Oil & Gas Bulletin

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Turkey's energy import bill rises by 35% in Dec. 2017

Anadolu Agency, *31.01.2018*

Turkey's energy import bill increased by nearly 35 percent to $3.86 billion in December last year from $2.85 billion for the same month of 2016, according to Turkish Statistical Institute's (Turkstat) data Wednesday.

The data shows that Turkey's import bill in December 2017 reached $23.84 billion, out of which energy accounted for nearly 16 percent. Additionally, the country's crude oil imports showed nearly a 23 percent decrease in December of 2017 compared to the same period of 2016. Turkey imported approximately 1.91 million tonnes of crude oil in December.

Iran, Qatar crude exports to Asia are tanking

Oil & Price, *31.01.2018*

After years of healthy trade in crude oil and petroleum products between Iran, Qatar and Asian customers, the tide seems to be turning.

This week, figures emerged showing a decline in oil exports from the two OPEC members to key Asian customers. Bloomberg reported that Qatar's crude exports to Asia have declined severely, while Reuters showed the same figures for Iran. The latter's exports to Asia declined by 16 percent year-on-year in December, settling at a level of 1.58 million bpd, while at the same time Iranian oil exports in 2017 to Asia increased by 2.5 percent reaching a level of 1.67 million bpd.

The December decline in Iranian oil exports is considered to be a result of the threat by the Trump Administration of a potential renewal of U.S. sanctions over Tehran's nuclear program. For Iran, the future seems to look bleak, as even stalwart Asian supporters such as China are getting less interested in the Iranian oil and gas sectors. The latest data shows that China's December oil purchases from Iran declined by 17.2 percent to around 571,275 bpd, while Indian import volumes also declined by 6.2 percent. Japan, considered to be under pressure of Washington and Saudi Arabia (combined with UAE support), also showed a 11.2 per cent decline in Iranian oil imports, settling at around 218.757 bpd.

The same negative figures are reported for Qatari oil exports. The peninsula's oil exports to Japan and South Korea are reported to be down by more than 20 percent for 2017. Qatar's exports to Japan decreased by almost 25 per cent, while South Korea imported 26 percent less. These figures stand in stark contrast to the fact that OPEC leader Saudi Arabia shows an 8.1 percent growth in volumes to Japan. Analysts indicate that the Qatari demise is mainly caused by the more aggressive Saudi Asian market share approach. JOGMEC officials stated that Aramco is using OPEC's production cuts and Saudi's export volume cuts to the U.S. and Europe has led to more volumes hitting Asian markets. For Qatar, it's a desperate situation, as its crude oil exports are a major revenue generator. Qatar exported 86 million barrels of crude to Japan (-23 percent), South Korea imported 65 million barrels in 2017. Saudi Arabia, currently the leader of the anti-Qatar front, showed an impressive growth of 8.1 percent, reaching a market share in Asia of 40.2 percent.

Iran and Qatar will have to assess their options the coming months, as pressure on Asian market share will continue. At the same time, Trump's continuing threat on Iran will start biting hard for the Middle East country. Several Western and Asian companies have indicated they'll reassess their ongoing operations or investment deals with Iran. News broke already that South Korea'a POSCO has ended a $1.6 billion memorandum of agreement with the Iranian steelmaker, Pars Kohan Diar Parsian Steel (PKP), to build a steel mill in the country's Chabahar Free Trade-Industrial Zone. Saudi pressure by sovereign wealth fund Public Investment Fund (PIF) — one of the main shareholders since 2015 — has been stated as the reason.

More of these developments are expected in the coming months, with increased pressure from Washington and Riyadh on international companies investing or operating in Iran. French oil company Total (NYSE:TOT) is rumored to be feeling the heat, as well; insiders say the company is reassessing their Iranian options due to sanctions threats. Other IOCs and investors are already very cautious in their Iran approach. Qatar isn't exempt either, as Saudi and Emirati officials will likely urge IOCs, oilfield services, and investors to reconsider their cooperation with Doha.

Gas turbine project in Iraq secures $211m UK funding

Energy Live News, *30.01.2018*

UK Export Finance (UKEF) is to provide $210.8 million (£148.9m) to help General Electric (GE) Global Services secure a landmark gas turbine contract in Iraq.

The project will upgrade and repair existing turbines across 10 sites to deliver an improved and secure power source, able to generate 6.5GW of capacity and powering millions of homes across Iraq. GE will deploy advanced gas solutions and controls software to improve turbine performance and enable power plants in the Baghdad, Karbala, Kadisiyah, Babil, Najaf and Basrah regions to operate more efficiently.

This is the second part of a three-phase turbine maintenance programme to be delivered across the country between 2017 to 2019. Baroness Fairhead, Minister of State for Trade and Export Promotion, said: “I’m delighted that UKEF will be supporting this project under the recently signed infrastructure Memorandum of Understanding between our two governments. “This project demonstrates the UK’s commitment to supporting Iraq’s continued economic development and through government support we are laying the groundwork for future UK-Iraq trade.”

Qatar LNG booms despite embargo

Oil & Price, *29.01.2018*

As Qatar gears up for an expansion of its massive liquefied natural gas export industry, an evaluation of the nation’s recent delivery rate in the face of Gulf sanctions demonstrates the resilience of Doha’s business strategy.

Since the beginning of June, Saudi Arabia, Egypt, and several other Gulf allies have cut off ties with Qatar over alleged ties to terrorism, but Doha has stood its ground, refusing to shut down its renowned news station Al Jazeera or abide by Riyadh’s sectarian politics.

Saudi Arabia and its allies (the United Arab Emirates, Bahrain, Egypt and others) maintain that Qatar’s relationship with Iran and other Shi’ite regimes contributes to disharmony in the Middle East. A series of ultimatums, diplomatic talks, and regional sanctions have yielded no results. Kuwait volunteered to mediate between the sparring parties last year, but despite international encouragement for its leadership, the country has made no progress in resolving the impasse. And the process may get even more difficult soon. Now that Qatar has proven its agility in the face of regional obstacles, buyers from outside the Middle East will keep calm and continue to buy LNG from the small country on the Arabian Peninsula. As soon as the UAE refused to allow Qatari ships or Qatari cargo to enter its ports, Doha called on its allies in Oman to open its docks for incoming tankers.

