Oil & Gas Bulletin

► *07.09.2018*

Turkey to start natural gas trade system

Anadolu Agency, *31.08.2018*

EPIAS, Energy Stock Exchange Istanbul, will launch its spot natural gas trade system on the energy stock exchange on Saturday, according to EPIAS on Friday.

As part of Turkey's efforts to become a natural gas trading hub, EPIAS developed a software system to allow natural gas trading via an electronic platform. After the successful completion of a five-month testing phase, the system will officially go online. The new spot natural gas market system will determine the natural gas prices for the day-ahead markt.

The system price will be set by matching offers from suppliers with corresponding bids from market players to develop a supply and demand equilibrium price. Participants will be able to trade at least 1,000 cubic meters of natural gas per day. On July 27, EPIAS began to publish natural gas transmission data through its online transparency platform. It also started to share transport nomination, virtual trade, capacity, reserve, actualization and stock amounts, on a daily basis. Previously, on April 1, EPIAS launched online testing of its spot natural gas trade system on the energy stock exchange to improve the electronic system, before it goes officially online. Former Turkish Energy Minister Berat Albayrak said late last year that Turkey would take concrete steps to utilize its geopolitical position near oil and gas-rich countries in the Middle East, Caspian and Central Asia to become an energy-trading hub. Albayrak affirmed that Turkey's geopolitical position could play a crucial role in projects to diversify energy resources and transportation routes and fill the gap in the inactive energy market in southeastern Europe.

TurkStream gas pipeline project on schedule: Gazprom

Anadolu Agency, *06.09.2018*

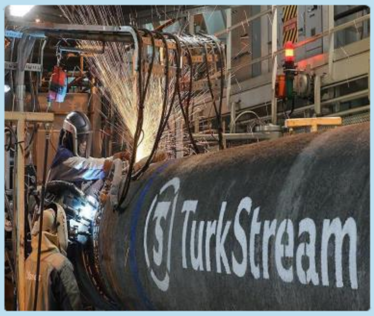
The TurkStream natural gas pipeline project is progressing according to schedule, developer Gazprom announced late Wednesday.

At a Gazprom management committee meeting on Wednesday, the committee reviewed the current status of the TurkStream project. They confirmed that the deep-water pipelaying for the offshore part of the gas pipeline's first string was completed in the Black Sea, along with the construction of the second string in Russia's exclusive economic zone.

The committee noted that on June 26, 2018, the Pioneering Spirit pipelaying vessel started to lay the second string in Turkey's exclusive economic zone. "As of today, over 1,520 kilometers of the two strings are ready, which translates into about 81 percent of the overall length of TurkStream’s offshore section," Gazprom said. The Russian company said at the meeting, particular attention was paid to efforts undertaken on the coasts of Russia and Turkey. "It was highlighted that the landfall near the Russian town of Anapa had been completed and the continuing start-up and commissioning operations would be finished in 2018 together with landscaping. In addition, a receiving terminal is being constructed in the coastal area near the Turkish settlement of Kiyikoy," the committee shared. Gazprom said the management committee was instructed to continue working towards the implementation of the TurkStream project until its scheduled commissioning at the end of 2019. The TurkStream pipeline plans to carry 31.5 billion cubic meters of natural gas to Turkey and Europe from Russia.

80 percent of Turk Stream project complete: Gazprom

Anadolu Agency, *30.08.2018*



Gazprom laid down 1,500 kilometers of TurkStream running through the Black Sea from Russia to Turkey. gas pipeline across the two lines, corresponding to about 80 percent of the total length of the pipeline, Gazprom CEO Alexei Miller said Thursday.

Miller’s comments came during a conference call dedicated to the day of workers in the oil and gas industry, according to a statement from Gazprom subsidiary and project developer South Stream Transport B.V. based in Amsterdam.

It is consisting of two 930 km lines with a capacity of 15.75 billion cubic meters each. The first line is intended for gas supplies to Turkish consumers, while the second is to supply gas to south and southeastern Europe. The pipeline, which will proceed into Europe either through Bulgaria and Serbia or through Greece and Italy, will become operational at the end of 2019. The world's largest construction and heavy-lift vessel, Pioneering Spirit, which is currently laying the second line of the project, set a new world record in offshore pipelaying on Sunday. Gazprom said on its official Instagram account on Monday that the vessel, which belongs to the Allseas company, laid 6.27 kilometers of pipes per day on Aug. 26, surpassing the average 4 kilometers per day. The first line of the TurkStream reached the Turkish shore off Kiyikoy in northwestern Turkey on April 29.

Turkey to offer more gas export capacity to Greece

Argus Media, *05.09.2018*

Turkey's state-run gas firm Botas plans to offer gas export capacity to Greece to private-sector firms.

Technical capacity at the Ipsala exit point, at the border with Greece, is 4.6mn m³/d but only 2.4mn m³/d is booked and used by Botas. Botas, which is also the system operator, plans to offer up to all of the 2.2mn m³/d of unused capacity towards Greece to private-sector firms starting from 2019. Technical entry capacity of 4.6mn m³/d on the Greek side is already available at auctions held on the RBP.

Operator Desfa allocated capacity of about 2.5mn m³/d for the 2018-19 gas year at the reserve price of 52.6¢/MWh at an auction held on 20 August, leaving over 2.1mn m³/d available for shorter-term bookings. Auctions for the following gas years have not been held. The Turkish operator is working with Greece's Depa to finalise an agreement on the mechanism for capacity auctions by the end of December. Botas has a 750mn m³/yr export agreement with Greece, which expires in 2021. Turkey exported 631mn m³ to Greece under the supply contract in 2017, down from 675mn m³ a year earlier, Turkish regulator EPDK data show. Greece expects to receive supply from additional sources in the coming years that could make renewal of the Botas supply contract unlikely, leaving more capacity unused. Depa has a supply agreement for 1bn m³/yr with the BP-led Shakh Deniz coalition for Azeri gas deliveries via the Trans-Adriatic Pipeline (Tap), which is under construction and due to start commercial operations in 2020, although gas could be delivered to Greece as early as 2019.

