Oil & Gas Bulletin
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Filling process starts at Turkey’s gas storage facility

Anadolu Agency, *05.02.2018*

The process of filling natural gas into Turkey’s Salt Lake Underground Natural Gas Storage Facility has started, Deputy General Manager of Petroleum Pipeline Corporation Company (BOTAS) M. Talha Pamukcu.

A stockpile of gas has now been stored in six caverns, Pamukcu said, adding that the aim is to reach 550 million cubic meters of natural gas in 2018. “We will complete the first phase when we put another six caverns into operation by reaching a total storage volume of 1.2 billion cubic meters (bcm) in 12 caverns,” he explained.

“Turkey’s current annual gas consumption is about 50 bcm, out of which households consume approximately 10 bcm. Therefore, when the Salt Lake natural gas storage facility reaches its full capacity, it will be able to meet about 50 percent of residential natural gas consumption, so this project is very critical and vital,” Pamukcu said. The second phase, in which a tender process is ongoing, will see the facility reach its full capacity with a storage volume of 5.4 bcm in 60 caverns. The second phase will also see loan contract negotiations to obtain international financial support.

“The procedures and principles related to the use of the facility have been published by Turkish Energy Market Regulatory Authority in the past few days and the facility will start to serve our country next year,” he said. Last year, Turkey’s President Recep Tayyip Erdogan and Prime Minister Binali Yildirim presided over the opening ceremony of the facility located in the Sultanhani district in the province of Aksaray, 40 kilometers from the Salt Lake. The facility at full capacity will have 60 caverns by 2023. The launch of the second phase of the project will open an additional 48 caverns.

Energy Minister: Major reforms made to liberalize energy markets

Daily Sabah, *08.02.2018*

Energy and Natural Resources Minister Berat Albayrak Thursday drew attention to the reforms and incentives implemented to ensure liberalization in the energy markets while emphasizing that the processes to facilitate and increase private sector investment have been accelerated with the resolution of structural problems hampering investments.

Minister Albayrak referred to the National Energy and Mining Policy, which the ministry declared last year, as he highlighted that one of the strong pillars of this policy.

It is the predictability of the markets, a quality that certainly ensures the sustainability of investments. Speaking at the public offering ceremony of Enerjisa, owned by Turkey's Sabancı Holding and German energy firm E.ON, Energy Minister Albayrak elaborated on Turkey's energy market and energy policies. The minister particularly emphasized that a financially robust, stable and transparent energy market is essential for a strong economy. Turkey's energy imports per year reach $55 billion, the minister reminded and stressed that this amount is one-and-half times more than the country's current account deficit. "Therefore," he said, "We have swiftly implemented necessary reforms and incentives," with a strong emphasis on the facilitation of private sector investments and the resolution of structural problems hindering investments.

Referring to the National Energy and Mining Policy, Albayrak noted that the policy highlights predictability of energy markets as one of the most important pillars because an investor-friendly and predictable market is of the utmost importance for a competitive economy. "No investor wants to invest in a country with no political and market stability, particularly when it comes to a high-cost market like energy where investors benefit from medium and long-term yield," Albayrak said and added, "The April 16 referendum was a major step toward ensuring a stable political environment."

Albayrak also noted that the investment appetite of the domestic investors continues while the inflow of foreign investments is sustained. "Turkey attracted more than $180 billion in foreign direct investments in the period between 2002 and 2016," he said. Regardless of their origin, any company that invests in Turkey is a Turkish firm, the minister added. The desire of European investors as well as other foreign investors to enter the Turkish market and expand existing operations, he said, "strongly indicates the confidence in the Turkish economy and its energy vision." He emphasized that the strong investor demand for the Enerjisa stocks showed Turkey was a safe harbor for investors despite recent global fluctuations. Albayrak explained that 51 foreign real and legal persons from Europe to the United States and to Australia operate in the natural gas sector.

“Four of the world’s top 10 companies in the fuel industry continue to operate successfully for many years,” Albayrak continued. “The market share of foreign companies in the sector exceeded 48 percent. In the refining sector, Azeri SOCAR’s STAR Refinery will be commissioned before the end of the third quarter of this year, realizing another significant investment for Turkey.”

Shares of Turkey’s Enerjisa rose 11.2 percent in their market debut on Feb. 8 after the energy distributor raised $393 million in its initial public offering (IPO) last week. The shares first traded on the Istanbul stock exchange at TL 6.95 ($1.82) each, versus the IPO price of TL 6.25. These shares then rose to TL 7.20 in the following hours. Some three-quarters of the shares were sold to foreign buyers. Sabancı Holding Chair Güler Sabancı said Enerjisa became the largest private sector public offering held in Turkey in terms of Turkish Lira, adding that it was the first public offering for the private sector in the field of electricity distribution and retailing. “We are proud of the point Enerjisa has reached, thanks to its good governance and successful performance. As Sabancı, we have foreseen the importance and potential of energy for our country and for our future. Enerjisa is a company of 22 years,” she added.

E.ON CEO Johannes Teyssen said it was one of the largest public offerings held in Turkey in recent years, pointing out that the success of the public offering reveals the confidence of the capital market in Enerjisa. “This exists both at the national and international level. Distinguished international investors’ strong demand for our shares, which was about fivefold, once again confirms our confidence in Turkey’s energy sector,” Teyssen said. “Considering the past five years since the beginning of our partnership with Enerjisa, we have always trusted Turkey’s booming economy and growing electricity demand, rapid urbanization and young and dynamic population, our local partner Sabancı’s power and solid and supportive frame while investing in E.ON Turkey and Enerjisa since the beginning.”

Iran’s gas export to Iraq to reach 50 mcm/d

Tehran Times, *04.02.2018*

Iran’s natural gas export to Iraq is set to reach 50 million cubic meters per day in the next fiscal year (starting March 21), the managing director of state-run National Iranian Gas Company said.

In an interview with Radio Eghtesad, Hamidreza Araqi added that the development of infrastructures to transfer gas to Iraq will be completed by the yearend, and “as soon as Iraq signals its readiness, Iran will start gas supply to Basra and Baghdad each by up to 25 mcm/d”. “To materialize the plan, Iraq needs to complete its infrastructures as well.

However, the country's officials have stressed that Basra will be ready by the end of the year," he said. Iran is currently exporting gas to Iraq from Naftshahr region in Kermanshah Province through a pipeline diverging from the Sixth Iran Gas Trunkline (IGAT-6). IGAT-6 is a major component of the national gas grid which, according to Araqi, will have the capacity to transfer 110 million cubic meters of gas per day from South Pars Gas Field in the Persian Gulf to southern and western regions. Araqi noted that the infrastructure to send gas to Basra will soon be established for meeting the needs of both Basra and Baghdad gas export deals.

The Iraqi government approved a deal in late 2017 to import gas from Iran to the eastern border province of Diyala, increasing purchases of the Iranian fuel, which started in June after several years of delays. As per the deal, Iran committed itself to exporting gas to the Iraqi capital Baghdad and the southern Iraqi city of Basra. About 12 mcm/d of gas per day are currently transferred to Baghdad, making Iraq the second largest gas customer of Iran after Turkey, which imported about 21 mcm/d in 2016, according to the latest BP Statistical Review of World Energy. Basra, Iraq's second largest city, also needs Iranian gas to feed its power plant as part of efforts to reduce outages that have turned into a persistent source of public discontent and the export will commence soon.