Now, its Qatar’s turn to choose its customers and allies, giving the nation the upper hand as LNG exports balloon. At the end of 2017, Qatar had over 77 million tons in annual export capacity — approximately the same levels recorded in previous years. Qatar Petroleum plans to increase this figure to 100 million tons in the next five to seven years. There is global demand for more LNG. New import terminals in India and China signal a wave of adoption in the developing Asian giants. Due to low carbon emissions triggered by its use, natural gas is considered to be the “green” fossil fuel, ready to be used as renewables take their time becoming not only affordable, but also reliable against the elements. Energy companies and foreign governments “are not dissuaded from wanting to explore financing or investment opportunities,” Richard Mallinson of Energy Aspects Ltd. in London told World Oil. The Gulf’s embargo didn’t result in “disruption of supply, so that will be reassuring for buyers who are concerned about political risks.”

France’s Total and India’s Petronet are ready to invest in Qatar’s expansion plans as it moves “full steam ahead,” according to QP CEO Saad Sherida Al-Kaabi. Companies worldwide are “knocking on QP’s door” to be part of the project, he added. Doha does not plan to use a tender to determine its partners for the LNG sector upliftment. Estimates by Sanford C. Bernstein show that securing 23 million more tons of LNG production will come at a cost of $27.6 billion. That’s dirt cheap compared to the $88 billion project that Chevron is pursuing down in Australia. Doha has begun the structural rehab necessary to make this project work. Last week, it announced the finalization of a deal to merge Qatargas and Rasgas — the world’s largest LNG producing entities — under the Qatargas name.

“This integration is an integral part of Qatar Petroleum’s vision to become one of the best national oil and gas companies in the world, with roots in Qatar and a strong international presence,” QP’s CEO Saad al-Kaabi said in a news conference. Combined, Qatargas now governs all 77 million tons of export capacity. The company, under the control of Qatar Petroleum — the final entity in all matters hydrocarbon within the emirate — is open for business.

Lebanon signs exploration deal with Total, Eni, Novatek

Oil & Price, *30.01.2018*

A consortium of Total, Eni, Novatek, who were awarded two blocks in Lebanon’s offshore, submitted two executed oil and gas production agreements to the country, the Lebanese Petroleum Administration (LPA) announced.

The consortium submitted two bids for blocks 4 and 9 offshore Lebanon in October last year. They also submitted guarantees for the execution of related petroleum activities along with the agreements, the LPA noted. The maritime waters of Lebanon are divided into ten blocks, which will be open for bidding on a gradual basis, the LPA explained.

Lebanon’s Minister of Energy and Water Cesar Abi Khalil declared on Jan. 26 last year that blocks 1, 4, 8, 9 and 10 will be open for bidding during the first offshore licensing round. Under the exploration and production agreement, the consortium will explore for oil and gas during a five-year exploration phase, which can be extended up to 10 years with the approval of the Council of Ministers, according to the LPA. If the consortium discovers oil or gas, it must produce during a twenty-five year production phase, which can be extended by five years, if additional investments are made.

Genel Energy's production slides, focus shifts to gas fields

Reuters, *25.01.2018*

Iraqi Kurdish-focused Genel Energy expects oil and gas production to fall for a third year in 2018, it said on Thursday, as it shifts its focus to two new gas fields.

The decline in production is due to a continuing slide in output from the Taq Taq field, once considered Genel's flagship field, after the well hit water in 2016. Genel's operations in the northern Iraqi region were, however, largely unaffected following the Kurdistan Regional Government's (KRG) independence referendum late last year that led to a military confrontation with Baghdad.

Although the unrest slowed Genel's efforts to find a partner to develop the Miran and Bina Bawe gas fields, Genel is increasingly betting on their development after a recent survey showed a 40 percent increase in gas resources to 14.7 trillion cubic feet. "Things are not on hold when it comes to Miran and Bina Bawe ... The referendum did not accelerate anything but it is not bad news for Genel," Ikaheimonen said. Field development plans, carried out by Baker Hughes , will be completed shortly and the company will carry out further test wells this year, it said. Genel plans to spend between $25 and $40 million on the project in 2018 out of a total capital spending programme of $95 to $140 million.

The search for a partner for the fields is ongoing, Ikaheimonen added. London-listed Genel said its 2018 production would fall 7 percent to 32,760 barrels of oil and gas equivalent per day (boed) after 2017 output declined by 34 percent. At 0940 GMT, its shares were down 2.2 percent at 132 pence. The company continued receiving regular payments from the KRG throughout 2017. Genel's cash proceeds, however, grew by around 30 percent in 2017 to $263 million due to higher oil prices. Free cash flow totalled $140 million last year, while net debt dipped to $135 million following the refinancing of existing bonds in December.

Aramco IPO stalled by indecision over where to list

Anadolu Agency, *02.02.2018*

Two years after Crown Prince Mohammed bin Salman announced his intention to turn Saudi Arabia's state-owned oil producer into the world's largest public company, the kingdom and its advisers remain stuck on the crucial question of where to list the shares.

External advisers and officials at the company, known as Aramco, have privately warned that Prince Mohammed's preferred venue, the New York Stock Exchange, could expose the kingdom to lawsuits from shareholders and 9/11 victims, people familiar with the matter said. The officials include Aramco's powerful chairman.

The company and the kingdom are debating listing Aramco solely on the Saudi stock market, known as Tadawul, but advisers are concerned the exchange won't be able to accommodate the surge in trading that such an enormous company would bring. Estimates of the value of Aramco range from $1.3 trillion to $2 trillion; the market capitalization of all stocks on Tadawul is just $451 billion. Saudi Arabia's stock exchange has only been open to international investors since 2015. And while most global exchanges have multiple custodians to facilitate and keep track of trading in stocks, the Tadawul has just one: HSBC Holdings PLC.

A Tadawul-only listing would likely be accompanied by an investment from a sovereign-wealth fund in a country like China, Russia, Singapore or the United Arab Emirates, some of the people said. Partly as a result of the differences of opinion, progress on the IPO has stalled, frustrating many of the hundreds of bankers, lawyers and consultants who have been working around the clock for more than a year to prepare the listing, people familiar with the process said. The prospects for an international listing in 2018 look remote, some of the people said. Others say that if the crown prince makes a decision on a venue soon, there could still be one this year. "We hope that 2018 will be the right time, but ultimately we have to make sure the market is ready," Mr. Falih said in Davos, Switzerland, last week, when asked by reporters about a possible delay. "We will calibrate that as we get closer." The IPO of Saudi Arabian Oil Co., as it is officially known, is the centerpiece of Prince Mohammed's grand and risky plan to modernize the kingdom's economy and wean it off oil. The challenges of simply choosing a venue, however, illustrate the broader geopolitical, legal and bureaucratic difficulties of the effort.

