Oil & Gas Bulletin

▸ 09.03.2018

Miller: Pipelines secure unity between Turkey, Russia

Anadolu Agency, *01.03.2018*

The existing and planned natural gas pipelines between Turkey and Russia are a testament to 30 years of successful cooperation, said Alexey Miller, chairman of the management committee of Russian Gazprom.

Miller told Anadolu Agency in an exclusive interview that "existing pipelines point to success of the direct route model" Based on Turkey's increasing energy demand, the TurkStream project, similar to the Blue Stream is designed to continue to supply reliable natural gas to Turkey and European partners, Miller said.

Miller also lauded Turkey's LNG strategy to increase capacity and investments, which he said would create new opportunities for the country as the LNG trade volume surges. Miller asserted the most economical, easy and secure way to send Russian gas to Turkey is through modern direct route pipelines, "especially the Blue Stream [gas pipeline project] that demonstrates this model's success." The Blue Stream natural gas pipeline project marked its 15th anniversary in 2018. A new record was set in 2017 for Russian gas exports to Turkey. Turkey received supplies of 29 bcm of gas, or 1.7 bcm more, equivalent to an increase of 6.2 percent compared to 2014 when the previous maximum of 27.3 bcm was recorded, according to Gazprom's data.

Deliveries via Blue Stream also achieved their maximum in 2017 when 15.8 bcm of gas was transmitted through the pipeline, equivalent approximately to 55 percent of the total Russian gas supplies to the Turkish market. Miller also praised Turkey's energy strategy on LNG and investments on it. He said that Turkey's strategy to increase its LNG capacity and investments will create new opportunities for the country as global trading volumes of LNG surge. Turkey began operations of its second floating liquefied natural gas unit (FSRU) with 20 million cubic meters of send-out capacity per day in February. Turkey's first FSRU was launched in Aliaga, Izmir in December 2016 at a time when the country needed extra gas capacity to meet the increased consumption due to the very cold weather conditions.

The first unit, which Turkish companies Kolin and Kalyon operate, also has 20 million cubic meters of send-out capacity per day. Turkey receives natural gas mainly from Russia, Azerbaijan, and Iran. According to Turkish Energy Minister Berat Albayrak in February, Turkey has already increased its daily send-out capacity from 190 million cubic meters in 2015 to 288 million cubic meters by the end of 2017. "The Trans Anatolian Natural Gas Pipeline project (TANAP) will start delivering gas in the middle of this year while the first gas from TurkStream will come in 2019," Albayrak said, adding that with these projects, Turkey will become an intersection point for eight natural gas pipeline projects. TANAP, with around $8.5 billion of investment, will deliver 6 billion cubic meters of Azeri gas to Turkey and 10 billion to Europe. The European part of the project is expected to become operational in 2020.

The TurkStream project is a direct pipeline from Russia to Turkey with 15.75 billion cubic meters of gas capacity set aside for Turkey's use while a second line with the same 15.75 billion cubic meters of capacity is planned for Europe's needs. Miller said that U.S. LNG shipments have not made a significant change to the European gas market. "Since the shipments started from the U.S. Sabine Pass, it sent 4 bcm of gas to Europe. Over the same period of time, Gazprom exported 370 bcm of gas. The figures speak for themselves." Miller said. He says that towards 2022, LNG prices in Europe and the U.S. you would see that cost of US LNG will be much higher than European natural gas prices. "This does not mean that there will be no new shipments from the U.S. in the future. However, it's too early to say that LNG will cause significant changes in the European market," Miller argued. Russia sells more than 150 billion cubic meters of natural gas to Europe per year. According to the Gazprom's latest statistics, the country exported more than 190 billion cubic meters of gas to Europe and Turkey in 2017 - a second successive annual record.

Iran stops flaring gas worth millions of dollars

Anadolu Agency, *02.03.2018*

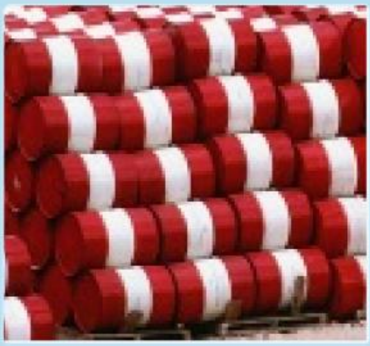
Iran inaugurated a gas processing complex on Wednesday, February 28, that will help the country to stop flaring gas worth of million of dollars.

According to Iranian officials, the complex of Hengam Oilfield in Qeshm island located in southern Iran can process 827 million cubic meters per day of natural gas which was previously flared. Iranian news sources say that the complex has been developed by domestic "contractors, manufacturers and advisors" and will generate $700,000 per day by injecting gas into the national gas pipelines. Hamid Bovard, the managing director of Iranian Offshore Oil Company.

The project was funded with $85m which, according to Bovard, will return in less than a year. According to the latest gas flaring data published by the World Bank in July 2017, Iran is among the countries that is showing an overall increase in global flaring in recent years, largely caused by lack of technology and investment. World Bank says that satellite data shows an increase in flaring in Iran of more than 4 billion cubic meters in 2017 compared to previous year. Bijan Namdar Zangeneh, Iran's Oil minister has previously announced that Tehran needs $5 billion investment to stop flaring gas at oilfields. With 600 million tons of CO_2 and ca. 200 million greenhouse gases per year, Iran is among 10 biggest producers of greenhouse gases in the world. Flaring gas at oil fields that contains high level of sulfur is partially responsible for this problem.

