchmark West Texas Intermediate was up 1.8 per cent at $46.82 a barrel.

Schlumberger snaps up 51% stake in Russia's Eurasia Drilling

Financial Times *21.07.2017*

US oil services provider Schlumberger has agreed to buy a 51 per cent stake in Russia's Eurasia Drilling Company, in a renewed attempt to take control of the country's biggest oil and gas exploration company. Schlumberger made a bid for the Russian company in 2015 but the deal came unstuck after Moscow's Federal Antimonopoly Service delayed approvals, amid concerns over allowing foreign ownership of an important asset in the country's hydrocarbon industry. The US company, the world's largest oilfield services provider, said in a statement announcing the deal late on Thursday that its bid would also be subject to approval from the anti-trust body.

While parts of Russia's oil and gas industry are subject to US and EU sanctions imposed after the country's annexation of Crimea in 2014, many western oil and gas firms have recently begun to expand their activities in the country by focusing on areas where the restrictions are not applied.

Schlumberger and Eurasia have had a strategic alliance since 2011. The Russian company operates over 650 offshore and onshore rigs, and boasts four of the five rigs operating in the Caspian Sea, the company says. The financial terms of the agreement were not disclosed, but Schlumberger's 2015 bid valued a 45.65 percent stake in Eurasia Drilling at around $1.7bn. That deal also included a clause that would have allowed the US company to take full control after three years.

The agreement comes after a consortium of Russian, Chinese and Middle Eastern funds said they would acquire an undisclosed stake in Eurasia Drilling. The Russian Direct Investment Fund, the Russia-China Investment Fund, the China Investment Corporation and several Middle East investors had agreed "principal terms" of the transaction.

11 LNG projects globally become operational in 2016

Anadolu Agency, *20.07.2017*

A total of 34.2 billion cubic meters of new regasification capacity was added with 11 projects to global regasification facilities in 2016, according to the latest natural gas report of International Energy Agency (IEA).

The IEA said that the capacity activated in 2016 was lower than the large addition of 47.9 billion cubic meters seen in 2015.Six new LNG import terminals and five expansions to existing LNG receiving terminals came on line in nine countries in 2016.

Colombia, Finland and Jamaica became importers for the first time during this period.
"Among the 11 projects, five were designed with floating technologies, highlighting the increased popularity of this technology, particularly in developing countries where lower upfront capital costs and shorter deployment times tend to be particularly attractive," the IEA noted.

Last year, the expansion of Argentina's GNL Escobar floating storage and regasification units (FSRUs) came on stream with 1 billion cubic meters of capacity while China added 12.2 billion cubic meters of regasification capacity. Finland, India, Indonesia, Jamaica, Turkey and the U.A.E. added the remaining capacity.

EU energy groups criticise US sanctions threats to Nord Stream pipeline

Financial Times, *16.07.2017*

European energy companies have demanded the US abandon an "unacceptable" threat of sanctions against a proposed Russian gas pipeline to Europe that has become one of the EU's biggest corporate and political battlegrounds.

Isabelle Kocher, chief executive of the French utility Engie, told the Financial Times that she hoped EU leaders had used the just concluded G20 summit in Hamburg to "say to the US government and president the extent to which this idea is incomprehensible".

Engie, Britain's Royal Dutch Shell, Austria's OMV and German companies Uniper and Wintershall have agreed to fund half the cost of the €9.5bn Nord Stream 2 pipeline being built by Gazprom between Russia and Germany. Supporters say the project is critical to safeguarding future gas supplies to the EU.

However, the project was thrown into uncertainty last month after the US Senate voted to include the pipeline in new sanctions against Moscow, in a move that some European officials said was an attempt to promote US liquefied natural gas exports to Europe by limiting Russian supplies.

"The principle of American sanctions [being levied] on a project that is not in the US, that does not involve US actors, that is not in dollars — the Europeans are right to mobilise on this subject," said Ms Kocher. "It is an interference in the affairs of European countries that is unacceptable." The Senate bill still needs the support of the House of Representatives. The proposed opposition to Nord Stream 2 would align the US with some eastern European states opposed to the pipeline. These states say it will increase energy reliance on Russia and be used by the Kremlin as a political tool to hurt Ukraine, which hosts existing gas pipelines between the country and the EU.