Greece is Turkey's only export destination. Seven companies are licensed for exports to Greece, but Botas is the only firm that holds the capacity and exports. Turkish regulator EPDK has the authority to publish export capacity available for booking at exit points, according to an amendment in the gas network code published earlier this year. Export capacity bookings can be for a full gas year or less, according to the code. Botas is also in talks with Bulgartransgaz for export capacity to Bulgaria and plans to reach an agreement within the next year. Bulgaria-Turkey gas capacity expanded to 15.7bn m³/yr as of August from 14bn m³/yr following the expansion of infrastructure on the Bulgarian side. This will also enable physical reverse flows to Bulgaria if Turkey modifies its existing infrastructure. Botas may offer some 13.2mn m³/d of capacity towards Bulgaria after the infrastructure is in place, the firm's capacity projections suggest.

Turkey’s Dortyol LNG may receive a cargo this month

Argus Media, *05.09.2018*

ITurkey's second floating storage and regasification unit (FSRU) in Dortyol may receive its first cargo in September, after several months of delays.

The first delivery to the terminal was previously expected in June, following Turkish state-owned gas firm Botas' test operations in May. Dortyol, which has an LNG sendout capacity of 15.1mn m^3/d, will be run mostly during winters when Turkey's demand typically surges. Botas has not made a decision over its spot LNG imports for the coming winter and is considering the offers it has so far received.

Any spot purchases would be on top of its term LNG supply from Algeria and Nigeria, as well as its short-term contractual take under a three-year deal with Qatar's state-controlled Qatargas that started in October. Botas had already taken 1.1bn m^3 of its Qatari supply earlier this summer. And Turkish pipeline receipts from Azerbaijan's Shakh Deniz field through the 16bn m^3/yr Trans-Anatolian Pipeline (Tanap), which started at the end of June, are curbing the country's need for LNG.

Israel's ratio oil expected to sign Philippines exploration deal

Reuters, *04.09.2018*

Israel's Ratio Oil Exploration is expected to sign a long-awaited deal on Tuesday to search for oil and gas in the Philippines, a spokesman for Philippines President said.

Ratio was not available for immediate comment. The company in 2015 was one of a number of foreign firms to be awarded an exploration deal. Ratio won the so-called East Palawan block, a 416,000-hectare oil and gas prospect off of Palawan, a southeastern province near the South China Sea. But the award was delayed due to legal issues involving a previous exploration contract covering that block.

Duterte is visiting Israel this week. During his visit, Israel and the Philippines signed an agreement promoting foreign investments between the two countries.

Iraq's Southern oil exports rise to new high in August

Oil & Price, *03.09.2018*

Iraq set a new record for oil shipments from its southern ports in August, sending out 3.583 million bpd of oil last month and beating the July record of 3.543 million bpd, data by Iraq's oil ministry showed over the weekend.

Iraq, OPEC's second-largest oil producer after Saudi Arabia, has been boosting its oil exports since June, after OPEC and its Russia-led non-OPEC partners in the deal agreed to reverse some of their production cuts—or as they frame it, to ease compliance rates to 100 percent. Iraq's federal government exported 3.583 million bpd in August.

Total of 111,061,618 barrels from central and south Iraq, reaping a total of US$7.73 billion in revenues at the price of its oil averaging US$69.593, the oil ministry quoted the Iraqi State Oil Marketing Organization (SOMO) as saying this weekend. Iraq's exports from the south were set on a record pace in August, judging from the high levels of exports in the first 19 days—around 3.7 million bpd, an industry source who compiled ship-tracking data told Reuters earlier this month. Iraq has been ramping up exports from its southern ports not only in a sign that OPEC's second-largest producer is following through with the cartel's decision to ease compliance rates, but also to compensate for lost exports in the north. 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 October to take control over the oil fields in Kirkuk from Kurdish forces. The dispute between Iraq's federal government and the Kurdish Regional Government (KRG) over oil exports via Turkey has yet to be resolved.

Kurdish Regional Government saw its August oil exports from the Turkish Mediterranean port of Ceyhan surge by 40 percent compared to July's 320,000 bpd exports, sources in the Kurdish region to S&P Global Platts. Kurdistan exported a total of 445,000 bpd from Ceyhan in August, of which 370,000 bpd was by way of the KRG's independent pipeline through Turkey. The remainder was drawn from storage at Ceyhan, according to Platts' sources.

Iraq's oil exports exceed 111 million barrels in August

Oil & Price, *03.09.2018*

Iraq exported 111.06 million barrels of crude oil last month, up from around 109.86 million in July, marking an increase of 1.09 percent, according to the Oil Ministry.

In a statement on Saturday, the ministry said the revenues from August exports stood at $7.72 billion based on preliminary figures released by the state oil-marketing firm SOMO. Ministry spokesman Assem Jihad said the daily rate of exports amounted to 3.58 million barrels on average in August. He added that the average price per barrel amounted to $69.59 last month, compared to $68.56 in July. Iraq is OPEC's second largest oil producer after Saudi Arabia.

The figure did not include any exports from the oil fields in the northern province of Kirkuk, where oil activity remains halted since Iraqi forces took over the facilities in response to last September's illegitimate referendum for independence of the Kurdish Regional Government from the central government in Baghdad.

Qatar cuts August crude oil prices to Asia

Reuters, *04.09.2018*

Qatar has set the August retroactive official selling price (OSP) for its Marine crude at $72.90 per barrel, down from $73.55 a barrel for the previous month, a document issued by the company and reviewed by Reuters on Monday showed.