Last year Prince Mohammed met with the chief executives of firms including JPMorgan Chase & Co., Evercore Partners Inc., Moelis & Co., and Morgan Stanley to discuss the listing, people familiar with the discussions said. More recently, he has mostly been discussing the IPO with just Mr. Falih and senior ministers who, along with many senior officials at the company, prefers a listing in London, the people said. They see the British capital as having fewer legal risks. The Saudi cabinet remains divided on where to list, the people said. Prince Mohammed has been spending much of his time recently on the widening corruption probe in which hundreds of senior government officials, prominent businessmen and members of the ruling family have been detained, as well as on conflicts with some Middle Eastern neighbors including Iran, Qatar and Yemen, people familiar with the situation said.

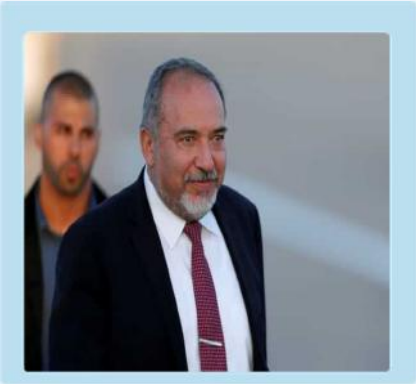
Early in the planning process, Prince Mohammed had told advisers that he preferred the NYSE because it would gain the company access to the largest pool of investors, as well as prestige, people familiar with the discussions said. More recently, these people said he has talked about the importance of an NYSE listing to bolster U.S.-Saudi diplomatic and economic ties and his already close relationship with President Donald Trump and his son-in-law Jared Kushner. In a November 2017 tweet, the president said: “Would very much appreciate Saudi Arabia doing their IPO of Aramco with the New York Stock Exchange. Important to the United States!” A White House spokesman declined to comment. Prince Mohammed has told advisers that he thinks Mr. Trump and Mr. Kushner could get the NYSE to relax some of its regulations or help limit the potential for lawsuits, people familiar with the process said. Advisers have told Prince Mohammed that Mr. Trump has no direct control over exchange regulations or any lawsuits related to the Sept. 11, 2001, terrorist attacks, the people said.

Members of Aramco’s internal IPO team recently met with Chief Executive Amin Nasser to discuss how they could still list in New York, one person familiar with the meeting said. One possibility they discussed was to create and then list just a subsidiary with some of Aramco’s upstream and downstream assets. They said such a move could potentially shield the broader company from lawsuits. Still, this was seen as a “last-resort option,” the person said. Aramco in recent weeks also contacted several new banks and invited them to Saudi Arabia to make pitches for potential roles on the IPO team, people familiar with the process said. It told them to draft presentations on a venue-agnostic basis.

Aramco’s IPO team has most of the paperwork ready for a listing in New York, London, Hong Kong or locally, people familiar with the matter said. Bankers on the deal say they have never seen another company work in this manner, as normally a venue decision is made first, because of the time it takes to draft even a single, less-complicated prospectus. The Aramco IPO team has recently been discussing listing by October of this year solely on Tadawul, these people said, but some advisers remain skeptical. They have already watched the company blow through many self-imposed deadlines. Several investment bankers said they are struggling to keep staff on the project. Many have become nervous that the IPO will never happen or will raise much less than expected. They worry they will miss out on career opportunities and bonus payments if their work generates minimal revenue.

Israeli minister says Lebanese claim on gas field ‘provocative’

Reuters, *31.01.2018*



Israel described as “very provocative” on Wednesday a Lebanese offshore oil and gas exploration tender on the countries’ maritime border, and urged international firms not to bid.

“When they issue a tender on a gas field, including Block 9, which by any standard is our this is very, very challenging and provocative conduct here,” Israeli Defence Minister Avigdor Lieberman said. “Respectable firms” bidding on the tender “are, to my mind, making a grave error because this is contrary to all of the rules and all protocol in cases like this,”

He told an international security conference hosted by Tel Aviv University’s INSS think-tank. Lebanon in December approved a bid by a consortium of France’s Total, Italy’s ENI and Russia’s Novatek for two of the five blocks put up for tender in the country’s much-delayed first oil and gas offshore licensing round. One of the awarded blocks, block 9, borders Israeli waters. Lebanon considers Israel an enemy state and has an unresolved maritime border dispute with it over a triangular area of sea of around 860 sq km that extends along the edge of three of the blocks. The contracts are expected to be officially signed on Feb 9, the Lebanese Petroleum Administration (LPA) said, allowing exploration to begin.

The licensing round was re-launched in January last year after a three-year delay caused by political paralysis. Lebanon is on the Levant Basin in the eastern Mediterranean where a number of big sub-sea gas fields have been discovered since 2009, including the Leviathan and Tamar fields located in Israeli waters near the disputed marine border with Lebanon. Israel last went to war in Lebanon in 2006, against the Iran-backed Hezbollah militia. With tensions rising anew, Lieberman said Lebanon would “pay in full” for any new Hezbollah attacks on Israel. But he said Israel sought no war, adding: “We try to conduct ourselves determinedly and responsibly.”

PETFORM

Bulgaria wants to buy gas from Israel

Globes, *30.01.2018*

Bulgarian Minister of Energy Temenuzhka Petkova has told Israeli Minister of National Infrastructure, Energy, and Water Resources Yuval Steinitz that Bulgaria was interested in buying natural gas from Israel through the Greek hookup to a natural gas pipeline from Israel to Europe. Petkova announced that Bulgaria was planning to build a gas pipeline in cooperation with Greece that would connect Bulgaria to the EastMed project.

The Bulgarian minister, who heads the European forum of energy ministers, invited Steinitz to take part in a meeting of the European energy ministers in Bulgaria this coming April

Bulgaria currently buys most of its natural gas from Russian company Gazprom. Like all the European countries, Bulgaria would like to diversify its sources of natural gas. Connecting Bulgaria to Steinitz's initiative is no simple matter; it probably requires laying a land-based pipeline between Greece and Bulgaria. The EastMed project for laying an pipeline from the Leviathan natural gas reservoir to Italy via Greece has passed one European Union (EU) hurdle with the EU's allocation of €34.5 million this year for completion of planning ahead of a final decision about investment in the project in 2019.

