Oil & Gas Bulletin
► *27.07.2018*

TurkStream's nearshore works start in Kiyikoy, Turkey

Anadolu Agency, *23.07.2018*

Nearshore trench works for the TurkStream natural gas pipeline project started on Sunday, July 22 near the Turkish town of Kiyikoy, the South Stream Transport B.V Company that is conducting the offshore pipeline said Monday.

According to the official announcement, Turkey's nearshore component involves constructing seabed trenches of around 2.4 kilometers in length from the shoreline to the sea in order to embed the pipes as a protection against sea waves and to avoid interference with fishing in the area.

The offshore trenching process is expected to last four to eight weeks. The company noted that independent third party experts prepared an environmental impact assessment (EIA) to determine the best route for the pipeline, taking into account potential environmental impacts and other risks. "These studies demonstrate that the nearshore work will have small, temporary and localized effects for the local fishing industry. After a thorough consultation process with various Turkish stakeholders, including local community representatives and fishing groups, the Turkish Ministry of Environment and Urbanization approved the EIA in September 2017," the company said. "We are pleased to be in line with our construction schedule to ensure that gas deliveries start by the end of 2019. We will try and make sure to minimize and mitigate the disturbance to the local residents during the nearshore works," Sander van Rootselaar, the TurkStream spokesperson added in a written statement. According to the announcement, the TurkStream project company is engaging with local fishermen over a voluntary compensation scheme for potential loss of income during the period of nearshore works within the framework of its commitment to remedy any local impacts.

"The compensation scheme is part of TurkStream’s corporate responsibility and good neighborhood policy, in combination with a series of other measures intended to support the wellbeing of the local economy and people of Kiyikoy," the company explained. In addition, the company said that in parallel, the Pioneering Spirit, the largest construction vessel in the world undertaking pipelaying for the project, is progressing at a fast pace since the offshore construction of the second line resumed on June 26. Furthermore, the landfall facilities on the Russian side of the Black Sea near the city of Anapa is in the final stages of construction and will be completed in 2018, the company said. TurkStream is a gas pipeline project stretching across the Black Sea from Russia to Turkey and further to Turkey's border with neighboring countries. The first line of the pipeline intends to supply gas to Turkish consumers, while the second line is designated for consumers in southern and southeastern Europe. Each line will have the throughput capacity of 15.75 billion cubic meters of gas per year. South Stream Transport B.V. is responsible for the construction of the gas pipeline's offshore section.

Petrofac to work on gas storage expansion project in Turkey

Anadolu Agency, *23.07.2018*

British oilfield services provider Petrofac, in a joint venture (JV) with Turkish Standards Institution (TSE), has secured a three-year multi-million dollar Project Management Consultancy (PMC) services contract in support of Phase III of the BOTAS North Marmara Underground Gas Storage Expansion Project in Turkey, the company announced last week.

Located approximately 60 kilometers (37 miles) west of Istanbul.

The gas storage facility has been in operation since 2007 and BOTAS Petroleum Pipeline Corporation (BOTAS) intends to expand its working gas capacity to 4.6 billion cubic meters, according to Petrofac's statement. "The TSE-Petrofac JV is responsible for managing and supervising areas which will cover the main phases and scopes of work. These include detailed design, engineering, procurement, construction, drilling and decommissioning, along with commissioning and start-up activities," it added. Roberto Bertocco, managing director of Engineering, Procurement and Construction Management at Petrofac said they were pleased to partner with TSE in the delivery of this "key project" for BOTAS. "This is our second award in Turkey in just under a year and is further evidence of our growth strategy in action. The opportunity to provide expertise and best practice through the provision of PMC services further demonstrates our capability to safely and effectively oversee key activities in the delivery of substantial programs of work," he said. Koray Yenigurbuz, group head at TSE and the JV project director, said the overall project involved the expansion of the facility with both onshore and offshore components.

"The TSE-Petrofac partnership brings together significant international experience as well as local delivery capability and we look forward to working collaboratively towards the successful delivery of this project for BOTAS," he added. BOTAS, whose capital belongs to Turkey’s Undersecretariat of Treasury and is a related institution of the Ministry of Energy and Natural Resources, operates in crude oil transportation, as well as transportation, distribution, import, storage, marketing, trade and export of natural gas.

Turkey becomes second LNG importer in Europe

Anadolu Agency, *21.07.2018*

Turkey became the second largest liquefied natural gas (LNG) importer country in Europe in 2017, according to the latest report of the International Gas Union (IGU) released in July.

According to statistics compiled from the report, European countries imported 47 million tonnes of LNG in total in 2017. Spain was the leading country in LNG imports in Europe with 12.2 million tonnes per year. Turkey imported 7.8 million tonnes of LNG last year. France followed Turkey with 6 million tonnes and the U.K. imported 4.9 million tonnes. Turkey was the fourth biggest in Europe in 2016.

African and Middle Eastern countries supplied the majority of Europe's LNG. Turkey imported 3.45 million tonnes of LNG from Algeria, 1.51 million tonnes from Nigeria and one million tonnes from Qatar. Other countries that sold LNG to Turkey were Norway, Trinidad & Tobago and the U.S. Turkey's Energy and Natural Resources Ministry aims to increase its natural gas storage capacity and the number of LNG facilities in the country. The country has its Marmara Ereglisi LNG Terminal with a capacity of 5.9 million tonnes and the Aliaga Egegaz LNG Terminal with 4.4 million tonnes of capacity per annum. Turkey also has two floating storage and regasification units (FSRUs), one of which is located in Izmir and the other in Hatay. The country plans a third FSRU in the Saros Bay, north of the Gallipoli Peninsula in northwestern Turkey. In addition, Spain, which does not have an FSRU, has LNG terminals located in Barcelona, Huelva, Cartagena, Bilbao, Sagunto, Mugardos and El Musel.

Who actually benefits from sanctions on Iran?

Oil & Price, *18.07.2018*

Since President Trump announced the U.S. withdrawal from the JCPOA, Washington has been pressing allies to end all imports of Iranian oil by a November 4. deadline Moreover, in a briefing on June 26, a senior State Department official was quite firm that the U.S. doesn't anticipate offering any extensions or waivers to that timeline.

This statement created a feeling of emergency, and oil prices jumped by more than 3.5 percent. Iranian Oil Minister also blamed President Trump's actions for the high oil prices.