That set the August OSP differential for Qatar Marine at 41 cents a barrel above Dubai quotes, 2 cents lower than a month ago. Qatar also set its August Qatar Land crude OSP at $74.00 a barrel, down from $75.25 for the previous month. That put August Qatar Land crude OSP's differential at $1.51 above Dubai quotes, down 62 cents.

A trader said the price adjustment for Qatar Marine was in line with market expectations but that for Qatar Land could have been lower as the light grade traded at discounts of up to 75 cents a barrel last month.

OPEC's August production rises

Oil & Price, *31.08.2018*

OPEC's oil production for the month of March was 220,000 barrels per day higher than July volumes, a Reuters survey showed on Friday.

Oil prices bristled at the news, and started to slip off August highs. At 11:44am, WTI was trading down 0.46% to $69.93, with Brent falling 0.26% ($-0.20) to $77.82. Both benchmarks are still up on the month. The prices fell despite the fact that OPEC announced it would lift production at its meeting in June 22, saying it would reduce compliance to the production cuts to 100% after months and months of overcompliance and under-production which tightened the market.

Iraq is the largest overproducer, and Saudi Arabia increased production from 10.40 million bpd in July to 10.48 million bpd in August. OPEC is struggling to offset supply drops in Venezuela, which once again lowered production well below its quota, from 1.42 million bpd in July to 1.38 million bpd in August. Further losses are expected in Venezuela as it struggles under the weight of socialist leader Nicholas Maduro and a catastrophic economic situation causing thousands of Venezuelans to flee across the border. Venezuela's compliance to the production cut deal is now 723%. Iran's underproduction, largely due to restricted exports courtesy of the upcoming US sanctions, is also weighing on OPEC's overall figures, with its production falling from 3.70 million bpd in July to 3.55 million bpd in August. Further production cuts are expected in Iran as well as sanctions near. Angola is also underproducing, this month falling to 1.38 million bpd in August from 1.42 million bpd in July. OPEC's biggest hopes in making up for lost production in Iran and Venezuela are the cartel's biggest heavyweights, Saudi Arabia and Iraq—the latter of which is loudly chomping at the bit to increase production as OPEC has yet to determine exactly how the production increases will be divvied up between its members.

Saudis boosted oil production to 10.424 million bpd in August

Platts, *31.08.2018*

Saudi Arabia will report to OPEC that its crude oil production in August averaged 10.424 million bpd, up from the July levels, S&P Global Platts reported on Friday, quoting an OPEC source.

Saudi Arabia supplied 10.467 million bpd to the market in August, the source said, which points to the Saudis drawing on stored oil to supply more crude to the market than it pumped. The Saudi production number for August would be 136,000 bpd higher than Saudi Arabia's self-reported 10.288 million bpd, and according to Platts' source, the August production reflected customer demand for Saudi crude.

Despite its pledge to boost crude oil supply to offset supply disruptions, Saudi Arabia's oil production in July slipped by 52,800 bpd from June to average 10.387 million bpd, according to the secondary sources in OPEC's closely watched Monthly Oil Market Report. The Saudis themselves reported an even lower production number, at 10.288 million bpd, Saudi Arabia self-reported to OPEC that its crude oil production dropped by 200,500 bpd from the production it had reported for June. Before the OPEC data for July was out, there were contradicting numbers about Saudi oil production, with many polls predicting that OPEC's biggest producer had likely pumped at near record-high levels, while Saudi and OPEC sources claimed that production actually dropped and was nowhere close to records. Analysts have said that one reason for the lower production in July was that Saudi Arabia didn't see demand for its crude oil as high as it had expected earlier.

According to Platts' source at OPEC on Friday, the lower Saudi production in July was also attributed to the temporary suspension—for more than a week through August 4—of Saudi crude cargo shipments via the Bab el Mandeb chokepoint in the Red Sea after a Houthi attack on two Saudi tankers near the port of Hodeidah. Official OPEC figures for August production are due out on September 12 in the next MOMR. This week, OPEC's Joint Ministerial Monitoring Committee (JMMC) found that OPEC and its non-OPEC partners in the production cut deal achieved 109 percent compliance in July, compared to 121 percent in June, meaning that they have been boosting production to reach their goal of easing compliance rates (cuts) and reach 100 percent compliance. The next meeting of the monitoring panel will take place in Algiers on September 23, at which the committee "will review the plan for monitoring overall market fundamentals and conformity levels for the remainder of 2018, as well as the framework of cooperation to be established in 2019 and beyond," OPEC said on Thursday.

Saudi Arabia promised more oil. So why are prices rising?

New York Times, *04.09.2018*

When major oil producers last met in Vienna, they said they would curb rising prices by ramping up production. Why, then, are oil prices still going up?

Officials from the Organization of the Petroleum Exporting Countries, and other major oil producers like Russia pledged last month to increase total output by around 1 percent of the global oil supply. President Trump has pressed the issue further, repeatedly calling for lower oil prices. Yet prices have remained stubbornly high. The price of Brent crude has risen more than 20 percent so far this year, to around $78 a barrel.

Saudi Arabia is under pressure to quickly increase its production of oil, but those increases may not be enough to offset declines in three countries grappling with crises: Iran, Libya and Venezuela. The Trump administration has softened demands that countries like China and India end all imports of oil from Iran. But Mr. Trump has nevertheless sought to line up support against Tehran as the United States prepares to reimpose sanctions on its energy sector. At present, Iran exports around two million barrels of oil a day, equivalent to about 2 percent of global supply. But the United States wants to drastically curb Tehran's ability to sell its natural resources, eating into any additional supply from Saudi Arabia, Russia or elsewhere. "The administration is posturing, to a certain extent, with this hard-line position," said Andrew Keller, a former state department sanctions expert who is now a partner at the law firm Hogan Lovells. Still, analysts have been increasing their estimates of how far Iranian crude exports are likely to fall, from a few hundred thousand barrels a day to around a million. A loss in the upper end of that range would wipe out much of the added supply that oil producers had promised in Vienna.