35% of the development work on the Leviathan reservoir has been completed. Construction of a gas pipeline to transport the gas from the handling platform to the Dor shore has ended, and the company has also begun preparations for the arrival of the new ENSCO DS 7 drilling platform in Israel in March, the Leviathan partners have announced. Development of the Leviathan reservoir, Israel's largest natural gas project, got underway a year ago. According to the most recent announcement by Delek Drilling Limited Partnership (TASE: DEDR.L), natural gas from Leviathan will begin reaching the economy in late 2019, matching the company's previous predictions.

The partners say that many Israeli companies are quite involved in the construction and development of the Leviathan platform, including Ham-Let Nazareth Illit, Habonim, Inbal Valves, Upper Galilee company Amiad Metal Technologies, and Kibbutz Ein Dor-based company Teldor. These companies are developing and manufacturing the pipeline parts (adaptors and valves), special water filters, and so forth for the platform. The new Ensco drilling ship won a tender published by Noble Energy for completion of drilling in the two production wells in Leviathan (Leviathan 7 and Leviathan 3), and for connection and completion of work on the four Leviathan wells to be connected to the production system as part of the development plan for the reservoir (Leviathan drillings 3, 4, 5, and 7).

The cost of the ship is $140,000 a day. For the sake of comparison, the cost of the previous ship was $200,000. The Leviathan development plan (Stage 1A) provides for production drillings to be connected through an undersea pipeline to the permanent platform, which will be located 10 kilometers from the Hadera shore. The platform will be placed on the sea bottom at a depth of 80 meters, and will produce 12 BCM annually. The gas from the platform will run through a pipeline to the Israel Natural Gas Lines Company's national transportation system, from where it will be sent to customers in Israel and neighboring countries. The cost of the first stage is estimated at $3.75 billion.

The second state in Leviathan's development has yet to be submitted for approval, because gas supply agreements have not yet been reached. There are several options, for none of which has a concrete agreement been reached so far. These options include exports to Egypt, Turkey, the European pipeline through which Israel can export gas to Greece and Italy, and as reported recently in "Globes," an energy-intensive aluminum production plant being considered in southern Israel that will consume 2 BCM annually. Development of the second stage of Leviathan is due to be combined with development of the Aphrodite Cypriot gas reservoir, located only 30 kilometers away from Leviathan, in order to lower development costs and make it possible to make do with only one drilling platform. Aphrodite, which contains 120 BCM of gas, has not been developed since it was discovered in 2012. Cyprus, whose potential consumption is estimated at 1 BCM annually, is still using polluting fuel oil to produce electricity.

Nord Stream II permits likely soon, build for summer

Anadolu Agency, *30.01.2018*

The Nord Stream II natural gas pipeline project is on track with all contracts in place to start construction this summer, according to Paul Corcoran, chief financial officer.

Corcoran spoke at the Big Gas Debate panel of the European Gas Conference in Austria's capital Vienna where he stated that undoubtedly Europe will need more gas to meet its demand. He said that as a project to cover Europe's needs, the Nord Stream I operated at 97 percent capacity in 2017, but argued that the option of supplying LNG to Europe would be much costlier than Russian gas.

Corcoran disputed speculation over the high cost of the Nord Stream II project and replied, that, "There are five companies as well as Gazprom investing in this project," who he claimed would not be involved if it is not financially viable. Contrarily, he argued that more pipeline infrastructure is a good thing for supply security. "The six companies [in the Nord Stream II] are all committed to the project and that's why it won't fail," he said. Additionally, in a rebuff to objections from some European countries to the project, he said "there needs to be a legal basis to stop the project and there isn't one. We expect the project to get permits in the next months and start construction in summer. In 2020, we can be operational and that is for the benefit of Europe," he said.

Ukraine and Poland have objected to the project claiming that it is a "threat" to the energy security of the whole of Europe. The EC's new draft law on Nov. 8 proposes that EU third party access - anti-monopoly legislation applies to offshore pipeline segments in EU territory. This could impact delays in projects like the Nord Stream II. The Oxford Institute for Energy Studies' Natural Gas Research Program Founder, Jonathan Stern, shared the view that delays are likely and argued that much remains to be done before the Nord Stream II can progress. "Probably the Nord Stream II will eventually be built, but when will this happen? It will take a long time and there could be delays in its progress," Stern said referring to the European Commission's and some European countries' objections to the project. THE Nord Stream II, which will carry Russian gas to Germany through the Baltic Sea, with a capacity of 55 billion cubic meters, is co-financed by five European companies, E.ON, Wintershall, Shell, OMV and Engie.

Russia struggling to expand arctic oil production

Oil & Price, *20.01.2018*

Oil production from Russia's Arctic region increased in 2017 as new onshore developments and the only offshore producing platform ramped up production. But challenges in Russia's arctic remain.

Last year, production from onshore fields in Yamal-Nenets autonomous region in northern Russia contributed the most to the rise in oil production in the Arctic. Output from the only producing offshore oil field — Prirazlomnoye — also increased in 2017. And Russia has ambitions to continue to develop its Arctic oil resources.

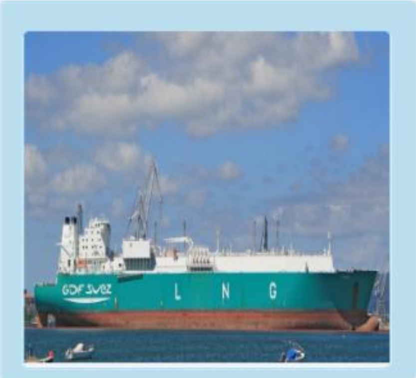
Russia's ambitions, however, are not without challenges; it must contend with several factors that, for now, are preventing it from fully developing its offshore Arctic oil potential. For starters, U.S. sanctions prohibit the exports of goods, services, or technology that Russia needs to support exploration or production in Russia's deepwater, Arctic offshore, or shale projects — all which have the potential to produce oil. Another obstacle is that only state-controlled giants Gazprom and Rosneft have access and licenses to operate in the offshore Arctic, and they are not keen on cooperating with local private companies with relevant experience. Nevertheless, Russia had a good year in the Arctic. Oil production in the Yamal-Nenets autonomous region is expected to have increased by 13.4 percent year on year in 2017, thanks to rising production at new onshore oil and condensate fields and increased crude oil shipments from Gazprom Neft's Novy Port project via the Arctic Gates oil terminal, the government of the Yamal-Nenets autonomous region said earlier this month. Gas production in the region is expected to have increased by 6.7 percent last year compared to the previous year.

