Oil & Gas Bulletin

► *31.08.2018*

Turkey's gas imports fall by 19% in June

Anadolu Agency, *20.08.2018*

Turkey's natural gas imports decreased by 19.04 percent in June compared to the same month last year, according to the Turkish energy watchdog's data released on Monday.

Imports fell to 2.92 billion cubic meters (bcm) from 3.6 bcm in June 2017, Turkish Energy Market Regulatory Authority (EMRA) said in its monthly natural gas market report. The country imported 2.41 bcm of natural gas via pipeline, while 0.51 bcm was purchased as LNG, EMRA's data shows. In June.

Turkey's total gas consumption decreased by 10.57 percent year-on-year to 2.68 bcm in June this year from 3 bcm in June 2017. The amount of natural gas in storage increased by percent to 51.37 bcm in June 2018 from 2.14 bcm during the same period last year. Gas production rose to 35 million cubic meters (mcm) over the same period, up from 27 mcm in June 2017.

Turkey's crude oil imports from Iran down by more than 70 pct in June

Seeking Alpha, *13.08.2018*

Turkey's crude oil imports from Iran decreased by approximately 71 percent in June before U.S. sanctions targeting the Iranian energy sector take effect on Nov. 4.

While Turkey imported 930,978 tons of crude oil from Iran in May, the figure fell to 287,842 tons in June, according to the monthly petroleum industry report from the Energy Market Regulatory Authority (EMRA). A significant part of the difference was compensated by crude imports from Russia, which totaled 378,000 tons.

In March, April and May, Turkey did not import crude oil from Russia. In addition to Russia, Turkey's crude imports from Iraq increased to a significant extent. While Turkey imported 352, 778 tons of crude from Iraq in May, the figure rose to 646,262 tons in June. Last year, Turkey imported 25.8 million tons of crude oil, and Iran ranked first among Turkey's oil suppliers with 11.5 million tons. Turkey's neighbor also provides 20 percent of the natural gas Petroleum Pipeline Corporation (BOTAŞ) purchases from abroad. Turkey imports 10 billion cubic meters of gas from Iran, and if this supply is cut because of the sanctions, it may lead to significant problems in winter.

According to sources, natural gas contracts stipulate that the price for the gas must be paid even if Turkey stops imports from Iran. Thus, natural gas imports are likely to continue, the sources claim. U.S. President Trump signed an executive order on May 8 to re-impose sanctions on Iran and abandoned the nuclear deal, known as the Joint Comprehensive Plan of Action (JCPOA), that came into force in 2015 through joint efforts by the U.S., the U.K., France, China, Russia, Germany and the European Union. The first round of U.S. sanctions targeting the automotive sector and financial transactions were reinstated on Aug. 6, and the second round that will hit Iran's oil and natural gas trade starts on Nov. 4.

Iran's oil exports down sharply in first-half August

SP Globals, *20.08.2018*

Oil exports from Iran have fallen steeply in the first half of August, according to preliminary tanker tracking data, as the threat of US sanctions is already beginning to curb demand from some of the OPEC member's key customers.

Initial estimates gathered from Platts trade flow software cFlow suggest that Iran oil crude and condensate exports have plummeted to 1.68 million b/d in the first 16 days of August, down over 600,000 b/d from loadings in July. This compares with exports averaging 2.32 million b/d in July as a whole and 2.10 million b/d in the first 16 days.

Sources said these preliminary numbers show key buyers of Iranian oil are starting to cut back ahead of looming US sanctions against Iran's oil sector. Preliminary tracking data shows demand from India for Iranian crude has dived. cFlow data shows that 203,938 b/d of crude flowed to India over August 1-16, compared to 706,452 b/d in July. US sanctions snap back on November 4 and analysts expect this to block up to 500,000-1 million b/d of Iranian crude exports. The fresh data shows an impact could be felt as early as this month. There have been questions around India -- the second-largest buyer of Iranian crude -- which is under pressure from the US government to cut its reliance on Iran's oil.

This occurs as Indian refiners are dramatically stepping up their US crude purchases as questions loom over future buys from Iran and the trade war heats up between Beijing and Washington. Buying interest from China, Iran's largest oil customer, was only slightly reduced. Loadings to China from August 1-16 were 615,688 b/d compared to 722,100 b/d in July. Demand from Japan remained steady while for the second month in a row, South Korea halted its imports of Iran's condensates, of which it used to be a key buyer. The Asian country has already started to find alternative supplies to Iranian condensates after pressure from the US. Flows to Europe in the first-half of August were, however, up strongly, with flows at 631,814 b/d, compared to 465,450 b/d in July. Italian demand stayed strong and other buyers in this regions consisted of Turkey, Greece, France, Spain and Croatia.

But sources have said that despite a fall in exports, Iranian crude production is expected to not have fallen sharply, as Tehran has diverted some of these barrels to its domestic refining system. Iran also has ample domestic storage which can absorb the barrels that fail to find homes. Previously, when the US and EU imposed sanctions on Iran, the country put almost 50 millions barrels of crude and condensates on floating storage between 2012 and January 2016. Refinery runs in the country have been picking up in the past few months. Iran's gasoline production has surged 50% over the last 12 months, with further increases to come, according to the oil ministry. The boost in production comes from the Persian Gulf Star condensates refinery, which started up in April last year, after years of delays, using Iran's locally produced South Pars condensate as feedstock.

Iraq, Turkey can't export Kirkuk oil without Kurdish Regional Government's deal

Oil & Price, *15.08.2018*

Iraq and Turkey must reach a deal with the Kurdish Regional Government first in order to export oil from the Kirkuk fields in northern Iraq via Turkey, Kurdish officials told local media.

Around 300,000 bpd of crude oil previously pumped and exported in the Kirkuk province have been shut in since the Iraqi federal government moved in last October to take control over the oil fields in Kirkuk from Kurdish Regional Government forces. Before Baghdad seized control of the oil fields, the Kurdish Region was exporting the crude oil via the Kurdish-operated pipeline to the Ceyhan port on the Turkish Mediterranean coast.

Earlier this week, Iraq's Prime Minister Haider al-Abadi visited Ankara, where he discussed many issues, including oil exports via Turkey, with Turkish President Recep Tayyip Erdo?an. According to the Kurdistan 24 outlet, the two leaders reportedly reached an initial deal to sell Kirkuk's crude oil via Turkey, possibly through a new pipeline closer to the Syrian border that would cross only a small portion of land controlled by the KRG. Kurdish officials, however, argue that Turkey and Iraq will need first to strike a deal with Kurdistan before proceeding with plans to export Kirkuk's oil. "It is in the best interest of Baghdad to resume the export of Kirkuk's oil through the Kurdistan Region's pipeline as they would benefit more from the revenue than the KRG," Rebwar Talabani, the head of the Kirkuk Provincial Council (KPC), told Kurdistan 24. According to the Kurdish official, it is 'unrealistic' to think that Iraq's federal government could export oil from Kirkuk via the Nineveh province because security and safety concerns persist in the area.

“Turkey and Iraq cannot take any steps regarding Kirkuk’s oil export without first reaching an agreement with the Kurdish Regional Government. The oil pipeline is completely under the control and protection of the Kurdistan Region,” Bewar Khinsi, an adviser on natural resources to the Kurdish Regional Security Council (KRSC) Chancellor, Masrour Barzani, said. Last week, KRG’s Prime Minister Nechirvan Barzani said that exporting Kirkuk’s oil via Turkey was at the top of the agenda for the talks between Kurdish Regonal Government and Iraq. Currently, fields controlled by KRG export around 350,000 bpd via the pipeline to Ceyhan, roughly half its capacity, industry sources told S&P Global Platts last week.

CNPC's role in Iran gas project 'uncertain' after Total exit, say analysts

The National, *25.08.2018*

China National Petroleum Corporation’s role as a possible lead operator in a $4.8 billion Iran gas project is “uncertain” following the exit of co-investor French oil major Total due to US sanctions against Tehran.

