Oil & Gas Bulletin

▸ *28.07.2017*

Turkey's total gas imports rise by 15.9% in May

Anadolu Agency, *25.07.2017*

Turkey's total natural gas imports increased by 15.9 percent in May compared to May 2016, according to Turkish energy watchdog data.

Turkey's total natural gas imports rose from 3.21 billion cubic meters (bcm) in May 2016 to 3.72 bcm in May 2017, Turkish Energy Market Regulatory Authority (EMRA) announced in its Natural Gas Market Report for May 2017. The country imported 3.26 bcm of natural gas via pipelines and 461 million cubic meters (mcm) through liquefied natural gas (LNG) facilities, EMRA's data shows.

Turkey's natural gas imports from Russia increased by 2.76 percent to 1.94 bcm in May 2017 compared to 1.89 bcm in May 2016. The country's natural gas production fell from 30.9 million cubic meters (mcm) in May 2016 to 30.2 mcm in May 2017, the majority of which came from the northwestern Tekirdag province.

In May 2017, electricity production facilities consumed 1.33 bcm of natural gas, 24.8 percent more than the previous May. The Organized Industrial Zones (OSB's) became the second biggest consuming sector with 306 bcm. Turkey supplies 32.1 percent of its electricity demand through natural gas combined cycle power plants, according to EMRA's 2016 data.

Turkey's crude oil imports rise in May

Anadolu Agency, *25.07.2017*

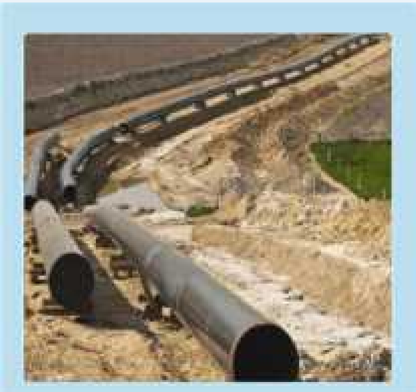
Turkey's crude oil imports increased to 2.6 million tonnes in May, according to the country's energy watchdog's report.

Oil imports increased by 24.9 percent in May compared to the same month last year, Energy Marketing Regulatory Authority (EMRA) says. Diesel imports decreased by 12.4 percent to 1 million tonnes and aviation fuels decreased by 46 percent to 17 thousand tonnes in May. Production of oil refinery products increased by 14.4 percent to 2.6 million tonnes. In addition, diesel production increased by 60 percent to 504 thousand tonnes.

In May, total fuel sales rose by 8.3 percent to 2.4 million tonnes compared to the same month of last year.

First batch of natural gas to be delivered to Turkey via TANAP in 1H18

Azer News, *24.07.2017*



The construction of the Trans Anatolian Natural Gas Pipeline (TANAP) has been completed by 77.3 percent, said Rovnag Abdullayev, president of Azerbaijan's state oil company SOCAR.

According to him, TANAP is an important project for Azerbaijan, Turkey and Europe in terms of ensuring the energy security. Abdullayev noted that TANAP's construction continues at an accelerated pace. The first batch of natural gas will be delivered via TANAP to Turkey in the first half of 2018, said SOCAR president.

TANAP project envisages transportation of gas from Azerbaijan's Shah Deniz field to the western borders of Turkey. The gas will be delivered to Turkey in 2018 and after completion of the Trans Adriatic Pipeline's construction the gas will be delivered to Europe in early 2020. The length of TANAP is 1,850 kilometers with an initial capacity of 16 billion cubic meters of gas. Around six billion cubic meters of this gas is meant to be delivered to Turkey, with the remaining volume to be supplied to Europe.

Turkey's massive gas pipeline a double-edged sword for Europe

The Irish Times, *28.07.2017*

For those who saw it coming, the sight of a massive, 382-metre-long ship passing through Istanbul's Bosphorus Strait in May said a lot about Turkey's plans to influence Europe's access to new natural gas supplies.

The world's largest vessel by displacement, Pioneering Spirit comes complete with offices, accommodation for 571 people and a €2.6 billion price tag. Earlier this summer it journeyed from the North Sea – where it lifted and removed an entire 24,500-tonne decommissioned oil platform, a record engineering feat – south and then east around the European continent, and through Istanbul.

The ship is today off Russia's Black Sea coast, where it has begun work on the deep-sea section of the TurkStream project, a pipeline that will see Russian gas flow under the Black Sea and emerge in western Turkey 900 kilometres southwest. Around 15.75 billion cubic metres of gas are expected to be available to southern European countries every year, via Greece or Bulgaria, from late 2019. The twin pipeline will see a similar discharge of gas sold to Turkey.