It is unacceptable that European energy policy is now being made in the US and that we Europeans will have to pay the bill for American jobs.cKlaus Schäfer, chief executive of Uniper, said the US intervention further politicised the project: "The proposed sanctions not only affect Russia, but also Europe and Germany . . . I appeal to all parties involved not to turn the project into a pawn of global politics, and to leave the problem of Europe's energy supply to Europeans.

"It is unacceptable that European energy policy is now being made in the US and that we Europeans will have to pay the bill for American jobs, as consumers and industry will be confronted by higher prices while severely hampering us in our efforts to ensure a reliable energy supply in

Europe." OMW and Wintershall are understood to share their partners' stance on the sanctions threat, according to people close to the companies. Shell could not be reached for comment.

The US recently commenced LNG shipments to some EU countries and was targeting long-term contracts to supply Europe, where Gazprom had a 34 per cent market share. Nord Stream 2 AG, the Swiss-based company managing the project, said the US threat was an "unprecedented course of action clearly aimed at undermining the position of a future commercial competitor." Alexei Miller, chief executive of Gazprom, has said he is unperturbed by the threat of new sanctions against the pipeline and said recently that the company was in talks with Russian, European and Asian banks for financing packages to be announced next year.

Exxon sues to stop $2m fine over Russia sanctions breach

Financial Times, *19.07.2017*

ExxonMobil has sued the US Treasury in an attempt to stop a fine for allegations it behaved with "reckless disregard" for violating Russian sanctions while Rex Tillerson, now US secretary of state, was chief executive in 2014.

The Treasury's Office of Foreign Assets Control fined Exxon the maximum penalty of $2m in what it called an "egregious" case, saying it had failed to disclose breaches of sanctions over deals with Igor Sechin, chief executive of Russia's state-controlled oil group Rosneft.

Exxon responded with a lawsuit and an angry rejection of the Treasury's allegations, describing Ofac's action as "fundamentally unfair". It accused Ofac of "trying to retroactively enforce a new interpretation of an executive order" inconsistent with guidance from the White House and Treasury.

The lawsuit asks the court to deem the finding of sanctions violations "unlawful" and set it aside, as well as wipe away the $2m penalty. The oil group is seeking to permanently preventing Ofac from collecting further civil penalties related to the alleged offence.

The dispute comes at a time of intense scrutiny of links between the US and Russia, prompted by allegations of Russian interference in last year's election campaign to help Donald Trump become president. Ofac said on Thursday that presidents of Exxon's US subsidiaries had violated sanctions by signing "eight legal documents related to oil and gas projects in Russia with Igor Sechin", who had been designated as a sanctioned individual. It said the documents were signed in May 2014, a month after the sanctions on Mr Sechin and others were imposed.

Rex Tillerson, ExxonMobil and the separation of oil and state. The secretary of state nominee is known for project management not strategic vision.In its legal challenge in response, Exxon said that it had been contacted by Ofac in July 2014, when the agency issued an administrative subpoena saying it had “has reason to believe that [ExxonMobil] . . . entered into a contract with Rosneft that was signed by Mr. Igor Sechin, an individual whose property and interests in property are blocked.” At that time, Exxon’s filing says, “Ofac conceded that the agency itself had not reached a position on the propriety of executing documents countersigned by [sanctioned individuals] in a representative capacity.”

Since August 2014, Exxon has been arguing to Ofac that its understanding was that “the designation of Mr Sechin prohibited US persons from engaging in transactions with Mr. Sechin in his individual capacity, but did not preclude dealings with Rosneft. Mr Sechin in his representative capacity as an officer of Rosneft.” It argued that public statements by the White House and Treasury supported that view. In the three years since then, there have been meetings and letters between Ofac and Exxon resulting finally in the fine issued on Thursday.

The energy group has also argued that Bob Dudley, BP’s chief executive, had been allowed to participate in Rosneft board meetings with Mr Sechin, “so long as the activity related to Rosneft’s business and not Sechin’s personal business”. Ofac dismissed Exxon’s objections, arguing that the “plain language” of the sanctions regulations showed they was no distinction between Mr Sechin’s personal and professional interests.