“The South Pars phase 11 contract has a clause giving CNPC the option to replace the French major as the operator in the case sanctions are re-imposed, but this clause is not constraining,” said Homayoun Falakshahi, Middle East upstream analyst with Wood Mackenzie. “While we understand the phase 11 contract offers relatively good terms.

It is potentially generating an internal rate of return above 17 per cent, it is not certain if CNPC is willing to assume the project’s operatorship." CNPC couldn't be reached for comment. Chinese firms’ previous involvement in Iran, which has the second-largest gas reserves after Russia and 9.3 per cent of the world's proven oil reserves, has been fractious. CNPC's license to develop the large South Azadegan field near the Iraqi border was revoked in 2014 due to delays. The project to develop phase 11 of South Pars, which counts CNPC, Total and the local Petropars as partners, was considered a big win for the Iranian gas sector, which has languished from lack of investment and technology. Total, which has significant gas expertise, was expected to bring its technical capabilities to develop the project alongside its partners, who now may not be able to develop the scheme on their own. "Total’s exit is a big blow for Iran. The main challenge posed to Iran is that it had bet high on Total’s technology not only for phase 11, but for the future of the whole South Pars field,” said Mr Falakshahi.

The development of phase 11 was divided into two stages, the first involved a simpler process for pumping gas but the second phase requires more complicated technology. The Chinese firm may likely backtrack on potential involvement if it considers the second stage to be “too risky”, leaving Iran with the option of involving Petropars to execute stage one and new partners to tackle the last phase. Another option would be for state-owned National Iranian Oil Company to involve a consortium of local companies to develop the project. However, access to finance would be a challenge. Iran could also possibly cancel the project if it is unable to find financiers and expertise to develop a scheme it considers crucial to revive its gas industry. Iman Nasseri, managing director for the Middle East at Facts Global Energy, is also doubtful of CNPC’s continued commitment to the project, noting the company had “strong incentive” to leave. “The US-China trade war has created a lot of uncertainty over China’s situation with regards to Iran and the US sanctions on Iran’s oil industry,” he said.

Total, which has spent around $55 million in administration costs, front end engineering and design as well as launching tenders on the project, would be unable to recover its money following its exit, said Mr Falakshahi. Its payments would have had to come from revenues generated from the scheme, he added. However, in the event of a CNPC takeover, the two companies may come to terms to agree to a partial or total recovery of costs. Should CNPC also exit the project, Total will not be able to make any recovery on its investment so far. Tenders issued on the project will continue as usual but subject to review by the joint venture company, said Mr Nasseri. Mr Falakshahi noted that CNPC may lobby to get its affiliates involved in contracting work.

Kuwait aims to settle oil field disputes with Iraq, Saudi Arabia in coming weeks

SP Globals, *22.08.2018*

Kuwaiti oil minister Bakheet al-Rashidi said Wednesday he expects to resolve two long-standing oil field disputes involving neighbors Iraq and Saudi in the coming weeks. In comments reported by Kuwaiti official news agency Kuna, Rashidi said Kuwait would soon sign an agreement with Iraq on importing gas and operating joint oil fields by the end of the year.

The oil fields straddling the border between Iraq and Kuwait were the center of contention that led to former Iraqi President Saddam Hussein invading Kuwait in 1990. Hussein had accused Kuwait of tapping crude that belonged to Iraq.

Since the war's end, the two sides have attempted to resolve lingering differences over ownership and operation of the fields. "We are in the process of selecting a global consultant to study the joint fields project," Rashidi said, according to the Kuna report. Meanwhile, the Neutral Zone between Saudi Arabia and Kuwait could begin production shortly, Rashidi said. The Neutral Zone contains two fields with a combined production capacity of some 500,000 b/d, but they have been offline for almost four years due to a political dispute between the two sides.

"Matters with our brothers in Saudi Arabia are going at a steady pace, and we expect the return of production in the divided region soon," Rashidi said. With OPEC agreeing with Russia and other allies in late June to a 1 million b/d output boost, the Neutral Zone fields could play a vital role in supplying barrels to the market that could be tightened by US sanctions on Iran that snap back November 4, as well as Venezuela's continued output decline due to economic crisis. S&P Global Platts reported last month that the Saudi Arabia and Kuwait were aiming for a December restart of production at the fields, with Rashidi expected to meet with Saudi counterpart Khalid al-Falih in November to discuss the issue. The two ministers will also be attending an OPEC/non-OPEC Joint Ministerial Monitoring Committee in Algiers on September 23. Crude output in the Neutral Zone fields is shared equally between the two countries. The Khafji field is part of the Al-Khafji Joint Operations, owned 50:50 by Saudi Arabia's Aramco Gulf Operations Co. and Kuwait Gulf Oil Co. Aramco, the field's operator, unilaterally shut production down in October 2014, citing new government emissions standards for gas flaring. Japan's Toyo Engineering earlier this month said it had been retained to begin preparations for a restart of Khafji in early 2019. The Wafra field is operated by KGOC and Saudi Arabian Chevron, and was shuttered in May 2015, with Chevron saying it had encountered difficulties in securing work and equipment permits. Sources have said the dispute involved a land-use issue at Wafra unrelated to oil production. Since the field closures, ties between the two countries have been strained somewhat over Kuwait's attempt to mediate an ongoing diplomatic row involving Saudi Arabia and Gulf neighbor Qatar.

Greek Cyprus to renegotiate offshore gas deposit contract

Washington Times, *21.07.2018*

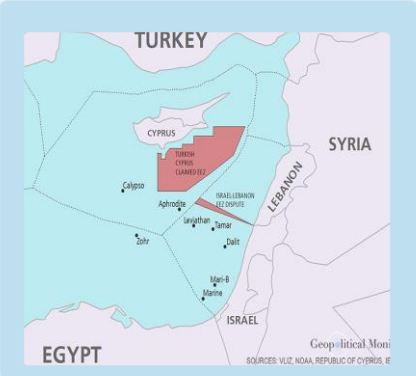
Greek Cyprus' energy minister says the country will renegotiate the financial terms of its contract with a consortium on exploiting a gas field off its southern shore.

Georgios told that the consortium made up of Texas-based Noble Energy, Israel's Delek and Royal Dutch Shell wants to renegotiate the contract on the Aphrodite gas field.The field is estimated to hold around 4.5 trillion cubic feet of gas. The consortium wants to renegotiate because current, lower global oil prices don't make viable a preliminary deal to sell Aphrodite gas to a Shell-operated processing plant in Egypt.

He said gas sale revenue was projected to start flowing into state coffers by 2022. Lakkotrypis said the aim is for a speedy agreement with the consortium to avoid delays.

The Greek Cyprus issue and natural gas in the eastern Mediterranean

Geopolitical Monitor, *20.08.2018*



On 20 July, Greek Cyprus marked the 44th anniversary of the Turkish military occupation of the Northern part of the island, which followed the Cypriot Greek-supported coup of 15 July, 1974.

On the occasion, the Greek Minister of Defense, Panos Kammenos, quoted by Kathimerini, assured "[…] the Greek people, the Greek nation, whether here in Cyprus or in the motherland, that the armed forces are ready to tackle any threat." The 1974 events led to the establishment, in 1983, of the Turkish Republic of Northern Cyprus.

One of the protracted conflicts of Europe, the Greek Cyprus conflict has defied resolution over the past four decades. Yet, until recently, it remained rather latent and attracted little attention outside the United Nations and the main state actors involved: Greek Cyprus, Turkey, Greece, and Britain, the last three being Greek Cyprus' guarantor powers under the 1960 Treaty of Guarantee. However, Greek Cyprus has once again taken center stage in the geopolitical debates surrounding the Eastern Mediterranean, fueled by vivid discussions of possible new resource wars in the region, and the evolving role of Turkey. But what happened to trigger this change? First of all, Cyprus Island struck gas, twice: in 2011 and in 2018. Second, the Greek Cyprus peace talks, led by the UN, collapsed dramatically in 2017 and left the international community in a state of pessimism regarding a possible reunification of the island. And third, Turkey decided to play a more assertive role in the regional energy game.