In addition, at the end of last year, Vladimir Putin officially launched the $27 billion Yamal LNG project in the Arctic. Russia's second LNG plant intended to challenge the dominance of Qatar and Australia — and perhaps the U.S. in the future — on the global LNG market. Gazprom Neft, the oil arm of gas giant Gazprom, said in its preliminary 2017 results at the end of December that its total oil and gas production had increased by 4.2 percent compared to 2016, mostly due to the development of major new projects in the Arctic. The Novoportovskoye field, the Vostochno-Messoyakhskoye field — the northernmost onshore field in Russia — and the offshore Prirazlomnoye field contributed the most to production growth in 2017, Gazprom Neft said. At the end of last year, Russia's largest oil company, Rosneft, struck a new joint venture with BP, which is a 20-percent shareholder in Rosneft, to jointly develop the reserves of two license blocks in the Yamal-Nenets autonomous region — Kharampursky and Festivalny — which hold a combined 880 billion cubic meters of natural gas. Despite growing its Arctic oil production and the government vowing to develop the region, sanctions and the unwillingness of Gazprom and Rosneft to cooperate with private Russian companies prevent Russia from fully exploring its vast Arctic oil and gas resources, Stanislav Pritchin wrote in an article published on Monday.

The Russian zone of the Arctic has the largest share, and its potential reserves are some 48 billion barrels of oil and 43 trillion cubic meters of natural gas. The only offshore production field, Prirazlomnoye, is a relatively easy platform to develop because it is close to the coast and not in very deep waters, Pritchin says. But sanctions are preventing Russia from partnering with Western companies that have the know-how and technology to drill in Arctic waters. Apart from externally imposed restrictions, Russia has one self-imposed hurdle — only Gazprom and Rosneft have access to the Arctic shelf. While sanctions are unlikely to be lifted soon, with increasingly tense relations between Russia and the West, part of the solution could be if the two state-controlled giants partnered with private Russian firms with more experience in subsea development, Pritchin argues "But while that is not recognized, Russia is losing much-needed private investment and the opportunity to exploit its potential Arctic riches," the expert says.

First ever Russian LNG cargo arrives in the U.S.

Oil & Price, *17.01.2018*



The Gaselys tanker carrying the first LNG cargo produced by Russia's first LNG facility in Yamal has arrived in Boston.

Bloomberg on Friday reported the tanker was sitting outside Boston Harbor and had been for several days, undergoing a safety inspection. Its destination was French Engie's import terminal. This was the first LNG cargo from anywhere other than Trinidad and Tobago to arrive at a U.S. port in three years, Bloomberg noted. The first cargo of Novatek's Yamal LNG was initially loaded on the Christophe de Margerie tanker by French Total.

It was shipped it to Britain where it was transferred to the Gaselys. Engie told Bloomberg that it had bought the cargo on the spot market early this month as it tackles stronger LNG demand in New England because of the harsh winter weather. French cargo trackers Kpler report that a second Russian LNG cargo is due to arrive in the U.S. around mid-February. The second cargo is due to sail from Dunkirk in France and will also go to New England where pipeline capacity is insufficient in satisfying the current levels of demand. This second cargo Engie bought even before winter season began in anticipation of the spike, as supply from Trinidad would not be enough to meet it and gas pipeline capacity remained limited. Yamal LNG, the US$27-billion project in the Arctic and Russia's first in LNG, is majority owned by Novatek in partnership with French Total. It began operations in early December 2017 and the first cargo, of 170,000 cubic meters, was shipped on December 11. U.S. Sanctions against the Russian energy industry made financing the project more difficult since Novatek is one of their targets, but they do not cover shipments of Russian gas to the United States, sanctions experts told the Washington Post.

Gazprom to submit its offers on development of gas fields in Iran

Tass, *28.01.2018*

Russia's gas giant Gazprom is interested in developing four gas fields in Iran and is ready to come out with relevant offers by late March, Iranian Minister of Petroleum said.

"Iran has signed memoranda of understanding (MoUs) with Gazprom for carrying out studies on development projects of Farzad A, Farzad B, North Pars and Kish gas fields and the Russian company has signaled keenness to develop the fields," Shana news agency quoted him as saying. According to the minister, Gazprom is expected to submit results of its studies by late March.

It was announced on December 14, 2017 that Gazprom had signed a roadmap on the implementation of projects in Iran and a memorandum of understanding and cooperation on the LNG project in Iran. In early November 2017, Gazprom and the National Iranian Oil Company (NIOC) signed a number of memorandums on cooperation in the gas sector. The documents envisage partnership in developing gas fields in Iran, gas transportation and sales.

OMV urges EC to view positive aspects of Nord Stream II

Anadolu Agency, *30.01.2018*

Despite The European Commission should reconsider the positive aspects of the Nord Stream II natural gas pipeline project for Europe's supply security, Manfred Leitner, member of the executive board of Austria's international, integrated oil and gas company, OMV, said.

Leitner, speaking during the European Gas Conference in Austrian capital Vienna, said that Russia's Gazprom has supplied and continues to transfer stable, uninterrupted natural gas to Europe. "Security of gas supply is crucial, and Gazprom brings it," he argued. "It means gas to heat houses, schools, hospitals and for European energy.

The gas comes safely and at an affordable price," Leitner said. He urged those critical and skeptical of Russia to reevaluate their strategy given that Europe's domestic gas production is in decline while demand in Europe is on the rise. "If you look to Russia, they have the largest natural gas reserves in the world. In order to gain security of supply we have a chance to be directly linked to the biggest reserves of gas," he asserted. He added that, "obviously cyclical connection to these gas reserves is through the Nord Stream II."

Leitner said the project, which will carry Russian gas to Germany through the Baltic Sea, with a capacity of 55 billion cubic meters, is co-financed by five European companies, E.ON, Wintershall, Shell, OMV and Engie. "This is a very big source of gas with a very big market," he said. The project is designed for Europe's energy supply security, he said, adding, "I would like to ask the European Commission to see the positive objectives of this project."