That looming outage is far from the only potential disruption weighing on the oil markets. Venezuela, once a major producer, has nearly halved output, to less than 1.4 million barrels a day, as its economy has cratered and international sanctions have been imposed on the country. Further declines seem almost certain. Fighting among various armed factions in Libya, meanwhile, has meant that the North African country will not be able to supply around 850,000 barrels a day, most of its output. "It is almost turning into a geopolitical perfect storm for the oil markets," said Helima Croft, an analyst at RBC Capital Markets, an investment bank. It will be tough for Saudi Arabia, she added, "to bridge the gap caused by Venezuela, Iran and now Libya." Long-running production cuts by OPEC and Russia have drained once-brimming storage tanks to more normal levels. That means that any threats to output have a bigger effect on oil prices.

With the world economy growing and demand for energy on the rise, “prices can skyrocket well past $100 a barrel,” unless supplies are quickly found to meet any potential outages, analysts at the oil and gas consultancy FGE wrote in a note to clients. Saudi Arabia is already preparing to replace the falling supplies from Iran and elsewhere — Saudi exports increased substantially in June, while storage levels also rose, according to analysts at Kayrros, a Paris-based firm that monitors oil industry activity using satellite data. Russia is increasing its own exports. But there is skepticism as to how much either country can do, and for how long. Riyadh claims to have two million barrels a day of spare production capacity, but analysts say the kingdom can realistically add only about one million barrels to its daily output without additional drilling. Most forecasters agree that a substantial global buffer now exists, but that it could be stretched in the future. Wood Mackenzie, an energy consultancy, estimates global spare capacity to be 2.5 million barrels a day of additional production, most of it in OPEC.

Threats to production in Iran, Libya and Venezuela eat into that potential, and Nigeria’s supplies are also vulnerable to strikes by workers and other issues. The oil market’s increased dependency on crude exports from the United States poses its own risks, because Gulf Coast ports can be shut down by hurricanes in the summer and the fall. Mr. Trump has, for example, been unusually vocal for an American president in trying to push gasoline prices down by asking King Salman of Saudi Arabia to increase production. But analysts say Iran’s reaction to renewed United States sanctions could affect the market’s dynamics even more. If the country’s oil exports sink below one million barrels a day, the situation could “get really dangerous,” said Homayoun Falakshahi, an Iran energy analyst at Wood Mackenzie. Iranian officials have been vocal about the dangers. In a telephone interview from Tehran, Hossein Kazempour Ardebili, a high-ranking Iranian oil official, warned that prices could rise to $100 a barrel, or even $140 a barrel, unless tensions were cooled down. “You better keep the market away from politics,” he said.

Pipelaying for Nord Stream 2 starts in Gulf of Finland

Anadolu Agency, *06.09.2018*

Pipelaying for the Nord Stream 2 gas pipeline project started on Wednesday in the Gulf of Finland, according to an announcement from developer Nord Stream 2 AG.

The 300-meters-long and 41-meters-wide vessel will lay pipes around the clock, seven days a week. The company said that prior to the project's pipelaying phase, the offshore pipelay vessel, Solitaire, was equipped and tested to meet the project’s strict requirements while working in the congested Finnish exclusive economic zone.

Safety operations in cooperation with the Finnish Transport Agency and Border Guard were agreed, the company said. "Pipelay works are carried out in compliance with the national permit provisions and overseen by the national authorities," the company added. "Nord Stream 2's construction plan takes into consideration different construction conditions, in particular environmental requirements. Solitaire, for example, uses a dynamic positioning system with thrusters to position itself accurately. It is thus only the pipeline that touches the seabed. Using a vessel operating without anchors ensures additional safety in the congested Gulf of Finland," the company explained. The Nord Stream 2 will carry Russian natural gas to the European market through the Baltic Sea. The pipeline plans to carry 55 billion cubic meters of natural gas from Russia to Germany.

Total to sell interest in Canada oil sands project

Anadolu Agency, *31.08.2018*

Total, together with its partners, has agreed to sell the Joslyn oil sands project in Alberta, Canada, to Canadian Natural Resources Limited (CNRL) for an overall consideration of CAN$225 million, the company announced Friday.

Total has a 38.25 percent interest in the project as the operator. The other partners are Suncor Energy Joslyn Partnership (36.75 percent), Joslyn Partnership (15 percent) and Inpex Canada Ltd (10 percent). A press release said that following the oil price fall in 2014.

"Therefore, activities have since been limited to fulfilling regulatory requirements and ensuring the safety of the site," it added. Total Chairman and CEO Patrick Pouyanne said the sale was in line with the company's global strategy to focus its oil investments on "low breakeven resources and develop a resilient portfolio in the mid and long term". "It is also consistent with the gradual reduction of our stake in the Fort Hills oil sands project in 2017," he added. According to the statement, Total has been present in Canada's upstream since 1999. The group holds a 24.58 percent interest in Fort Hills, and a 50 percent interest in the Surmont project, an asset in the Alberta oil sands region. In 2017, the group's production in Canada was 59,000 barrels of oil per day. Canadian Natural is a senior oil and natural gas production company, with continuing operations in its core areas located in Western Canada, the U.K. portion of the North Sea and offshore Africa. The transaction, subject to regulatory approval by the Canadian Competition Bureau, is targeted to close on Sept. 28, according to a separate press release from the CNRL.

Petrofac awarded $600 million project in Algeria

Anadolu Agency, *29.08.2018*

Petrofac has received a provisional letter of award for a $600-million engineering, procurement and construction (EPC) contract with Algerian state energy company Sonatrach for EPC1 of the Tinhert Gas Field Development Project in Algeria, the British oilfield services provider announced Wednesday.

Formal contract signing is expected to take place in September, a press release read. Located in Ohanet, around 1,500 kilometers (932 miles) southeast of capital Algiers, EPC1 will provide a new inlet separation and compression center, according to the statement.