Iraq southern oil exports fall to 3.426 mln bpd in Feb

Reuters, *02.03.2018*

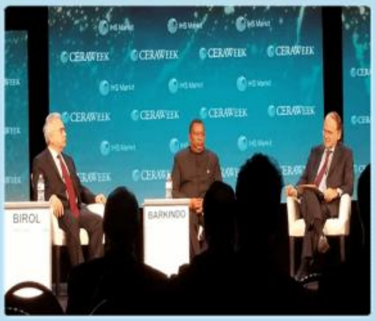


Iraq's crude oil exports from its southern ports on the Gulf fell to 3.426 million bpd in February, the oil ministry said on Thursday, down from 3.49 bpd in January.

OPEC's second-largest producer's exports generated $5.7 billion at a price of $60.137 per barrel, oil ministry spokesman Asim Jihad said in a statement. He attributed the drop in exports to February having three fewer days than January. No sales were made from the Kirkuk oilfields in the north, he said. Kirkuk crude sales have been halted since Iraqi forces took back control of the oilfields.

OPEC Sec Gen: Lack of investment 'sowing seeds for future energy crisis'

Rigzone, *05.03.2018*



There's no sign of peak oil any time soon. Quite the contrary. Strong, robust growth driven by China and India are one of three things the International Energy Agency's (IEA) executive director Fatih Birol said to consider during the CERAWeek by IHS Markit conference's opening day March 5.

In addition to oil demand, Birol said that the United States will also put its stamp on global oil supply in the next five years, which is also what was reported in the IEA's annual report, released earlier that day.

The IEA report was based off a $60 oil environment, Birol said. The United States, along with Brazil, Canada and Norway are expected to make up a large chunk of the supply. "Don't confuse being the largest oil producer with being the largest exporter," said Birol. "The U.S. is the number one producer. But the number one oil exporter is Saudi Arabia. The Middle East is still the most important oil exporting region." Lastly, investments – or lack thereof – will be a problem. 2017 was flat and 2018 isn't looking too much better.

"Investments are not sufficient enough to make us feel comfortable; the investment appetite is still weak," he said. OPEC shares the same sentiment, according to OPEC secretary general Mohammad Sanusi Barkindo, who said investment in 2018 isn't looking "very positive," and that it's a concern of oil producers and consumers. "We are sowing the seeds for a future energy crisis," said Barkindo.

When asked about OPEC and NOPEC agreement updates, Barkindo had this to say, "all I can say at the moment is the general consensus is that it's in the best interest of this industry as well as the consumers that we should continue within this framework in order to sustain stability in this market and the industry. We see this alliance as an assurance against future volatility and price cycles. This current cycle was probably the worst cycle in terms of negative consequences. The lessons that we have learned from this cycle will now be mitigated by the institutionalization of this alliance going forward."

Greek Energean signs $1.27B Karish financing deal

Anadolu Agency, *05.03.2018*

Energean Israel signed a $1.27 billion facility agreement with four international banks to finance the Karish Development Project offshore Israel, the Greek energy firm announced.

The agreement was reached with Morgan Stanley, Natixis, Bank Hapoalim and Societe Generale and will be the primary source of funding for the development of the Karish offshore gas field over the next three years, with first gas production expected in early 2021. "The participation of four international banks in the facility agreement is a strong vote of confidence in Energean's flagship project," Energean CEO said.

Gazprom starts terminating gas contracts with Ukraine

Anadolu Agency, *05.03.2018*

Russian energy giant Gazprom started the procedure of terminating contracts on gas supplies and transit with Ukraine's Naftogaz, said Alexander Medvedev, Gazprom's Deputy Chairman.

According to Russian news agency Tass, Gazprom has started terminating gas contracts with Ukraine. "We have begun the procedure to terminate contracts with Naftogaz Ukrainy," Medvedev said. "The new case at the Stockholm arbitration court hearing would be considered by other arbitrators," he added.

On Wednesday, the Stockholm Arbitral Tribunal ruled in favor of Naftogaz in two arbitrations cases against Gazprom in which the company had defaulted on its obligations on the transit of gas volumes to Ukraine. Earlier Thursday, Gazprom confirmed that the arbitral tribunal has satisfied the requirements of Naftogaz based on the results of the two trials in court, and will pay the Ukrainian company $2.56 billion in compensation. Gazprom also noted on Thursday that Russian gas supplies to Naftogaz will not be carried out from March 1 onwards.

Ukraine's Naftogaz urgently buys gas from Polish PGNIG

Reuters, *05.03.2018*

Ukraine's Naftogaz urgently bought natural gas from Poland's PGNIG after Gazprom's withdrawal from starting deliveries to Ukraine, PGNIG said.

The Polish company said that it signed a contract with Naftogaz for urgent gas supplies as Gazprom refused starting supply of gas to Ukraine on Wednesday. Gazprom's decision came a day after the announcement of the award of the Stockholm Tribunal. On Wednesday, the Stockholm Arbitral Tribunal ruled in favor of Naftogaz in two arbitrations cases against Gazprom in which the company had defaulted on its obligations on the transit of gas volumes to Ukraine.

Earlier Thursday, Gazprom confirmed that the arbitral tribunal has satisfied the requirements of Naftogaz based on the results of the two trials in court, and will pay the Ukrainian company $2.56 billion in compensation. The contract with PGNIG is effective until the end of March 2018. The contracted volume totals over 60 million cubic meters. The delivery started today through Hermanowice node that connects Polish and Ukrainian gas transmission systems. “The current situation around gas supply proves that our focus on diversification of supplies was the right decision. Thanks to our Polish partners, yet another attempt of Moscow to use gas as a political weapon against Ukraine has failed. I hope that the EU and governments of the relevant member states will consider this case when making their final decision on Nord Stream II,” said Naftogaz CEO Andriy Kobolyev.