Ultimately, the price hike serves the interest of oil-dependent economies like Saudi Arabia, Russia and Iraq, especially since they can serve as substitutes for Iranian oil. Iran is the third-largest oil producer in the Organization of the Petroleum Exporting Countries (OPEC) and in May 2018 exported about 2.7 million barrels per day (bpd) of crude oil. China, one of its biggest customers imported almost 27 percent of total Iranian exports, followed by India with 16 percent, South Korea with 10 percent, Japan with 7 percent and Turkey with 10 percent. Considering that Iranian exports dropped to about 1-1.5 million bpd during the 2013-2015 period of strong economic sanctions (from around 2.5 million bpd in 2011 to some 1 million bpd at the end of 2013), depending on how many countries follow the White House's call for sanctions today, we might expect Iranian exports to fall by between 200,000 bpd and 1 million bpd. This shortfall would cause countries in the region to have to look to other suppliers to fill in the gap. For example, abstaining from Iranian oil would leave Turkey at the mercy of Russia.

In 2017, Turkey imported 24.9 million tons of crude oil in total, mainly from Iran (almost 50 percent) and the rest from Iraq, Russia, Kuwait and Saudi Arabia. Considering the fact that Iraq, the other potential oil supplier that can substitute Iranian oil, represents a more volatile and risky choice. If Turkey goes ahead and implements the restrictions demanded by the U.S., Russia will ultimately supply more than 60 percent of Turkey's oil, in addition to already supplying the majority of its natural gas. Once we add into this mix the ongoing Akkuyu nuclear power plant project that will be built and operated by Russian State Nuclear Energy Agency Rosatom, we end with a Turkey that risks finding itself almost entirely tied to Russia - a complication for its NATO obligations, if nothing else. Taking into consideration those circumstances, on June 29 Turkish Economy Minister Nihat Zeybekci said that “the decisions taken by the U.S. are not binding for us. Of course, we will follow the United Nations on its decision. Other than this, we will only follow our own national interests.”

Another winner if U.S. sanctions are adopted widely would be Saudi Arabia. A drastic reduction of Iran's oil exports (for example, by more than one million bpd) would likely boost Saudi production to numbers not seen since the late 1960s, in an attempt to fulfill market demands. For its part, South Korea announced that they will end Iranian crude imports by the end of July, halting all shipments. According to Bloomberg, that leaves Iran with few options other than convincing China, its biggest customer, to buy more Iranian oil. This could create an unbalanced relationship between two countries, forcing Iran to be become over-reliant and dependant on China. This unequal relationship could be positive for China, as it might make it the biggest single buyer of Iran's crude, giving it powerful leverage over the Iranian economy as a whole.

Iran expects 84 mcm/d rise in South Pars gas output

Anadolu Agency, *20.07.2018*

Field's daily production capacity expected to go up by 84 million cubic meters by March's end, according to Shana's report. Plans are underway to add 84 million cubic meters (mcm) per day to the natural gas production capacity of Iran's South Pars gas field by late March 2019, the Oil Ministry's news agency Shana said in a report on Wednesday.

Quoting the head of Pars Oil and Gas Company, Mohammad Meshkinfam, Shana said construction of four offshore platforms belonging to phases 13, 14 and 24 of the massive gas field had made 90 percent progress, which would boost the production capacity by 84 mcm/d by March 20, 2019.

Meshkinfam's comments came during a visit to the site of the Iran Marine Industrial Company (SADRA), which was awarded the construction of 10 South Pars platforms out of which one is already installed and a second is ready for loading, according to the report. Meshkinfam added that arrangements were underway to hold licensing rounds for loading, installation and commissioning of the platforms. He further said that five platforms were set to be installed by late September, and two gas processing trains of the onshore refining facilities belonging to phases 22 to 24 of the field were scheduled to come online by August.

In a separate report, Shana said the Sarkhoun and Qeshm Refinery had processed 2.5 billion cubic meters of natural gas over the course of the previous Iranian calendar year, which ended on March 20. "According to the National Iranian Gas Company (NIGC), the refinery's managing director said the plant processed 2,500 million cubic meters of natural gas last year and produced nearly 106 mcm of gas condensate and over 9,000 tons of LPG in the first half of the previous calendar year," Shana said. Mohammad Hossein Norouzi said the company's plans were fully realized last calendar year and it won the national award of productivity, Shana added. Shana also said the first downhole pump (ESP) of Well No. 14 of the North Yaran oilfield, located near the border with Iraq, and shared by both countries, was installed to ramp up crude oil production. This is the first time that such a pump is being installed at a well in the West Karoon region, Shana noted, adding the production was scheduled to begin within the next 10 days. Ten more similar pumps are to be installed at the field's various wells by the end of the next calendar year, it said. According to the report, production from the North Yaran field began on Nov. 17, 2016 and it currently produces 30,000 barrels per day of crude oil.

Greek Cyprus presses on with FSRU despite pipeline proposal

Interfax, *18.07.2018*

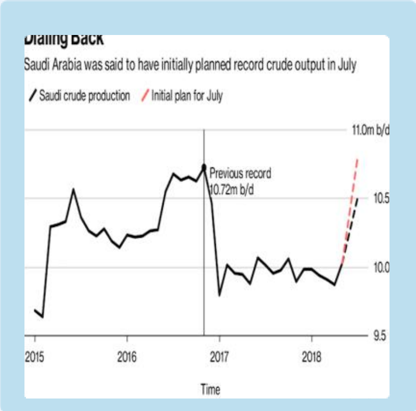
Proposals for a pipeline linking Cyprus Island to Israeli offshore fields are not deterring the island from plans to install an FSRU. Greek Cyprus is preparing to tender a contract for the supply of an FSRU to be moored at Vassiliko. Plans for the project are progressing despite a proposal to pipe gas to Greek Cyprus from offshore Israel, according to an official at Cypriot state-owned utility DEFA.

Companies will be invited to submit bids within the next few weeks, Andreas Pentaliotis, gas officer at DEFA, told Interfax Natural Gas Daily.

After the tender for the FSRU, DEFA will hold two tenders for LNG supply.

Saudi Arabia says it won't oversupply the global oil market

Bloomberg, *23.07.2018*



Saudi Arabia rejected concerns that it's planning to oversupply global oil markets and said it will actually trim crude exports next month.