"Under the terms of the 36-month contract, the scope of work includes a pipeline network of approximately 400 km (248.5 miles) to connect 36 wells, along with commissioning, start-up and performance testing of facilities," it added. Group Managing Director of Engineering and Construction E S Sathyanarayanan said the award built on Petrofac's "significant" track record in Algeria where the company has been working "in support of" the country's oil and gas production for more than two decades. "We have continued to grow our presence in-country through a number of major EPC and engineering services contracts with Sonatrach, including the Alrar [gas field] and Reggane [gas treatment] projects that commenced production this year, and look forward to deploying our expertise to deliver this project with operational excellence and safe project execution at the core of our approach," Sathyanarayanan added. Algeria produces around 100 billion cubic meters of natural gas per year, of which 55 billion are exported with Europe being a major market.

Egypt to pay Spain's Union Fenosa $2B for 2014 gas cuts

Anadolu Agency, *04.09.2018*

The International Center for Settlement of Investment Disputes (ICSID) awarded $2,013 million, plus interest and associated arbitration and legal costs, to Spain's Union Fenosa Gas (UFG), the owner of the Egyptian Damietta plant, for Egypt's lack of gas supplies to the company in 2014.

ICSID, the World Bank's arbitration institution, ruled against Egypt for the unilateral interruption of gas supplies to UFG's liquefaction facilities in Damietta, according to the UFG press release.

UFG is a stakeholder company shared 50-50 between Spain's Naturgy Energy Group and Italian multinational energy company Eni. According to the arbitration body, Egypt was responsible for the breach of the bilateral investment protection treaty between Spain and Egypt since the company was not granted the fair and equitable treatment required. The company also announced that this is the second similar ruling in favor of UFG's claims following the first issued by the Cairo Regional Center for Commercial Arbitration (CRCICA) in the 896/2013 case in December 2017. The award of $2 billion to the UFG, which took its case to the ICSID in 2014, is likely to be paid in the form of renewed gas supplies to Damietta rather than in cash, international media reported. UFG has expressed great satisfaction with the award outcome of this long dispute.

The award "allows the company to reaffirm its commitment to Egypt and its willingness to continue its operations in the country generating wealth, welfare and social development," the UFG press release read. "The objective of UFG has always been to reach an agreement with the Egyptian Government based on the payment of compensation for the damages caused, the restoration of supply and the offer of guarantees of contractual compliance in the future," the press release said. 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 of 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," according to the U.S. Energy Information Administration's country analysis brief on Egypt, updated in August 2018.

The collapse of Venezuela's imaginary oil currency

Oil & Price, *03.09.2018*

Earlier this year, Venezuelan President Nicolas Maduro rolled out his latest scheme to rescue his economy, offer an alternative to the increasingly worthless bolivar, and skirt U.S. sanctions on financial transactions. But Maduro's cryptocurrency, supposedly backed by Venezuela's oil reserves, is a very hollow promise.

To be sure, few analysts expected much from the "petro," Maduro's hastily launched cryptocurrency. One petro was supposed to be backed by one barrel of oil, and the vast reserves of oil located in a specific part of Venezuela.

It was always an odd scheme. After all, what makes the petro any different from the bolivar, Venezuela's official currency? Isn't the value of and faith in the bolivar also effectively backed by the country's oil wealth? Well, he bolivar is worthless, and Maduro wanted to start anew. Maduro thought the petro would help the government avoid the reach of U.S. sanctions, at least in theory. But the new cryptocurrency has unsurprisingly failed to catch on. The petro is supposed to be backed by 5 billion barrels of oil located in Atapirire, a small town in Venezuela's remote savanna in the middle of the country. Reserves in this region are the lynchpin of the petro, and as such, they are intended to underwrite the regime's plan for economic recovery. But as Reuters details in a special report, the region is not only lacking in oil production, but there is no visible effort at developing oil in this area at all. The only evidence of an oil presence were old rigs that have clearly been inoperable for a long time, as they are rusted out and covered in weeds. "There is no sign of that petro here," a local resident told Reuters. Worse, the town suffers from blackouts, hunger, poverty and decrepit infrastructure, an increasingly common plight for the country on the whole.

More broadly, there is "little evidence of a thriving petro trade," Reuters correspondent Brian Ellsworth concluded, after interviewing dozens of cryptocurrency experts over a period of months. Maduro says that the sale of the petro have translated into $3.3 billion in funds for the government, a claim that is suspect, to say the least. Even a cabinet minister involved in the project told Reuters that "nobody has been able to make use of the petro...nor have any resources been received," and that the technology for the digital token is still under development. And unlike other initial coin offerings (ICOs) for startup cryptocurrencies, which can point to digital records of transactions, there is little evidence that supports Maduro's notion that trading activity of the petro is thriving. Adding to the monetary confusion is the assertion by Maduro that the bolivar is now pegged to the petro. It's not even clear what that means in practice, and experts say its "unworkable," according to Reuters. "There is no way to link prices or exchange rates to a token that doesn't trade, precisely because there is no way to know what it actually sells for," Alejandro Machado, a Venezuelan computer scientist and cryptocurrency consultant who has closely followed the petro, told Reuters.

It would all be laughable if the economic meltdown in Venezuela wasn't so dire and the oppression and mismanagement from the Maduro government didn't exact such massive a human toll Meanwhile, Venezuela's oil production continues to erode at a rapid rate. Output fell to just 1.278 million barrels per day in July, down roughly 50,000 bpd from a month earlier and down more than 500,000 bpd since the fourth quarter of 2017. There is almost no chance of improvement for the foreseeable future. Argus Media reported last week that Venezuela's crude exports could fall by a third in September because of a tanker collision at an export terminal run by PDVSA. The terminal's capacity could be hampered by around 425,000 bpd for the month. "But this assumes that PdV manages to repair and restart the dock operations by 30 September at the latest," a PDVSA terminal official told Argus. Thus, the meltdown continues. Maduro is going to need to come up with something better than a hapless and inept attempt at a new cryptocurrency to resolve the country's deep depression.