Italian Eni eyes to co-op with Iran's state-run drilling firm

Trend, *02.02.2018*

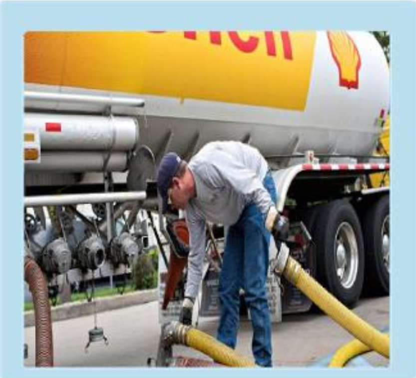
Italy's oil giant, Eni has invited the National Iranian Drilling Company (NIDC) to participate in its international tenders in Iraq, said Sepehr Sepehri, the NIDC's managing director.

Eni has invited the NIDC to take part in three drilling tenders that the Italian company plans to hold in Iraq, Sepeheri said, the official website of the NIDC reported. The tenders includes drilling of 12, 15 and six oil wells, he said, adding that NIDC already has cooperation experience with Eni in development project of Darkhovin oil field in southern Iran. The state-controlled Eni, which entered Iran in the 1950s, was involved in the development of the Darkhovin field.

The offshore South Pars gas field before the US-led sanctions. Sepehri said that besides presence in Eni's tenders, the NIDC is negotiating with Iraq's national drilling company to carry out drilling operations in the country's southern areas of Basra. He further said that the Basra region has a capacity to produce 3.5 million barrels of oil per day. "We can participate in Iraq's drilling projects in oil and gas sector, he said, adding that enjoying good neighbouring ties, the two country's access to Arvand Free Zone, and low costs of the NIDC compared to the European rivals as well as favorable crude oil production capacity in Iraq are among the advantages of cooperation between the two countries. The company's approach is to secure itself a toehold in global markets, Sepehri said.

Shell quarterly profit jumps 140% after 'a year of transformation'

CNBC, *01.02.2018*



Oil giant Royal Dutch Shell reported profits more than doubled in the fourth quarter of 2017 on Thursday, supported by a recent rally in oil and gas prices.

Net profit attributable to shareholders on a current cost of supplies basis, used as a proxy for net profit, and excluding identified items, came in $4.3 billion, versus $1.8 billion in the same quarter a year ago. This compared to a company-provided analyst consensus of $4.24 billion. Shell Executive said the strong financial performance came after "a year of transformation."

"Our relentless focus on value, performance and competitiveness meant we were able to deliver $39 billion of cash flow from operations excluding working capital movements from our upgraded portfolio," he said in the earnings statement. Shell's latest figures come amid a rapidly improving environment for big energy firms, with oil prices skyrocketing 50 percent since the middle of last year. There are also signs the oil market is rebalancing, particularly as allied producers continue with an agreement to limit output. In recent quarters, major oil companies have been eager to show investors that progress has been made when it comes to covering spending and dividends with cash generation. The price of oil collapsed from near $120 a barrel in June 2014 due to weak demand, a strong dollar and booming U.S. shale production and firms were forced to wrestle with their portfolios in order to try and become more competitive.

Late last year, the Anglo-Dutch reportedly said it expected changes to the U.S. tax system to have a "favorable" impact on its business operations. The change to U.S. tax legislation, enacted by President Donald Trump on December 22, was projected to have a significant effect on Shell's fourth-quarter results. In the $1.5 trillion tax overhaul, the Trump administration slashed corporate tax rates to 21 percent, down from 35 percent.

BP wants to double North Sea output following exploration success

CNBC, *31.01.2018*

U.K. oil major BP has said it wants to double its North Sea production by 2020 after it announced two new oil and gas discoveries.

The finds were made in summer 2017 in wells drilled near the Shetland Islands and in the central North Sea. One is fully owned by BP while the other is a joint venture with Chevron and Shell. BP North Sea Regional President Mark Thomas said Wednesday that the data of both new wells is under evaluation and at least one of the two could potentially be tied into existing infrastructure.

He added that that the wider area off the Scottish coast now looked “refreshed and revitalized” for energy extraction. “We expect to double production to 200,000 barrels a day by 2020 and keep producing beyond 2050,” he added. After a two-year downturn in the oil market, North Sea operations are showing signs of resurgence after the price of crude recently pushed back above $70 a barrel. In January, Shell announced it was to build its first new North Sea installation in three decades and a number of private equity firms have taken over production fields vacated by oil majors. According to Oil and Gas UK, total production has risen year-on-year since 2013, while costs per barrel have been slashed as firms look for efficiencies. In its December 2017 report, the industry group added that up to $5.5 billion worth of new capital projects could be approved in 2018, the highest level in five years.

Following BP’s announcement, the World Wide Fund for Nature (WWF) in Scotland said it was “perverse” to double production of North Sea energy in the face of climate change. The organization added that skills in the region should be transferred toward supporting cleaner forms of energy production.

LNG receives more investment, short-term contracts rise

Anadolu Agency, *23.01.2018*

More companies are moving into LNG trading supported by a positive gas market, according to Wood Mackenzie's Giles Farrer.

Farrer, speaking during the European Gas Conference in Austria's Vienna, said the availability of FSRUs, lower gas prices and market liberalization offer incentives to companies to move into the LNG market. "FSRUs are key to many market players," he asserted. He added that major international companies are shifting their portfolio to gas and taking advantage of the oil market's downturn to build counter cyclical measures to diversify their portfolios.

"Some big national oil companies are now also starting to follow suit," he said. The many recent LNG mergers and acquisitions such as ExxonMobil's acquisition of a 25 percent stake in a Mozambique LNG project, and Total's acquisition of a 27 percent stake in Tellurian at the end of 2016, are proof of this new market change. "The future of gas and LNG looks bright for many years to come. Companies are increasing their exposure to gas and LNG, making the corporate landscape more complicated," he said. "This is changing the way LNG is bought and sold. Middle men are building positions, long-term contracting has fallen and short-term tendering is on the rise," he concluded.

European Gas Conf. to kick off in Vienna on Jan. 29

Anadolu Agency, *29.01.2018*

The 11th annual European gas Conference will begin in Vienna, Austria on Monday and will run until Weds. Jan. 31.

Alexander Medvedev, Gazprom's deputy chairman, Dr. Klaus-Dieter Borchardt, European Commission director for the Internal Energy Market, Mark Gyetvay, Novatek's CFO and Paul Corcoran, Nord Stream II's CFO will participate and take the podium at the conference to shed light on their positions in the gas sector, and will discuss the global gas market in general. An "LNG Focus Day" will also take place at the event, which is expected to attract over 434 industry professionals.