Under pressure from U.S. President Donald Trump to cool rallying prices, the kingdom bolstered production by the most in three years last month, pumping almost 10.5 million barrels a day. Yet it signaled on Thursday that it won't go any further for now, saying exports this month will be "roughly equal" to June, and will drop by 100,000 barrels a day in August. "Saudi Arabia only exports barrels that are earmarked to match confirmed lifting requests by end users"

"And does not try to push oil into the market beyond its customers' needs," the Energy Ministry said in a statement, citing Saudi Arabia's liaison to OPEC, Adeeb Al-Aama. Oil prices reversed losses, rising briefly above $70 a barrel in New York. The world's largest oil exporter is fulfilling a pledge made in late June that the Organization of Petroleum Exporting Countries and allies including Russia would raise output by about 1 million barrels a day. The result has been a retreat of about 6 percent in oil prices this month, helped by escalating trade tensions between the U.S. and China and signs that supply disruptions in countries including Libya might not be as bad as initially feared. Even with higher Saudi output, international markets are "well-balanced" this quarter, according to Al-Aama. Stockpiles are set to decline in the second half of the year because of robust demand and seasonal increases in consumption, he said.

Holding production steady from June to July would mean shipping less crude than Saudi Arabia indicated after the OPEC deal. The kingdom initially planned to reach record output of 10.8 million barrels a day, people briefed on production policy said late last month, although that level was always dependent on the strength of domestic and international demand. There's still some discord within OPEC and its partners over how much oil should be added to the market. The Saudis and Russians said they would implement an increase of about 1 million barrels a day, but Iran, which is seeing customers flee because of U.S. sanctions, insists it should be much less. There's also plenty of external pressure. The group faces twin threats from the U.S. — exhortations from the president to pump more crude, plus a bill working its way through Congress that could expose the cartel to lawsuits.

Trump's tweets have been a particular source of turbulence for Saudi efforts to balance the oil market. The president has repeatedly used the social media service to accuse OPEC of artificially inflating oil prices, while demanding behind the scenes that its members boost production to replace production halted by U.S. sanctions on Iran. Earlier this month, heclaimed the kingdom had agreed to produce at maximum capacity of 12 million barrels a day, an assertion the White House later walked back.

Anti-OPEC bill could be a game-changer for oil markets

Oil & Price, *23.07.2018*

In its effort to wrest more control over global oil markets away from foreign producers, Congress has been pushing a bill that would let the U.S. sue OPEC for oil price fixing. The bill called "No Oil Producing and Exporting Cartels Act," or NOPEC, was first introduced in May.

Now, two Republican Senators and two Democrats introduced legislation last week that's aimed at allowing the government to bring lawsuits against OPEC members for antitrust violations, which would be an amendment to the Sherman Anti-trust act of 1890.

The Sherman Anti-trust act changed American business culture. It was the first legislation enacted by Congress to curb concentrations of power that interfere with trade and reduce economic competition. One of the act's main provisions outlaws all combinations that restrain trade between states or with foreign nations. This prohibition applies not only to formal cartels but also to any agreement to fix prices, limit industrial output, share markets, or exclude competition. The second part of the act and key provision that most Americans are familiar with makes illegal all attempts to monopolize any part of trade or commerce in the country. Some long-standing companies to be charged under the act include the breakup of AT&T in the 1980s, with the creation of regional phone companies, or so-called "Baby-Bells" and Microsoft which was found in violation of the act in 1999, but successfully appealed a breakup of the company in 2001.

"It's long past time to put an end to illegal price fixing by OPEC," Chuck Grassley, one of the Republican senators to push the legislation, said in a statement last week. We are "committed to reducing our reliance on foreign oil, especially when it's artificially and illegally priced. Our bill shows the OPEC members we will not tolerate their flagrant antitrust violations." However, the NOPEC idea is nothing new and dates back to at least 2000. Both President George W. Bush and President Barack Obama threatened to use their veto power to halt it from becoming law. In 2007, a similar bill passed in the House of Representatives in a 345-72 vote, and in the Senate by 70-23, only to fail afterward in the face of White House opposition. This time around, however, there is a good chance that Trump would sign such a bill into law. Trump has been critical of OPEC for years and during the 2016 presidential election that war of words escalated to the front pages of international newspapers. Trump said at the time that the U.S. should block all oil imports from Saudi Arabia. Trump also vowed to secure American energy independence from "our foes and the oil cartels," while also creating "complete American energy independence.

In response, just days after Trump was elected, Saudi Arabia's oil minister and Aramco chairman Khalid Al-Falih fired back. He said in a Financial Times interview that “at his heart President-elect Trump will see the benefits [of Saudi oil imports] and I think the oil industry will also be advising him accordingly that blocking trade in any product is not healthy.” “The U.S. is sort of the flag-bearer for capitalism and free markets,” added. “The U.S. continues to be a very important part of a global industry that is interconnected, that is dealing with a fungible commodity which is crude oil. So having equalization through free trade is very healthy for oil.” The Saudi oil minister added that the Saudis were waiting for Trump’s presidency, as his presidential campaign had amounted to “50,000 feet announcements” that may change. Since that time, Trump and Saudi Arabia have turned the long-standing relations between the two countries back on firming footing. Saudi Arabia was instrumental in persuading Trump to reimpose sanctions against Iran, while Riyadh for its part, has seemingly kowtowed to Trump’s tweets calling for OPEC and the Saudis to commit to higher oil production to offset high oil and gas prices, a point of contention for the administration as mid-term Congressional election in November near.

“The OPEC Monopoly must remember that gas prices are up & they are doing little to help. If anything, they are driving prices higher as the United States defends many of their members for very little $’s. This must be a two-way street. REDUCE PRICING NOW!” Trump tweeted in one of several warnings to OPEC. However, despite the current revamping of the U.S.-Saudi playbook on checking Iranian geological influence in the middle east and reigning-in its nuclear development ambitions, Trump (only 18 months in office) is increasingly showing an unprecedented ability to offend long standing allies while appeasing long term rivals, including Russia and North Korea.

The danger for U.S.-Saudi relations however if a NOPEC bill was passed by both Houses and signed into law by the president would be cataclysmic. It would indicate more American geopolitical and even economic hegemony and destabilize global oil markets and the structure of middle eastern geopolitics. Though many balk as OPEC and the Saudis regain control of global oil markets, a forced re-configuring of that system would be counterproductive and likely see more Saudi-Russian agreement over oil mark control as well as geopolitical deals being made. Not only would the Saudis balk at what they deemed as a frontal an attack on the economic lifeblood of the country but of the ruling royal family, but they would have a hard time understanding it. It should be remembered that OPEC and now OPEC with its non-OPEC partners are masters at colluding and controlling supply and even geopolitics in an effort to control prices - something not allowed under the act. The best course for U.S. lawmakers and Trump would be to let the market determine prices (supply/ demand, and even geopolitical developments) and to not unduly interfere in the process.