At an estimated cost of €11.4 billion (though developers wouldn't give an exact figure "for commercial reasons"), TurkStream may for Europe become an important new source of the energy its member states need in ever-increasing amounts.

The project also points to how swiftly events are moving in the region. Twelve months ago, Russia and Turkey were in the midst of a major diplomatic spat over the latter's shooting down of a Russian jet on the Syrian border. Today, as is made most markedly obvious by the TurkStream project, Ankara and Moscow are forging ahead together.

As presidents Putin and Erdogan have buried the hatchet, Europe, however, remains at odds with Turkey over its deepening crackdown on opposition and independent groups fuelled by a botched military coup 12 months ago.

And despite a growing appetite for its energy, Brussels is also at political loggerheads with Russia over its military incursions into eastern Ukraine and annexation of Crimea in March 2014. That the TurkStream pipeline runs less than 100km from Crimea is another slap in the face for Kiev, a strategic ally of Europe that is finding itself bypassed and increasingly isolated from the lucrative westward flow of gas. Ukraine is expected to lose billions of euro as a result of Russia's rerouting of pipelines to its north and south.

Furthermore, Qatar's falling-out with neighbouring Gulf states has the potential to threaten its supply route to customers in Europe, a state of play that may continue for months or even years. Should European countries eventually replace the Qatari supply with gas from TurkStream, its energy imports could lie increasingly in the hands of governments hostile to Brussels or its allies.

Despite Europe's political grievances with Russia and Turkey, its member states are heavily dependent on Russian gas. Austria increased its consumption by almost 70 per cent last year and Italy by 41.5 per cent. The Nord Stream pipeline that runs from Vyborg in Russia to Germany via the Baltic Sea supplies a third of the total amount of natural gas Germany consumes. A second pipeline, Nord Stream 2, is under construction despite EU and United States efforts to scupper it.

There were many in Europe who never envisioned TurkStream coming to pass. As recently as last year, officials in Brussels questioned whether Russia and Turkey, its chief sponsors, would follow through, claiming the pipeline was as much about Ankara and Moscow "signalling political messages" as delivering a project that could have major consequences for its member states.

Experts say that Europe did attempt to draw Turkey into its own sphere of influence in recent decades and years. "The West encouraged Turkey to create an east-west energy corridor, and [TO PIPE GAS)]from Israel, northern Iraq and Cyprus that would break the Russian monopoly," says Bulent Aliriza, director of the Turkey Project at the Center for Strategic and International Studies in Washington, DC. "What is different now with this massive TurkStream project is that Turkey-Russia relations have improved, and Turkey is drawn closer to Russia. Clearly energy is at the core of this."

Lignite coal aside, Turkey has almost no energy reserves of its own. In the first quarter of this year it imported almost €9 million worth of energy, a 39 per cent increase on the same period in 2016. Imports of gas from Russia rocketed 26 per cent in the first four months of 2017. China aside, no other country's demand for foreign natural gas is greater than Turkey's, and with a population closing in on 80 million, a dependable supply of natural gas – that today is mainly bought from Russia, Azerbaijan and Iran – is essential to economic stability. The TurkStream project will help satiate that demand, and, fortuitously for Turkish consumers, it will do so at a heavily discounted price.

Observers say Turkey's dependence on Russia is only likely to increase. "Iran shuts off its supply to Turkey when domestic demand requires, so it is not a dependable source," says analyst Aliriza. "And there is the Akkuyu nuclear reactor [in southern Turkey] that's being built together with the Russians, which will be an additional Russia factor for Turkey. Going forward, Turkey will be more dependent on Russia."

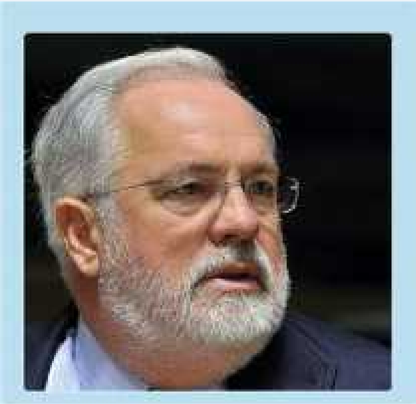
But with the pair on opposing sides of the war in Syria, Ankara is well aware that diversifying supplies is essential to maintaining its place as a strategic player in the region. The construction of the Trans-Anatolian gas pipeline or TANAP, from Azerbaijan through Turkey and on to southern Europe, which is projected to open next year, is an attempt to help achieve that.