Araqi noted that if the goal is achieved, Iraq will become the biggest importer of Iran's gas by overtaking Turkey. Iran's gas export to Turkey currently stands at about 30 mcm/d. "The project can to a great extent help Iran advance its plans on expansion of natural gas exports," he concluded. Iran produces more than 800 million cubic meters of gas per day, but exports a fraction to Turkey, Russia and Iraq. The country holds the world's largest gas reserves and is followed by Russia.

Iraq signs agreement to build oil refinery near Kirkuk

Reuters, *08.02.2018*

Iraq has signed an agreement to build a 70,000-barrels-per-day oil refinery near the northern city of Kirkuk, the oil ministry said.

The agreement was signed with Ranya International, a company based in the semi-autonomous Kurdish region, north and east of Kirkuk, which would be an investor in the refinery, the ministry said in a statement. The plant would produce high octane gasoline for cars and other petroleum products, it said, without giving details about the cost or further information about Ranya International.

Iraq, OPEC's second largest oil producer, wants to build new refineries as its oil processing capacity was severely curtailed by damage to its largest plant in Baiji, north of Baghdad, when it was captured by Islamic State militants in 2014. Baiji was retaken by Iraqi forces in 2015 and it should be brought back on line partially this year. Iraq now relies on the Doura refinery, in Baghdad, and Shuaiba, in southern Iraq. The Kirkuk project follows the announcement in January of plans for four other refineries to be built in the port of Fao on the Gulf, the southern region of Nasiriya, the western Anbar province and Qayara near the northern city of Mosul.

Iraq's oil industry is on the mend

The National, *11.02.2018*

Iraq's problems in recent years have been so dramatic as to obscure all else: the war against ISIL, the Kurdish struggle for independence, and a severe budget squeeze. Yet among all this, since 2011 and the Libyan revolution, Iraqi oil output has gained more than any country besides the US.

The excellence of the country's geology, the contribution of international oil companies, and gradual gains in national capabilities, have managed to outweigh insecurity, bureaucracy, corruption and logistics. From 2011 to 2016, Iraq's output rose by almost 1.7 million barrels per day.

And it became the second-largest producer in Opec, and the fourth-largest in the world. It is still far short of 2009's dreams of reaching 12 million barrels per day by now, and a long way behind Saudi Arabia's 10 million bpd, but it has growing weight within the organisation. The International Energy Agency sees it growing another 0.7 million bpd by 2022, the biggest gain within Opec. Iraq's southern oil exports reached a record in January. According to Opec's secondary sources, Iraqi production was at 4.405 million barrels per day in December, somewhat above its Opec target of 4.351 million bpd – it has been the least compliant country to the agreed cuts.

Continuing field developments could add another 270,000 bpd of capacity this year, mostly from the Halfaya field operated by Malaysia's Petronas. Kuwait Energy, in partnership with ENOC subsidiary Dragon Oil, is hoping to double production at its Faihaa field to 30,000 bpd. Iraq's 2018 budget seems to expect exports to gain about 100,000 bpd on last year, putting further strain on the Opec deal. But Baghdad's plans suffered a significant blow when Shell and Petronas withdrew from the giant Majnoon field, part of a complex that includes Faihaa and two giants in Iran, Azadegan and Yadavaran. They are not the first companies to leave big projects in Iraq because fiscal terms were too tight and inflexible. Majnoon, whose 220,000 bpd output was supposed to reach 420,000 bpd by 2020, is a vital part of anticipated production growth.

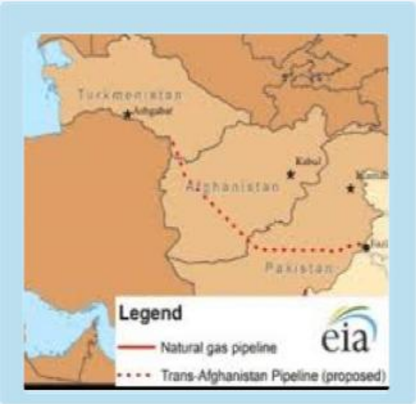
In the longer term, Baghdad is hoping to boost output further from other fields under current development by international oil companies. A revised contract model, still under discussion, needs to sweeten the deal for newly-offered exploration blocks along the Kuwaiti and Iranian borders. The bid deadline is just before the national elections on May 12. Since the central government retook control of the important city and giant oil-fields of Kirkuk in October, its exports via Kurdish Regional Government territory have been cut off. If Kirkuk had access to export routes, another 280,000 bpd or so of production could return. Iraq has agreed to truck 30,000-60,000 bpd of Kirkuk crude for refining in Iran, but really unlocking it will depend either on rebuilding the pipeline to Turkey destroyed by ISIL, which would take a couple of years, or reaching a deal with the Kurds. BP, which was part of the consortium that discovered the field back in 1927, recently signed a preliminary deal to restore the Kirkuk area's production to 700,000 bpd.

Baghdad has plenty of leverage with Erbil, given the autonomous Kurdish region's debt crisis: it has no way of repaying the $22 billion it owes to a number of creditors, of investing further in boosting its own production, and of paying government salaries and social benefits. The federal government is demanding control over the Khurmala field, the northern end of Kirkuk, operated by the Kurds since 2009, which yields a third of the Kurdistan region's remaining output. The elections will reshuffle the pack again. Current prime minister Haider Al Abadi gained great credit for defeating ISIL and even more in the Arab parts of Iraq for regaining territory from the Kurdish authorities. But he was then embarrassed when an electoral pact with militias close to Iran immediately fell apart, while his predecessor Nouri Al Maliki is angling for a comeback. Possible violence around election time, followed by protracted coalition-building and political manoeuvring after it, will delay the next phase of oil projects.

With some optimistic assumptions, the World Bank sees Iraq's budget deficit falling next year, but this excludes any of the gigantic rebuilding costs for the areas liberated from ISIL. Mr Al Abadi has put reconstruction needs at $100 billion, but it appears that the US will not make any financial contributions at a conference held in Kuwait this week. Once again, it will be up to the oil sector to shoulder the burden. The draft budget has a $19bn deficit, almost 11 per cent of GDP, which will come down a little allowing for higher oil prices, but continuing Opec limits on output. Bringing back Kirkuk and boosting production elsewhere as planned would virtually eliminate the deficit – but cannot be done without blowing the Opec deal apart and likely bringing down prices. This tension can only be managed, not resolved. The country's corruption, mismanagement and conflicts slow progress, but still advance is apparent. Iraq needs a long-term vision for where its oil sector is going; the rest of Opec needs a plan for how to respond.

Saudis to invest in TAPI pipeline, Turkmenistan claims

The National, *09.02.2018*



The Afghan section of the 1,800-kilometer Turkmenistan-Afghanistan-Pakistan-India (TAPI) natural gas pipeline will be inaugurated at a ceremony set for 23 February, although it is unclear if ground will actually be broken. The Hindu writes that the ceremony will merely "mark the beginning of formal round of talks" among the four participating countries.

Mystery also surrounds the interest of a deep-pocketed new investor in the scheme, which aside from severe security and geopolitical hurdles also needs to secure financing. Turkmenistan recently revealed that Saudi Arabia had committed to making "substantial investments" in TAPI.