India's natgas production is expected to double

Oil & Price, *01.09.2018*

India's natural gas production is projected to double in the next four years, according to a statement by the country's oil ministry. If growth continues as predicted, natural gas production will hit a whopping 2 billion cubic meter (bcm) by 2022 (especially when compared to the 35 bcm of natural gas the nation produced in the last financial year).

This development is thanks in large part to a sweeping government plan to shift the subcontinent away from its accolade as the world's third biggest oil consumer, instead moving in the direction of a gas-based economy.

In addition to a major spike in production and usage, experts are also predicting a major shift in the makeup of India's major producers themselves. Until now, the natural gas extraction industry has been dominated by Indian state-owned exploration company Oil and Natural Gas Corporation (ONGC). In fact, this single company accounted for a staggering 24.2 bcm, or 68 percent, of India's total natural gas production in the last fiscal year. By comparison, private firms and their joint ventures were only responsible for 7.9 bcm. However, going forward, this dynamic is expected to flip by a dramatic margin. By 2022, private and joint ventures may account for as much as 40.3 bcm, thereby taking the lead over ONGC in a historic upset. The Indian government is currently racing to construct and improve infrastructure such as pipelines and import facilities in order to incorporate larger amounts of natural gas usage. The country is preparing to sharply raise the amount of natural gas in its energy mix from 6.5 to 15 percent over next few years.

Just this month one of the country’s single biggest oil consumers (currently clocking in at about 3 billion litres of diesel per year), the national railway system, signed a preliminary agreement with GAIL, India’s largest state-owned natural gas processing and distribution company. The agreement stipulates that public transportation monolith Indian Railways will start shifting away from dirty diesel toward cleaner fuels, primarily natural gas. Thanks to the infrastructure boost and the state-sponsored push away from oil, using natural gas will be about 25 percent cheaper than other alternatives fuels used by the railways. A spokesperson for Indian Railways said that the company aims to waste no time in transitioning all 54 of its workshops to use natural gas by June 2019, with a first phase of 23 workshops already transitioning by the end of this year. GAIL has also begun to open its already massive and rapidly expanding pipeline network to the public, allowing outside interests to book surplus space online to ship gas across the subcontinent. The state-owned company controls 70 percent of the nation’s network, with 11,400 kilometers (7,084 miles) of natural gas pipelines, and an additional 5,000 km (an investment of 50 billion rupees, or $3.6 billion) coming down the pike. Shared infrastructure at a massive scale will help to facilitate quicker trading and utilization of natural gas, as well as taking full advantage of the company’s gargantuation capacity, which is currently only running half-full. As an added effort, GAIL is gearing up to build a distribution hub to set natural gas prices in India.

Though it will allegedly remain cheaper than other alternative fuels, natural gas prices in India are predicted to rise sharply along with demand. Some local news sources are reporting that the Indian government is planning to raise gas prices by a steep 14 percent in October of this year in order to increase earnings for producers like the state’s own ONGC, which currently monopolizes the market. Such evaluations of natural gas prices occur every six months in India, when they re-determine the price based on average rates from gas-surplus countries like the U.S., Russia and Canada. With a nationwide push for gas usage and a likely hike in prices, we’re heading into a record-breaking decade for Indian natural gas. What’s more, if the world’s third largest oil consumer can possibly redirect enough energy usage toward natural gas to shed that title, we can expect waves across the energy industry, and across the globe.

US drillers add oil rigs for the first time in three weeks

Reuters, *31.08.2018*

U.S. energy companies added oil rigs for the first time in three weeks, energy services firm Baker Hughes reported on Friday, while the rig count inched up this month as drilling steadied over the last three months.

Drillers added two oil rigs in the week to Aug. 31, bringing the total count to 862, the General Electric Co unit said in its closely followed report. The oil rig count rose by one in August after gaining three rigs in July and losing one in June. U.S. crude futures were on track to post their second straight weekly gain on concerns about an expected fall.

For the month, prices were set to rise about 1.7 percent. The U.S. rig count, an early indicator of future output, is much higher than a year ago when 759 rigs were active. Energy companies have been ramping up production in tandem with OPEC's efforts over the past year-and-a-half to cut global output. So far this year, U.S. oil futures have averaged $66.42 per barrel. That compares with averages of $50.85 in 2017 and $43.47 in 2016. Looking ahead, crude futures were trading at $70 for the balance of 2018 and $67 for calendar 2019. In anticipation of higher prices in 2018 than 2017, U.S. financial services firm Cowen & Co this week said the exploration and production (E&P) companies they track have provided guidance indicating a 18 percent increase this year in planned capital spending. Cowen said those E&Ps expect to spend a total of $85.3 billion in 2018, up from an estimated $72.2 billion in 2017. Analysts at Simmons & Co, energy specialists at U.S. investment bank Piper Jaffray, this week forecast average total oil and natural gas rig count would rise from 876 in 2017 to 1,031 in 2018, 1,092 in 2019 and 1,227 in 2020.

A total of 1,048 oil and gas rigs are currently in service. So far this year, the total number of oil and gas rigs active in the United States has averaged 1,015. That keeps the total count for 2018 on track to be the highest since 2014, which averaged 1,862 rigs. Most rigs produce both oil and gas. Texas oil production fell in June from a year earlier for the first time in 16 months, according to figures released on Thursday by the state's energy regulator, a fresh sign that a lack of pipeline space in the nation's largest shale field may be curbing production. U.S. crude oil production in 2018 is expected to rise 1.31 million barrels per day (bpd) to 10.68 million bpd, lower than last month's forecast of growth of 1.44 million bpd to 10.79 million, the U.S. Energy Information Administration said earlier this month.