Geopolitics aside, the TurkStream pipeline is a significant feat of modern engineering. Gas will be pumped through 12-metre pipe sectionals made from carbon manganese steel used to prevent the massive water pressure – in places under the Black Sea more than 1.33 tonnes per square inch – from crushing or damaging the pipes.

“One of the challenges that we (and the Pioneering Spirit) will encounter are changes of water depth at the continental shelf break,” says Sander van Rootselaar, a spokesperson for TurkStream. “Techniques such as underwater bridges, cavern filling or peak shaving will be used to ensure a smooth passage along this stretch.”

EU ‘strongly supports’ EastMed gas pipeline project

Argus, *24.07.2017*



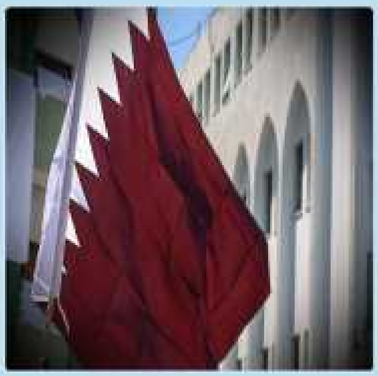
The European Commission “strongly supports” the EastMed gas pipeline project, and the EU is an “attractive market” for eastern Mediterranean gas, Miguel Arias Canete said.

The 12bn-14bn m³/yr pipeline would ship gas from Israel’s Levantine basin and potentially other resources. It is “an important option among other existing and possible routes” to export gas from the region to Europe, Canete said. The estimated discovered and recoverable reserves in the eastern Mediterranean fields are around three trillion m³, but there are “significant chances that additional volumes are yet to be discovered”, he said.

The commission has granted €2mn ($2.3mn) for preparatory studies on the project. Proven and probable reserves of Israel’s offshore Tamar field were revised up earlier this month to 318bn m³, from 282bn m³. The field has produced more than 35.5bn m³ since 2013, which has supplied Israel and Jordan. And first gas from the 620bn m³ Leviathan field is expected by the end of 2019. The stakeholders in the Leviathan and Tamar fields are considering a number of export schemes, including a sub-sea pipeline connecting Leviathan to Turkey.

Eni's CEO talks cooperation with Qatar Petroleum head

Anadolu Agency, *24.07.2017*



Italian oil giant Eni's CEO, Claudio Descalzi, and President and Chief Executive of Qatar Petroleum Saad Sherida Alkaabi met on Sunday in Doha to discuss future cooperation, according to Eni's announcement.

The parties discussed different aspects of the present and possible future collaboration between Qatar and Eni in the LNG field and in the oil sector, the press release showed. According to the press release, during the visit, Descalzi met also with Sheikh Tamim bin Hamad Al Thani and Qatari Foreign Minister Sheikh Mohammed bin Abdulrahman Al Thani.

Qatar is the world's largest LNG producer and exporter, with 77 million tons per year in liquefaction capacity. In 2016 it covered 30 percent of the world's LNG consumption. Saudi Arabia, Egypt, the UAE, and Bahrain cut diplomatic ties with Qatar last month, and imposed a sea and land blockade while accusing Doha of supporting terrorism. Doha denies the accusation of terrorism and contends the blockade is a violation of international law.

The meeting with Eni could be seen as Qatar's aspiration to cement and develop relations with parties that still support it in the face of dissenting voices. Eni has a long-established relationship with Qatar, being a major European LNG buyer on a long-term contract basis. The contract with Qatar forms part of Eni's LNG portfolio together with an increasing share of equity production from upstream projects worldwide, the press release said.

S&P affirms Saudi Arabia rating at 'A-', outlook stable

Reuters, *27.07.2017*

Standard & Poor's (S&P) affirmed Saudi Arabia's rating and said in a statement that the country's outlook is stable.

The global rating agency said the Kingdom's foreign currency rating is at 'A-' level. "The ratings on Saudi Arabia are supported by its strong external and fiscal stock positions, which we expect will be maintained despite significant central government deficits," the statement said. S&P noted that the ratio of central government deficit to gross domestic product for the country peaked at 17 percent last year, but added that this ratio is expected to average around 7 percent between 2017 and 2019.

The stable outlook, on the other hand, is based on the expectation that the Saudi authorities would "take steps to consolidate public finances," S&P said. "We could lower our ratings if we observed further deterioration in Saudi Arabia's public finances," the rating agency warned.

The agency also said that the Kingdom's rating is constrained by limited transparency in the public sector, constrained flexibility in the country's monetary policy, and its weak economic growth. The Saudi Arabian economy grew 1.4 percent in 2016; but S&P said it forecasts economic growth falling to 0.5 percent this year, before bouncing back to 1.5 percent next year. "We expect the oil sector's contribution to real economic growth in 2017 and 2018 will be largely flat," the statement said. S&P added that it expects Saudi Arabia's oil production to remain around its current level of 10 million barrels per day.