With Deputy Prime Minister Maksat Babayev saying the Saudi Fund for Development had actually disbursed funds. Turkmen officials released no further details of the Saudi investment, nor did the Saudi fund respond to emailed requests for confirmation, Eurasianet.org writes. The pipeline, if it is ever finished, will open a sizeable new market for Turkmenistan's vast natural gas reserves. Once its major customer, Russia's Gazprom stopped purchasing Turkmen gas two years ago, China remained its sole major customer.

Regional rivalries, compounded by the dangers of running a big construction project across Afghanistan, have stymied TAPI. Indian misgivings about Pakistan's role in the project have blunted Delhi's interest from the outset, The Hindu writes, saying India has been "dragging its feet" since the last ground-breaking ceremony in 2015. Iran, currently embroiled in a dispute with Ashgabat over unpaid gas bills, is more than an interested observer of TAPI, as it wants to build a separate pipeline to Pakistan. Iranian Oil Minister Bijan Namdar Zanganeh recently played down the prospects of Indian-Pakistani collaboration on TAPI, Iran's Financial Tribune wrote.

Russia is taking over Syria's oil and gas

Oil & Price, *14.02.2018*

In accordance with an energy cooperation framework agreement signed in late January, Russia will have exclusive rights to produce oil and gas in Syria.

The agreement goes beyond that, stipulating the modalities of the rehabilitation of damaged rigs and infrastructure, energy advisory support, and training a new generation of Syrian oilmen. Still, the main international aspect and the key piece of this move is the final and unconditional consolidation of Russian interests in the Middle East. Before the onset of the blood-drenched Civil War, Syrian oil production wavered around 380,000 barrels per day.

It has declined for some time then, since its all-time peak production rate of 677,000 barrels per day in 2002. Although the Islamic State was allegedly driven underground, the current output still stands at a devastating 14–15,000 barrels per day. As for gas, the production decline proved to be lower (it fell from 8 BCm/year to 3.5 BCm/year) due to its greater significance within the domestic economy. 90 percent of the produced gas in Syria was used for electricity production (as opposed to oil, which was either refined domestically or exported), and in view of this, the government took extra care to retake gas fields first as the prospects of reconquest became viable enough.

Most of Syrian export-bound oil was destined to Europe, partly because of its geographic vicinity, and partly because European companies Shell and Total (NYSE:TOT) were the largest shareholders in the sector. This is no longer possible as long as the EU ban on Syrian oil exports stays in place. Thus, the new owner would have to find new market outlets, either by relying on adjacent countries like Turkey or Lebanon, or by finding buyers in Asia. Interestingly, there has been little to no discussion so far on which company will have to take up the uneasy job of bringing Syria's energy sector back to life. Throughout the war years, only the minuscule Soyuzneftegaz ventured into Syria (eventually relinquishing its prospects in 2015). Tatneft, a state-owned enterprise that develops Tatarstan's oil and gas fields, is an obvious candidate since Syria (along with Libya, to their detriment) was their first attempt to internationalize their activities. Just as it girded itself for the commissioning of the Qishma oil field, full-scale war broke out and the company was forced to abandon it. Tatneft, Russia's fifth-largest producer, is interested in returning to Syria once conditions allow for it. Beyond that, it's still unclear if state majors (Rosneft, Gazprom Neft) would want to join in.

Taking control of gas fields seems a better (and more profitable) bet for Russia. If it manages to secure a fixed price, stable demand is guaranteed domestically, as gas will remain the dominant electricity generation input. Moreover, the continental shelf of the Eastern Mediterranean has yielded the likes of the Zohr, Leviathan and Aphrodite. Lebanon, whose sweetest spots are in-between Zohr and Leviathan, is also inching closer to tap into its assumed gas bounties. Syria's offshore potential is still shrouded in mystery, despite some seismic survey in late 2000s, most of the times one just hears allusions that it is as prolific as that of Israel, Egypt or Cyprus.

An early USGS estimate put Syria's potential offshore gas reserves at 24 TCf (700 BCm), more than double of its onshore gas, while its oil reserves at a "mere" 50 million tons, a sixth of its onshore oil reserves. Syria's proven reserves of 2.5 bln barrels (341 million tons) of oil and 10.1 TCf (285 BCm) of gas might seem meager compared to those of neighboring Iraq or allied Iran. Taking into consideration that one-third of its reserves are very heavy, viscous crudes, Damascus will have to sweeten the deal to bring in big Russian names — companies that can genuinely make an impact and not just take a chance. But geopolitically, it might be a wise move. Russia has been keen on increasing its foothold in Iraqi Kurdistan (Rosneft, Gazprom Neft), tapping into Lebanon's offshore gas (NOVATEK, and having a bigger say in Eastern Mediterranean affairs in general. For that, taking over Syria's oil and gas sector might be a very powerful, non-military, tool.

Russia's Gazprom to reorganize export operations

Reuters, *12.02.2018*

Russian energy giant Gazprom said on Monday it planned to reorganise its export operations to create an integrated international distribution unit responsible for all of its export deliveries, trading and marketing.

Gazprom said the reorganisation would take place in two stages over two years. It said the first stage would involve merging and streamlining the assets and activities of Gazprom Germany, which handles a large proportion of the group's exports. The second stage would see Gazprom Germany operationally merged with Gazprom Export, it said.

Gazprom to raise TurkStream investment to $7B

Anadolu Agency, *08.02.2018*

Russian Gazprom increased TurkStream natural gas pipeline's estimated investment amount to $7 billion from previously announced $6 billion, the company said.

The project will be primarily financed by Gazprom, said Andrey Kruglov, Deputy Chairman of the Management Committee of Gazprom on Thursday, and added that "At later stages we may use bonds like we did in Nord Stream's first phase." The first line of the TurkStream natural gas project will reach the Turkish shore in May of this year and will start pumping gas at the end of 2019.

The TurkStream project consists of two lines, the first of which will serve Turkey with a capacity of 15.75 billion cubic meters, while the second line is planned to serve Europe.

Gazprom warns Europe of gas shortage without increased Russian imports

Reuters, *09.02.2018*

Europe will face a gas shortage and price spike as soon as the next decade if it doesn't decide quickly to boost imports from Russia as gas purchases from the United States or Qatar fail to match demand, Kremlin energy giant Gazprom.

The Trump administration has said it intends to level the playing field in energy markets by offering U.S. gas to Europe and Asia, citing a need to reduce what it calls the market-distorting power of actors such as Russia and OPEC. Russian gas supplies to Europe have become increasingly politicized.

Since Moscow cut supplies to Ukraine in the last decade amid pricing disputes and after Russia annexed Crimea from Ukraine in 2014. The West has accused Russia of using gas as a political weapon. Moscow has responded by blaming the West for blocking its new pipeline projects for political rather than economic reasons. The warning about a possible supply crunch comes as Gazprom prepares to start large-scale deliveries to China in a move reminiscent of Russia's oil strategy, under which Moscow became a major supplier to Beijing at the expense of Europe.

Gazprom’s deputy head Alexander Medvedev said the company would have enough supplies for both Europe and Asia but it was time for Europe to decide where it should source gas as the continent’s demand was rising and its production shrinking. “Europe completely miscalculated when they assumed that they won’t need much additional gas and if they need some it can be supplied from outside Russia,” Medvedev, who looks after exports for the world’s top gas producer and exporter, said. Despite repeated warnings from Europe about an over-reliance on Russian gas, Gazprom’s exports to the continent jumped 8 percent last year to an all-time high of 194 billion cubic meters on higher demand and lower prices. That gave the company a record European market share of 35 percent.