OPEC & non-OPEC reach 121% oil cut conformity in June

Anadolu Agency, *20.07.2018*

OPEC Joint Ministerial Monitoring Committee (JMMC) agree to continue closely monitoring oil market conditions. The Organization of the Petroleum Exporting Countries (OPEC) and participating non-OPEC producing countries achieved a conformity level of 121 percent in June 2018, OPEC said in a statement late on Wednesday.

According to the statement, the JMMC agreed to continue closely monitoring oil market conditions and developments with a view to improve market stability for the benefit of producers, consumers and the global economy at large.

"The committee reaffirmed its intent to strive to achieve an overall conformity level of no less than 100 percent. Furthermore, the JMMC decided to hold monthly meetings, either physically or by teleconference, with the objective of more closely monitoring the market and recommending appropriate response measures," OPEC stated. The JMMC was established following OPEC's 171st ministerial conference decision of Nov. 30, 2016, and the subsequent Declaration of Cooperation made at the joint OPEC and participating Non-OPEC Producing Countries' Ministerial Meeting held on Dec. 10, 2016. Through the Declaration, 11 (now 10) non-OPEC oil producing countries and OPEC's 13 (now 15) member countries decided on voluntary production adjustments of around 1.8 million barrels per day as part of efforts to accelerate the stabilization of the global oil market.

Rosneft predicts oil prices of under $80 till year end

Anadolu Agency, *23.07.2018*

Rosneft's budget is based on oil prices of $63 per barrel: Rosneft CEO said. Russian oil major Rosneft expects that oil prices will to stay in a range of between $75 and $80 per barrel until the end of 2018, the company's CEO said.

According to the country's news agency TASS, in an interview with Russia's Rossiya-1 television channel, Sechin said, "our budget is based on an oil price of $63 per barrel. Today, we see a price of about $75. I think oil prices will stay within this range: from $75 to a maximum of $80 per barrel." In May, prices for Brent crude exceeded $80 per barrel, reaching the highest level since November 2014.

However, excess supplies in the global market will suppress oil prices in the short term, according to experts. Global oil supplies rose by 370 thousand barrels per day (kb/d) to 98.8 million barrels per day (mb/d) in June, according to the International Energy Agency's (IEA) latest oil market report. The IEA said the growth was mainly due to higher Saudi Arabian output based on last month's OPEC agreement, rising by 430 kb/d to 10.46 mb/d. Brent oil traded just above $73 at 08:42 GMT on Monday. Meanwhile, Russia's Ministry of Economic Development anticipates that oil prices will be gradually decline between 2018 and 2024, according to TASS.

A new German gas terminal could be an opportunity for US

Handle Sblatt, *23.07.2018*

After years of cheaper gas from Russia, Germany finally wants a terminal to import liquified natural gas. It's better for energy security and the environment. It could also be better for the US and Donald Trump.

When it comes to liquefied natural gas, Germany is oddly behind the times. The country does not have a single terminal for the fuel – also known as LNG – although there are plenty elsewhere: Four in France, three in Italy, six in the UK, seven in Spain and one each in Greece, the Netherlands, Portugal, Belgium, Poland and Lithuania.

But all this could soon change, with plans afoot for a new LNG terminal in Brunsbüttel, a town in the northern state of Schleswig-Holstein. Speaking to Handelsblatt, representatives of both the state and federal government expressed enthusiasm for the plan. For the federal government, a new LNG terminal would help refute accusations by Donald Trump that Germany is dependent on Russian gas imports and that it deliberately hampers the import of US-produced gas. The US president recently condemned Nord Stream 2, a controversial new pipeline designed to increase imports of Russian gas to Germany. Mr. Trump claimed that Germany's heavy use of Russian fuel makes the country dependent on Moscow. But the dispute is commercial as much as geo-political. With fracking gas now very much on stream, the US has in recent years moved from a net importer to an exporter of gas. The German public apparently sees through Mr. Trump's arguments. This week's poll by the RTL/n-tv Trendbarometer shows that two-thirds of Germans would like to see Nord Stream 2 built because they believe it would "better secure a supply of natural gas." Also worth noting: They don't appear to believe a word Mr. Trump says – 92 percent of Germans think the US president is primarily motivated by his desire to sell American gas to Europe.

And Mr. Trump has made it clear that he wants Germany to increase imports of American LNG, as Poland has done in recent years. As part of contentious talks on US-European trade, the US government has pushed for improved access to the European market for LNG. Despite what the German public may think, this is not necessarily a bad thing, according to the German government. Germany's economy minister Peter Altmaier has insisted several times that his government is not opposed to shipments of American LNG. "If the LNG coming out of the US, came to Germany at competitive prices, then that would be fine by us," Norbert Brackmann, a member of Angela Merkel's Christian Democratic party and the government spokesperson for maritime business, told Handelsblatt. So the main problem now is logistical, not political. For decades, most of Germany's gas has come at low cost via pipeline from Russia, Norway and the Netherlands. Natural gas is cheaper than LNG, which needs special shipping and handling facilities. And as of now, the country still has no special terminal to receive the highly-compressed liquified gas. LNG is more expensive, thanks to the expensive processes of cooling and liquification. But it has a wide variety of uses, including as engine fuel for ships and cars, and as a raw material in industrial processes. It can even be turned back into gas and pumped into the normal power network.

In terms of supply, LNG offers flexibility that pipelines cannot match. Tankers can be sent anywhere in the world, and easily rerouted. BP's chief economist Spencer Dale calls LNG an "insurance policy," which increases energy security by diversifying sources. There are also strong ecological reasons to make a switch. LNG-powered ships can cut carbon dioxide and nitrous oxide emissions, pumping out up to 80 percent less emissions than diesel oil. The International Maritime Organization has imposed strict new rules on maritime emissions, especially of sulfur: LNG-powered ships could be part of the answer. Unsurprisingly, several German ports are competing to host the country's first LNG terminal. Although the ports of Wilhelmshaven and Stade also have LNG ambitions, most industry observers think Brunsbüttel will be first, thanks to its proximity to Hamburg and its position on the Kiel Canal, which links the North Sea to the Baltic. German LNG Terminal, the company behind the Brunsbüttel proposal, is a consortium bringing together Gasunie, a Dutch gas supplier, Oiltanking GmbH, a German oil and gas transporter, and Vopak, a Dutch tank storage firm. The company was reluctant to speak to Handelsblatt about the project: Industry sources say it is worried about being publicly associated with natural gas sourced from US fracking.