Oil market is progressing toward rebalance: OPEC

CNBC, *24.07.2017*

Oil demand is expected to increase significantly in the second half of the year compared to first half with expected growth reaching 2 million barrels per day, which should sustain inventory draws, according to OPEC's statement.

The Joint OPEC and non-OPEC Ministerial Monitoring Committee (JMMC) met in St. Petersburg to review the June 2017 report as well as the first six months of the Declaration of Cooperation, as submitted by the Joint OPEC and non-OPEC Technical Committee (JTC). The Committee reviewed the JTC report and noted that the oil market is making steady and significant progress towards rebalancing.

In the statement, it underlined that market volatility was lower in recent weeks and investment flows have visibly started to improve in the industry. "This assertion is based on the report of the JTC for the month of June 2017, which reviewed market developments and the results of the first six months of progress made according to OPEC's 171st Ministerial Conference Decision and the respective voluntary adjustments in line with the Declaration of Cooperation," according to the statement. It is also stressed that continued strengthening of the global recovery is underway, with stability in the oil market remaining a key determinant.

According to the JTC report, there are several positive indicators going forward. Participating OPEC and non-OPEC producing countries achieved a conformity level of 98 percent in June 2017, the report showed. Between January and June 2017, the participating producing countries adjusted their production downwards by an estimated volume of 351 million barrels.

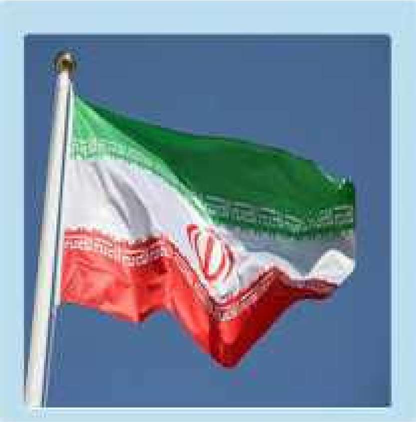
The JMMC further welcomed the flexibility of Nigeria, an OPEC member that was exempt from production cuts, which despite its commitment to recover its pre-crisis production level, voluntarily agreed to implement adjustments as soon as its recovery reaches a sustainable production volume of 1.8 miilion barrels per day (mb/d).

The JMMC also recommended as an option the extension of the Declaration of Cooperation beyond the first quarter of next year should further action be required for the stabilization of the market. Meanwhile, Russian Energy Minister Alexander Novak said that after the oil cut agreement, the global oil surplus was reduced by 350 million barrels in total. He also said that Russia suggests extending the oil cut agreement beyond the March 2018 deadline.

During the same meeting, Khalid Al-Falih, minister of energy, industry and mineral resources of Saudi Arabia said the kingdom would limit oil exports to 6.6 million barrels per day. He added that the country has already cut 1 million barrels of oil production per day. The 5th meeting of the JMMC is scheduled to take place in September 2017, or earlier if deemed necessary.

Iran sees imminent non-Western win for energy

Reuters, *27.07.2017*



The Iranian government said it scored a win in the energy sector, this time by developing a pipeline that will offset supply disruptions from its neighbors.

Disputes over payment issues in January prompted Turkmenistan to stop sending gas to its southern neighbor, Iran. Construction of a natural pipeline to feed the northern mountainous provinces begins next week. "The much-awaited gas pipeline is going to guarantee the steady supply of natural gas to the regions that experienced harsh winters in the past when neighboring Turkmenistan cut off gas supplies to Iran," the report read.

The terrain in northern Iran makes it difficult to distribute natural gas and other power supplies. Azerbaijan sells natural gas to the northern provinces of Iran in exchange for electricity. "By launching the natural gas project, Iran will no longer be in need of importing gas from Turkmenistan and, if Ashgabat decides to sever gas supply to Iran, the latter will be faced with no trouble to supply gas to its northern provinces," Hamid Reza, a managing director of National Iranian Gas Co., told SHANA.

Iran's north is isolated from the gas-rich south. In January, the Iranian Oil Ministry published a list of 29 foreign oil and gas companies that are qualified to take part in any upcoming tenders for exploration and production. The NIOC, a target of U.S. sanctions, said the list represented a "big step" in opening Iranian oil and natural gas fields up to Western investors.

Apart from oil, Iran is one of the largest natural gas producers in the world and said that role could help address energy security needs for a European market wary of Russia's control over gas supply and transit arteries. The country accounts for about 5 percent of the world total natural gas production and more than 80 percent of its gas reserves are in basins not yet in the development stage.