So what drives the Cyprus natural gas issue? Does it fall under the complex network of gas-conflict-cooperation in the Eastern Mediterranean? Or is it a consequence of Cyprus' ongoing division, amplified by the involvement of the two regional competing actors, Turkey and Greece? Gas reserves in the Eastern Mediterranean were only recently discovered and remain largely underexplored, with their total actual size yet to be evaluated. Out of these, five major discoveries stand out: the Tamar and Leviathan fields, discovered in 2009 and 2010; offshore Israel (with an estimated capacity of 282 bcm and 621 bcm of gas respectively); the Aphrodite field, discovered in 2011 off of Cyprus (with 128 bcm); and the 2015 major discovery off the cost of Egypt, the Zohr field, which holds the largest capacity in the Eastern Mediterranean with an estimated of 845 bcm of natural gas. The discoveries have aroused the interest of European countries looking for supply alternatives outside Russia, as well as of the energy companies. As a result, negotiations, predominantly bilateral, have been launched between various countries of the region.

Examples include the €12 billion deal for Egypt to buy gas from Israel's Tamar and Leviathan fields and the tripartite memorandum of understanding between Cyprus, Greece, and Israel to build a gas pipeline to Europe. But the waters of the Eastern Mediterranean really started to simmer when, on 8 February 2018, the Italian company Eni and the French company Total announced a breakthrough gas discovery at the Calypso block off the Cypriot coast, estimated to be comparable as size to the giant Zohr field. Just three days later, the Italian Eni drill ship Saipem 12000 was stopped by Turkish military vessels on its way to a gas drill position in the Block 3 of Cyprus's Exclusive Economic Zone (EEZ). The incident gave rise to an intense exchange of mutual accusations and diplomatic declarations; old and new tensions surfaced around the Calypso discovery and triggered a plethora of geopolitical and economic warnings about a new resource war on Europe's doorstep. Outside analysis focused on the complex web of geopolitical competition and conflicts around the Eastern Mediterranean, and the focal point of concern became, this time, Turkey. Turkey's February military intervention in Cypriot waters raised fears that recent gas discoveries in the Eastern Mediterranean would worsen pre-existing tensions in the area, potentially creating new conflicts driven by competition over the newfound resources. Concerns were fueled by a series of reciprocal warnings, days after the discovery was announced, mostly between Turkey and Greece, and by clashing declarations at the highest political level. Turkish President Recep Tayyip Erdogan warned Greece, Cyprus, and foreign companies that, by continuing the gas drilling off the coast of Cyprus, they are violating Turkey's sovereignty. He went on to announce that "[Turkish] warships, air force and other security units are following developments in the region closely with the authority to make any kind of intervention if necessary."

Turkey's election campaign in June took it one step further. In May, Turkey launched its first drilling ship, named Fatih after the Ottoman Sultan Fatih Mehmet, which was expected to be dispatched to drill for gas in the Eastern Mediterranean and the Black Sea. Turkey's ambitious energy plans marked by this event were highly symbolic. Turkey's energy minister, cited by Cyprus Mail, compared, much to the concern of Cyprus and Greece, the Ottoman conquest of Istanbul with the launch of Fatih: "The conquest of Istanbul opened a new era in world history and the deployment of the first drilling vessel marks the beginning of a new era in Turkey's oil and gas drilling objectives." If the timing of the launch was controversial, the event itself was hardly a surprise. It was meant to support Turkey's plans to become a global player in the oil & gas field, and to reduce its high hydrocarbons dependence. The launch was in following with the country's National Energy and Mining Policy, announced in April 2017, which focused on the mobilization of domestic resources and greater diversification. But it was news of a giant discovery in the Calypso gas field in 2018 that fueled new attention and ambition, much more so than the impact of the discovery of modest reserves in the Aphrodite field in 2011.

What raised concerns from Greece, Cyprus, and their European Union partners was the connection between Turkey's official stance against drilling offshore Cyprus, backed by its military presence, and the political discourses regarding Cyprus during Turkey's June elections. The ruling Justice and Development Party (AKP)'s electoral ally, the ultranationalist National Movement Party (MHP), favors a hardline national security approach and, according to Sinan Ülgen from Carnegie Europe, it regards any Cyprus deal as treason. Greece and Cyprus' fears were further aroused by an MHP electoral clip depicting Cyprus as a Turkish territory. These new tensions came to complement existing concerns between the countries of the Levantine basin, notwithstanding the Syrian war, with Lebanon and Israel disagreeing over the delimitation of their EEZ, Israel and Turkey fighting over the Gaza issue, and Egypt, Cyprus, Greece, and Israel managing to forge a cooperative block, without Turkey, in the Eastern Mediterranean. But is this just a matter of energy geopolitics, or is it a political issue stemming from Cyprus' ongoing division? In 1974, radical Greek Cypriots and troops from the Greek junta in power in Athens organized a coup and declared the unification of Cyprus with Greece. As a consequence, Turkey, one of the three guarantors of Cyprus (along with Britain and Greece) sent troops with the declared intention to protect the Turkish Cypriots. Inter-communal violence broke out across the island, with thousands ending up dead or disappeared on both sides. In 1983, the Turkish Cypriots declared the Turkish Republic of Northern Cyprus and established their parallel administrative and political system. In 2017, international efforts to reunify the island, mediated by the UN, collapsed dramatically at the Crans-Montana talks. The Greek community, supported by Greece, refused to accept a federal Cyprus with Turkish troops on its soil and Turkey's unilateral right to intervene, while the Turkish Cypriots, backed by Turkey, could not settle for the withdrawal of the approximately 30,000 Turkish troops still stationed in the North.

Turkey is the only country to have ever recognized the Northern entity while, at the same time, Ankara refuses to recognize the existence of the Republic of Cyprus (the Southern part). This is important for Turkey's plans to start its own drilling in the Eastern Mediterranean, and it has major implications for Cyprus. In addition to not recognizing Cyprus, Turkey applies its own interpretation of international maritime law (contrary to the generally accepted UNCLOS – United Nations Convention on the Law of the Sea). According to this individual interpretation, national territories have continental shelves up to 200 miles while islands are limited to territorial waters up to 14 miles and thus, for Ankara, Cyprus is an island with no rights to a continental shelf. In Turkey's view, Cyprus has no legal right to declare an EEZ, and all agreements concluded by the Greek Cypriot authorities with international companies are legally invalid. As a consequence, Turkish authorities accused Cyprus and the international companies drilling in the Block 6 and Block 3 off the coast of Cyprus of violating the sovereign rights of Turkey (which considers its own EEZ to extend to the blocks south of Cyprus) and of Turkish Cypriots. Moreover, in 2011, the Turkish Republic of Northern Cyprus awarded in its own drilling rights for Block 3 to the Turkish company TPAO. Before the June elections, Turkey's Foreign Minister Mevlüt Çavuşoğlu, quoted by Ahval, declared that the Cyprus-Egypt agreement to delimitate the EEZ between the two countries was "null and void," violating the "inalienable rights" of Turkish Cypriots to "benefit from the island's resources."

The Republic of Cyprus offered a rather swift diplomatic response, being assertive regarding its rights as protected by the international law, but also stressing, through the voice of President Nikos Anastasiades: “the necessity of avoiding anything which could escalate.” The government’s spokesman Prodromos Prodromou linked the situation to the Turkish electoral climate and declared that Cyprus will avoid letting itself be pulled into the spiral of resulting tensions. The Greek Cypriots refuse to consider any agreement with their Turkish Cypriot counterparts regarding the possibility of joint exploitation of hydrocarbons unless a deal regarding Cyprus is reached first. The immediate prospects for such a deal however collapsed at Crans-Montana last year. But what about the unrecognized Turkish Republic of Northern Cyprus? The media focused overwhelmingly on the reactions of the main recognized actors and international players, but ignored the response of the element of discord itself. Kudret Ozersay, the foreign minister of the unrecognized entity, adopted a rather tempered line that echoed the South, declaring: “We aim at cooling down the waters, not warming them up.” However, the entity’s representative took a firm stance regarding Northern Cyprus’ determination to drill for gas with or without the Greek Cypriots: “I believe we will soon enter a period when everyone will see that nothing can be done in the region without first having the consent of the Turkish Cypriot people.” The president of the Turkish Republic of Northern Cyprus, Mustafa Akıncı also called for a joint Turkish Cypriot and Greek Cypriot committee to deal with the natural gas issue, linking the efforts in the gas cooperation to the future of a peaceful Cyprus, and accusing the Greek Cypriot leadership of refusing to share power and resources.