The sanctions were imposed by the US following Russia’s annexation of Crimea and military support for rebels in eastern Ukraine. They were intended to hit the economic interests of President Vladimir Putin and his allies without affecting oil supplies for world markets. The Treasury said at the time that Mr Sechin, who served during 2004-08 as Mr Putin’s deputy chief of staff, had “shown utter loyalty to Vladimir Putin — a key component to his current standing”.

Exxon was one of the US companies most affected by the Russian sanctions having signed a series of deals between 2011 and 2013 with Rosneft for projects in the Bazhenov shale of western Siberia, the deep waters of the Black Sea, and the Arctic. All of those projects were blocked by US sanctions, and Exxon was forced to shut down its joint ventures with Rosneft at a cost of up to $1bn.

Speaking to Exxon shareholders in May 2014 — the same month the alleged sanctions violation took place — Mr Tillerson said: “We do not support sanctions, generally, because we don’t find them to be effective unless they are very well implemented.”

Iran, Russian companies ink oil development deal

Anadolu Agency, *17.07.2017*

The National Iranian South Oilfields Company and Russia's Zarubezhneft on Monday signed a new memorandum of understanding (MoU) to develop oil fields in Iran, Islamic Republic News Agency (IRNA) reported. According to IRNA, Zarubezhneft will study two Iranian oil fields of Shadegan and Rag-e Sefid in the southwestern province of Khuzestan.

"Based on the agreement, Russia's Zarubezhneft is committed to present its proposal for development of the two Iranian oil fields to a maximum of nine months," IRNA reported.

National Iranian South Oilfields Company and Zarubezhneft have signed eight agreements including this MoU study. Russian Gazprom and Rosneft have already inked an agreement with Iran for oil field studies, but they have not yet reached a final deal.

Last Monday, July 3, France's national energy company Total and the National Iranian Oil Company (NIOC) signed a contract for the development and production of phase 11 of the South Pars field (SP11). Total is the operator of the SP11 project with a 50.1 percent interest while the Chinese state-owned oil and gas company CNPC has a 30 percent stake, and Petropars, a wholly-owned subsidiary of National Iranian Oil Company, holds a 19.9 percent interest.

Yamal project to scale up Russian gas exports by 10 pct: Russian official

Hurriyet Daily News, *18.07.2017*

Novatek's Yamal liquefied natural gas (LNG) project will increase Russia's global natural gas exports by around 10 percent, Russian Deputy Energy Minister Anton Inyutsyn said on July 12.

Speaking at the World Petroleum Congress in Istanbul, Inyutsyn told Turkey's state-run Anadolu Agency that Russia ranks first in gas exports globally, and next year Russian energy company Novatek's Yamal LNG project will become operational.

"It will rise and add around 10 percent more gas to our exports globally. Maybe other companies will raise this capacity further in the future apart from Novatek," he added. Inyutsyn noted that transport logistics are different for LNG and pipeline gas. If you transport natural gas more than 3,000 kilometers, then it is more profitable to send it as LNG. But if it is less than 3,000 kilometers, it's better to send it by pipelines," he said. Novatek holds a 50.1 percent share in the Yamal LNG project, while Total and China's China National Petroleum Corporation (CNPC) each hold a 20 percent stake and the Chinese Silk Road Fund has a 9.9 percent share interest.

The Yamal LNG terminal, which plans to have an output capacity of around 16.5 million tons per year, is expected to be operational by 2018.The project is located on the Yamal Peninsula above the Arctic Circle. Inyutsyn also spoke about the TurkStream project and reiterated Novak's remarks that "fifty kilometers of the project have already been completed. The project has just started and it will be completed in 2019," he said.

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. Speaking about the next OPEC meeting on July 24, Inyutsyn said it would be wrong to speculate on the outcome before negotiations begin.