Planned investment in the Brunsbüttel facility is thought to amount to €450 million ($530 million). Norbert Brackmann, the German government coordinator for maritime industry, told Handelsblatt that federal infrastructure funds could offer some start-up support. The Schleswig-Holstein state government has said it is willing to offer financial backing in principle. However, public support is also regarded as essential for the terminal to be economically viable. The firm, German LNG Terminal, is optimistic. It has already begun the public approval process to build the facility. And if all goes to plan, it says, LNG will be flowing into Germany through Brunsbüttel by 2022.

ExxonMobil set to receive drilling licences within days

Cyprus Mail, *21.07.2018*

The consortium Exxon Mobil-Qatar Petroleum is expected to receive the necessary offshore drilling licences in the coming days, reports said on Saturday.

Phileleftheros newspaper reported that on July 30 the environmental licence is expected to be examined and approved. The licence deals with the two drillings that are set to take place in the eastern part of block ten in the 'Delfini' (dolphin) field, and in either the 'Anthia' or 'Glafkos' fields. The newspaper reported that the drilling is expected to start in mid-November.

Last month the agreement for drillship to be used was signed. The exploratory drillings of the American company, according to the daily, will be conducted by a drillship from the UK. The drillship is reported to be able to perform in different environmental conditions and to drill at a depth of approximately 35,000 feet below sea level. In June, a delegation from the US company led by Exxon Mobil's vice-president for Europe, Russia, Asia, the Pacific and the Middle East visited Cyprus to discuss the forthcoming drilling. The delegation met with Energy Minister George Lakkotrypis and Foreign Minister Nikos Christodoulides. Lakkotrypis said then that two drillings were planned for block 10, and the geological studies were recently completed. The minister said block 10 had resulted in the biggest participation in the third licensing round, "so we have expectations".

ExxonMobil's Ocean Investigator research vessel sailed from Limassol port back in March to carry out hydrocarbon explorations for the US oil giant in block 10 of the Cyprus' exclusive economic zone (EEZ). In February this year, Italian energy giant ENI's drillship Saipem 12000 was prevented from reaching its target in block 3 Soupia, or Cuttlefish, in the island's EEZ by Turkish naval forces. The standoff lasted two weeks before the platform moved on to Morocco. The CEO of Italian energy giant, Claudio Descalzi, was defiant in the face of Turkish threat, saying the company was committed to its plans and would not just leave behind the €700 million it has invested in Cyprus' exclusive economic zone (EEZ). Turkey is laying claim to parts of various blocks in Cyprus' EEZ saying the areas in question form part of its continental shelf.

The claim includes part of Blocks 1, 4, 5, 6 and 7. Block 10 is not among the claims. Turkish Cypriots signed a ‘Continental Shelf Delimitation Agreement’ with Turkey in September 2011. This ‘agreement’ states that it has been signed in line with international law and with respect to the principle of equity, though the ‘TRNC’ is not recognised internationally. It is on this basis that Turkish Cypriots declared an ‘EEZ’ which in effect claims that half of Cyprus’ EEZ belongs to them, including blocks 1,2,3,8,9,12 and 13.

SOCAR interested in gas distribution in Bulgaria

NewsAz, *23.07.2018*

Azerbaijan’s state oil company SOCAR is interested in gas distribution in Bulgaria, Director of SOCAR Balkan company Murad Heydarov told Trend July 13. Back in 2015, the Bulgarian government presented a set of projects on energy cooperation to Azerbaijan.

In particular, the Azerbaijani side was invited to participate in the construction of gas filling stations, invest in the construction of oil and gas storage facilities, oil refineries. “The sphere of SOCAR’s interests in Bulgaria includes several potential projects.”

“However the distribution of gas is currently on the agenda,” Heydarov said. The company is exploring opportunities to invest in Bulgaria’s gas distribution network. Earlier, SOCAR confirmed its intention to invest in the development of Bulgaria’s gas distribution network. SOCAR’s interest in ensuring gas supply of Bulgarian cities was expressed during a meeting of Bulgaria’s Prime Minister Boyko Borissov with Azerbaijan’s President Ilham Aliyev in January. SOCAR has already successfully invested in this sector in Georgia and can use this experience in Bulgaria as well. SOCAR representatives set before the Bulgarian experts from the Energy Ministry a number of issues related to legislation on gas distribution, subsidies for households, the choice of natural gas as a source of energy, competitive advantages of gas over other sources. The meeting in the Commission for Regulation of Energy and Water Supply will discuss details of the regulatory framework and license of gas distribution companies.

China wants more LNG from Russia as us trade dispute continues

Reuters, *23.07.2018*

China and Russia have resumed talks for the Power of Siberia-2 LNG trade route, from which a successful deal could lead to the Eurasian country becoming China's top LNG supplier, as ties between the world's second-biggest economy and the United States continue to waver.

An agreement could see annual trade volume between the pair top 70 billion cubic meters, news site The Paper cited China's National Energy Administration Director Nur Bekri as saying on July 19, when China received its first consignment from the Yamal LNG megaproject in Russia.

"To ensure China's natural gas security and supply, we must first enhance domestic exploration and development, especially of unconventional oil and gas, like shale oil," Nur said. "We must also strengthen international cooperation to ensure China's consumption security through diversification of natural gas imports." Talks for the Power of Siberia-2, also known as the western gas route, had been in the pipeline for several years. But last summer, negotiations stalled as Beijing reconsidered its energy needs, Reuters reported in June 2017, citing two Russian sources. China is now undergoing a trade dispute with the United States, its fifth-biggest LNG supplier, and being unable to keep up with Washington's tariff threats may be looking for alternative ways to turn the tables on the US. On July 20, American President Donald Trump said he was ready to slap tariffs on all USD505 billion worth of Chinese imports. He had earlier hit the economic rival with tariffs on USD34 billion worth of goods -- a move that was quickly retaliated. China, which imports more than a third of its natural gas, kept LNG rates out of those charges, but seems to now be holding its vast demand for the energy source over Trump's head. There were more than two dozen LNG plants in the States waiting to sign supply agreements before finalizing investment deals in May, according to a Reuters report the same month. Many of those were looking to China as it seeks to ramp up natural gas consumption and wind down coal burning, a problem that contributed to the deaths of more than a million people in 2016, according to a report by the Health Effects Institute.