China, focus of attention in LNG market in 2017

Anadolu Agency, *29.01.2018*

The spotlight focused on China in 2017 with the country seeing a massive 50 percent rise in LNG imports, Geoffroy Hureau, secretary general of Cedigaz, an international non-profit association dedicated to natural gas information said Monday.

Hureau, speaking during the European Gas Conference in Austria's capital Vienna, hailed 2017 as a good year for natural gas. The LNG market expanded in Asia with Japan taking the lion's share followed by China.

"There are maybe other players also, but China is fundamental [for the LNG market]," he said. Hureau also noted that 2017 was also a good year for coal, growing similarly to gas. "But this is not good news for the future," he warned. In 2017, China's imports of natural gas were around 68 million tonnes, of which 38 million tonnes were in the form of LNG. Japan is the leading natural gas importer with 83.5 million tonnes, all as LNG. However, many experts believe that China could overtake Japan and take the lead in the near future.

Sabine Pass sends 230 LNG cargoes to 25 countries

Anadolu Agency, *29.01.2018*

Cheniere's Sabine Pass LNG Terminal loaded and sent 230 cargoes to 25 different countries since its start up in February 2016, Andrew Walker, vice president of LNG strategy at Cheniere Energy said.

Walker, speaking during the European Gas Conference in Austrian capital Vienna, said the Sabine Liquefaction Project is currently operating with four trains while a further train is under construction and its sixth train has become fully ready for commercial operations. According to Cheniere's official figures.

The Sabine Pass project exported its first commissioning cargo from the first train in February 2016, and contracts with three long-term buyers are now commercially operational. Walker shared that Asia is receiving the majority of the terminal's LNG with 38 percent, followed by Latin America at 36 percent. Europe receives 14 percent and MENA countries obtain 12 percent, he added. Walker noted that Cheniere is currently constructing half of the U.S.' LNG export capacity.

"The U.S. takes advantage of shale year by year. We expect more than 70 flexible U.S. cargoes per month by 2020, underpinning growing industry liquidity," he explained. He also added that another project, the Corpus Christi Liquefaction project's two trains are under construction in Texas. "As of November 2017, 77.4 percent of the project is completed and first LNG is expected in late 2018," he said.

The biggest threat to U.S. oil exports

Oil &Price, *30.01.2018*

The price differential between WTI and Brent has suddenly narrowed, putting the U.S. export boom at risk.

For much of last year, the two crude oil benchmarks traced one another pretty closely, with Brent often trading at a relatively minor $1 to $3 per barrel premium to its American counterpart. But the spread between the two blew out after Hurricane Harvey, an event that took several million barrels per day of refining capacity offline for a few weeks. Crude oil piled up into storage, and the glut pushed the WTI benchmark down relative to Brent.

The refineries along the Gulf Coast returned to operations within a relatively short period of time, but the effects of the disaster lingered. The differential hit a peak at over $8 per barrel in late September, but still traded at elevated levels for the rest of 2017. The result was a crude oil export boom as American oil became less expensive for buyers around the world. The U.S. exported an average of 1.7 million barrels per day in October, a monthly record high, and more than twice as high as August levels. U.S. crude exports to Asia accounted for 35 percent of the total in the first eight months of 2017, a figure that grew to 40 percent in September and October, according to the EIA. China, in particular, started buying up large volumes of U.S. oil in 2017. But the WTI-Brent differential has narrowed sharply over the past month, falling from over $7 per barrel in December to under $4 per barrel in recent days. Why?

Part of the reason is precisely because of the buying spree that took place in the latter half of 2017. High levels of exports helped the U.S. Gulf Coast work off much of the excess. Inventories declined at a rapid pace in the last few months of 2017, bringing them down much closer to five-year average levels (the main objective of the OPEC cuts). Because that surplus has been largely drained — with the help of elevated exports — the discount for WTI had to narrow. In essence, the export machine, which was driven by the large differential, ate away at that discount. That will make it difficult for U.S. crude exports to rise from current levels, although the disparity is still large enough to support about 1 mb/d of exports, according to Matt Smith of ClipperData. “If we start to see those exports dropping off, that will only cause the spread to widen again because production is only going in one direction, which is up,” he told CNBC. There is a moderating effect at work with the price differentials — a glut pushes WTI down, leading to higher exports and a narrowing of the spread, while a narrowing of the spread cuts down on exports, which opens up the discount once again.

Tom Kloza, global head of energy analysis at Oil Price Information Service, predicts the WTI-Brent discount to average about $4 per barrel over the next year. The other factor that will continue to drive a wedge between the two key crude benchmarks is U.S. shale production. Total U.S. output is expected to surpass 10 million barrels per day pretty much at any moment, while averaging 10.3 mb/d for the year. The EIA sees that figure shooting up to 11 mb/d by the end of 2019. The recent sharp rise in the rig count also added fuel to speculation about an acceleration in shale drilling. For the week ending on January 26, the U.S. saw a net gain in the oil rig count by 12 compared to the week before. But that figure obscures the fact that the Permian basin saw an increase of 18 rigs for the week, slightly offset by declines elsewhere. In other words, the Permian, where much of the shale action is happening these days, is firing on all cylinders. The rush of new supply is expected to lead to gains in inventories of much of the first two quarters of 2018. That will weigh on crude prices generally, but also WTI specifically, preventing the benchmark price from converging too closely towards Brent anytime soon.

US, Poland oppose gas pipeline linking Russia to Germany

Reuters, *27.01.2018*

The United States and Poland on Saturday took a strong stand against a planned gas pipeline linking Russia to Germany, saying it is part of a Kremlin scheme to politicize energy and undermine attempts to make Europe less dependent on Moscow.

U.S. Secretary of State Rex Tillerson and Polish Foreign Minister Foreign Minister Jacek Czaputowicz, after meeting in Warsaw, denounced the pipeline, which would bypass Poland and leave Central Europe vulnerable to Russian pressure. Tillerson said the pipeline was “not a healthy piece of infrastructure” for Europe’s energy stability.

“Like Poland, the United States opposes the Nord Stream 2 pipeline,” Tillerson said at a news conference with his counterpart. “We see it as undermining Europe’s overall energy security and stability and providing Russia yet another tool to politicize energy as a political tool.” The pipeline would be the second to carry Russian gas directly to Germany and Western Europe via the Baltic Sea instead of through Poland and Ukraine. The U.S. has for years tried to wean its friends and allies in Europe from their dependence on Russian natural gas, which Moscow is accused of using as leverage in disputes with Ukraine and other countries. Poland is wary of Russian intentions with the pipeline and “we share the view that it is necessary to diversify energy supplies into Europe,” Czaputowicz said.