Piotr Wozniak, President of PGNIG Management Board also commented on the contract and said that energy solidarity and good cooperation between neighboring countries is a duty. “Especially now that Ukraine has problems with deliveries from Russia and the demand for natural gas for household heating purposes has been on the rise due to harsh winter conditions. PGNIG can ensure stable and secure gas supplies thanks to its diversified portfolio of, which is a mix of domestic production in Poland and import supplies including regular deliveries of LNG from Qatar and the U.S,” he explained.

No more Russian gas for Ukraine, starting March 1

Anadolu Agency, *01.03.2018*

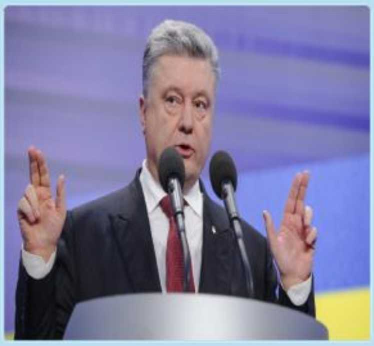
Russian gas supplies to Ukraine’s Naftogaz will not be carried out from March 1 onwards, Gazprom’s deputy chairman of the board Alexander Medvedev said.

According to Gazprom, “Gazprom actually received cash from Ukraine’s Naftogaz in payment for March gas supplies.” However, Medvedev said the supplemental agreement to the operating contract with Naftogaz has not been approved, which is a compulsory condition for launching the shipments to Ukraine. Help is valuable when it comes on time, Medvedev was quoted as saying regarding Ukraine’s failure to pay off its debts to Russia on time.

"Therefore, acting in good faith, we returned the entire prepayment received from Ukraine's Naftogaz. It is obvious that gas supplies from March 1 will not be carried out for Ukraine's Naftogaz," he explained. On Wednesday, the Stockholm Arbitral Tribunal ruled in favor of Naftogaz in two arbitrations cases against Gazprom in which the company had defaulted on its obligations on the transit of gas volumes to Ukraine. Earlier Thursday, Gazprom confirmed that the arbitral tribunal has satisfied the requirements of Naftogaz based on the results of the two trials in court, and will pay the Ukrainian company $2.56 billion in compensation. "The award means that Gazprom will have to make payments to Naftogaz to the order of $2.56 billion after residual payments for gas delivered in 2014 and 2015 have been settled," Naftogaz explained.

Gazprom and Naftogaz renew hostilities

Interfax, *02.03.2018*

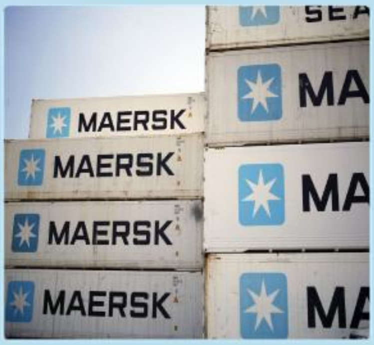


A sustained period of sub-zero temperatures across Northwest Europe has shone a spotlight on the UK's fragile gas supply margins and renewed criticism of the decision to close the Rough storage facility. But while the freezing conditions sent prices spiralling upwards at Europe's major gas hubs, a more familiar scenario was playing out on the continent's eastern limits.

Wednesday's verdict the Stockholm arbitration court on the dispute between Russia's Gazprom and Ukraine's Naftogaz Ukrainy was met with delight in Kiev and disdain in Moscow.

Maersk's big oil exit comes with a $1.2 billion ball-and-chain

Bloomberg, *05.03.2018*



A.P. Moller-Maersk A/S is about to exit the Danish offshore oil industry that it created half a century ago. But for the next few decades, it will be stuck with a liability that's as big as $1.2 billion stemming from that business.

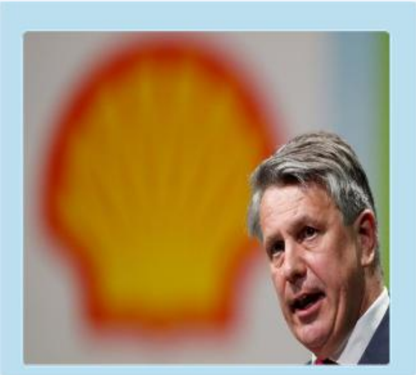
Maersk on Friday won a key approval to sell its energy unit to Total S.A., with the Danish Energy Agency giving the green light to the $8 billion deal. But the authority made it a condition that Maersk pay for the eventual decommissioning of North Sea infrastructure (such as platforms and pipes), if Total can't when the time comes.

While the risk is remote, the liability shows how deep Maersk's ties to Denmark's oil industry are. It founded the energy unit in 1962 when it obtained a 50-year exclusive contract to explore and produce oil in Denmark. Maersk Closes In on $5.3 Billion in Deals as Oil Market Recovers "It's a very theoretical cost, but nevertheless something that should be taken into account and it's definitely not a positive," Casper Blom, an equity analyst at ABG Sundal Collier, said by phone. Shares in Maersk, which lost almost 5 percent on Friday after U.S. President Donald Trump raised the specter of a global trade war, rose 0.8 percent in early morning trading on Monday.

But Maersk is still down about 10 percent this year, compared with a 2 percent decline in Denmark's benchmark stock index. Maersk expects the Total deal to close this quarter. The company told Bloomberg the current $1.2 billion estimate for Danish decommissioning provisions will fall when Total and the other license partners redevelop the Tyra gas field. "It should be noted that this 'residual liability' would only apply after many other protections had failed," Louise Muenter, a Maersk spokeswoman, said by email.