Despite the more virulent reactions and declarations of Greece and Turkey surrounding the Cyprus issue, it is to be noted that the Cypriot authorities, both the ones in the Republic of Cyprus, as well as the unrecognized ones in the Northern part, have chosen a more diplomatic voice in order to express their intentions and avoid further escalations as they exploit resources that both consider to be rightfully theirs notwithstanding the potential for future joint exploitation. Nevertheless, both parties continue to link the possibility of economic cooperation with finding a political solution to the protracted conflict that has divided Cyprus since 1974. Both Greek and Turkish Cypriots have expressed fatigue with failed negotiations over time, and it is in their interest to avoid a backslide toward conflict or a clash between other regional actors, as this would ultimately impede their successful exploitation of natural gas reserves. Previous instances of cooperation in the energy field do exist between the South and the North. In 2016, their respective electricity networks were joined into one island-wide network and discussions for a further subsea link between Cyprus and Turkey’s electricity grid were launched.

Nevertheless, in the case of Cyprus, it might be that economics follow politics rather the other way around. Although instructive examples of past cooperation, both inside and outside the energy field, already exist, solving the chronic political issues between the South and the North and reaching a settlement of the conflict might be the better incentive for a peaceful and fruitful exploration of gas reserves. Should this ever come to pass, Cyprus would be able to play a central role in the Eastern Mediterranean, as well as on the wider European energy stage.

Gazprom Neft's 1st half 2018 net profit almost doubles

Anadolu Agency, *18.08.2018*

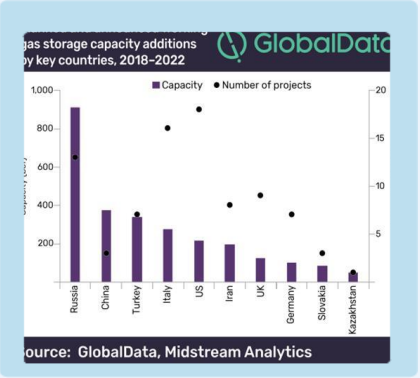
Russian oil producer Gazprom Neft almost doubled its year-on-year net profit in the first half of 2018 to 166.5 billion rubles ($2.5 billion), the company announced Thursday.

The company said its net profit increased by 49.6 percent in the first half of 2018, compared to the same half of 2017. "This performance reflected positive market conditions for oil and oil products, production growth at the company's new projects, and effective management initiatives," the company explained.

The company's earnings before interest, tax, depreciation and amortization increased to 330.5 billion rubles in the first half of 2018, from 218.2 billion rubles in the first half of 2017. "Gazprom Neft has seen a 1.5-fold increase in its operating profit in the first half of 2018, once again confirming its market-leading position in terms of financial growth," said Alexander Dyukov, chairman of the Gazprom Neft management board.

Russia to lead underground gas capacity increase by 2022

Anadolu Agency, *20.08.2018*



Russia is expected to lead the working gas storage capacity additions by 912 billion cubic feet (bcf) by 2022, followed by China and Turkey with 375 and 340 bcf, according to data.

GlobalData said that the global underground working gas storage capacity is expected to grow by 19 percent, from the current 14.9 bcf in 2018 to around 17.8 bcf in 2022. "China, Turkey and Italy follow Russia with 375, 349 and 275 bcf, respectively," it said. The company said that globally, 115 new-build underground gas storage projects are expected to commence operations between 2018 and 2022.

According to GlobalData, Europe leads with 55 new-build projects, followed by North America with 21. "A total of $33.3 billion is expected to be spent on new-build gas storage projects globally, between 2018 and 2022. The Middle East leads globally in terms of capital expenditure over the next four years, with $13.3 billion, followed by Europe with $12.5 billion," it explained. The company underlined that Turkey is expected to be the top spender on new-build gas storage projects, with $11.3 billion during 2018−2022, the highest among all countries. "Italy has the second-highest proposed capex in the same period with $3.9b billion, followed by the U.K. with $3.8 billion," it noted.

Pioneering Spirit sets offshore pipe-laying world record

Anadolu Agency, *28.08.2018*

The world's largest construction and heavy-lift vessel, Pioneering Spirit, which is currently laying the second line of the TurkStream natural gas pipeline project, set a new world record in offshore pipelaying on Aug. 26, according to Russian company Gazprom late on Monday.

Gazprom said on its official Instagram account that the vessel laid 6.27 kilometers of pipes per day on August 26, surpassing the average daily 4 kilometers per day. The vessel, which belongs to the Allseas company, is currently laying the second line of project that plans to send Russian gas to Europe via Turkey.

The project has a total capacity of 31.5 billion cubic meters. The first part of the project with a capacity of 15.75 billion cubic meters will transfer gas to Turkey from Russia. The first line of the TurkStream reached the Turkish shore off Kiyikoy in northwest Turkey on April 29. The launch of the second line is expected in 2019.

Merkel, Putin to discuss energy trade

Anadolu Agency, *18.08.2018*

German Chancellor Angela Merkel and Russian President Vladimir Putin are due to meet today in near the capital Berlin and the economic ties between the two countries will be an important topic of discussion. Despite the opposition of the U.S., it is expected that the Nord Stream 2 natural gas pipeline project, which is to transport Russian gas to Germany will be among the focal point of discussion.

Energy trade is the backbone of relations between Russia and Germany. Germany is Russia's largest customer with about 50 billion cubic meters of natural gas imported in 2016.

The Nord Stream natural gas pipeline is in the "leading instrument" of this trade. With an annual capacity of 55 billion cubic meters, the Nord Stream is still the target of hard opposition by U.S. as well as some Eastern European countries, especially Ukraine. Russia wants to further reduce Ukraine's share in gas transit for the gas it sends to Europe and announced the Nord Stream 2 project as well in 2015. The project, planned to cost around 10 billion euros, is scheduled to deliver Germany via the Baltic Sea around 55 billion cubic meters of Russian gas annually. Nord Stream 2 AG, the Nord Stream 2 operator company, reported last month that preparations for the pipeline laying as part of the project were started by the overseas pipeline construction ship "Castoro 10." In addition to Russian energy giant Gazprom, the project also involves Western companies such as Shell, OMV, Engie, Uniper and Wintershall, despite the threat of sanctions from the U.S.

US President Donald Trump described Germany's oil and gas deals with Russia as "not very appropriate" in a statement he made in Brussels at the NATO Summit in July, saying, "Germany is paying a high price to Russia for energy. They are a prisoner of Russia." Kremlin Spokesman Dimitry Peskov criticized Trump's statement, accusing the United States of making pressure on Europe to sell its own liquefied natural gas (LNG). After his meeting with Merkel in Sochi at the beginning of July, Russian President Vladimir Putin said, "Trump is a good businessman and promotes the supply of American gas to the European market, but we will fight for the Nord Stream 2 project." Though Trump claims that Germany is a prisoner of Russia, the Russian gas accounts for only 10 percent of the German energy mix. In recent years, Berlin has invested huge amounts of money in renewable energy sources, providing energy diversity.

The frequent meeting of the German and Russian leaders gave impetus to trade relations between the two countries. Despite the stagnation in the Russian economy, trade volume between the two countries rose more than 20 percent over the previous year to 57 billion euros. Germany's exports to Russia rose by 20.2 percent to 25.8 billion euros at the end of last year, while imports from Russia rose by 18.7 percent to 31.4 billion euros in 2018 compared to the previous year. Thus, trade balance was 5.6 billion euros in favor of Russia due to Berlin's energy imports. Russia is one of the few countries where Germany is having a trade deficit.