Texas LNG reaches a turning point

Oil & Price, *05.09.2018*

The proposed Texas LNG project is now closer to becoming a reality. Last week, the 4 million tonne per annum (mtpa) two train project slated to build at the port in Brownsville, Texas said it received from the FERC a timeline for FEIA and Federal Authorization Decision.

The FEIS and Federal Authorization Decision deadline are the final major steps in the FERC process before issuance of the FERC Order, the company said. Based on the FEIS date and timelines of other approved LNG export projects, Texas LNG expects to receive its FERC Order authorizing construction and operation of its facility in the second half of 2019.

The company said the development is an important milestone as it communicates the FERC's high confidence schedule for Texas LNG's completion of the National Environmental Policy Act process, and for all agencies involved in federal permitting approval to complete their review. However, moving the project one step closer to final approval and construction comes at a dubious time for the U.S. LNG sector due to the ongoing trade dispute between Washington and Beijing. Amid President Donald Trump's dogged termination to bring China to task over trade imbalances and a possible extra $200 billion worth of extra tariffs on Chinese exports to the U.S., China has vowed to fight back by threatening to impose a 25 percent tariff on U.S. LNG exports into China. Such a move is arguably self-defeating for China and would complicate Beijing's mandate to have natural gas make up at least 10 percent of its energy mix by 2020, with further earmarks by 2030. However, it also presents serious hurdles for fledgling U.S. LNG projects still in the planning or approval stage, like Texas LNG.

Many of these newer projects will need both Chinese funding as well as long term off-take agreements with Chinese firms to ever have a chance of being built. The seeming quandary for Texas LNG is that it has already signed five MoUs with Chinese entities to sell volumes from its two production rains in the future. While the company hasn't yet disclosed which Chinese firms it reached deals with, Vivek Chandra, Texas LNG co-founder and CEO, told media in April on the sidelines of the LNG Asia Pacific Conference in Singapore that the Chinese customers are a mix of large provincials, independent companies and small local governments. Texas LNG has also singed non-binding MoUs with one firm in Europe and two in Southeast Asia. “In Southeast Asia, one is with one of the state national gas companies and the other one is more of an entrepreneurial project of developing an integrated gas to power scheme,” Chandra said. Of the eight firms, six of them either currently have LNG terminals or are in the process of setting up one.

How possible Chinese tariffs will impact the U.S. LNG sector depends on who you ask. Some, like Cheniere Energy have downplayed the development. Cheniere's CEO Jack Fusco said recently that he did not expect proposed Chinese tariffs on U.S.-LNG to have an economic impact on the company's existing contracts. "We don't foresee an economic impact to Cheniere as it relates to our existing long-term contracts with PetroChina," he said. In February, state-run CNPC inked a deal with Cheniere to buy around 1.2 mtpa of LNG beginning this year and running to 2043. Fusco added that he hoped the ongoing trade dispute could be resolved before the tariffs on American LNG were implemented. Others, however, see more pain for the American LNG industry from possible Chinese tariffs on American LNG. China for its part has already started trimming its spot purchases of U.S.-sourced LNG. When asked by OilPrice.com how possible Chinese tariffs on American LNG would impact the Texas LNG project, Chandra took the long view, downplaying their importance since production isn't projected to come online for several years. "At this point, we do not see any adverse reaction from our potential Chinese customers," he said. "I think we are all hoping that this will blow over… and since our production is not until 2023, we will not see any immediate impact."

Melting Arctic creates new opportunities for LNG

Washington Examiner, *01.09.2018*

Ice caps in the Arctic Circle are melting at an alarming pace, scientists and environmentalists warn. Global warming leads to larger amounts of ice caps retreating, opening more sea waters in the Arctic to ship navigation.

Waters navigable in more days in a year are an opportunity for energy buyers and sellers, especially in liquefied natural gas (LNG), to use the so-called Northern Sea Route that cuts the travel days from the Yamal LNG project in Russia to Asia in half compared to the Southern Sea Route via the Suez Canal.

This year, record temperatures in the northern hemisphere have contributed to more ice melting and the minimum extent of sea ice is expected to be among the top 10 lowest in four decades—since satellite records began. This year volumes transported via the Northern Sea Route have increased, the reason being a rise in LNG exports from Russia, Sergei Balmasov, head of Murmansk-based consultancy Arctic Logistics Information Office, told Bloomberg. According to Balmasov, while the number of voyages via the Northern Sea Route so far this year has been roughly the same as last year, the main difference compared to 2017 is LNG traffic out of the port of Sabetta, the port that Russia's gas producer Novatek uses to ship the Yamal LNG cargoes to Europe and to Asia. Arctic Logistics data compiled by Bloomberg shows that by early July, a total of 34 tankers made the voyage from Sabetta to Europe, and one to the east. Since early July, another two LNG tankers have shipped the fuel to Asia.

The Northern Sea Route enables vessels to reach Asia in 15 days via the Bering Strait, compared to 30 days via the conventional route through the Suez Canal, one of the minority partners in the Yamal LNG project, France’s Total, says. In mid-July, Novatek said that it had shipped its first LNG cargoes from Yamal LNG to China via the Northern Sea Route, with the voyage from Sabetta completed in 19 days, compared to 35 days for the traditional eastern route via the Suez Canal and the Strait of Malacca. “The Northern Sea Route ensures shorter transportation time and lower costs, which plays a key role in developing our hydrocarbon fields on the Yamal and Gydan peninsulas,” Leonid Mickhelson, chairman of Novatek’s Management Board, said. With more ice caps melting in the Arctic in the summer, the shipping season in northern waters could start earlier and end later than in previous years, opening more days or weeks for ships to voyage on that route, cutting costs and reducing transportation time. According to the Colorado-based National Snow & Ice Data Center (NSIDC), after declining rapidly in July, the decline of sea ice extent slowed in the first two weeks of August. “Our 2018 projection for the sea ice minimum extent falls between the fourth and ninth lowest in the 39-year satellite record,” NSIDC says.