CEO: Shell's gas production could be triple oil by 2050

Reuters, *08.03.2018*



Royal Dutch Shell could boost its share of natural gas production to triple that of oil in order to meet self-imposed goals to halve carbon emissions by 2050, Chief Executive Ben van Beurden said on Wednesday.

Speaking at the CERAWeek conference by IHS Markit in Houston, van Beurden outlined a series of measures the Anglo-Dutch company is considering to meet the ambitious targets, which include limiting emissions from its operations as well as emissions from the burning of its petrol and gas by customers.

"Over time, this net carbon footprint ambition will transform our company's product mix," van Beurden said. Other than increasing the share of natural gas, the least polluting fossil fuel, from around 50 percent today, Shell could also sell energy from offshore wind farms, sell biofuels and use carbon capture and storage (CCS) technology, van Beurden said. Shell is even rolling out a program charging customers 1 to 2 cents at the gasoline pump to be used to plant trees around the world to offset carbon emissions, he said. Van Beurden however said that the energy sector will need gas production operations to reduce emissions of methane, a potent greenhouse gas, or the case for the fuel as a lower carbon alternative would be "fatally undermined." Shell, the world's top trader of liquefied natural gas, currently produces around 3.7 million barrels of oil equivalent per day, of which roughly half is natural gas.

Chevron expects LNG supply shortage by 2025

Reuters, *06.03.2018*

China Chevron Corp said on Tuesday it expected supply shortage in the global liquefied natural gas (LNG) market by around 2025, echoing comments made last month by top LNG trader Royal Dutch Shell.

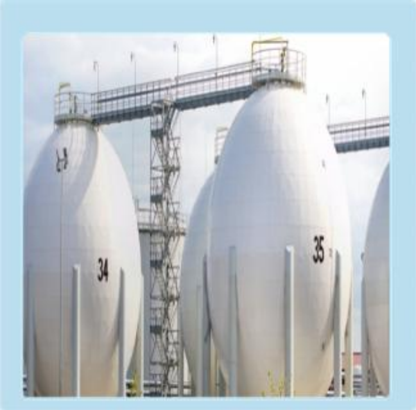
Demand for natural gas, which burns cleaner than coal and oil, has surged as countries such as China look to curb environmental pollution. Chevron, owner of the giant Gorgon and Wheatstone LNG projects in Australia, said it expects global demand to be nearly 600 million metric tonne per annum (mmtpa) by 2035, while supply could be just about half of that.

“China’s demand is increasing significantly - they’ve had a very active program to move off of coal in heating industrial applications, and that’s pulled on LNG,” Pierre Breber, EVP -downstream at Chevron, said during the company’s analyst day, when asked about spot LNG prices. China imported record levels of LNG in January, as the world’s second-largest economy shored up supplies ahead of the Lunar New Year celebrations. Shell in February estimated that more than $200 billion of investments in LNG is needed to meet the boom in demand by 2030.

The global LNG market is set to continue its rapid expansion into 2020 as facilities approved for construction in the first half of the decade come on line. However, a decline in spending in the sector since 2014 will create a supply gap from the mid-2020s unless new investments emerge, Shell said in its 2018 LNG Outlook.

China plans record natural gas, coal production in 2018

Oil & Price, *06.03.2018*



China expects to set new records for coal and natural gas production this year, but will be cutting the share of coal consumption in the total primary energy mix while raising the natural gas share, the Chinese National Energy Administration (NEA) said on Wednesday.

In 2018, China's natural gas production is expected to rise by 8.5 percent over 2017 to a record high, while coal production is also expected to reach an all-time high, rising by 7.3 percent year on year, according to the NEA. Nevertheless, the Chinese push to reduce pollution will result in decreased coal consumption out of the total mix.

With plans to lower it to around 59 percent this year, and to half of the energy mix by 2020 by increasing renewable energy production. Natural gas consumption is expected to rise and account for 7.5 percent of the energy mix this year. Last month, the National Bureau of Statistics of China said that coal consumption last year ticked up 0.4 percent, crude oil consumption grew 5.2 percent, and natural gas rose 14.8 percent. Consumption of coal accounted for 60.4 percent of China's total energy consumption in 2017, down 1.6 percentage points over 2016. Clean energy consumption—which China defined as natural gas, hydropower, nuclear power, and wind power—accounted for 20.8 percent of energy consumption last year, up 1.3 percentage points over 2016.

According to the recently released BP Energy Outlook 2018 with estimates through 2040, China's energy mix will continue to evolve with coal's dominance declining from 62 percent in 2016 to 36 percent in 2040, natural gas nearly doubling to 13 percent, and renewables' share soaring from 3 percent in 2016 to 18 percent in 2040. The Chinese push to cut pollution and make millions of households switch to natural gas from coal for heating resulted in China becoming the world's second-largest importer of liquefied natural gas (LNG) in 2017, outpacing South Korea and second only behind Japan, the U.S. EIA said last month. Chinese LNG imports surged 46 percent last year. Despite the fact that China increased its domestic production and pipeline imports last year, natural gas shortages in northern China led to record levels of LNG imports during the winter. Overall, natural gas imports accounted for 40 percent of China's 2017 natural gas supply, and LNG made up more than half of those imports, the EIA said.

China promises stable gas supply to prioritize household demand

XinHua, *03.03.2018*

China's top economic planner has urged that output and supply of natural gas be increased to meet household demand.

Imports of pipeline gas and liquefied natural gas should be increased and gas storage expanded, the National Development and Reform Commission said in a statement after a meeting on energy security. To meet household demand, gas for non-residential use should be reduced when necessary. The move came after natural gas demand rose in 2017 as millions of households in north China.