China plans to increase the proportion of natural gas for energy consumption to more than 10 percent by 2020, compared with 7 percent last year when China consumed over 237 billion cubic meters of LNG, with imports making up about 38 percent. Russia supplies China with around five billion cubic meters of LNG a year, but the eastern gas pipeline, or Power of Siberia route, will boost that to around 38 billion after entering operations at the end of next year. The Yamal project, which sends gas via the Arctic Circle, will add a further four billion and the western route is set to contribute another 30 billion.

Can China replicate the U.S. shale boom?

Oil & Price, *24.07.2018*

The world's largest gas importer is also home to the world's largest reserves of shale gas-gas that is just sitting there, at least for now. China has been struggling to repeat the U.S. shale revolution for a number of reasons, chief of them geology, but now it may have the chance to advance its shale gas agenda. Technology is what will make all the difference.

China has recoverable shale gas reserves of 1,115 trillion cu ft, the latest estimate of the Energy Information Administration from 2015 shows. This makes the country the biggest reservoir of shale gas.

Yet most of these 1,115 trillion cu ft of gas are in geologically challenging formations. "U.S. shale reserves are like a plate, in relatively good shape and buried evenly close to the surface. For China's shale reserves, it's more like a plate that was smashed on the ground, and then stomped on. We're trying to identify those scattered reserves and trying our best to get to the bigger ones." That's what a Sinopec chief engineer told Bloomberg, explaining the challenges that the state energy giant has encountered in its attempts to tap the country's enormous shale reserves. In addition to the geological problems, there is also the issue of technology exchange. U.S. fracking tech developers are wary of exporting to China on intellectual property concerns so Chinese companies are having to develop their own technology and equipment. Which is actually fine, since U.S. equipment was made for the U.S. "plate" rather than the Chinese one.

It's this equipment and these technologies that could help Sinopec and CNPC boost their currently modest shale gas production. Last year, China produced a total 9 billion cubic meters and Sinopec and CNPC expect shale gas production to rise to 10 and 12 billion cubic meters by 2020, respectively. This compares with plans for annual national shale gas production of 100 billion cu m made back in 2012. It also compares to estimated total annual gas demand of 325 billion cubic meters in 2020, according to Sanford C. Bernstein. Since 2012, the government has revised down its shale gas expectations substantially but still eyes 2020 shale gas production of 30 billion cubic meters. Compared with Sinopec's and CNPC's plans, Beijing is still being overoptimistic. Meanwhile, drilling and production equipment is being adjusted to the peculiarities of the Chinese shale patch. And costs are being lowered. One example is the bridge plug, Bloomberg reports, which is used to plug wells during drilling to prevent loss of gas. Chinese drillers originally bought bridge plugs for US$30,000 (200,000 yuan) apiece. Now, they are producing them for US$2,680 (18,000 yuan) and exporting them to the company that supplied them with bridge plugs originally. Pressure pumps are also being adjusted for China's much deeper wells since those manufactured for U.S. shale gas wells are not powerful enough. Sinopec, for one, has developed a pressure pump that's 40 percent more powerful than U.S. ones. It has also cut its exploration drilling costs by 40 percent over the last eight years by making all its drilling equipment in-house. Some analysts believe that Chinese drillers also need regulatory changes to make the shale gas boom happen by encouraging more competition, but it looks like the state giants are managing even without a lot of competition. Uncomfortably high dependence on imports is a powerful motivator for innovation.

US regulators to speed up LNG project permitting process

LNG World News, *22.09.2018*

United States regulators have agreed to develop a memorandum of understanding redefining and reducing the permit application process for the proposed LNG facilities.

The U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA) and the Federal Energy Regulatory Commission (FERC) have joined forces on the MoU development. The MoU will clarify each agency's respective role in the permitting process for potential LNG projects, and implement procedures into the FERC's authorization process.

This will leverage PHMSA's safety expertise to evaluate potential impact to public safety, the latter said in its statement. The parties have agreed to sign the memorandum of understanding at a later date.

Is the oil world in panic mode?

Oil & Price, *22.07.2018*

Oil markets have shown tremendous weakness in recent days, losing nearly seven dollars before rallying back a bit on Thursday.

What's causing it? Market analysts have been struggling to find a single reason for it, preferring to cite a cocktail of negative news and rumor to explain the downdraft. There have been reports of increased Saudi production to Asian customers, which many cite as a breaking of the dam of OPEC production guidelines – a break that would have many in the oil world in full panic mode.

But I don’t see these promises as a collapse inside the cartel. The Asian contracts are merely adding stability to the oil markets in front of the threats of renewed U.S. sanctions on Iran. It’s been made clear that the Iranians won’t stand for any production increases that are over and above the agreed upon increases at their Vienna meeting last month – and equally clear that the Saudis don’t want to put that production agreement in jeopardy either. Many analysts are pointing to the reopening of Libyan oil ports to explain the quick drop in oil prices. But I also don’t find this explanation very compelling either: Even with these newly cleared impasses, Libyan exports are only marginally increasing, and most experts believe that Libyan production will continue to slide downwards through the rest of 2018. Others have cited the threat of slowing oil demand from China, but these predictions of slowing Chinese growth are as frequent, and usually as wrong, as dandelions growing in an open field.

I am a student of the financial players and their influence into oil prices, and generally look at the movement of speculative money in and out of the futures markets. But even here there hasn’t been a discernible reason for oil’s latest drop. According to the COT reports, long positions have actually held fairly steadily through this latest 7 dollar downdraft in oil. Despite the varied answers that are appearing in the media for oil’s recent drop, I can find only one convincing reason that oil is recently acting poorly despite being one of the most fundamentally bullish oil markets I have seen in my 35 years trading it. Commodities are different than stocks. They are time-sensitive instruments that regenerate and self-destruct every month. Current September commodity futures contracts don’t care where the markets will be in 6 months. They only care about their price prospects on the day they expire – the 28th of August. Because of this, they are far more sensitive to current threats than stocks and have been responding to the disastrous economic threat of a continuing trade war between the US and China (and our allies). Corn is down. Soybeans are getting pummeled. Doctor Copper is giving us a nasty prognosis; Industrial metals like Zinc, Tin and Platinum are down anywhere from 15-35 percent.