Russia's Gazprom boosts gas exports to Europe by 12.3%

Anadolu Agency, *17.07.2017*

Russian Gazprom's natural gas exports to Turkey and Europe increased by 12.3 percent between Jan. 1 and July 15 compared to the same period last year, the company announced on Tuesday. Gazprom said that since the beginning of this year, its exports to Europe and Turkey have risen by 11.3 billion cubic meters (bcm) to 102.9 bcm.
The company's gas exports to Hungary increased by 26.6 percent over the same period, while exports to Turkey increased by 22 percent compared to the same period of 2016.

In addition, the company increased exports to Serbia by 47.9 percent, to Bulgaria by 12.6 percent and to Greece by 10 percent. Furthermore, Gazprom's gas production increased by around 19 percent to 248 bcm during the same period.

South Korea's energy shift targets increased LNG supply

Financial Times, *17.07.2017*

South Korea's shift from coal and nuclear towards renewables and liquefied natural gas for power generation could help soak up growing supplies of the super-cooled fuel in the coming years.

The newly elected left-leaning President Moon Jae-in has put environmental protection at the heart of energy policymaking in response to mounting anxieties about air pollution and nuclear safety.

Now the world's fifth-largest thermal coal importer and the nation with the sixth-biggest fleet of nuclear reactors is overhauling the country's energy mix, prompting a reappraisal of the country's LNG demand assumptions. Global supplies of LNG are set to expand almost 50 per cent between 2015 and 2020, raising concerns about from where new buyers will emerge.

LNG producers have primarily targeted markets that have not been traditional buyers, from Latin America to the Middle East. But the move by South Korea — the world's second largest importer — highlights how established buyers might be tempted to increase their purchases just as supplies are primed to grow. “From a country which looked like gas demand would drop because of the focus on coal and nuclear, we’re now preparing for an increase in coming years,” said Trevor Sikorski, gas analyst at consultancy Energy Aspects.

“We are seeing a dramatic change in strategy. There has been a big question over when the market would tighten between 2020 and 2030. The change in policy in Korea brings the date forward.”

South Korea generates two-thirds of its electricity from thermal coal-fired power plants and nuclear reactors, with the government in recent years using tax incentives to create abundant and affordable power supply after blackouts became a common occurrence. The new government, however, has committed to stop the construction of new coal and nuclear plants. Almost all of the gas consumed in South Korea is LNG, and on the campaign trail Mr Moon said he would like to increase its share of power generation to about 27 per cent by 2030, from 19 per cent today. For renewables the aim is to raise the share to 20 per cent by 2030, from 5 per cent.

While South Korea has been an underperformer in promoting renewables and gas, and there are doubts as to how far the country will go, the promise to scale back reliance on coal and nuclear gives momentum to a global transition towards cleaner fuels and gas.

Shasha Fesharaki, at consultancy FGE, said the drive in recent years to use coal to generate affordable baseload electricity in a timely manner had created air pollution in big cities such as Seoul. “The increase in fine dust emissions . . . is impacting the health of citizens. People rebelled and fine dust became a major political issue in the election which Moon campaigned against,” he said. Meanwhile, nuclear safety has only grown in prominence in recent years, said Keun-Wook Paik, a senior research fellow at the Oxford Institute for Energy Studies, who is helping government advisers on policy.

“The Fukushima disaster in Japan a few years ago followed by the strongest ever earthquake last year in South Korea has shaken the belief that the country can be free of these natural disasters,” he said. Following years of stagnant LNG demand growth in South Korea, and a dip still expected for the next few years as new policies take time to take effect, industry analysts expect consumption to increase from 2019 onwards to reach more than 37m metric tonnes by 2022.

FGE now expects South Korean gas demand to grow 2.2 per cent a year through 2040 compared with its previous forecast of 1.5 per cent, spurred by gas for power generation.
South Korea, which is a big importer of Qatari LNG, could also help to soak up additional supplies from the Gulf nation that is the world’s largest exporter. Qatar announced this week that it planned to raise LNG capacity by 30 per cent in the next few years in a show of strength against neighbouring Arab states that have severed diplomatic ties and imposed political and economic sanctions on Doha.

The increase in Qatari supply overlaps with efforts by US companies to raise exports which are a vital aspect of President Donald Trump’s plans for US “energy dominance”. While there are still questions about a short-term glut, said Mr Sikorski, “in Korea you’ve got at least one big, long-term buyer that wasn’t there before”.