Minister: Iraq needs to import Iran's natural gas

Iran Front Page, *24.07.2017*

Iraq's Electricity Minister Qasim al-Fahadawi says his country will need Iran's natural gas over the next seven years to operate its power stations as the Arab country's domestically produced natural gas will not suffice.

According to a Farsi report by Mehr News Agency, the Iraqi official said new power plants will soon be ready to give service, so the country will need to import natural gas. He said Iraq's natural gas produced in the country's southern fields in Basra province will not be enough to run power stations.

Of course, he said, Iraq's dependence on natural gas imports will decrease as production gets underway in several gas fields. Last month, Iran began exporting natural gas to neighbouring Iraq. The project had been delayed for four years due to security challenges caused by the civil war in Iraq. Officials say Iran has started by pumping seven million cubic metres per day, and that the figure is to reach 35 million cubic metres per day in the future.

Iran will supply natural gas to Iraq under two contracts. According to one agreement, natural gas will be pumped to the Baghdad power station, and another deal provides for natural gas exports to Basra. The Islamic Republic is currently exporting electricity to its energy-hungry neighbour.

Earlier this month, Iran concluded its first petroleum contract with the French energy giant Total. It is Iran's first important contract with major countries since sanctions on Iran were lifted. Under the deal, Total will take part in the development of phase 11 of Iran's South Pars Gas Field. Phase 11 has a capacity of producing two billion cubic metres of natural gas per day, which is equal to 400,000 thousand barrels of crude oil per day together with gaseous condensates. Total announced on July 3 that the natural gas produced from that phase will start to be used to meet Iran's domestic needs as of 2021.

Bulgaria has expressed interest in receiving gas from Israel

Reuters, *25.07.2017*

Bulgaria expressed interest in potential supplies of natural gas from Israeli fields, the Council of Ministers reported. This was done during a meeting of Deputy Prime Minister Tomislav Donchev and Energy Minister Temenujka Petkova with the Ambassador of Israel Iri Lillian. Israel has deposits estimated to be about 1 trillion cubic meters, and the yield is planned to begin in 2019, the government's press office said.

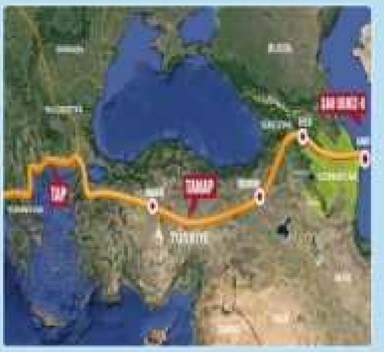
The Bulgarian side has presented its priorities in the energy sector and, above all, the need to diversify the supply of natural gas to the country. The project for the European gas distribution center "Balkan" envisages the possibility of gas supply from different sources.

It was also discussed the progress in the construction of the gas connection with Greece as an input structure for alternative imports for the region of Southeast Europe and a natural prerequisite for the realization of the Balkan gas hub.

This link gives Bulgaria the possibility of obtaining gas from the localities in Israel - after the realization of the idea of EastMed, the gas pipeline that will connect the fields around Israel, Cyprus and the potential deposits of Greece. It can also get gas from the localities of Egypt.

Deputy Min.: Albania expects to finalize TAP by 2018

Anadolu Agency, *24.07.2017*



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.

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

Platts, *26.07.2017*

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.

Europe ‘stands ready to act’ if US sanctions on Russia affect its oil and gas supplies

Independent, *26.07.2017*

NMajor international players are warning the United States against imposing further sanctions on Russia, saying that doing so could further isolate America from the world community.

Most recently, Germany and the European Union joined France and Russia in delivering a stern warning to the US. European Union President Jean-Claude Juncker said that the bloc would act “within days” if it doesn’t get assurances that new sanctions wouldn’t significantly impact European interests.

The US House of Representatives voted this week to impose further sanctions Russia, Iran, and North Korea, while limiting Donald Trump from weakening current sanctions that were imposed after it was determined that Russia had meddled in the 2016 US presidential election. The measure — a bipartisan effort that saw just three “no” votes — provoked Russia, which warned that the new sanctions risked worsening the already sour relations between the two world superpowers.

The United States has previously worked in tandem with the EU to develop sanctions responses to Russian aggression over the annexation of Crimea from Ukraine. The economic bloc worries that American sanctions developed without their input could jeopardise the continent’s energy security. That includes hurting companies financing a contentious new pipeline — the Nord Stream 2 — that would carry natural gas from Russia to Germany.