State-owned oil firms, including China National Petroleum Corporation and China National Offshore Oil Corporation, are maximizing production from domestic gas fields, and the NDRC has urged companies to be disciplined in pricing.

China's gas supply situation improves

Oil & Gas News, *01.03.2018*

As winter slowly draws to a close in China, green shoots of recovery have begun to appear across the country's natural gas supply chain.

Reuters reported this week that around 10 natural gas liquefaction plants located in the country's interior had resumed operations over the past week, after the government ordered gas wholesalers to redirect supplies to residential users amid a national supply crunch. The plants liquefy locally produced gas that is then trucked to end-users. At the same time.

State-run Sinopec announced the start of commercial operations at its latest LNG import terminal in Northern China, which has experienced particularly acute gas shortages in recent months. On February 28, Reuters quoted a sales manager at Shanxi Province-based Yangcheng Shuntianda Gas as saying that it had restarted its liquefaction plant, which is capable of liquefying 500,000 cubic metres per year of gas. The employee, whom the newswire referred to simply as Wang, said the plant had been shut in December 2017. Wand added: “We lost 20 million yuan [US$ million] each month because we weren’t producing anything. Our boss was under extreme pressure from the bank to pay off loans.” The restarts suggest that Beijing has eased its supply restrictions on state-run Sinopec and PetroChina, which were directed to favour residential users at the end of 2017 as demand raced ahead of supply. Another sales manager at Yulin Huachen, which runs a similarly sized plant in Shaanxi Province, told Reuters that it had resumed half of its production over the weekend of February 24-25 after having being closed for more than two months. This time the employee requested complete anonymity.

More of China’s internal LNG plants are anticipated to resume operations in the coming weeks as the supply situation improves, Longzhong Information gas analyst Zhang Mengjie told Reuters. Longzhong data showed the LNG plants were operating at just 27% of capacity last week, compared with 38% a year ago and against a typical level of 50%. China’s intense gas shortages were created after provincial authorities in the north exceeded the central government’s predicted implementation of a directive to convert residential heating systems from coal to gas. Four million homes across 28 northern cities were converted in the run-up to the winter period, outstripping the capabilities of the national pipeline network and storage facilities. Beijing was forced to prioritise residential gas users at the cost of industrial customers, direct its northern cities to ease conversion efforts and instruct its state energy majors to step up spot LNG purchases. The country’s imports of the frozen gas set new records in December 2017 and January, when deliveries amounted to 5.18 million tonnes. Sinopec’s news this week, then, that it had received the first commercial LNG cargo at its Tianjin terminal in northern China, will have been more than welcomed by end-users and officials alike.

The country’s north, though heavily populated, is underrepresented in terms of import terminals and pipeline networks alike. Just four of the country’s 17 LNG terminals are positioned to serve large northern cities such as Beijing, Tianjin and Dalian, while the other 13 are located in eastern or southern provinces. Many of China’s largest pipeline networks, meanwhile, pump gas to southern and eastern areas. With new terminals coming online and Russia about two-thirds of the way to completing the Power of Siberia pipeline, which aims to deliver 38 bcm per year of gas to China’s north, some of that imbalance should be rectified. Despite the supply shortfalls experienced these past few months, and the impact they have had on industrial users, one company is willing to invest in new liquefaction plant even though Beijing has given no guarantees that supply will match and demand next winter. Hanas New Energy has revealed that it intends to build a 5 million tpy LNG facility in the northwestern region of Ningxia.

The total cost of the Wuzhong City project is estimated at US$1.5 billion, IIICorp quoted Hanas purchasing manager Liu Tao as saying this week. The company will seek financing from banks such as China Development Bank (CDB), Hengfeng Bank and China Construction Bank. The plant will source gas from fields in the Ordos Basin, with Hanas aiming to build 50 regasification stations throughout region, with a total regasification capacity of 600 mcm per year of gas. A preliminary feasibility review has been carried out by China Huanqiu Contracting and Engineering, and IIICorp quoted Liu as saying the project had progressed to the feasibility study and approval stage. The official launch is anticipated to take place in the second half of this year. The project will involve a large number of valves and accessories and compressors among other equipment.

Vietnam's crude oil export falls, petrol import surges in first 2 months of 2018

Xinhua Net, *03.03.2018*

Vietnam exported 766,000 tons of crude oil worth 395 million U.S. dollars between January and February, seeing respective year-on-year drops of 27 percent and 12.9 percent, according to the country's General Statistics Office on Friday.

Meanwhile, Vietnam shipped abroad 286,000 tons of certain kinds oil and petroleum products valued at 172 million U.S. dollars, down 12 percent in volume but up 3.2 percent in value. In the two-month period, the country imported over 2.2 million tons of various kinds of oil and petroleum products totaling 1.4 billion U.S. dollars.

It is posting respective surges of 35 percent and 50.8 percent, and 226,000 tons of liquefied petroleum gas worth 136 million U.S. dollars. In 2017, Vietnam exported nearly 6.9 million tons of crude oil worth 2.9 billion U.S. dollars, mainly to China, Thailand, Japan, Australia, Singapore, Malaysia, South Korea and the United States. Meanwhile, the country imported over 12.8 million tons of oil and petroleum products valued at 7 billion U.S. dollars, and roughly 1.4 million tons of liquefied petroleum gas worth 732 million U.S. dollars, said the office.

UK Oil, gas industry CAPEX will keep falling over next half decade

Rigzone, *02.03.2018*

Capital expenditure (CAPEX) in the UK oil and gas industry will keep falling over the next half decade, according to the latest projections from the Oil and Gas Authority (OGA).