French Total quits Iran's South Pars gas project

Anadolu Agency, *13.08.2018*

Total officially backed out of its contract with Iran, said the country's Oil Minister Bijan Namdar Zanganeh on late Monday.

According to the Iranian news agency Tasnim, Zanganeh said that Iran has begun plans to replace the French energy company with local businesses. The minister said that the efforts are underway to replace the French company with Iranian ones. The National Iranian Oil Company (NIOC) and a consortium of Total, China National Petroleum Corporation (CNPC) International.

Petropars signed the contract for developing phase 11 of the South Pars field in 2017 with Total's initial investment of $1 billion. However in May, Total announced that it would "not be in a position to continue" the project in Iran and would "have to unwind all related operations before Nov. 4, 2018 unless Total is granted a specific project waiver by the U.S. authorities with the support of the French and European authorities. The company said the decision was taken as a consequence of U.S. President Donald Trump's May 8 announcement of the U.S. withdrawal from the nuclear deal between Iran and world powers known as the JCPOA, and the re-imposition of sanctions against Tehran.

Lithuania enjoys LNG terminal with lower gas prices

Anadolu Agency, *20.08.2018*

Lithuania’s Independence LNG terminal, located in the port city of Klaipeda, has exposed the country to more diversified natural gas supply sources causing Russia to slash its gas prices by 50 percent, according to Audrius Bruzga, Lithuania's ambassador to Turkey.

Bruzga told Anadolu Agency in an exclusive interview that the Klaipeda LNG terminal is making a huge difference in breaking the formal gas dependence on Russia. "We have to pay less than before. Now we have alternatives. Ships are coming from quite a few countries such as the U.S., Norway, Russia, Nigeria, and Trinidad & Tobago," he said.

Bruzga said that in 2017, 45 percent of Lithuania’s gas needs came in the form of LNG of which 55 percent was imported from Russia via pipeline. He stressed that before 2014, the country was 100 percent dependent on Russian piped gas. But since the LNG terminal started operations, it has offered so much more than energy security to the point where the terminal could Lithuania to become a LNG hub in the region. "We should keep both options open. Our LNG terminal is just more than a ship. It’s definitely more than that. It’s energy security and it is also a new level in the developing economy. It brings know-how with it. Also, it brings a value-added economy," the ambassador said. Commenting on the country's plans for LNG distribution, he said, "It’s a big facility there, and we don’t need that much gas so we want to share it with other Baltic countries like Poland and perhaps with Sweden. Using this gas for vehicles is also another option. When you bring big capacities, you can distribute to local users and it’s much more cost-effective," he explained.

He also said that the country is open to LNG knowledge sharing with Turkey, which in turn could result in business development and investments. "We definitely would like to be a partner with Turkey with experience with its own terminals that it can share. Maybe together we can build new products and businesses," he said. In 2016, a Lithuanian LNG cluster and LNG Competence Center was established uniting national and international companies, academia and state institutions with the goal of developing competence, technology, innovation and business models for LNG applications in transport, energy, and the maritime sectors. Projects are being undertaken to use LNG’s cold energy for refrigerated terminals, LNG use for rail logistics, and geothermal power for LNG regasification. Bruzga cited Lithuania's electricity links with Poland and Sweden, which became operational in December 2015, as an example of collaboration and ensuing price advantages in the electricity sector that the country's gas market could emulate. These lines also allow connections between Lithuania and European markets.

"Lithuania enjoyed the advantages of these two lines. Energy flows both ways and depends on the price and needs of the course. When those two lines opened to Poland and Sweden, the prices dropped by around 15 percent," he said. Although progress has been made in becoming more energy independent, he explained that as Lithuania is still connected to the former Soviet electricity grid, they are currently not in a position to regulate the system as Russia still controls it. "That’s the last dependence on Russia, on the former Soviet bloc," he explained, but added that Lithuania targets a disconnection in 2025 when they are set to be connected to the European system. He disclosed that Lithuania signed an agreement on June 28 with Estonia, Latvia, Poland and the European Commission on the synchronization of the Baltic States’ electricity networks with the continental European Network via Poland. "The target is 2025. One line to Poland is not enough. We will need a second connection. There has been a study done on what is the most cost effective way of doing that. The European Commission is very much behind us," he said.

Shell to buy Total's 26pct equity in Indian LNG terminal

Anadolu Agency, *28.08.2018*

Total signed a binding Letter of Intent with Shell for the sale of 26 percent of its minority equity stake in the Hazira LNG regasification terminal in India, Total announced Monday.

The transaction remains subject to the approval of regulatory authorities, a press release said. The price of the sale was not provided. Once the transaction is completed, Shell will own 100 percent of the Hazira terminal in Gujarat state. The French energy giant also signed an agreement to sell 0.5 million tons of LNG per year to Shell over five years.

The deliveries will be sourced from Total's global LNG portfolio and are expected to begin in 2019, according to the statement. Philippe Sauquet, president of Gas, Renewables and Power at Total, said the equity sales deal enabled Total to capture value through an asset disposal, while the LNG sales contract allowed the company to maintain the balance of its LNG portfolio. "We remain committed to supply the Indian subcontinent, which is a key market experiencing strong growth in LNG demand," he added. Located in Gujarat's Surat district, the Hazira Terminal includes a LNG storage and regasification terminal within a fully functional port, and "regarded as a key foreign direct investment (FDI) project and represents one of the largest international investments in India in the energy sector," according to Shell's website.

Egypt to restart gas exports in January

Rigzone, *18.08.2018*

Egypt will resume natural gas exports in January, the country's oil minister said Wednesday, according to local media.

In an interview with news website El Watan, Tarek El Molla said Egypt would as of October halt gas imports, which were driven by low domestic output and growing demand for energy. The government hopes that production from a number of natural gas development projects offshore Egypt's northern coast will allow the country to resume exports. Among the online gas fields in the eastern Mediterranean.

The giant Zohr field is especially noteworthy with an estimated recoverable natural gas reserves up to 622.9 mmcfd. "It will be the beginning of self-sufficiency in natural gas, and we will begin to export the surplus in January 2019," the minister added. Natural gas production in Egypt has been in decline recently, dropping from a peak of 164.2 million cubic meters per day (mmcfd) in 2009 to 110.4 mmcfd in 2016, according to BP's latest Statistical Review of World Energy. A higher demand for energy driven by economic growth, increased use of gas to generate power, and energy subsidies resulted in the country becoming a net natural gas importer in 2015. The Zohr field currently produces 31.14 mmcfd, corresponding to about 200 thousand barrels of oil equivalent per day. Output is expected to increase to 56.6 mmcfd by the end of this year, and to reach 76.4 mmcfd by the end of 2019. Italy's Eni holds the largest stake in the Zohr gas field at 50 percent, with Russian Rosneft, BP, and U.A.E.'s Mubadala Petroleum owning 30, 10, and 10 percent stakes, respectively.

Offshore projects 'could' boost Egypt's gas production

Anadolu Agency, *23.08.2018*

Production from a number of natural gas development projects offshore Egypt's northern coast could help boost declining domestic output, according to the U.S.

The projects located offshore in the eastern Mediterranean Sea have "significantly" altered the outlook for the region's natural gas markets, the EIA said. "Production from these projects could offset the growing need for natural gas imports to meet domestic demand, according to the Egyptian government," it added.