Oil, for most of the run-up to US tariffs starting in late May, has strongly bucked this general commodity collapse – proving again just how fundamentally strong it is – but even that fundamental strength is no match for the destructive economic force of a global trade war. It’s difficult to know what to say or do about this, if you’re an investor in commodity-reliant stocks. Heck, it’s tough if you’re an investor in anything, as the economic ill-effects of an expanding trade war will reach far beyond the commodity sector at some point. Recently, there have been signs that Congress, and specifically the Republican party, are willing to break with the President on this self-destructive path towards ratcheting tariffs and reciprocal penalties. They’ve called on Treasury Secretary Mnuchin to answer questions about the legality and exit strategy of tariffs, and various Congressional leaders have been suggesting legislation to put a stop to it. There has been a general belief that the Trump trade war will have to be abandoned at some point, as markets outside the commodity sphere begin to respond. When consumer prices begin to sharply increase, and jobs begin to be lost, most believe the President’s political needs will intersect with his self-destructive tariffs. But until that happens, it’s difficult to continue to recommend oil or other commodity stocks. It’s even more difficult to predict when the green light to buy them will return. Nothing has been as tough to forecast as the plans of President Trump’s administration.

The regulation that could push oil to $200

Oil & Price, *24.07.2018*

Oil prices could spike as high as $200 per barrel over the next 18 months, which would cause an "economic crash of horrible proportions," according to a new report.

A research paper from economist and oil market watcher Philip K. Verleger predicts there could be a shortage of low-sulfur diesel fuel in 2020 as a result of regulations from the International Maritime Organization (IMO) aimed at cutting sulfur emissions. The regulations, due to take effect at the start of 2020, lowers the allowed concentration of sulfur in maritime fuels from 3.5 percent to just 0.5 percent.

Those rules have already sparked a scramble for low-sulfur options. But the current global refining capacity may not be able to churn out enough low-sulfur fuels to allow a smooth transition from high-sulfur fuels by the world's shipping fleet. The shipping industry accounts for about 5 percent of total global oil demand, and most ships burn heavy fuel oil that is high in sulfur. Switching over 5 percent of total demand to low-sulfur diesel and gasoil – a distillate similar to diesel – is a massive shift. Ship-owners will have a few options: install expensive scrubbers to remove sulfur, switch to low-sulfur fuels such as diesel or gasoil, or switch over to LNG. Scrubbers and LNG are generally thought to be the most expensive options, requiring capital outlays to overhaul entire fleets. That will put the onus on low-sulfur fuels. But the problem is that not all crude oil is the same – heavier and sour varieties hold more sulfur and are unable to produce lower sulfur diesel without extra processing. And not all refineries are equipped to handle that processing.

Up until now, the maritime industry has been burning the residual fuel oil left over after the refining process. Fuel oil is the bottom of the barrel – it's the cheapest, most viscous and dirtiest part of the barrel. By 2020, diesel production will need to rise by at least seven percent, according to Philip K. Verleger, on top of the three percent increase needed for road transport and other uses. All of it will need to be low-sulfur. "It is not clear that the greater volumes can be produced," Verleger wrote in his paper. "Instead…very large price hikes may be required to suppress non-maritime use." On top of that, the banishment of fuel oil from the maritime sector will lead to a crash in high-sulfur fuel oil prices. Power plants onshore that burn oil might switch over to high-sulfur fuels because of the steep crash in prices. "Ironically, the maritime fuel switch may do nothing to improve the global commons given that the pollution sources can just be moved from the high seas to land," Verleger concludes. But the big problem will be the shortage of diesel and gasoil because "as many as half of world refineries cannot produce fuel that meets the new regulation." He predicts a rerun of the historic price spike in 2007-2008, which was in part the result of a shortage of low-sulfur oils. Refiners found themselves in a bidding war for low-sulfur oil, pushing oil prices to well over $100 per barrel. "This situation will reoccur in 2020," Verleger wrote, except that the price spike could be even more dramatic because "the fuel shift is greater and the refining industry is less prepared."

Verleger does not mince words. As the rules take effect in 2020, oil prices will spike to $160 per barrel or higher. “Economic activity will slow and, in some places, grind to a halt. Food costs will climb as farmers, unable to pay for fuel, reduce plantings. Deliveries of goods and materials to factories and stores will slow or stop,” he argues. “Vehicle sales will plummet, especially those of gas-guzzling sport utility vehicles (SUVs). One or more major U.S. automakers will face bankruptcy, even closure. Housing foreclosures will surge in the United States, Europe, and other parts of the world. Millions will join the ranks of the unemployed as they did in 2008.” However, a report from Columbia University’s Center on Global Energy Policy from earlier this year disputes this conclusion. Shippers switching over to low-sulfur fuels puts “the burden of innovation onto the refining industry,” the report says, “but it will likely prove a lesser challenge for refiners than is commonly understood.” That is because the fuels will be “fuel hybrids, the production of which will entail as much blending as actual refining.” Ultimately, the report concludes, “speculation about a product supply crunch underestimates the industry’s flexibility,” and ignores the potential for a reconfiguration of demand and the emergence of new types of blended fuel hybrids. There is quite a lot of space between those two conclusions. We have 18 months before we find out which is more accurate.

Colombia could create new system for oil round bidding amid delays

Rigzone, *24.07.2018*

Colombia is preparing changes to its bidding process for oil areas in an effort to increase investment and find new reserves, the head of the oil regulator said, after repeated cancellations of its latest oil round.

The changes, including contracts adjusted to international crude price fluctuations and the chance for companies to propose exploration on land not yet on offer, will help attract spending and nearly double reserves to at least 10 years of consumption, Orlando Velandia of the National Hydrocarbons Agency (ANH) said.

"We're looking to improve conditions for the country, to achieve competitiveness and motivate companies to make proposals about areas," Velandia said in an interview on Monday. The ANH in April postponed the deadline to receive offers for 15 onshore areas at its Sinu-San Jacinto auction until the second half of the year. It was the sixth time the round was delayed. Colombia is the third Latin American country hosting oil auctions this year, after Mexico and Brazil. Its bidding round comes after a four-year pause when low oil prices stopped many Latin American countries from offering acreage. Colombia has been awarding blocks to the highest bidder every two to three years, but bidding in the new system will privilege the first company that requests access to additional areas, Velandia said, likely improving the offers of other bidders.