Poland began importing liquid natural gas from the U.S. last year. Tillerson encouraged further such sales and spoke in favor of a pipeline that would run from Poland to Norway. In addition to energy security, the diplomats pledged to boost military cooperation. Poland, Czaputowicz said, would like to see the U.S. enhance its military presence in the country. “The stationing of American troops on our territory gives us, the Poles, a sense of security and we are grateful for that,” he said. “We want this presence to be even bigger and we want it to be permanent.” The Poland-U.S. security relationship received a boost last year with the deployment of some 5,000 U.S. troops to Poland as part of two separate American and NATO missions. The deployments were intended reassure allies on NATO’s eastern flank that the alliance was serious about protecting them from Russian aggression.

Oil extends gains on robust OPEC compliance

Reuters, *01.02.2018*

U.S. oil prices extended gains on Thursday as OPEC’s strong compliance with a supply reduction pact offset news that U.S. production topped 10 million barrels per day for the first time in nearly half a century.

NYMEX crude for March delivery rose 18 cents, or 0.3 percent, to $64.91 a barrel by 0030 GMT, after ending the last session up 0.4 percent. London Brent crude for April delivery had yet to start trading,after settling on Wednesday up 3 cents at $68.89. U.S. crude oil production in November surpassed 10 million barrels per day for the first time.

Oil output by the Organization of the Petroleum Exporting Countries also rose in January from an eight-month low as higher output from Nigeria and Saudi Arabia offset a further decline in Venezuela and strong compliance with a supply reduction pact, a Reuters survey found. However, adherence by producers included in the deal to curb supply rose to 138 percent from 137 percent in December, the poll found, suggesting commitment is not wavering even as oil prices hit their highest level since 2014.

U.S. crude inventories rose by 6.8 million barrels last week, after 10 straight weeks of declines, U.S. Energy Information Administration data showed on Wednesday. Analysts had expected a decrease of 126,000 barrels. Gasoline stocks unexpectedly fell by 2 million barrels, compared with expectations in a Reuters poll for a gain of 1.8 million barrels, helping push up gasoline futures. Distillate stockpiles, which include diesel and heating oil, fell by 1.9 million barrels, versus expectations for a 1.5 million-barrel drop, the EIA data showed.

Oil posts 7% monthly gain, settling at $64.73, shrugging off big rise in US crude stockpiles

Reuters, *30.01.2018*

Oil prices ticked up on Wednesday, reversing earlier losses, despite data showing American crude inventories rose more than expected and U.S. oil output topped 10 million barrels a day in November for the first time in nearly half a century.

U.S. WTI futures ended Wednesday's session up 23 cents at $64.73, posting a 7.1 percent gain on the month. Brent crude, the global benchmark, closed up 3 cents at $69.05 a barrel, ending January 3.3 percent higher. Prices firmed up after the U.S. Federal Reserve announced it would leave interest rates unchanged, but it expects inflation to creep higher this year.

U.S. commercial crude stockpiles rose by 6.8 million barrels in the week through Jan. 26, according to the U.S. Energy Information Administration. That compared with analysts' expectations for a 100,000-barrel rise in a Reuters poll. Inventories tend to rise in January, but this year they have fallen by more than 12 million barrels, making this the largest drop in the first month of the year in 30 years. Gasoline stocks unexpectedly fell by 2 million barrels, compared with analysts' expectations in a Reuters poll for a 1.8 million barrels gain. Distillate stockpiles, which include diesel and heating oil, fell by 1.9 million barrels, versus expectations for a 1.5 million-barrel drop, the EIA data showed.

Higher prices have encouraged U.S. producers to increase their rig count. Energy companies added 12 oil rigs last week, the biggest weekly increase since March. "The rig count will only continue to rise and the U.S. system will only become more efficient," said Matt Stanley, a fuel broker at Freight Services International in Dubai. U.S. oil output in November roughly matched the monthly record of 10.04 million barrels a day set in November 1970, according to data released by EIA on Wednesday. The Organization of the Petroleum Exporting Countries, along with other producers including Russia, has been waging a battle against U.S. shale producers, agreeing to take 1.8 million barrels a day off the market through the end of 2018.

“I see a correction on the horizon down towards $60 before the inevitable OPEC minister comes out and talks about new cuts,” he added. On Tuesday, U.S. crude fell 1.6 percent to close at $64.50 a barrel, far outpacing a 0.6 percent drop in the price of Brent. “The extent of the latest pullback in oil prices has taken many by surprise. Whether this weakness will be short-lived or are we witnessing the precursor to a violent downside correction remains to be seen,” PVM Oil Associates strategist Stephen Brennock said. “Still, what is apparent is that positives are increasingly in short supply for skittish buyers and the early-year optimism is hanging by a thread.” Not everyone was surprised by the pullback. Analysts told CNBC earlier this month that oil markets were poised for a correction because bullish bets that prices would keep rising have surged, while wagers they would fall have plunged. This means there are plenty of potential sellers, but a shrinking pool of possible buyers. Societe Generale commodities strategist Mark Keenan repeated that warning on Friday. While the fundamental supply-demand balance and geopolitical backdrop support the rally, the extreme investor positioning undermines a further run-up, he said.

Announcements & Reports

► *Future Prospects For LNG Demand in Ghana*

Source : OIES
Weblink : https://www.oxfordenergy.org/publications/future-prospects-lng-demand-ghana/
OIES

► *Saudi Arabia's Energy Pricing Reform in a Changing Domestic and Global Context*

Source : OIES
Weblink : https://www.oxfordenergy.org/publications/saudi-arabias-energy-pricing-reform-changing-domestic-global-context/

Upcoming Events

► *Egypt Petroleum Show*

Date : 12 February 2018
Place : Cairo, Egypt
Website : http://www.egyps.com/

► *North Africa Petroleum Exhibition & Conference*

Date : 03 March 2018
Place : Oran, Algeria
Website : www.napec-dz.com/NewDefault.aspx?lg=en

► *The 10th International Petroleum & Natural Gas Summit*

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

► *The 8th International Offahore Engineering Technology & Equipment Exhibiton*

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/

► *International Conference on Petroleum & Petrochemical Economics*

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

Supported by PETFORM

► *Flame Conference 2018*

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

► *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/