Medvedev said the share could rise above 40 percent as Europe’s gas demand rises, Dutch and British production falls and Norway’s output growth should slow after 2025. U.S. supplies will remain modest, expensive and would mainly go to Asia. “Many serious analysts will come up with a model for you showing that Europe will soon face a major gas crunch and, what is worse - a steep rise in prices,” Medvedev said. “Regarding calls about the need to cut reliance on Russian gas, should we in Russia be speaking about an over-reliance on money from one continent? Like from the dollar or euro? What it all means in fact is that we are mutually dependent”.

Some analysts say the global market for liquefied natural gas (LNG) is oversupplied and will remain so for the next five or six years. Europe’s gas demand has slowed due to energy efficiency and increased use of renewables, they say. Gazprom will begin pipeline supplies to China next year. The company wants to take at least a one-tenth market share there by 2025, when it builds another major route. “We can supply as much gas as needed to Europe even though we are entering a new market in China. But Europe needs to decide now. They need to start thinking right now about who will cover additional demand after 2025. Unfortunately there is no energy dialogue between Russia and the EU,” Medvedev said. He added that even if Gazprom builds its two new pipelines to Europe on time - Nord Stream 2 under the Baltic Sea and Turkish Stream for Europe’s south - it will not be enough to balance rising demand and shrinking supply.

“And LNG will not be able to cover that gap,” he said, adding that U.S. supplies would remain modest and Qatar would probably send large volumes to premium Asian markets. Qatar, the largest producer and exporter of liquefied natural gas, has announced plans to expand its annual LNG production to 100 million tonnes from the current 77 million. Medvedev said Qatar was probably Gazprom’s biggest competitor in terms of volume but that markets were growing so fast in China, India, Pakistan, Bangladesh and Vietnam that they would consume all new supply. “We have been hearing all these tales about a looming gas bubble for so many years. But it didn’t happen. I’m sure the market will balance itself,” he said. “We will soon see Asian demand reaching 1 trillion cubic meters.”

Can Putin keep his promise to OPEC?

Oil & Price, *14.02.2018*

As crude begins to recover after its worst decline in two years, it seems like a decisive moment to cash in on the decline of the global oil inventory precipitated by OPEC's supply-cut pact. In fact, that is the picture of U.S. shale output as its sharp rise brings total U.S. oil production close to parity with Saudi Arabia and Russia.

This forecast, while dismissed by OPEC Secretary General Mohammed Barkindo as "[of] no concern", must surely have OPEC members and their pact supporters concerned, not least of whom those involuntarily affected, such as Gazprom, Rosneft and Lukoil.

Putin's influence and leverage in home-grown affairs may be in little doubt, but how much longer can the world's newest energy czar placate these privately owned energy companies, especially in the face of surging oil prices? And placate and cajole he surely must, not having the luxury of control that Saudi Arabia, for example, has over its state-run concerns. Putin may have finessed himself into a position of calling all the shots as far as policy is concerned, but how long will the likes of Gazprom et al resist the double-edged snare of capitalization of rising profits and protection of its market hegemony?

What could be an uneasy alliance between OPEC and its allies appears to be paying off. OPEC has maintained crude output below the 32.5 million bpd mark and its latest report suggests that its production fell by 8,000 barrels per day in January of this year, with compliance rising to 137 percent, according to Reuters. But how much of this cutback is a result of cooperation? While Saudi Arabia is leading OPEC nations by example, much of the fall in production can be attributed to Venezuela, which is more to do with instability than to careful management. Indeed, Manuel Quevedo, Venezuela's minister of petroleum and energy and president of state oil firm PDVSA claims production is on the rise, the IEA reports a much bleaker picture.
Related: OPEC Unfazed As Rivals Boost Oil Output

OPEC's plan may be paying off, with targets being met, and oil prices on the rise. But who benefits in the long term? The IEA's report points toward U.S. shale oil as the main beneficiary, as it pumps its way to market dominance, but some cast doubt on its long term viability, while the current president of OPEC, UAE Energy Minister Suhail Al Mazroui is unconcerned by the threat to OPEC's plans. If, however, the IEA is right about U.S. shale oil, and it can meet the rising global demand of crude, we may at the very least see a slowing of oil prices. In fact, hedge funds are making their position known, as a sudden rise in the volatility of the oil market (surging to its highest since August of last year), has led to a large scaling back of bets on West Texas Intermediate crude prices.

It seems clear that their position is that U.S. shale oil production can indeed interfere with OPEC's plans, which begs the question of how long private energy companies like those in Russia can sit back and watch their bottom lines drop. Putin has given OPEC his word that Russia won't flood the market with oil, but it remains to be seen whether he can keep the Russian energy companies and their shareholders at bay for the duration of the deal. Even as plans were to cease the drop in production at the end of March of this year, Gazprom Neft's deputy chief executive, Vadim Yakovlev, made his feelings clear of his unease with the deal. His statement that the company planned to increase production in 2018, along with his confidence that the deal would be short term is at odds with the narrative woven by Putin, and it's not a stretch to assume that his peers have similar misgivings. The coming months will demonstrate whether Putin can exert as much control domestically as he appears to with OPEC.

Stockholm arbitration decision cuts price of Russian gas for Naftogaz by $20-50

Rigzone, *09.02.2018*

The decision of the Arbitration Institute of the Stockholm Chamber of Commerce cuts the price of Russian natural gas for national joint-stock company Naftogaz Ukrainy to $20-50 per 1,000 cubic meters compared with the old formula-pegged price, Naftogaz Ukrainy Chief Commercial Director Yuriy Vitrenko said on ICTV channel.

"The price under the revised contract will be considerably lower than the price calculated using the old formula. Now the difference is around $20. However, the sum will vary depending on the season.

For example, in the second quarter the difference will reach $50, as when the weather is warm market prices of gas fall. Earlier the formula was pegged to petroleum products and did not reflect the market trends in Europe," he said. Vitrenko said that now the cost of Russian gas for Naftogaz, taking into account the decision of the Stockholm Arbitration Institute, is $ 20-30 less than the cost of gas purchased in the German market, due to the exclusion of the transport component. According to the chief commercial director, the arbitration decision obliges Naftogaz to purchase 4 billion cubic meters from Gazprom in 2018 on the basis of take or pay. These supplies can begin in March. "The decision of the Stockholm Arbitration is based on the principle that we must buy half of our annual import needs from Russians," Vitrenko said.

BP begins production from Egypt's Atoll gas field

Anadolu Agency,*13.02.2018*

BP started gas production from the Atoll Phase One project, offshore Egypt, the company announced.

The Atoll Phase One project is an early production scheme involving almost $1 billion of investment. The project located in the North Damietta concession in the East Nile Delta was delivered seven months ahead of schedule and 33 percent below the initial cost estimate, the British company said. It is now producing 350 million cubic feet of gas a day and 10,000 barrels a day (bpd) of condensate, BP noted, adding that gas production from the field is directed to Egypt's national grid.