India starts journey to create national oil champion

Financial Times, *20.07.2017*

New Delhi has kick-started the process of creating a national oil champion, giving the go-ahead for a $4.6bn sale of the government's stake in Hindustan Petroleum Corporation to its bigger state-owned rival Oil and Natural Gas Corporation.
Ministers decided on Wednesday night to approve the sale of the government's 51 per cent share in HPCL, which focuses on oil refining and fuel retailing, to ONGC, the country's largest oil and gas explorer. The stake is worth $4.6bn based on Wednesday's market valuation of HPCL.The move is the first step along the path of creating a vertically integrated Indian oil company that can compete internationally with some of the world's largest.

"We propose to create an integrated public sector oil major which will be able to match the performance of international and domestic private sector oil and gas companies," Arun Jaitley, finance minister, announced in February's Budget. Ministers believe that the small size of Indian oil explorers has prevented them from competing with international rivals.

Last year Dharmendra Pradhan, oil minister, said Indian oil companies were interested in buying a stake in Rosneft, the Russian state-controlled oil company. But the Rosneft shares were eventually sold to Glencore and the Qatar Investment Authority. Ministers also argue that a company with interests in retail and exploration will be better able to weather fluctuations in the oil price. Shares in ONGC have tumbled along with the price of crude, to Rs163 from Rs309 in June 2014.

Officials say they plan for HPCL to become a separately listed subsidiary of ONGC, meaning it will count towards the government's ambitious target to generate more than $11bn of sales and privatisations this year. ONGC already has a refinery company called Mangalore Refinery and Petrochemicals, with which HPCL could be merged.

Last month ministers approved the privatisation of Air India, the debt-laden national airline — although any deal for that company is unlikely to be finalised this year.Dinesh Sarraf, chairman of ONGC, welcomed the deal on Wednesday, telling the Economic Times: "It is good for all the shareholders of both companies since integrated companies are much stronger and therefore valued by the market at higher multiple than standalone companies." Mr Sarraf would not comment on how his company would fund the purchase, adding that the structure of the deal had not yet been decided. But he said ONGC might be able to bypass Indian rules requiring an open offer for the shares, given that they will pass from one state-owned entity to another.

As of the end of March, ONGC had about $2bn in cash reserves and $7.2bn in net debt. Its equity value by the end of trading on Wednesday was $32.5bn, according to Bloomberg. Some analysts warn that while the move might help the government close its deficit, it could prove difficult for both companies involved. Ritesh Gupta, an analyst at Ambit Capital, said: “There is not much synergy between ONGC and HPCL. The acquisition could mean interference by ONGC and dilution of a high-performance culture at HPCL.”

Venezuela backs low cost heavy oil

Anadolu Agency, *16.07.2017*

Venezuela aims to be the "primary provider" of low cost heavy oil in the world, a senior official from the state-owned corporation said on Monday.

"Our vision is to be the primary provider of low cost heavy oil around the world," Hector Andrade, managing director for planning of Petroleos de Venezuela, S.A. (PDVSA) said in his address at a plenary session at the 22nd World Petroleum Congress, the largest meeting of the oil and gas industry in Istanbul, of which Anadolu Agency is the global communication partner.

Andrade said oil supply is "mainly" related to light oil coming from Emirates, Saudi Arabia, Iraq and Iran, but added that competition is the "main challenge", since there is a lot of light oil in the market.

He said Venezuela produces around 1.3 million barrels of oil per day and has over 5,000 oil wells. Andrade said the company expects to increase its capacity by one million barrels per day in the next seven years by investing $50 billion.

Security of gas supply still big concern: IEA

Anadolu Agency, *20.07.2017*

Concerns over the security of gas supplies have been raised in major producing countries such as the Gulf states and Nigeria in the last two years, according to the International Energy Agency’s (IEA) Gas 2017 report. The IEA said that the recent standoff between Qatar and other Gulf States including Egypt has underscored some potential risks to gas supply security from the Middle East as Qatar supplies around 30 percent of the world's LNG.The agency noted that longer term risks to gas security could also arise from a shortage of investment.