The OGA forecasts that CAPEX within the sector will drop to $7.72 billion (GBP 5.60 billion) in 2018, from $7.73 billion (GBP 5.61 billion) in 2017, before declining to $6.8 billion (GBP 5 billion) in 2019, $6.2 billion (GBP 4.50 billion) in 2020, $5.51 billion (GBP 4 billion) in 2021, $4.82 billion (GBP 3.50 billion) in 2022, and $4.13 billion (GBP 3 billion) in 2023. CAPEX in the region was $21.3 billion (GBP 15.45 billion) in 2014, $16.79 billion in 2015, and $11.91 billion in 2016.

Decommissioning costs are expected to plateau at $2.48 billion (GBP 1.80 billion) per year from 2018-2023, according to the OGA. These costs were at $1.73 billion (GBP 1.26 billion) in 2017, $1.69 billion (GBP 1.23 billion) in 2016, $1.54 billion (GBP 1.12 billion) in 2015, and $2.44 billion (GBP 1.77 billion) in 2014. UK production is projected to rise to 1.68 million barrels of oil equivalent (boe) per day in 2018, up from 1.63 million in 2017. The OGA expects this figure to drop to 1.64 million in 2019, 1.60 million in 2020, 1.52 million in 2021, 1.45 million in 2022, and 1.38 million in 2023. Over the period 2016-2050, UK oil and gas production is projected to total 11.7 billion boe.

“2017 continued to be a productive year and production levels are set to rise in 2018 as more new fields come on-line,” the OGA’s chief executive, Andy Samuel, said in an organization statement. “The OGA continues to work in partnership with industry and government in maximizing the economic recovery of our resources and in pursuit of the considerable prize highlighted by Vision 2035,” he added. According to the OGA’s website, the purpose of Vision 2035 is to: Provide direction and instill confidence, Inspire transformation and drive collaboration, Create competitive advantage, Secure investment and drive value, The OGA’s role is to regulate, influence and promote the UK oil and gas industry in order to maximize the economic recovery of the country’s oil and gas resources.

Beast of the east highlights European gas dependence

Oil & Price, *05.03.2018*

The UK is receiving two Russian LNG cargos this week after a rare cold spell caused by freezing winds from Siberia. Some might see a cruel irony in that: Siberian winds highlight Gazprom's dominance in Europe.

Irony or not, however, this is the truth to date, as painful as it may be too many in Europe. As Gazprom's CEO Alexei Miller put it, there is no other gas supplier to the continent and the UK that can ramp up deliveries so quickly. This state of affairs is certainly a challenge for the European Union. It has been trying to diversify its gas supplies away from Russia.

Intensifying these efforts after the gas war between Russia and Ukraine in 2010 that led to supply outages in Europe. This gas war has flared up again in recent days after the Stockholm Court of Arbitration ruled in favor of Ukraine's Naftogaz, slamming Gazprom with a more than US$2-billion bill. The EU has wasted no time calling on the two countries to settle their differences. After all, like it or not, more than 40 percent of Russia's European gas deliveries pass through its estranged eastern neighbor. Russia certainly doesn't like it. Neither does Europe. For the former, this is too great a dependence on Ukraine, especially since bilateral relations are unlikely to change for the better anytime soon. For the latter, this is too great a dependence on Russian gas. Both are working to change the situation. Russia has plans for two more pipelines—Nord Stream 2 and Turkish Stream—and the EU is building the Trans-Adriatic pipeline that would supply gas from the Caspian Sea to the continent. TAP is, however, several years away from completion, and the project has gone anything but smoothly.

LNG supplies are an alternative, but again, Russia has the edge: the Yamal LNG terminal is closer to Europe than any other supplier's facility. The diversification problem is aggravated by the fact that Germany wants Nord Stream. In fact, it needs it as the government makes vow after vow to get rid of coal and nuclear power. These need to be replaced by something, and this something is gas. Lots of gas. Norway can't deal with this spike in German gas demand alone. Russia can, so Germany wants Nord Stream 2. The Baltic States, however, don't. They are worried about their energy independence, however much of it they have since they, too, rely predominantly on Russian supplies.

But this dependence is mutual. Europe—EU and the Balkans—is Gazprom's biggest client for the moment and likely to remain so in the foreseeable future despite Moscow's Chinese pivot. Much as been said about Russia's willingness to use gas as a political tool; the Stockholm court's ruling has shown that this is not so, just as have demands from the EU that have forced Gazprom to revise some of its supply contracts. For Gazprom, building Nord Stream 2 to divert part of gas supplies from Ukraine is just as urgent as it is for Europe to get Caspian gas flowing in. Yet even after TAP is completed, Europe will have to rely on Gazprom for much of its gas needs, just as Gazprom will have to rely on Europe for much of its export income. The Beast from the East simply reminded both that they can't divorce just yet.

EIA keeps oil price forecast unchanged for 2018

Oil & Price, *08.03.2018*

The U.S.' Energy Information Administration (EIA) kept its crude oil price unchanged for this year and the next, according to its Short-Term Energy Outlook report for March released.

International benchmark Brent crude is expected to average $62 per barrel in 2018 and 2019, unchanged from the February report. American benchmark West Texas Intermediate is estimated to average $58 a barrel this year and the next, again unchanged from the previous month's report.

"Crude oil prices declined in February after seven consecutive months of increases," the EIA said in its March report. "Despite the recent price declines, most fundamental crude oil supply and demand indicators suggest global petroleum inventories are declining," it added. The EIA, however, revised up its estimate for U.S.' crude oil production by 100,000 barrels per day (bpd) from the last month's report. The U.S.' crude oil output is now forecast to average 10.7 million bpd this year, instead of the previous estimate of 10.6 million bpd. The EIA anticipates U.S. crude oil production will average 11.3 million bpd in 2019, up from the previous expectation of 11.2 million bpd in February's report.