"Atoll is the first new project to come into production for BP in 2018, adding to the series of higher-margin projects successfully brought online over the past few years," the statement read. The company noted that the 13 projects that started-up through 2016 and 2017 provided more than 500,000 barrels of oil equivalent a day (boed) of new net production capacity and total net production from BP's new projects is now expected to be 900,000 boed by 2021. BP announced the Atoll discovery in March 2015. The main reservoir in the field contains an estimated 1.5 trillion cubic feet of gas and 31 million barrels of condensates while further segments are under evaluation.

Forties pipeline in North Sea reopens

Oil & Price, *06.02.2018*

The North Sea's main oil and gas pipeline system, the Forties Pipeline System, has reopened after resolving an feed control valve issue that triggered the shutdown of the system, owner and operator Ineos confirmed.

The start-up of the Forties Pipeline System is now underway following the successful resolution of the issue on Wednesday, according to Ineos' statement. The flow of oil stopped in line with the automated safety system after a problem was discovered at one of the feed control valves at the pipeline's Kinniel facility on Wednesday morning. The pipeline, which delivers around 450,000 barrels of oil per day.

It was previously shut in mid-December for about three weeks to carry out repairs after the discovery of a hairline crack in the pipe at Red Moss near Netherley, just south of Aberdeen.

Scramble for gas in eastern Med begins to overheat

ArabNews, *09.02.2018*

Tensions are building in the eastern Mediterranean as the dash for gas is fraying tempers in a region of significant geopolitical tension already.

Gas exploration and development in the energy-rich Levant Basin and adjacent areas has raised fresh issues as countries scramble to make discoveries, sometimes in disputed waters. In recent days, Egypt has delivered strong words to Turkey and warned Istanbul to step back from explorations near Cyprus.

It is where it negotiated concessions wth the Greek Cypriots in 2013. Last month, Israel described as “very provocative” a Lebanese offshore oil and gas exploration tender in disputed territory on the countries’ maritime border, and said it was a mistake for international firms to participate, according to Reuters. Elsewhere, a US-backed initiative to build an undersea natural gas pipeline between Israel and Turkey has run into the sand as Turkish President Tayyip Erdogan escalates his public denunciations of the Jewish state. The pipeline in question would have conveyed gas from Israel’s Leviathan gas field — still under development — to Turkey for export to Europe Leviathan is no small find, but it is worthless unless Israel can get the gas to export markets. Its own energy needs are largely taken care of by its Tamar field 80 kilometers from Haifa.

Egypt’s massive Zohr gas field faces no such problem as it can depend on sales to its huge domestic market. Israel is too small. It must export the gas overseas to justify a commercial outlay on Leviathan running into billions. Greek Cyprus has a similar problem. It has discovered the Aphrodite field off its south coast, but its home market is tiny and so it, too would be reliant on exports. Pipeline construction is expensive and both Israel and Cyprus lack any meaningful infrastructure. So, the big question is how to get gas to consumers in Europe where governments fret about being over-reliant on Russian gas.

Only Egypt looks to have a clear run. For a start, it has substantive liquified natural gas (LNG) terminals, a captive consumer market and — crucially — Zohr is already delivering, following a development push spearheaded by ENI of Italy that has also involved infrastructure investment. Zohr mean Egypt no longer needs to buy in expensive foreign gas, and could make the country a net exporterone day — making it one of the biggest energy success stories in the Middle East for years. Challenges faced by Israel and Cyprus also turn on geopolitics and longstanding animosity with neighboring states.

For instance, even if Israel could patch up things with Turkey, it would not be able to run a new pipeline to Turkey via Lebanese and Syrian territory as these countries view it as as enemy state. Greek Cyprus also has problems with Turkey. The Turks have warned Cyprus, as well as foreign energy companies supporting Nicosia’s offshore exploration and development program, that assets in Cypriot territorial waters belong to both Greek and Turkish Cyprus, not one side or the other. Matters look even more complicated after Eni confirmed last week that it had tapped into a “promising” natural gas discovery near Cyprus. Named Calypso, the block confirmed the extension of a ‘Zohr like’ play in the Cyprus Exclusive Economic Zone (EEZ), said ENI. Unconfirmed media reports suggest Calypso might hold as much as 6-8 trillion cubic feet (tcf), which some commentators believe could transform the energy landscape in the eastern Mediterranean.

If the two Cypriot finds — Calypso and Aphrodite — are pooled with Leviathan, they could bolster the commercial case for a 1,900 km EastMed gas pipeline to export Mediterranean gas to European markets. Supported by a group that includes Cyprus, Greece, Israel and Egypt, the estimated $6 billion subsea project could take years to complete, assuming it could get sufficient financing. But co-operation on transportation attract foreign private capital. Cyprus, Egypt and others must be able to sell gas to Europe at rates on a par with international prices that have fallen dramatically as the LNG market takes off and the US shale revolution changes energy sector economics around the world. Whether they can is open to question. Speaking to Arab News, Jonathan Stern, a Senior Fellow at the Oxford Institute for Energy Studies in the UK, said: “Everything is hugely complicated [excluding Zohr] geopolitically, but also commercially.

“One of the problems is that the gas is at an inconvenient place. Its either very far from the Turkish mainland (one obvious energy hub) or quite a long way from the Egyptian LNG terminals (another potential hub). Even leaving out the politics, that makes it difficult,” said Stern. He added Zohr was a simple project in comparison to others as it was “about producing gas close to the Egyptian mainland, in Egyptian sovereignty and selling it into the Egyptian market. Egypt could be critical to any solution involving other countries. A report from the European parliament last year said that a more realistic option than the EastMed pipeline would be for Israel and Cyprus to feed gas into Egyptian LNG terminals via much shorter pipelines than those proposed to Italy and Turkey. “Egypt seems to hold the key to the eastern Mediterranean’s gas future,” the report said.

Tarek El-Molla, Egypt’s Petroleum Minister, told the Financial Times last year that his country was eager to become a regional gas center, and to work with neighbors. El Molla added: “We are ready to receive this gas, liquefy it and it sell it to the international market.” And yet, despite all the reservations about the difficult economics facing eastern Mediterranean producers, foreign energy multinationals are not reluctant to come forward. Bloomberg reported last year that Royal Dutch Shell was in talks to buy natural gas from Leviathan, combine it with output from Cyprus’s Aphrodite field, in which it has a 35% stake, and pump it into an LNG plant in Egypt.

In December, Lebanon approved a license bid led by a consortium of France's Total, Italy's ENI and Russia's Novatek to begin a drilling program in 2019. Qatar Petroleum and ExxonMobil will start drilling for oil and gas off the southern coast of Cyprus, the Qatari firm said last year, after signing an exploration and production sharing contract with Nicosia. Clearly, an easing of geopolitical tensions would help. For instance, a settlement of the Cyprus question could bring Turkey onside, reducing the potential for friction. Max Hess, a senior analyst at geopolitics consultancy AKE, told Arab News: "I think there are still prospects for a deal on Cyprus. Yes, we need another international push, but it could be what Erdogan uses when he realizes he needs to rebuild relations with Europe… solving the Cypriot issue could be a way to do so," he said.

Cheniere lands its first deal to send LNG from shale to China

Gulf Times, *11.02.2018*

Cheniere Energy Inc, the only exporter of US natural gas from shale fields, signed the first long-term deal to supply the fuel to China. Cheniere shares jumped as much as 7.2%.