The Gulf crisis was triggered in June by the cutting-off of trade and diplomatic relations between Qatar and Saudi Arabia, Egypt, the United Arab Emirates and Bahrain, which accuse Doha of supporting terrorism. Qatar denies the accusation and says the blockade is in violation of international law.

-Militant attacks in Nigeria.The IEA also referenced Nigeria, Africa's biggest economy as a producer that has experienced attacks and shortages raising concerns on supply security.
"In Nigeria, militant attacks on gas facilities, the absence of political reforms and a lack of investment have led to structural gas shortages. The reduction in gas-fired power generation by 50 percent from recent average levels has deprived millions of power and hurt the economy," the agency's reported showed.

Nigeria, currently the largest oil producer in Africa, is battling militant groups that are targeting its oil infrastructure, causing supply disruptions. The Nigerian government has lost between $50 and $100 billion in revenue last year due to attacks on its oil facilities by armed militant groups, the country's Minister of State, Petroleum Resources Emmanuel Ibe Kachikwu announced in February.

Rising US production likely to keep energy prices low

Anadolu Agency, *20.07.2017*

Rising oil and gas production in the U.S. will continue to put downward pressure on energy prices in the next three to four years, International Energy Agency (IEA) Executive Director Fatih Birol told Anadolu Agency. President Donald Trump's energy policies will have important repercussions for global energy markets, he said after a joint press conference with Energy Secretary Rick Perry in Washington. According to official figures from the Energy Information Administration, the U.S. has been the world's top producer of petroleum and natural gas since 2013, largely a result of the shale gas revolution.

As a part of his "An America First Energy Plan", Trump wants to revive America's coal industry by rolling back environmental regulations and pushing clean coal technologies. "[The administration] will put a lot of investment in technologies like carbon capture and sequestration in order to make coal generation cleaner," Birol said, and suggested it would make serious strides in nuclear energy in the near future, based on his meeting with Perry. The White House signaled a plan to allocate $120 million to resume the Yucca Mountain project - a nuclear waste containment facility in Nevada that was put on hold during the former administration of President Barack Obama.

Birol was hopeful the Trump administration’s nuclear energy initiatives may help revitalize an industry currently facing significant headwinds. In the past decade, renewable energy and new technologies have made low-carbon power more reliable and cheaper, reducing the revenues of nuclear and coal plants. Many unprofitable reactors around the country are threatening to close while nuclear still accounts for 20 percent of the country's electricity generation.

When asked about the administration’s stance on renewable energy resources, Birol disputed the notion renewable energy resources would be neglected in the White House’s plans.

“The U.S. will look at all energy sources and will use whichever is most beneficial in terms of cost and environment,” he said. “The Trump administration is trying to accelerate the increase in energy production and to make America the most important energy country in the world.According to the IEA, the U.S. will account for 40 percent of the world’s extra gas production by 2022, thanks to the “. remarkable growth in its domestic shale industry.“If there is not a huge geopolitical development in the next 3-4 years, the increased production in the U.S. will push oil and natural gas prices downward," Birol said.

Despite abundant oil and gas supplies in the global markets, Birol believes geopolitical risks still threaten global energy security. Citing the fact that most of the world oil exports comes from the Middle East, he emphasized how the current crisis between Qatar and several Arab countries once again showed the close relation between energy and geopolitics. Saudi Arabia, Egypt, the United

Arab Emirates, and Bahrain last month placed a blockade on Qatar, the world’s largest exporter of natural gas. As environmentally-friendly renewable energy sources become more prevalent with declining costs, energy storage will be the field the next revolution takes place, Birol predicted.“If there is sunlight, there is electricity. If there is no sunlight, there is no electricity. The same thing is true for wind. Renewable energy sources are not available 24/7 and that’s their biggest disadvantage” he said.

Energy storage technologies are able to absorb the excess electricity generated by renewable resources and put that electricity back onto the grid when it is more useful. Birol added that the U.S. Energy Department and the IEA will be undertaking joint efforts on this issue.

Announcements & Reports

► *The Outlook for Floating Storage and Regasification Units (FSRUs)*

Source : OIES
Weblink : https://www.oxfordenergy.org/publications/outlook-floating-storage-regasification-units-fsrus/

► *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

► *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/