There are five western firms partnering with Russia’s Gazprom to build that pipeline, including Germany’s Wintershall and Uniper, the Anglo-Dutch company Royal Dutch Shell, Austria’s OMV, and France’s Engie.

“The U.S. bill could have unintended unilateral effects that impact the EU’s energy security interests,” Mr Juncker said in a statement following a meeting with fellow European commissioners. “If our concerns are not taken into account sufficiently, we stand ready to act appropriately within a matter of days. ‘America First’ cannot mean that Europe’s interests come last.”

Statoil & ptnrs to test gas plant conversion to hydrogen

Anadolu Agency, *28.07.2017*

Statoil, Vattenfall and Gasunie signed a memorandum of understanding to evaluate the possibilities of converting Vattenfall's Magnum gas power plant in the Netherlands into a hydrogen-powered plant, Statoil announced.

Statoil said the next step would involve feasibility studies to evaluate the conversion of one of Vattenfall's three Magnum units to run on hydrogen. Gasunie will examine what infrastructure for transport and storage is needed. "We are very excited about getting the opportunity to evaluate the possibilities of converting a gas power plant to run on hydrogen." according to Irene Rummelhoff.

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

Financial Times, *24.07.2017*

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.

Novatek reports 54.1% drop in 1st half 2017 profits

Rigzone, *26.07.2017*

The profit of one of Russia's largest independent natural gas producers, Novatek, decreased by 54.1 percent to 74.3 billion rubble ($1.2 billion) in the first half of 2017 compared to the same period of 2016, according to the company.

In the first half of 2017, the company's total revenues increased 6.3 percent to 283,458 billion rubble ($4.7 billion) compared to the corresponding period of 2016. "Profit dynamics was mainly impacted by the closing in the first quarter 2016 of a transaction for the sale of a 9.9 percent equity stake in Yamal LNG and by the foreign exchange effect," the company said.

Novatek's natural gas sales volumes totalled 33.1 billion cubic meters in the first half 2017. The company's sales volume, which increased by 4.1 percent in the first half of 2017 compared to the first half of 2016 due to increased demand for natural gas, resulted, among other factors, from weather conditions, the company said.

Shell's net profit rises $1.9 billion in 2Q17

Oilprice, *26.07.2017*

Royal Dutch Shell's net profit reached $1.9 billion in the second quarter of 2017 compared to $239 million for the same period last year, the company announced.

The company's current cost of supplies (CCS) earnings attributable to shareholders excluding identified items was $3.6 billion in the second quarter of the year, up from $1.04 billion in the same period of 2016. The company explained that compared to CCS earnings for the second quarter of 2016, this year's second quarter CCS earnings reflected higher contributions from the downstream sector.

“Shell’s strong results this quarter show that we are reshaping the company following the integration of BG,” Royal Dutch Shell Chief Executive Officer Ben van Beurden said. Cash generation has been resilient over four consecutive quarters at an average oil price of just under $50 per barrel, Beurden noted. He added that the external price environment and energy sector developments means Shell will remain “very disciplined with an absolute focus on the four levers within their control, namely capital efficiency, costs, new project delivery, and divestments.”

Faroe ups resource estimates for offshore Norway blocks

Business Daily, *27.07.2017*

Initial exploratory tests of the Brasse discovery offshore Norway revealed better-than-anticipated results in oil and gas resources, the company that conducted and published the results, Faroe Petroleum, announced.

Faroe Petroleum published the results of the appraisal wells 31/7-2S and 31/7-2A in the Brasse discovery which resulted in an increased resource range to 56-92 mmboe. Faroe Petroleum, an independent oil and gas company focusing principally on exploration, appraisal and production opportunities in Norway, the U.K. and Atlantic Margin, said that the results “considerably exceeded expectations.”

The total gross volumes of recoverable hydrocarbons for the Brasse field have been revised up to between 56 and 92 mmboe up from the previous estimate of between 43 and 80 mmboe. The company said that based on extensive data collected from the initial discovery well, initial sidetrack, appraisal well with drill stem test, and the appraisal well sidetrack, the total gross volumes of recoverable hydrocarbons for the Brasse field have been revised up to 46-76 millions of barrels of oil and 59-97 billions of standard cubic feet of dry gas (56-92 mmboe in aggregate).

“We are very pleased to announce the completion of this successful, Faroe-operated, appraisal program of the Brasse field, which considerably exceeded expectations and further confirms the commerciality of this discovery,” Graham Stewart, chief executive officer of Faroe Petroleum, was quoted as saying.