The agreement commits Cheniere to supply 1.2mn metric tonnes a year to China National Petroleum Corp through 2043, according to a statement released by the Houston-based exporter on Friday. State-controlled CNPC agreed to pay a price linked to the US benchmark for the fuel, plus a fixed fee, according to the statement. The contract will help underpin an expansion of the gas export terminal in the Texas port city of Corpus Christi.

It will be Cheniere's second facility, further positioning America as a global gas supplier vying for market share with LNG giants Qatar and Australia. LNG has been a facet of President Donald Trump's goal of US energy dominance, while China's demand for gas has surged amid economic expansion and government policies to shift to cleaner fuels from coal and oil. "It's about time we signed up some term business with China given how much growth they've had historically" and how much gas demand is poised to climb there, Cheniere chief financial officer Michael Wortley said in a phone interview. "If you're growing at a rate like a country like China is growing, you want certainty." China is likely to become the leading LNG importer in the world within five years, according to Bloomberg Intelligence. Part of that shift is due to regulatory changes: President Xi Jinping has mandated all homes and businesses must remove coal stoves and replace them with gas heating systems.

CNPC didn't immediately respond to a request for comment. "China is a big market for gas and their gas imports are growing," Anastacia Dialynas, analyst at Bloomberg New Energy Finance, said by telephone. China is a market many producers have hungrily chased, so their decision to sign with Cheniere "carries a lot of weight." The fuel switch elevated Asian LNG prices this winter as frigid temperatures set upon the region, boosting demand. The average spot price in Japan in January rose to $11 per million British thermal units, a three-year high, as countries in the region entered a bidding war to receive the supply they needed. In 2017 alone, demand for the fuel in China jumped 46%, according to Energy Aspects Ltd. The country has already imported the third-most cargoes from Cheniere since the Sabine Pass facility started operation, but those 34 were spot cargoes, not part of a long term supply agreement. State-controlled CNPC signed a non-binding memorandum of understanding with Cheniere back in November. This deal builds upon that agreement, chief executive officer Jack Fusco said in the statement.

Deals like the CNPC agreement may become increasingly scarce in an environment where buyers are hesitant to ink long-term contracts, given a worldwide LNG supply glut. The CNPC agreement marks Cheniere's second major contract this year. Last month, the company agreed to supply LNG to the biggest independent trader of the fuel, Trafigura Group Pte Ltd.

China must reevaluate Central Asian energy supply

Global Times, *09.02.2018*

The sharp drop of liquefied natural gas (LNG) shipments through a key Central Asian pipeline network has put the already-tight domestic LNG supply situation to the test.

There are two reasons for the plunging shipments: first, LNG demand increased in the supplier countries themselves; second, the suppliers were withholding LNG in hopes of getting better prices in other markets. Those factors prompted the suppliers to break the terms of their contracts with China. According to a statement by China National Petroleum Corp (CNPC) issued on January 31.

The volume of LNG received through central Asian pipeline networks has fallen by nearly half, domestic news portal jiemian.com reported. The sudden cuts by two Central Asian countries, Turkmenistan and Uzbekistan, added a new risk to the Chinese energy supply network. China needs to re-evaluate the security of its energy supply network in Central Asia. According to insiders at China's three major State-owned oil companies, the Central Asian countries failed to provide China with the contracted volumes of LNG with the excuse that they didn't have enough money to repair broken LNG equipment. A notice issued by CNPC stated that Central Asian countries owe China an average LNG volume of 30 million cubic meters per day, according to jiemian.com

Sources also said that China National United Oil Corp is negotiating with these LNG suppliers. But it seems that Chinese oil companies have no bargaining chip if the suppliers don't keep their end of the deal. Instead of China, the suppliers can potentially send LNG to Europe at a higher price. The cut in LNG supplies has added a new risk factor to China's energy security, with domestic LNG inventories at record lows. Data from the Beijing oil & gas transportation center showed that the domestic natural gas pipeline network had "emergency" storage of 1.99 billion cubic meters at the end of January. According to jiemian.com, as of January 30, the volume available for sale in the current pipeline network was 420 million cubic meters per day whereas demand was 445 million cubic meters per day, in addition to the network's own use of 5 million cubic meters per day. So the domestic supply gas is about 30 million cubic meters per day.

As a result, CNPC must ration the supply and sale of LNG to avoid a total collapse of the LNG pipeline system. The China-Central Asia LNG pipeline, which starts at the border between Turkmenistan and Uzbekistan on the banks of the Amu Darya River, is one of the world's longest LNG pipeline. The gas pipeline runs about 10,000 kilometers, with 188 kilometers in Turkmenistan, 530 kilometers in Uzbekistan, 1,300 kilometers in Kazakhstan and 8,000 kilometers in China.

Turkmenistan is the largest pipeline LNG exporter to China. But since January, the gas concern there has shut down supply three times. If all these figures are true, the risk is obvious: Central Asia has emerged as a broken link in the international energy security network that China has made such effort to forge. With China participating in globalization as the "world's factory," ensuring energy security is vital for China. China has put huge resources (in banking, diplomacy, investment, markets and public finance) and effort into building a five-channel international energy supply network to satisfy the world's largest oil and gas demand.

As China adjusts its energy consumption structure, switching to green energy, the demand for LNG will constantly grow and create a heavy dependency on foreign resources. The high dependency on LNG from Turkmenistan has become a potential security risk. If this situation continues, it will not only lead to unexpected problems for State-owned petroleum corporations, it will also leave the Chinese government unprepared. If the key passage of LNG is not stable, the security of China's international energy supply network must be re-evaluated.

India plans to build 11 LNG import terminals

Reuters, *07.02.2018*

India is reportedly planning to add 11 more liquefied natural gas (LNG) import terminals as the country is boosting the share of gas in its energy mix.

The country currently imports LNG via four facilities, namely Petronet's Dahej and Kochi liquefied natural gas –LNG- terminals, Shell's Hazira plant, and the Dabhol terminal operated by Ratnagiri Gas and Power. It imported almost 20 million tonnes last year. India plans to more than double the share of natural gas in its energy mix to 15 percent by 2022 from about 6.5 percent now.

To realize this plan, over the next seven years the government plans to raise regasification capacity to 70 million tonnes per year, Reuters reported on Wednesday citing Narendra Taneja, spokesman for the ruling Bharatiya Janata Party (BJP) as saying. India would eventually require even more than 15 LNG import terminals to meet its demand, the report said. The 70 million-tonnes-a-year target a few years later would mean India would need to import more than China took last year via both pipelines and tankers, and it would put India close to what top importer Japan currently buys. As part of its drive to reduce pollution, Taneja said the government was encouraging Indian railway companies and LNG importers to look at fuelling trains by LNG instead of diesel. India also wants to become a hub for supplying ships that run on LNG, with plans to build more facilities like a fuelling station at Kochi port, Taneja said.

Algeria's Sonatrach to invest $56 bln from 2018 to 2022

Reuters, *08.02.2018*

Algerian state energy firm Sonatrach will invest $56 billion from 2018 to 2022, its chief executive said on Thursday. "We will give more details very soon," Abdelmoumen Ould Kaddour told reporters during a visit to the Hassi Rmel field.

He spoke after launching a new gas pipeline pumping from southwestern fields including Reggane North, Touat and Timimoun with capacity of 8.8 billion cubic metres a year. "We are so proud of this project because it has been constructed 100 percent by Algerian firms," Kaddour said. OPEC member Algeria has been hit hard by a slump in world oil prices and struggled to attract energy investment.