"Once we evaluate the areas and they're added to the map, companies can make offers in a continual competitive process," Velandia said. Companies would no longer be required to outline planned investments or compensate the government if spending falls short, he added. Colombia could offer at least 20 onshore and offshore Caribbean blocks with the changes, Velandia said. Companies having problems with social protests or delays in environmental licensing could be offered alternative areas, he said. Protests, along with pipeline bombings, are a major headache. State-run Ecopetrol lost some $100 million earlier this year because of blockades. The country has 1.78 billion barrels of reserves, equivalent to about 5.7 years of consumption. Colombia produces about 860,000 barrels per day (bpd) of crude, half for export. The proposed changes must be approved by the ANH's directive counsel, which includes the ministers of energy and finance. Changes not approved before Aug. 7 will go to the government of President-elect Ivan Duque, who has promised tax cuts, investment in Ecopetrol's refineries and a crackdown on attacks by rebel groups.

High oil prices give vitality to E&P sector: Fitch

Anadolu Agency, *21.07.2018*

High crude oil prices, with reducing production costs, efficiency gains and improved discipline, have provided vitality for exploration & production (E&P) in the oil industry.

"The recent oil price recovery, combined with the cost-cutting measures undertaken during 2016-2017, has given fresh vitality to high-yield (E&P)," the global rating agency said in its latest report. "Even highly leveraged companies with relatively high production costs are now healthier and should be able to reduce leverage over the next two years thanks to positive free cash flow."

According to the report named "EMEA High-Yield Exploration and Production Peer Study - 2018." The agency said most companies in the oil sector managed to significantly reduce their production costs in 2017 compared to 2014, by improving their spending discipline and efficiency gains. "However, the operating break-even oil prices vary significantly across the sector," it said. Fitch stressed that the main lesson learned from the last downturn in oil prices, during the 2014-2016 period, is that a lack of liquidity buffers can be fatal. It said a decline in oil prices and operational issues are difficult to predict for the companies in the industry. If crude prices would retreat in the long term, "healthy liquidity, low costs, moderate leverage, and hedging discipline" will become significant differentiating credit factors in the sector, Fitch noted.

Due to low global demand and glut of supply in the market, crude oil prices slumped from $115 per barrel in mid-2014 to below $30 a barrel in January 2016, which saw billions of dollars evaporate, thousands of jobs lost, and hundreds of companies going bankrupt.

Announcements & Reports

► *Implications for the European Union and the role of the Energy Charter Treaty*

Source : Energy Charter
Weblink : https://energycharter.org/what-we-do/knowledge-centre/occasional-papers/the-common-energy-market-of-the-eurasian-economic-union-implications-for-the-european-union-and-the-role-of-the-ect/

► *International Energy Outlook 2018*

Source : Energy Charter
Weblink : https://www.eia.gov/outlooks/ieo/

Upcoming Events

► *Four Corners Oil & Gas Conference*

Date : 09 August 2018
Place : Farmington
Website : https://www.fourcornersoilandgas.com/

► *International Conference & Expo on Oil & Gas*

Date : 09 August 2018
Place : Madrid
Website : http://oil-gas.conferenceseries.com/

► *SPE Argentina Exploration & Production of Unconventional Resources Symposium*

Date : 14 - 16 August 2018
Place : Neuquén
Website : http://www.spe.org.ar/events/aneu2018/

► *Offshore Oil & Gas and Chemical Industry Technology and Equipment Exhibition*

Date : 23 - 25 August 2018
Place : Shanghai
Website : http://sh.cippe.com.cn/en/For_Visitors/Venue_Time/

► *Asia Pacific Drilling Technology Conference & Exhibition*

Date : 27 – 29 August 2018
Place : Bangkok
Website : http://www.spe.org/events/en/2018/conference/18apdt/homepage.html

► *Machine Learning & AI Upstream Onshore Oil & Gas 2018*

Date : 29 – 30 August 2018
Place : Houston
Website : http://www.machinelearning-ai-upstream-congress.com/

► *Abu Dhabi International Downstream Summit*

Date : 03 - 04 September 2018
Place : Abu Dhabi
Website : https://adid.wraconferences.com/

► *LNG Transport, Handling & Storage Indonesia Forum*

Date : 04 – 07 September 2018
Place : Bali
Website : http://www.lng-world.com/#

► *Oil & Gas Thailand (OGET) 2018 & Petrochemical Asia 2018*

Date : 06 – 08 September 2018
Place : Bangkok
Website : http://oilgasthai.com/

► *Asia Pacific Congress on Oil & Gas 2018*

Date : 10 – 11 September 2018
Place : Shanghai
Website : https://www.clocate.com/conference/10th-Asia-Pacific-Congress-On-Oil-and-Gas-2018/70722/

► *China Smart Manufacturing—Oil, Gas & Petrochemical Summit 2018*

Date : 17 – 18 September 2018
Place : Shanghai
Website : http://www.smartfactorychina.com/

► *Asia Pacific Congress on Oil & Gas*

Date : 17 – 19 September 2018
Place : Beijing
Website : http://oil-gas.chemicalengineeringconference.com/

► *IoT in Oil & Gas 2018*

Date : 18 – 19 September 2018
Place : Houston
Website : https://www.iotinoilandgas.com/

► *Gastech*

Date : 17 – 20 September 2018
Place : Barcelona, Spain
Website : http://www.gastechevent.com/

► *World Congress on Oil, Gas & Petroleum Refinery*

Date : 27 – 28 September 2018
Place : Abu Dhabi
Website : https://petroleumrefinery.conferenceseries.com/

► *Kazakhstan International Oil & Gas Exhibition & Conference*

Date : 03 October 2018
Place : Almaty
Website : https://www.kioge.kz/en/home/30-conference/19-conf

► *Oil & Gas Tanzania 2018*

Date : 11 - 13 October 2018
Place : Tanzania
Website : https://www.clocate.com/conference/4th-Oil-and-Gas-Tanzania-2018/48067/

► *2018 LNG Summit*

Date : 14 - 16 October 2018
Place : Chicago
Website : http://www.lngsummit.com/

► *International Conference & Expo on Oil & Gas*

Date : 17 - 18 October 2018
Place : Toronto
Website : https://oilgas.conferenceseries.com/

► *Gas/LNG Contracts: Structures, Pricing & Negotiation*

Date : 22 – 26 October 2018
Place : Johannesburg
Website : http://www.infocusinternational.com/gascontracts/index.html

► *The European Autumn Gas Conference*

Date : 07 – 09 November 2018
Place : Berlin, Germany
Website : http://www.theeagc.com/