US starts LNG cargo transit to India

Anadolu Agency, *06.03.2018*

The U.S. has begun sending liquefied natural gas (LNG) to India, American Energy Company Cheniere Energy announced on Monday. Cheniere signed a 20-year deal with the Indian state-owned natural gas company GAIL India Ltd., the company said.

The first LNG cargo has left the company's Sabine Pass LNG terminal in the state of Louisiana, the company confirmed. The deal will supply India with 3.5 million metric tons of LNG per year. "The commencement of this agreement marks the start of a long and productive relationship.

This relationship is between Cheniere and GAIL," said Cheniere President and CEO Jack Fusco in a statement. "India remains an important market for LNG, and one that we hope will continue to show signs of growth," he added. GAIL Chairman and Managing Director B.C. Tripathi said in the statement "with supplies commencing from the U.S., GAIL will have a diversified portfolio both on price indexation and geographical locations." "This long-term agreement would go a long way in strengthening the relationship between GAIL and Cheniere and reinforcing India-U.S. trade ties," he added. Both officials were present at the ceremony at the Sabine Pass terminal when the first LNG cargo ship set sail.

"Today's shipment is significant because it means security for the world's third-largest energy consumer," United States Energy Association (USEA) Executive Director Barry Worthington said in a separate statement. "The deal between Cheniere and GAIL aligns with the Strategic Energy Partnership announced by U.S. President Donald Trump during Indian Prime Minister Narendra Modi's visit to Washington last summer; the two leaders agreed to leverage new opportunities and elevate cooperation," he added. Since its first LNG export in February 2016, Cheniere sent approximately 300 LNG cargoes from its Sabine Pass LNG facility, according to the company. GAIL has a 75 percent market share in gas transmission and over 50 percent in gas trading share in India, according to the firm. While Cheniere is also building an export facility in Corpus Christi in the state of Texas, the company announced last month that it made two long-term deals to sell LNG to China's state-controlled oil and gas giant PetroChina. Beginning this year, Cheniere will sell about 1.2 million tons of LNG per year to PetroChina, a subsidiary of China National Petroleum Corporation. While the agreement will run through 2043, the volume of the shipments will ramp up in 2023.

Lower U.S. crude exports to china could pull the rug out from under oil bulls

Seeking Alpha, *20.02.2018*

On Sunday, February 18, the first Very Large Crude Carrier (VLCC) loaded with U.S. crude oil set sail for Asia from the Louisiana Offshore Oil Port (LOOP). The trade was arranged during January.

VLCC's carry about two million barrels of oil and are much more economic than smaller tankers. In the past, VLCC's left the LOOP empty after discharging crude in the GOM. This past July the LOOP sought customer interest in loading services, modifying its facilities to allow the port to operate "bi-directionally" to handle exports.

Infrastructure logistics had been the biggest constraint in enabling U.S. crude exports to rise. Trading houses, pipeline owners and ports are reportedly investing in new infrastructure to increase shipments of American crude. These investments are likely to optimize the flows of imports and exports, lowering shipping costs. But there may be a lull before the next supertanker loads at the LOOP, destined for Asia. The price of the Middle East Dubai marker fell below WTI. The strength of WTI v. Dubai does not justify sending U.S. crude to Asia. Saudi Aramco recently considered exporting crude from its U.S.-based Motiva unit, and concluded the trade is uneconomical. Saudi Arabia also reportedly cut its March exports to less than 7 million bpd due to seasonally soft demand. The contraction in the spread between the OPEC Reference Basket (ORB) and WTI has become significant. From mid-September through mid-January, it averaged almost $4/b. In the past week, it averaged just $0.60/bbl. The ORB is heavily weighted for crude sales to Asia and is therefore a valuable indicator of relative prices, and 60% of the gain in U.S. crude exports during 2017 were destined for China.

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Aramco CEO: Global oil sector needs $20 trillion investments over 25 years

Reuters, *06.03.2018*

The global oil and gas industry needs to invest more than $20 trillion over the next 25 years to meet expected growth in demand and compensate for the natural decline in developed fields, Saudi Aramco Chief Executive Officer said

Speaking at the CERAWeek conference in Houston, Nasser said the industry has already lost $1 trillion of investments since the oil price downturn from 2014 to 2016. Future investments needed “will only come if investors are convinced that oil will be allowed to compete on a level playing field, that oil is worth so much more, and that oil is here for the foreseeable future,” Nasser said.

“That is why we must push back on the idea that the world can do without proven and reliable sources. We must challenge mistaken assumptions about the speed with which alternatives will penetrate markets.” He noted that about 99 percent of passenger vehicles on the road use internal combustion engines, even hybrid vehicles, and said electricity produced for battery-powered vehicles comes through power generation, which is still dominated by coal, particularly in markets like India and China. Nasser said that even with the growth of electric vehicles, increased demand from petrochemical markets over the next two decades will necessitate additional investment and need for crude oil. He noted “even conservative estimates” suggest the need for about 20 million barrels per day of new capacity in the next five years.

He said he was confident that oil market fundamentals and future demand growth would be healthy, despite significant oil price volatility and forecasts of rising shale oil production. Nasser only briefly referenced the plans for Saudi Aramco to go public, saying it is “proceeding very well,” but the company’s shareholder, the Saudi government, will ultimately decide when and where it will be listed. The company is expected to list the IPO domestically, but there is significant jockeying between New York, London and Hong Kong for a potential second listing. Hong Kong is emerging as an increasingly likely compromise, according to two sources familiar with the matter. The decision on the venue must be taken by March or April at latest if the IPO is to list in October or November, or it could be delayed until 2019, sources familiar with the IPO discussions have said. Nasser, speaking in Houston, did not comment specifically on the timeline.