This summer, a heat wave swept across most of the northern hemisphere, and temperatures in northern Norway stayed well above average for weeks in July and early August. In Banak, in Norway’s far north, temperatures hit records of 90 degrees Fahrenheit, compared to its average maximum summer temperature of 62 degrees Fahrenheit. Scientists attribute the faster Arctic ice melting and the heat waves to global warming and climate change. Environmentalists warn that more traffic on the Arctic shipping lanes will additionally contribute to the ice caps retreat because of the black carbon emissions whose warming effect is at least three times higher in the Arctic, says environmental group Clean Arctic Alliance. When ships burn fuel, especially heavy fuel oil, they emit the so-called black carbon, which absorbs heat and settles down on the ice and snow, speeding their melting. The International Maritime Organization (IMO) will be discussing banning the use of heavy fuel oil in the Arctic, while under its Polar Code, currently ships are encouraged not to use or carry heavy fuel oil in the Arctic. At any rate, the retreat of the ice caps in the Arctic is opening a wider shipping lane for energy trade.

Oil rig count in US shows increase this week

Anadolu Agency, *01.09.2018*

The oil rig count in the U.S. showed an increase this week, according to oilfield services company Baker Hughes data on Friday.

The number of oil rigs in the country rose by two for the week ending Aug. 31, the data showed. This brought the total number of oil rigs in the U.S. to 862 this week, from 860 the week before. After the rise in oil rig count, crude oil prices posted some losses in the global market. International benchmark Brent crude was trading at $77.69 per barrel with a 0.4 percent decline at 2035 GMT, while American benchmark (WTI was at $69.90 a barrel -- a 0.5 percent loss.

The U.S. Energy Information Administration (EIA) data showed Wednesday that crude oil production in the U.S. decreased by 67,000 barrels per day (bpd) for the week ending Aug. 24 to approximately 11 million bpd, the EIA data showed. This marked the fifth time that U.S. crude oil production decreased in the span of 33 weeks. Crude oil production in the U.S. is expected to average 10.7 million bpd this year and 11.7 million bpd next year, according to the EIA's Short-Term Energy Outlook (STEO) report for August.

Brent oil falls but stays above $77 on Sept. 3

Oil & Price, *03.09.2018*

International Benchmark Brent crude traded at $77.74 per barrel at 07.11 GMT, while American benchmark West Texas Intermediate (WTI) saw prices of $69.73 per barrel on Monday.

Brent crude traded at $77.86 per barrel at 14.46 GMT, while American benchmark WTI saw prices of $70.03 per barrel on Friday. The oil rig count in the U.S. showed an increase last week, according to oilfield Services Company Baker Hughes data on Friday. The number of oil rigs in the country rose by two for the week ending Aug. 31, the data showed.

This brought the total number of oil rigs in the U.S. to 862 this week, from 860 the week before. After the rise in oil rig count, crude oil prices posted some losses on the global market. According to international media, output from the Organization of the Petroleum Exporting Countries (OPEC) rose by 220,000 barrels per day (bpd) between July and August, to a 2018-high of 32.79 million bpd.

Crude oil declines on minor Gordon impact

Reuters, *05.09.2018*

The October WTI futures price fell $1.15 for the day, settling at $68.72. The benchmark traded from an intraday high of $69.59 down to $68.59 Wednesday. The November Brent contract lost 90 cents to settle at $77.27.

Crude oil declined Wednesday as traders acknowledged Tropical Storm Gordon's minor impact to oil and gas infrastructure in the Gulf of Mexico and along the Central Gulf Coast. Gordon made landfall shortly after 10 p.m. Central time just west of the Mississippi-Alabama border, the National Weather Service's National Hurricane Center reported.

According to the center, the storm failed to achieve Category 1 hurricane intensity and quickly weakened as it moved inland on a northwesterly track. As a Reuters article posted to Rigzone earlier Wednesday states, concerns about Gordon's impact on the oil and gas sector quickly diminished as well. Although Gordon's impact on the oil and gas industry was minor, multiple media outlets reported that the storm upended a tree in Pensacola, Fla., that caused the death of a child. The front-month Henry Hub natural gas contract slipped three cents to settle at $2.795. Also falling three cents was October reformulated gasoline, which ended Wednesday's session at $1.96 a gallon.

Announcements & Reports

► *Let's not exaggerate: Southern Gas Corridor prospects to 2030*

Source : Oxford Energy
Weblink : https://www.oxfordenergy.org/wpcms/wp-content/uploads/2018/07/Lets-not-exaggerate-Southern-Gas-Corridor-prospects-to-2030-NG-135.pdf

► *Monthly Crude Oil and Natural Gas Production*

Source : EIA
Weblink : https://www.eia.gov/petroleum/production/

► *Quarterly Gas Review – Issue 3*

Source : OIES
Weblink : https://www.oxfordenergy.org/publications/quarterly-gas-review-issue-3/

► *The Crude Oil Market in 2018 & 2019 – How Did We Get Here & What Next?*

Source : OIES
Weblink : https://www.oxfordenergy.org/publications/crude-oil-market-2018-2019-get-next/

Upcoming Events

► *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/

► *NGLS Conference*

Date : 11 – 12 September 2018
Place : Houston
Website : http://www.platts.com/events

► *5th London Gas & LNG Forum 2018*

Date : 12 – 13 September 2018
Place : Houston
Website : https://www.usenergystream.com/

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

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

► *LNG Applications*

Date : 18 September 2018
Place : Barcelona, Spain
Website : https://worldenergy.org/

► *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/

► *Global Power & Energy Exhibiton*

Date : 17 – 20 September 2018
Place : Barcelona, Spain
Website : https://gpexevent.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

Supported by PETFORM

► *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/