Algeria is a major gas supplier to Europe. In December, Sonatrach said it planned to work more closely with France's Total on offshore, petrochemical, solar energy and shale exploration projects after settling disputes over profit-sharing on oil and gas contracts. Algeria remains dependent on oil and gas earnings, which provide 60 percent of the state budget, and Sonatrach's performance is key to the health of the economy. The North African country has been working on a new energy law to provide better incentives for foreign firms, which had been deterred by current terms.

But there are still divergent views within Algeria's ruling classes over how hard to push for foreign investment and domestic economic reform to boost revenues and spur growth. Kaddour, a U.S.-educated engineer, has sought to improve the performance of Sonatrach, a sprawling state empire, and attract more foreign investment to boost its oil and gas production.

Bahrain awaits bids for pre-Khuff gas development

Interfax Energy, *08.02.2018*

Bahrain's plan to make service companies share the capital expenditure and commercial risk of its pre-Khuff gas development may yield less attractive proposals.

Bahrain Petroleum Co. (BAPCO) invited bids from Schlumberger and Halliburton, and had also intended to invite Baker Hughes but the company's merger with GE meant it missed earlier tender deadlines, a manager at BAPCO told Interfax Natural Gas Daily. Under BAPCO's plan, service companies will co-invest in the project rather than receive a pre-arranged fee typical of a service.

Oil world turns upside down as U.S. sells oil in Middle East

Bloomberg, *07.02.2018*

The United Arab Emirates, a model Persian Gulf petro-state where endless billions from crude exports feed a giant sovereign wealth fund, isn't the most obvious customer for Texan oil.

Yet, in a trade that illustrates how the rise of the American shale industry is upending energy markets across the globe, the U.A.E. bought oil directly from the U.S. in December, according to data from the federal government. A tanker sailed from Houston and arrived in the Persian Gulf last month.

The cargo of American condensate, a type of very light crude oil, was preferred to regional grades because its superior quality made more suitable for the U.A.E's processing plants, a person with knowledge of the matter said, asking not to be identified discussing a commercially sensitive matter. "As a member of OPEC and a large crude producer, I would imagine they would be very self-sufficient in their own crude supply," said Andy Lipow, president of Lipow Oil Associates LLC. The purchases of U.S. oil aren't likely to continue, given the U.A.E.'s own supply, Lipow said.

The end of a ban on U.S. exports in 2015 coupled with the explosive growth of shale production, has changed the flow of petroleum around the world. Shipments from U.S. ports have increased from a little more than 100,000 barrels a day in 2013 to 1.53 million in November, traveling as far as China and the U.K. The U.S. exported about 700,000 barrels of light domestic crude in December to the U.A.E., the Census Bureau reported Tuesday. While Energy Information Administration data show it's the fourth-largest OPEC producer's first cargo of U.S. oil, Adnoc said in July it purchased condensate from the U.S. for September delivery. Although it exports more than two million barrels a day, the Middle Eastern country typically imports extra-light condensate to process in a unit known as a splitter. With rising crude exports and already booming overseas sales of refined petroleum products such as gasoline, the U.S. net oil imports have plunged to below 3 million barrels a day, the lowest since data available starting 45 years ago, compared with more than 12 million barrels a day in 2006. The U.S. could become a net petroleum exporter by 2029, the EIA said this week.

U.A.E. crude production was 2.85 million barrels a day in January, according to data compiled by Bloomberg. Output has declined from 3.07 million at the end of 2016 as OPEC and allies cut production to reduce a global glut and prop up prices. The cargo was shipped from Enterprise Products Partners LP's Houston terminal on the tanker Seoul Spirit, which arrived Jan. 31 at the Port of Ruwais in Abu Dhabi, according to ship tracking data compiled by Bloomberg.

US oil prod. in key regions to increase in March: EIA

Anadolu Agency, *06.02.2018*

Oil production in the seven most productive areas in the U.S. are projected to increase in March, the U.S.' Energy EIA said.

The seven most prolific regions in the country for shale resources have a combined oil output of 6.65 million bpd in February, according to the EIA's Drilling Productivity Report. This amount is estimated to rise by approximately 110,000 bpd to reach 6.76 million bpd in March, according to the report. Among the seven regions, the oil-rich Permian basin, located along western Texas and east of New Mexico, is expected to supply more than two-thirds of the total contribution.

Oil production in the Permian is forecast to rise by 75,000 bpd to reach 2.99 million bpd in March, from 2.92 million bpd in February. The second-largest contribution is expected to come from the Eagle Ford basin located in south Texas. Oil output from the region is estimated to increase by 18,000 bpd to 1.32 million bpd in March, from 1.29 million bpd in February. All other regions are projected to see oil production increase next month except for the Haynesville basin located along east Texas and northwest Louisiana, whose oil output is forecast unchanged.

The seven most prolific areas in the country, according to the EIA, are Bakken in North Dakota; Eagle Ford in south Texas; Permian basin along Texas and New Mexico; Marcellus along New York, Pennsylvania and West Virginia; Utica in Ohio; Niobrara along Wyoming and Colorado; and Haynesville located along east Texas and northwest Louisiana.

The Permian basin is estimated to have produced close to 30 billion barrels of oil so far. The U.S.' crude oil production rose 332,000 bpd to 10.25 million for the week ending Feb. 2, according to EIA data released last Wednesday. The administration expects U.S. crude output to average 10.6 million bpd in 2018 and 11.2 million bpd in 2019.

'Extraordinary' growth in US shale oil could soon force OPEC to take action, IEA says

CNBC, *13.02.2018*

The relentless rise of U.S. shale growth could soon spark another dramatic change of policy from leading oil producers, according to the latest monthly report from the International Energy Agency (IEA).

"U.S. producers are enjoying a second wave of growth so extraordinary that in 2018 their increase in liquids production could equal global demand growth," the IEA said in its closely-watched report published Tuesday. "This is a sobering thought for other producers currently sitting on shut-in production capacity and facing a renewed challenge to their market share," the Paris-based organization added.

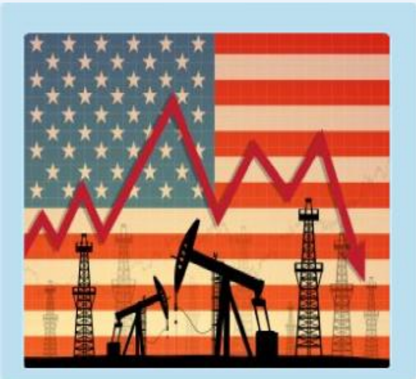
In November 2014, the so-called U.S. shale revolution prompted OPEC to announce a new strategy geared towards improving its market share. Analysts interpreted this move as an attempt to squeeze higher-cost producers, including U.S. shale oil, out of the market. Market conditions in early 2018 seem to be reminiscent of that first wave of U.S. shale growth, prompting the IEA to warn history could be repeating itself. The latest monthly report from the IEA comes at a time when rising U.S. crude exports and a stronger-than-anticipated price rally have threatened to loosen Russia and Saudi Arabia's grip on key overseas markets.