“The program has established excellent reservoir quality and reservoir communication, together with excellent flow rates, even at the periphery of the field. This new data has resulted in an increased resource range to 56-92 mmboe and a substantial increase to flow rate expectations,” he continued.

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

Anadolu Agency, *24.07.2017*

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.

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.

"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.

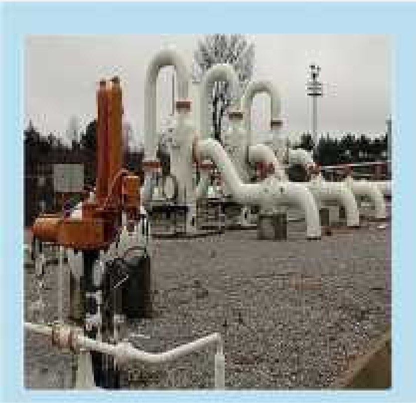
Liquefied natural gas (LNG) imports fell by 5 percent in the first quarter of 2017 in the EU. In January and February, imports significantly decreased in Northwest Europe as cargoes were attracted to the high-priced Asian markets, according to market report.

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.

Spain's Gas Natural Fenosa's profit down 14.7% in 1H17

Platts, *26.07.2017*



Spanish energy utility Gas Natural Fenosa achieved a net profit of €550 million in the first half of 2017, 14.7 percent less than the same period last year, the company announced.

The company is a multinational group operating in more than 30 countries and with over 23 million customers. The company has 15.4 gigawatts of installed power and a diversified electricity generation mix. Net operating profit was €2.176 billion, down 6.6 percent excluding Electricaribe - an affiliate of Gas Natural Fenosa and an electricity distribution company of which 85.38 percent is owned by Gas Natural Fenosa, the company said.

Ebitda was positively affected by efficiency measures in Spain and was further negatively impacted by climatological factors that caused a contraction in hydraulic production of 77.3 percent. Ebitda on the company's international activities grew by 1.3 percent and represented 51.4 percent of the consolidated total. The remaining 48.6 percent corresponded to activities in Spain.

Africa-focused Tullow oil reports $0.3B loss in 1H17

Anadolu Agency, *26.07.2017*

Tullow Oil announced $309 million in losses after tax for the first half of this year.

The U.K.-based Tullow also said that its total revenue for the first half of 2017 increased by 46 percent to $788 million. "Despite continued challenging market conditions, Tullow performed well in the first half of 2017 delivering strong revenues and organic free cash flow," Paul McDade, chief executive officer of Tullow Oil said. He added that combined with the rights issue completed in April, this has allowed us to retain operational and financial flexibility and reduce our debt during the first half by around $1 billion.

Since taking over as CEO, I have appointed a new and highly experienced executive team who are focused on returning Tullow to growth through financial discipline, efficient use of capital and by delivering on the potential of our diverse portfolio of low-cost production, development and exploration assets.” West Africa oil production in the first half of 2017 averaged 81,400 barrels of oil per day. In Europe, the half year’s net production averaged 6,000 barrels of oil equivalent per day, Tullow said.

Echo Energy inks deal for onshore Bolivian gas block

Anadolu Agency, *27.07.2017*

The South and Central American-focused upstream gas company Echo Energy signed a Technical Evaluation Agreement (TEA) for the Rio Salado Block, onshore Bolivia, the company announced.

The agreement between the London-listed Echo Energy, Pluspetrol and YPFB (Yacimientos Petrolíferos Fiscales Bolivianos) signed on July 25, 2017 in Bolivia will enable the companies to undertake a technical evaluation of the block over the next 12 months, the company said. Pluspetrol is a privately held independent oil and gas company while YPFB is a Bolivian state-owned oil company.

The Rio Salado block, which surrounds Echo’s Huyaco block, contains an extension of Echo Energy’s structure. As a result, the company’s seismic reprocessing program for Huayco will now be extended to include additional data covering the Rio Salado acreage for a minimal incremental cost over the Huayco area.

“On completion of the technical evaluation, the companies will have the opportunity to negotiate a commercial agreement with YPFB which would define a work program and is likely to include the drilling of an exploration well,” the company noted. The acquisition of Echo Energy’s interest in Rio Salado is contingent on the agreement of final commercial terms, the company added.

ExxonMobil discovers additional oil offshore Guyana

Anadolu Agency, *25.07.2017*

Exxon Mobil discovered additional oil in the Payara reservoir offshore Guyana, in South America and increased the total Payara discovery to approximately 500 million oil-equivalent barrels, the company announced.

“These positive well results increase the estimated gross recoverable resource for the Stabroek Block to between 2.25 billion oil-equivalent barrels and 2.75 billion oil-equivalent barrels,” according to the statement. “Payara-2 confirms the second giant field discovered in Guyana, “Steve Greenlee, president of ExxonMobil Exploration Company was quoted as saying.