Global oil supply to grow, Int. Energy Agency says

Anadolu Agency, *05.03.2018*

Oil production growth in the U.S., Brazil, Canada and Norway is sufficient to keep the world well supplied in meeting global oil demand growth through 2020, International Energy Agency's latest annual report on oil markets.

"More investment will be needed to boost output after that," according to Oil 2018, the IEA's five-year market analysis and forecast. According to the report, over the next three years, gains from the U.S. alone will cover 80 percent of the world's demand growth, with Canada, Brazil and Norway - all IEA family members - able to cover the rest.

The report finds that despite falling costs, additional investment will be needed to spur supply growth after 2020. "The oil industry has yet to recover from an unprecedented two-year drop in investment in 2015-2016, and the IEA sees little-to-no increase in upstream spending outside of the United States in 2017 and 2018," the IEA stated.

Boosted by economic growth in Asia and a resurgent petrochemicals industry in the U.S., global oil demand will increase by 6.9 million barrels per day (mb/d) by 2023 to 104.7 mb/d, according to the IEA. In addition, global oil production capacity is forecast to grow by 6.4 mb/d to reach 107 mb/d by 2023. "Thanks to the shale revolution, the U.S. leads the picture, with total liquids production reaching nearly 17 mb/d in 2023, up from 13.2 mb/d in 2017. Growth is led by the Permian Basin, where output is expected to double by 2023," the IEA said. The report says that virtually all of the OPEC output growth comes from the Middle East. "In Venezuela, oil production has fallen by more than half in the past 20 years, and declines are set to accelerate," the report said, and added that sharply falling production in Venezuela will offset gains in Iraq, resulting in OPEC crude oil capacity growth of just 750,000 barrels a day by 2023. "Unless there is a change to the fundamentals, the effective global spare capacity cushion will fall to only 2.2 percent of demand by 2023, the lowest number since 2007," the agency predicts.

Announcements & Reports

► *Norwegian Gas Exports – Assessment of Resources and Supply to 2035*

Source : OIES
Weblink : https://www.oxfordenergy.org/publications/norwegian-gas-exports-assessment-resources-supply-2035/

► *Gazprom in Europe – Two "Anni Mirabiles", But Can It Continue?*

Source : OIES
Weblink : https://www.oxfordenergy.org/publications/gazprom-europe-two-anni-mirabiles-can-continue/

► *Weekly Natural Gas Storage Report*

Source : EIA
Weblink : http://ir.eia.gov/ngs/ngs.html

► *Ending the LNG Drought (Commentary)*

Source : EIA
Weblink : https://www.csis.org/analysis/ending-lng-drought

Upcoming Events

► *The Fifth Eastern Mediterranean Gas Conference*

Date : 21 - 22 March 2018
Place : Nicosia, Cyprus
Website : http://www.cvent.com/events/eastern-mediterranean-gas-conference-2018/event-summary-23f9449dfa9442e1930a5291c82d410d.aspx

► *Eurasian Gas Summit*

Date : 21 - 23 March 2018
Place : Budapest, Hungary
Website : https://eurasiangassummit.com/

► The 10th International Petroleum & Natural Gas Summit

Date : 27 - 28 March 2018
Place : Beijing, China
Website : http://oil.zhenweievents.com/en/

► The 8th International Offshore Engineering Technology & Equipment Exhibition

Date : 27 - 29 March 2018
Place : Beijing, China
Website : http://www.chinamaritime.com.cn/en/

► Kuwait Oil & Gas Summit

Date : 16 April 2018
Place : Kuwait City
Website : www.cwckuwait.com/

► 3rd SOCAR International Caspian and Central Asia Downstream Forum

Date : 24 – 25 April 2018
Place : Baku, Azerbaijan

► 3rd LNG International Summit

Date : 25 - 26 April 2018
Place : Hamburg, Germany
Website : http://lngsummit.org/

► International Conference on Petroleum & Petrochemical Economics

Date : 26 April 2018
Place : Istanbul, Turkey
Website : www.waset.org/conference/2018/04/istanbul/ICPPE

► Mediterranean Oil & Gas Summit

Date : 02 – 03 May 2018
Place : Rome, Italy
Website : https://10times.com/mediterranean-oil-gas-summit

► Iran Oil Show

Date : 06 – 09 May 2018
Place : Tehran, Iran
Website : https://10times.com/iran-oil-show

► *FLNG Global 2018*

Date : 14 – 15 May 2018
Place : Amsterdam, The Netherlands
Website : https://www.clocate.com/conference/FLNG-Global-2018/49265/

Supported by PETFORM

► *Flame Conference 2018*

Date : 14 – 17 May 2018
Place : Amsterdam
Website : https://energy.knect365.com/flame-conference/?vip_code=FKA2659PETFORM

► *4th International LNG Congress*

Date : 04 – 05 June 2018
Place : Berlin, Germany
Website : http://lngcongress.com/

► *14th Russian Petroleum & Gas Congress (RPGC2018)*

Date : 18 – 19 June 2018
Place : Moscow, Russia
Website : https://www.clocate.com/conference/14th-Russian-Petroleum-and-Gas-Congress-RPGC-2018/27847/

► *27th World Gas Conference*

Date : 25 - 29 June 2018
Place : Washington DC
Website : https://wgc2018.com/?src=Upstream

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

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

► *Gastech*

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

► *The European Autumn Gas Conference*

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