Natural gas production in Egypt has been in decline, falling from a 2009 peak of 5.8 billion cubic feet per day (bcf/d) to 3.9 bcf/d in 2016, based on estimates in BP's Statistical Review of World Energy. "The West Nile Delta, Nooros, Atoll, and Zohr fields were fast-tracked for development by the Egyptian government and have begun production, providing a substantial increase to Egypt's natural gas supply," the EIA said. It underlined, however, that the country would likely still need to import some quantities of gas. "Although the government hopes the new discoveries coming online will allow the country to resume natural gas exports, imports will most likely still be needed to satisfy domestic demand, albeit at smaller volumes," it said. According to the agency, the Zohr field's estimated recoverable natural gas reserves of up to 22 trillion cubic feet (tcf) would make it the largest natural gas field in the Mediterranean, based on company reports gathered by data provider IHS Markit. The Zohr field is currently producing 1.1 bcf/d and is expected to increase to 2.7 bcf/d by the end of 2019, it said. According to the EIA, despite the fall in gas production in Egypt, demand for energy has grown, driven by economic growth, increased natural gas use for power generation, and energy subsidies, resulting in the country becoming a net natural gas importer in 2015.

"Faced with growing demand and declining supply, Egypt had to close its liquefied natural gas (LNG) export terminals [in December 2012] to divert supply to domestic consumption," it said, adding although LNG exports resumed in 2016, Egypt's net imports of natural gas continued to increase. Italy's Eni holds the largest stake at the Zohr gas field at 50 percent, with Russian Rosneft, BP, and U.A.E.'s Mubadala Petroleum owning 30, 10, and 10 stakes, respectively. As for the West Nile Delta, BP is the main operator and holds an 82.75 percent stake. DEA Deutsche Erdoel AG owns the remaining 17.25 percent.

India's oil demand growth to rise by 2035: Wood Mac

Rigzone, *27.08.2018*

India's oil demand is expected to grow by 3.5 million barrels per day (b/d) from 2017 to 2035, accounting for one-third of global oil demand growth, Wood Mackenzie said in a statement on Monday.

According to the statement, rising income levels drive India's demand, along with an expanding middle class and the growing need for mobility. "However, with only 400,000 barrels per day (b/d) of firm refinery capacity addition out to 2023, refinery supply will fail to keep up with demand growth," Wood Mackenzie highlighted.

Sushant Gupta, research director at Wood Mackenzie said in a statement that from the current balanced position, Indian public sector undertakings (PSUs) or refineries owned by national oil companies will become short on transport fuels at least until the 1.2 million b/d mega refinery, a proposed joint venture among Indian PSUs, Saudi Aramco and ADNOC, comes online. "We think the most likely situation is that India would need between 3.2 million b/d and 4.7 million b/d of new capacity out to 2035 to remain self-sufficient in transport fuels," he said and added that Wood Mackenzie is talking about a future capacity, which is 1.7 times to twice that of the current volume. "This is clearly an uphill task, unless domestic refiners can commit to their planned capacity additions," he explained.

Wood Mackenzie views uncertainties around oil demand as the biggest risk to new refinery projects. "Factors such as GDP growth, road infrastructure developments, electrification of the transport sector and fuel efficiency improvements could have very different implications for oil demand," the statement read. Another challenge is in choosing the right refinery configuration. According to Wood Mackenzie, new capacity in India needs to focus on increasing gasoline yields as gasoline to diesel demand ratio is expected to rise. Current refinery yields are highly weighted towards diesel.

PetroChina set to double output at Iraq oil field

Seeking Alpha, *14.08.2018*

The Halfaya oil field was discovered in Southeastern Iraq in 1976 in the Missan governate, and estimates point towards the field housing 4.1 billion barrels of oil in place (with a medium-grade API rating).

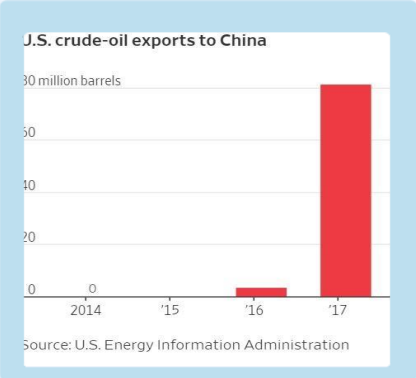
A petroleum licensing round in December 2009 awarded the contract to develop the Halfaya oil field to PetroChina Company Limited (NYSE:PTR) (the listed arm of China National Petroleum Corporation has a 37.5% stake in the endeavor and the operatorship), Total (NYSE:TOT) (France's oil major, 18.75% stake).

Petronas (Malaysia's state-owned oil & gas company, 18.75% stake), and Iraq's Southern Oil Company (its 25% stake is owned through the Missan Oil Company). At the time and possibly to this day, the Halfaya development is the largest overseas project PetroChina Corporation Limited has taken lead on. Let's dig in. PetroChina announced that the Halfaya oil field had reached first-oil by the June of 2012, which was 15 months ahead of schedule. During the first development phase, the field had a production capacity of 100,000 barrels of crude per day and was producing 92 MMcf/d of natural gas. Halfaya oil production is primarily exported while natural gas production (both methane and liquified petroleum gasses, butane and propane) is sold to domestic markets. Dry gas production is specifically allocated to power plants to improve the reliability of Iraq's electricity grid.

An interesting tidbit from the first development phase was this project saw Iraq's national oil company drill its first multilateral well, which was also a first of its kind for the nation. This showcases the transfer of expertise from oil majors like PetroChina, Total, and Petronas to the national oil companies they do business with.

LNG: China's biggest weapon in the trade war

Oil & Price, *15.08.2018*



President Donald Trump's first year in office must have been a pleasant surprise for Chinese President Xi Jinping. A successful state visit in Beijing and an apparent personal chemistry between the two leaders suggested a close relationship between the countries was brewing.

But President Trump's second year has turned that narrative on its head. The trade war between the two largest economies in the world has been intensifying of late, with both countries implementing a second round of tariffs on $16 billion worth of goods.

It has been one of Trump's main goals to reduce the U.S. trade deficit with China. The shale revolution in the U.S. has shrunk the deficit slightly, with China requiring ever-larger volumes of oil and gas to power its economy. In an attempt to avert a trade war, Beijing proposed to buy nearly $70 billion of American products of which LNG was an important part. The U.S. administration turned down the offer and chose instead to implement the first batch of tariffs, hoping to squeeze more out of China. After its proposal was denied by Washington, Beijing threatened to include oil in its list of tariffs, which obviously affected prices. However, the fundamentals of the oil market made the Chinese reconsider. China has seen a 200-fold increase in its import from the U.S. in the past two years (see below). Despite the impressive rise, it still accounts for just 3 percent of China's total imports. However, the light sweet characteristics of American oil compared to the medium sour of other suppliers and the discount at which it is being sold, makes it an attractive product. Other customers in the region could easily fill the gap created by Chinese customers meaning that the tariffs would affect Beijing more than the U.S.

It is another story for LNG. While oil is conspicuously absent from the proposed list of tariffs of present and possibly future products, LNG undoubtedly remains an option. China's shift towards more environmentally friendly policies and its goal of doubling natural gas to at least 12 percent of its energy mix, has made it quickly emerge as a significant player in the market. The potential LNG glut was forecast to persist until 2022, but Beijing singlehandedly changed the fortunes of producers with a massive increase in imports. China has already surpassed South Korea to become the second biggest importer of natural gas and, according to the IEA, the country is set to become the largest importer next year. The effect of tariffs on U.S. LNG could be significant as it would obviously raise the cost of transporting the super-chilled natural gas to Chinese customers. Despite American exporters being the sixth biggest supplier of LNG at the moment, impressive growth and overabundance of natural gas in the U.S. provide it with even more supply for global customers. For every 175 units being produced, just 100 are being consumed in America while 75 percent is available for export. Furthermore, the enormous potential of China in terms of growth makes it the most important future market for LNG. The situation seems ideal for both countries, but tariffs may soon change that. In the short-term, tariffs are likely to simply shift the global LNG market.