“Payara, Liza and the adjacent satellite discoveries at Snoek and Liza Deep will provide the foundation for world class oil developments and deliver substantial benefits to Guyana. We are committed to continue to evaluate the full potential of the Stabroek Block.”

Esso Exploration & Production Guyana Limited is the operator holding a 45 percent interest in the Stabroek Block. Hess Guyana Exploration Ltd. holds a 30 percent share and CNOOC Nexen Petroleum Guyana Limited holds a 25 percent stake. On Jan.13, ExxonMobil Corporation made the first oil discovery, the Payara-1 well offshore Guyana in South America.

Shell's first floating LNG tech. arrives in Australia

Anadolu Agency, *27.07.2017*

Shell Australia's Prelude floating liquefied natural gas (FLNG) facility, the first deployment of Shell's FLNG technology, arrived in Australian waters, the company announced.

Prelude FLNG will see a 488 meter-long floating facility extracting and liquefying gas at sea, before it is exported to customers around the globe. Shell expects to see cashflow from the project during 2018. Shell awarded a majority of Prelude contracts to Australian contractors, including that awarded to Australian engineering company Monadelphous for maintenance and modification services valued at $200 million, according to Shell's Chairman Zoe Yujnovich.

The project will employ 260 local workers on board the facility during operations and create over 1,500 jobs during the hook-up and commissioning phase of the project, Shell said.

US oil production declines last week: Energy Info. Adm.

Anadolu Agency, *27.07.2017*

Crude oil production in the U.S. decreased for the week ending June 21, the country's Energy Information Administration (EIA) announced.

Oil output fell by 19,000 barrels per day (bpd) to 9.41 million bpd last week, the EIA data showed. "... Production slipped for the first time in a month," Thomas Pugh, a commodities economist at London-based Capital Economics, said in a note. "However, this was due to a sharp drop in output from Alaska, where production is notoriously volatile. Output in the rest of the country rose again," he added.

While oil production in the state of Alaska decreased by 54,000 bpd to 405,000 bpd last week, oil output in the rest of the country increased by 35,000 bpd to just a little over 9 million bpd. Crude oil and gasoline inventories also declined for the week ending June 21, the EIA data showed.

Commercial crude stocks fell by 7.2 million barrels, or 1.5 percent, to 483.4 million barrels last week. Crude stocks fell 13 times in the past 16 weeks, while the last four declines came in a row. “The fourth consecutive weekly drop in commercial crude stocks in the U.S. provides further evidence that OPEC’s output cuts are starting to have an impact on inventor levels,” Pugh said. “We expect this trend to continue over the next few months which should help to support prices later in the year,” he added.

Gasoline stocks declined by 1 million barrels, or 0.4 percent, to 230.2 million barrels for the week ending June 21. This was primarily driven by a rebound in gasoline demand which rose to near-record levels,” Push said, adding “Healthy demand for distillate fuels also helped to boost total demand for petroleum products.” The U.S.’ oil imports rose by 48,000 bpd to 8.04 million bpd last week, while oil exports increased by 302,000 bpd to 1.03 million bpd.

US oil rig count decreases by one

Anadolu Agency, *22.07.2017*

The number of oil rigs in the U.S. decreased by one this week, Baker Hughes data showed.

American oil industry took offline one oil rig during July 17-21 period, according to the oilfield services company. Number of rigs in the country, which provides an indication of the oil sector’s well-being and signals possible short-term production cuts and increases, totaled 764 with the latest result. With this week’s decline, the rig count decreased only two times in the past 27 weeks, marking an overall 46 percent rise during that period.

Oil prices, on the other hand, showed losses on Friday, despite the decline in oil rig count. International benchmark Brent crude fell to as much as to $47.82 a barrel with a 3 percent decline on Friday, while West Texas Intermediate decreased to as low as $45.62 per barrel with a 2.6 percent loss.

The decline in oil prices come as OPEC’s rising output worries investors that the deal between the cartel and Russia that limits their production levels may not work to rid the supply glut in the global oil market. Representatives from OPEC and Russia will meet in St. Petersburg on Monday to discuss the oil market conditions.

Announcements & Reports

► *Small Fields, Big Expectations: Can India's Discovered Small Field Rounds Deliver?*

Source : OIES
Weblink : https://www.oxfordenergy.org/publications/small-fields-big-expectations-can-indias-discovered-small-field-rounds-deliver/

► *Monthly Oil Market Report*

Source : OPEC
Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMR%20July%202017.pdf

► *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/