"We are seeing United States production rising very, very dramatically before our very eyes and that's likely to continue in 2018," Neil Atkinson, head of the oil industry and markets division at the IEA, told CNBC Tuesday. He added that because the U.S. was essentially a "free market" for oil; its production has risen and fallen with the oil price. Oil prices have skyrocketed around 50 percent since the middle of last year, with Brent crude rising to multi-year highs above $71 a barrel, before a pullback last week wiped out its gains for 2018. The main price driver has been a supply cut from major oil producing group OPEC and Russia, who started to withhold output in January last year.

The production cuts by OPEC and 10 other allied producers, which are scheduled to last throughout 2018, are aimed at clearing a supply overhang and propping up prices. One of the main beneficiaries of these cuts is the producers' major competitor, U.S. shale oil. U.S. oil producers are staging a dramatic comeback amid a recovering oil price that has allowed many of them to restart operations. At the start of the year, the IEA predicted the U.S. would be well-placed to overtake the likes of Saudi Arabia and Russia as the world's leading energy producer by 2019. The group's latest report reaffirms that forecast. In just three months to November, U.S. crude output was seen increasing by a "colossal" 846,000 barrels a day, according to the IEA. That will soon be enough to surpass the likes of OPEC kingpin Saudi Arabia and by the end of the year it could even be enough to outperform Russia to become the global leader, the group added.

Rise in US oil rigs push Brent oil below $62

Oil & Price, *09.02.2018*



Brent crude fell below $62 Friday after the number of oil rigs in the U.S. showed a sharp increase.

The international benchmark dipped to $61.72 per barrel at 1.40 EST (1840GMT), posting a daily loss of 4.7 percent, and reaching its lowest level since Dec. 7. The American benchmark, West Texas Intermediate, hit $58.09 a barrel -- a 5 percent loss that marked its lowest level since Dec. 22. The price declines were posted after the number of oil rigs in the U.S. jumped by 26, its highest weekly gain in a year, according to data released by Baker Hughes.

The number of rigs, which indicates the short-term change in the U.S.'s oil industry, is now at 791 -- its highest since April 2015 -- and a 34 percent increase over the last year. The U.S.'s crude production hit a record high level last week by climbing to 10.25 million barrels per day (mbpd), according to the Energy Information Administration (EIA). Crude output in the U.S. is expected to average 10.6 mbpd this year, an EIA report said earlier this week. The U.S.' crude production is projected to reach 11.2 mbpd next year to surpass Russia as the world's biggest crude producer.

World oil supplies edges lower in January: IEA

Anadolu Agency, *13.02.2018*

Global oil supply in January edged lower to 97.7 million barrels per day (mb/d) but was 1.5 mb/d above last year as rebounding U.S. production underpinned non-OPEC output growth.

OPEC crude oil production in January was steady month-on-month at 32.16 mb/d while higher Nigerian output offset losses elsewhere. "Compliance with supply cuts reached a new high of 137 percent," the IEA stated. The agency said that non-OPEC output dropped by 175 thousand b/d in January to 58.6 mb/d, but was 1.3 mb/d higher than a year.

"U.S. crude output, up 1.3 mb/d year-on-year, will soon overtake Saudi Arabia and could catch up with Russia by the end of the year," the IEA underlined. In addition, the IEA predicts that global oil demand growth for 2018 has been slightly revised up to 1.4 mb/d, partly due to an optimistic GDP forecast from the International Monetary Fund.

Surge in global oil supply may overtake demand in 2018: IEA

Reuters, *14.02.2018*

The rise in global oil production, led by the United States, is likely to outpace growth in demand this year.

The Paris-based IEA raised its forecast for oil demand growth in 2018 to 1.4 million barrels per day, from a previous projection of 1.3 million bpd, after the International Monetary Fund upped its estimate of global economic growth for this year and next. Oil demand grew at a rate of 1.6 million bpd in 2017, the IEA said in its monthly market report. However, the rapid rise in output, particularly in the United States, could well outweigh any pick-up in demand.

Also it begin to push up global oil inventories, which are now within sight of their five-year average. “Today, having cut costs dramatically, U.S. producers are enjoying a second wave of growth so extraordinary that in 2018 their increase in liquids production could equal global demand growth,” the IEA said. “In just three months to November, (U.S.) crude output increased by a colossal 846,000 bpd and will soon overtake that of Saudi Arabia. By the end of this year, it might also overtake Russia to become the global leader.”

U.S. crude output could reach 11 million bpd by the end of this year, according to estimates from the U.S. Energy Information Administration. The Organization of the Petroleum Exporting Countries, along with other exporters such as Russia, have agreed to maintain a joint restriction on crude supply for a second year running in 2018, to force inventories to drain and support prices. Oil inventories across the world’s richest nations fell by 55.6 million barrels in December to 2.851 billion barrels, their steepest one-month drop since February 2011, the IEA said.

For 2017 as a whole, inventories fell by 154 million barrels, or at a rate of 420,000 bpd. By the year-end they were only 52 million barrels above the five-year average, with stocks of oil products below that benchmark, the IEA said. “With the surplus having shrunk so dramatically, the success of the output agreement might be close to hand. This, however, is not necessarily the case: oil price rises have come to a halt and gone into reverse, and, according to our supply/demand balance, so might the decline in oi lstocks, at least in the early part of this year.” Oil production outside OPEC nations fell by 175,000 bpd in January to 58.6 million bpd, but was still 1.3 million bpd higher than January last year, predominantly because of the 1.3-million-bpd year-on-year increase in U.S. output.

OPEC output was largely steady at 32.16 million bpd in January and compliance with the supply deal reached 137 percent, due in part to declines in Venezuela, where economic crisis has paralyzed much of the country’s oil production capacity. The IEA estimates demand for OPEC’s crude in 2018 will average 32.3 million bpd, after dropping to 32.0 million in the first quarter of the year. The IEA said oil prices, which briefly touched a high of $71 a barrel in January, could be supported even if U.S. production rises, provided global growth remains strong, or if unplanned supply outages persist. “If so, most producers will be happy, but if not, history might be repeating itself,” the IEA said.

Announcements & Reports

▸ *Short- Term Energy Outlook*

Source : EIA
Weblink : https://www.eia.gov/outlooks/steo/pdf/steo_full.pdf

▸ *Oil Price Paths in 2018*

Source : OIES
Weblink : https://www.oxfordenergy.org/wpcms/wp-content/uploads/2018/02/Oil-Price-Paths-in-2018-The-Interplay-between-OPEC-US-Shale-and-Supply-Interruptions-Insight-28.pdf

▸ *U.S Crude Oil and Natural Gas Proved Reserves*

Source : OIES
Weblink : https://www.eia.gov/naturalgas/crudeoilreserves/pdf/usreserves.pdf

▸ *The LNG Shipping Forecast: costs rebounding, outlook uncertain*

Source : OIES
Weblink : https://www.oxfordenergy.org/wpcms/wp-content/uploads/2018/02/The-LNG-Shipping-Forecast-costs-rebounding-outlook-uncertain-Insight-27.pdf

Upcoming Events

▸ *North Africa Petroleum Exhibition & Conference*

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

▸ *CERAWeek by IHS Markit*

Date : 05 - 09 March 2018
Place : Houston, USA
Website : https://ceraweek.com/

▸ *Central & Eastern European Gas Conference (CEE Gas)*

Date : 07 - 08 March 2018
Place : Zagreb, Crotia
Website : http://www.theceegas.com/

► *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 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/

► *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/