When China decides not to buy LNG from the U.S. and instead purchase from alternative sources, other consumers are likely to act in the opposite direction. However, the factors that made Beijing reconsider its threat regarding crude oil (the discount of U.S. product and higher quality) do not apply for LNG where the cost of transportation rises significantly with distance and quality is not an issue. When it comes to investment decisions, the current conflict could not have come at a worse time for the U.S. Several U.S. companies are competing to construct additional LNG facilities on the Gulf of Mexico, each of which will require years of construction. The imposition of tariffs on American LNG could delay a decision to construct gasification facilities while aiding competitors in other regions as most LNG is secured on long-term contracts. Besides the U.S., other major exporters such as Australia and Qatar are looking to expand their production capacity. Woodside Petroleum, Santos, and Oil Search are targeting the final investment decision on three projects worth $35 billion in Australia. Qatar intends to increase production from 77 million tons to 100 million. Russia, on the other hand, is on the brink of completing a multi-billion-dollar pipeline in the northeast with the second string under negotiations in the northwest. All producers are aiming for China and any decision concerning American LNG would strengthen their position.

The imposition of tariffs would significantly impact both the U.S. and China. in the short-term Beijing risks being exposed to supply crunches especially during the winter period. The U.S. on the contrary is shielded for the short-term due to long-term contracts. However, as decisions to expand export capacity have to be made in the near future, losing out on the most important LNG market is not reassuring for investors. Despite Donald Trump's claim, trade wars are dirty and risk damaging all parties. Energy trade between the U.S. and China is not an exception.

Slowdowns in China and India eat away at Asian oil demand

Reuters, *15.08.2018*

Oil demand from Asia's biggest importers, China and India, is growing more slowly than expected, exposing weakness in two of the world's largest economies and eroding a key pillar of global petroleum prices amid trade tensions. The two countries buy a combined 12 percent of the world's oil, and their growth has helped drive the recovery in oil prices since 2016.

Yet their shipped imports in July were about half a million barrels per day (bpd) below their Jaunary-June average of 12.4 million bpd, shipping data shows.

That has dragged down demand growth in Asia, despite inflated purchases ahead of U.S. sanctions on Iran and increased imports from Japan and South Korea as they struggle with record-setting heat waves. Shipping data shows annualized growth in demand from Asia's five largest oil importers - China, India, Japan, South Korea and Taiwan - fell from more than 3.5 percent in 2016 to around 2 percent so far this year. "Everything is weakening, but from a pretty elevated level," said Jeff Brown, president of energy consultancy FGE. Traders expect growth to slow further as the Iran sanctions take hold, the trade spat between the United States and China escalates, and as Asia's emerging markets show signs of cooling.

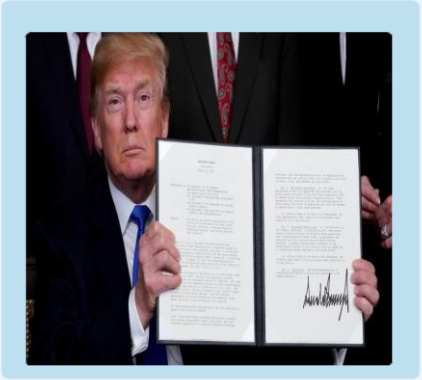
"Any further escalation in the trade conflict between them is clearly an important downside risk and could lead to a further slowdown in oil demand growth for 2019, leading to a downward pressure on oil prices," said Sushant Gupta, research director at energy consultancy Wood Mackenzie. Renewed U.S. sanctions against major oil exporter Iran, which from November will target the petroleum sector, are expected to disrupt the market. Iran's oil exports peaked at almost 3 million bpd in May this year, but they have since fallen to around 2 million bpd as Asian buyers, including Japan, South Korea and India, began to shun its crude ahead of the sanctions. The effects of the economic slowdown will take time to manifest, but analysts say investors are already becoming cautious. China's investment growth in the first seven months of the year slowed to a record low of 5.5 percent, data showed this week.

Charters of super-tankers from the Middle East, on which Asia heavily relies to meet its oil demand, are dipping, according to ship brokerage Banchero Costa. "If you look at pure economic figures, the impact of the tariff disputes is still quite small, perhaps 0.5 percent of GDP growth. But the impact on investment mood is starting to show," Brown said. World trade volume growth peaked in January at almost 5.7 percent year-on-year, but fell to less than 3 percent by May, according to the Netherlands Bureau for Economic Policy Analysis. Trade tensions with the U.S. have weakened currencies in emerging markets as investors pull cash out of countries like India and China and convert it to U.S. dollars, which are still seen as a safe haven. Weaker currencies in Asia and tariff-suppressed trade slows economic growth, reduces purchasing power, and eventually hits fuel demand. Although Brent crude oil LCOc1 has become about 8 percent more expensive this year in dollars, the price increase has been 14 percent in China's renminbi CNY= and more than 18 percent in Indian rupees INR=.

"The high crude prices appear to have been taking a toll on demand," said Sukrit Vijayakar, Director of Indian oil consultancy Trifecta. Japan and South Korea, where summer consumption was bumped up by an unusual heat wave, jointly imported around 6.3 million bpd of crude in July, compared with an average of 6 million bpd in the first half of the year. Australia, another rich economy in the region, has also seen strong demand, importing an some 370,000 bpd in July, up from an average of 333,000 bpd in the first half of the year. But the increases matter little when weighed against China's tanker imports, which fell from more than 8 million bpd during January and June to about 7.3 million bpd in July. Shipping data suggests July oil imports into China, India, Japan, South Korea and Taiwan were around 19 million bpd. Although that's slightly above June, it's below the figures for April and May. It's also some way off a record of more than 20 million bpd from April 2016. Should the global economic outlook darken further amid trade disputes and emerging market turmoil, oil demand in Asia could worsen. "When you have all these factors like tariff disputes and weakening emerging market currencies, it's going to hurt sentiment," said FGE's Brown.

China is thirsty for American liquefied natural gas, but Trump's tariffs are messing it up

Washington Examiner, *15.08.2018*



America is blessed with an extraordinary opportunity. China is an emerging great economic power, and that should be good news, because in order to maintain its economic dynamism, China must recognize that the United States is in a remarkable position.

China's rising hunger for more oil and natural gas from a secure source of supply means that it will depend more on energy exports from the United States. But the flip side of the coin is that the U.S. also needs China as a major trade partner.

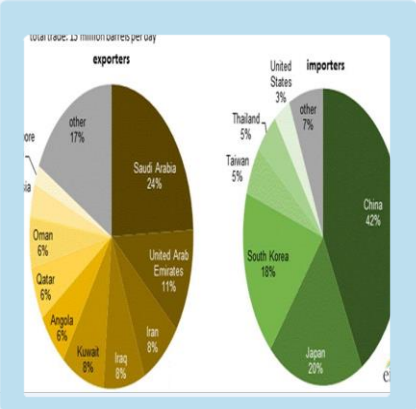
Especially for U.S. liquefied natural gas, a critically important energy resource. So much natural gas is being produced in the prolific Permian basin in West Texas and New Mexico that it's currently selling at below breakeven prices. Energy experts estimate that the Permian may hold 500 trillion cubic feet of natural gas, which could supply more than 50 years' worth of gas. Because this is associated gas that comes from the production of oil, a major market for the natural gas is needed to enable further oil production. Without a market like China, energy production in Texas's Permian and Eagle Ford Regions (which together produce more oil than either Iran or Iraq) would be disrupted. China craves U.S. natural gas, and it has emerged as the most important and fastest-growing market for America's LNG. China needs the gas to sustain economic growth and reduce air pollution from the burning of coal for electricity production. Chinese companies have shown their willingness to pay a higher price than their European counterparts for the security of LNG supply.

Eager to obtain LNG, Chinese companies are investing billions of dollars in new Gulf Coast terminals and tankers to support the shipment of LNG to China. The U.S. Energy Information Administration projects that China's demand for natural gas in the coming decades will grow the fastest worldwide, nearly tripling to 57 billion cubic feet a day by 2040. However, there is a fly in the ointment. President Trump recently announced plans to impose a 10 percent tariff on $200 billion worth of Chinese goods. In retaliation, China said it would impose a 25 percent tariff on U.S. LNG if the Trump administration goes ahead with its threat to escalate a trade war. Much of the U.S. LNG destined for shipment to China could wind up going to other countries, such as Japan and South Korea, but a trade war could undercut the competitiveness of American LNG and the new export terminals planned for the Gulf Coast. Instead of buying American LNG, China could purchase it from Australia, Qatar, and other exporting countries.

Trump should rethink his harmful protectionist trade policies that have already hurt U.S. energy companies through earlier U.S. tariffs on steel, which have raised the cost of building facilities like LNG terminals, gas processing plants, and pipelines. Energy trade with China is in our economic interest, providing significant benefits for both countries. Natural gas trade, with its expensive infrastructure and long-term contracts, tends to naturally tie suppliers and customers together. Fueled by economic growth and the desire for cleaner air, natural gas consumption in China is reaching new peaks. As a business proposition, shipping American LNG to China could be worth hundreds of billions of dollars in the years ahead. Let's not allow political disagreements over trade and a damaging trade war to jeopardize access to the world's greatest market for America's abundant LNG.

South China Sea 'major' trade route for crude oil

Anadolu Agency, *28.08.2018*



More than 30 percent of global maritime crude oil trade, or about 15 million barrels per day (b/d), passed through the South China Sea in 2016, the U.S. Energy Information Administration (EIA) said Monday.

"More than 90 percent of crude oil volumes flowing through the South China Sea in 2016 transited the Strait of Malacca, the shortest sea route between suppliers in Africa and the Persian Gulf and markets in Asia, making it one of the world's primary oil transit chokepoints," the agency said. In addition, a significant amount of crude oil (about 1.4 million b/d) passes through the strait on its way to Singapore.

And the west coast of Peninsular Malaysia, where it is refined before transiting the South China Sea in the form of petroleum products, it added. According to the EIA, the South China Sea is a major trade route for the Middle East, which accounted for more than 70 percent of total South China Sea crude oil shipments in 2016. "Saudi Arabia is the largest source of crude oil, making up almost one-fourth of crude oil volumes traversing the South China Sea. More than half of Saudi Arabia's global crude oil shipments traveled through the South China Sea in 2016," it said, adding the route also accounted for 52 percent of Iran's crude oil exports in 2016. According to the statement, the three crude oil importers with the largest volumes passing through the South China Sea—China, Japan, and South Korea—collectively accounted for 80 percent of total crude oil volumes transiting the South China Sea in 2016.

About 90 percent of China's 2016 maritime crude oil shipments were transported through the South China Sea while about 90 percent of the crude oil imported by Japan and South Korea was shipped through the same route. "Most of Japan's and South Korea's imports are from Middle Eastern suppliers and are transported through the Strait of Malacca and then the South China Sea," the EIA added. Beijing claims nearly all of the South China Sea, which is one of the hotly contested regions in the world. Southeast Asian nations Brunei, Malaysia, the Philippines, Taiwan and Vietnam have overlapping claims on the waters. In 2016, the Permanent Court of Arbitration in The Hague concluded that Beijing's claims to areas of the resource-rich sea have no legal basis. The arbitration was launched by the Philippines, whose "sovereign rights" it said China had violated. China rejected the ruling. Artificial islands in the South China Sea and China's military operations in the region are a continued source of tension between the U.S., China and regional countries.

Trade war may push China to Russian energy

Oil & Price, *16.08.2018*

Although China has backpedaled on proposed tariffs on U.S. crude imports, the move is indicative of its need to diversify sources and steps may now be taken to enable China to play the oil card in the future – including imports from Iran despite sanctions, and drawing closer to Russia.

Asian oil refiners have been rushing to secure crude supplies in anticipation of an escalating trade war between the United States and China. Last week, Dongming Petrochemical, an independent Chinese refiner said;

It has halted crude purchases from the U.S. and turned to Iranian imports amid escalating trade tensions between Beijing and Washington. U.S. crude oil exports to China reached 400,000 barrels per day (bpd) at the beginning of this July, but Beijing has recently threatened a 25 percent duty on imports of U.S. crude as part of its retaliation for Trump’s latest round of tariffs on US$34 billion worth of Chinese goods. In addition, Iran’s foreign minister said on 3 August that China was “pivotal” to salvaging a multilateral nuclear agreement for the Middle Eastern country after the United States pulled out. A reshuffle of crude oil exports to Asia is possible, with China vacuuming up much of the Iranian oil that other nations won’t buy because of the threat of U.S. sanctions.

China, India, Japan and South Korea together account for almost 65 percent of the 2.7 million barrels a day that Iran exported in May. The U.S. has been lobbying these countries and other multinational oil giants to cut crude purchases from Iran to zero by November, the deadline for re-imposition of the secondary sanctions. In view of the current trade disputes with the U.S., China has reacted defiantly to U.S. sanctions banning business ties with the Islamic republic. This could be the determining factor in helping Tehran withstand the sanctions on its vital energy industry. With China turning to Iran, U.S. oil would start flowing in greater amounts to other leading importers in the region, such as Japan and South Korea. In Japan, the oil industry has yet to respond to this issue publicly. The Petroleum Association of Japan previously warned refiners that they will have to stop loading Iranian crude oil from October onward if Tokyo doesn't win an exemption on U.S.-Iran sanctions. However, this past weekend, South Korea's embassy in Iran rejected media reports that the country had suspended oil purchases from Iran under pressure from the U.S. Whether Japan and South Korea would seek more crude imports from the U.S. remains to be seen. The sanctions imposed on Russia from the West, as well as the trade tensions between China and the U.S., may provide even more room for energy cooperation between China and Russia. Russia's sour relationship with the West forces it to look for new trade and investment partners, which could include China and countries in the Middle East. Russia has already become Beijing's single largest crude oil supplier, exporting crude oil worth US$23.7 billion to China in 2017. Now with Beijing possibly cutting imports from the U.S., Russia may seek to export even more crude oil to China.

On 19 July, China received the first ever liquefied LNG cargo from Russian natural gas producer Novatek via the Northern Sea Route (NSR) alongside the Arctic coast. The $27 billion Yamal project is the world's largest Arctic LNG project and the first large-scale energy cooperation project to be implemented in Russia after the "Belt and Road" initiative. China's National Energy Administration said China National Petroleum Corp (CNPC) will start lifting at least 3 million tonnes of LNG from Yamal starting in 2019. Therefore, it's highly possible that China and Russia will deepen their cooperation in liquefied natural gas (LNG) trade despite U.S. sanctions.

In addition, according to an anonymous Russian government official, Russia is ready to invest US$50 billion in Iran's oil and gas sector amid mounting pressure from the U.S. to economically and diplomatically isolate Tehran. Russia's energy minister Alexander Novak said that Moscow was interested in developing an oil-for-goods program that would allow Iranian companies to buy Russian products in exchange for oil contracts to be sold to third world countries. This was evidence of Russia's consistent strategy of using its strong oil and gas industry to meddle in Middle East issues. Under the current situation, even though China may somehow reach an agreement with the U.S. promising that it will cut oil imports if the U.S. is willing to reduce the trade tariffs, in the short-term China is still likely to get Russia on its side in defiance of the U.S. oil campaign.

Announcements & Reports

► *Appalachia, Permian, Haynesville drive U.S. natural gas production growth*

Source : EIA
Weblink : https://www.eia.gov/todayinenergy/detail.php?id=36934

► *Monthly Energy Review*

Source : EIA
Weblink : https://www.eia.gov/totalenergy/data/monthly/

► *Natural Gas Weekly Update*

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

► *Economic Diversification in the Context of Peak Oil and the Energy Transition*

Source : OIES
Weblink : https://www.oxfordenergy.org/publications/economic-diversification-context-peak-oil-energy-transition/

► *What to Make of Saudi Arabia's Recent Shift in its Output Policy?*

Source : OIES
Weblink : https://www.oxfordenergy.org/publications/make-saudi-arabias-recent-shift-output-policy/

Upcoming Events

► *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

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► *17th ERRA Energy Investment and Regulation Conference*

Date : 09 - 10 October 2018
Place : Turkey - Antalya
Website : https://erranet.org/conference/investment-conference-2018/

► *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/