Oil & Gas Bulletin

▶ *02.03.2018*

Turkey's energy import bill rises by 13.4% in January

Anadolu Agency, *28.02.2018*

Turkey's energy import bill increased by 13.4 percent to $3.63 billion in January from $3.20 billion for the same month of 2017, according to Turkstat data.

The data shows that Turkey's import bill in January reached $21.52 billion, out of which energy accounted for 16.8 percent. Additionally, the country's crude oil imports showed a 37.9 percent decrease in January compared to the same period of 2017. Turkey imported approximately 1.47 million tonnes of crude oil in January, down from 2.37 million tonnes for the same period in 2017.

Blue Stream at a glance: 15 yrs. of nonstop gas flow

Anadolu Agency, *28.02.2018*

The Blue Stream natural gas pipeline project, which marks its 15th anniversary in 2018, has inspired Russian Gazprom's new TurkStream project.

The Blue Stream project is a non-transit gas pipeline that runs from Russia through the Black Sea to Turkey and delivers 16 bcm of gas per year. The project was actually Gazprom's pilot project for the construction of a gas transporting system through the sea bypassing transit countries. Currently, this route is an alternative to the Transbalkan Corridor and ensures deliveries via the shortest route to Gazprom's second biggest foreign market, Turkey.

The pipeline delivers more than 50 percent of Turkey's total gas imports from Russia. The success of the Blue Stream has served as a basis for other Gazprom projects, such as the Nord Stream, Nord Stream II and the TurkStream. Alexey Miller, chairman of the Gazprom management committee told Anadolu Agency that the Blue Stream project aided Turkey's energy security and the TurkStream will do likewise. Miller said that based on the success and experience gained from the Blue Stream, the company started to build the TurkStream project. "Taking Turkey's growing demand for natural gas into account, the TurkStream is designed to send even more reliable and secure gas to our Turkish and European partners," he said.

Gazprom owns and operates the Blue Stream's Russian onshore section, while Russian-Italian Company, Blue Stream Pipeline Company B.V. owns the offshore section of the pipeline. According to information gathered by Anadolu Agency, the Blue Stream project required specific technical innovation to advance the project through mountainous terrain and through the corrosive hydrosulfuric environment of the Black Sea at water depths of more than two kilometers.

Turkish gas infrastructure developed, prior to gas supplies via the Blue Stream, Turkey's gas infrastructure was restricted to only five of its 81 provinces. Now the project has boosted the development of Turkey's gas infrastructure to the extent that in 2018, and in accordance with plans of the Turkish Energy Ministry, all cities are set for gasification. For the past 15 years, Blue Stream has played a major role in ensuring the reliable delivery of Russian gas to a dynamically growing Turkish gas market. On Sept. 7, 2017, a milestone of 150 bcm of gas was delivered via the gas pipeline. As at the end of February 2018, the total amount of gas delivered through the Blue Stream since its commissioning reached approximately 158 bcm.

Blue Stream enabled the supply of considerable amounts of gas directly via the shortest and most effective route that has mitigated transit risks for Turkey. As per the results of 2017, a new record was set for Russian gas exports to Turkey. Turkey received supplies of 29 bcm of gas, or 1.7 bcm (6.2 percent) more than in 2014 when the previous maximum of 27.3 bcm was recorded. Deliveries via Blue Stream achieved their maximum in 2017 as well when 15.8 bcm of gas was transmitted through the pipeline, equivalent approximately to 55 percent of the total Russian gas supply to the Turkish market.

The implementation of the Blue Stream project ensured that Gazprom obtained valuable construction experience in the Black Sea. It also proved that demand for Russian gas in Turkey has significant growth potential. The success of the Blue Stream project was fundamental for the new project, the TurkStream project which will link the Russian Black Sea coast directly with the Western part of the Black Sea coast of Turkey. According to TurkStream officials, the implementation of the TurkStream project is on schedule while the offshore section of the gas pipeline is currently under construction. The new main gas transmission line will be commissioned at the end of 2019.

Egypt-Israel gas deal proves unpopular

PNN, *26.02.2018*

The deal announced last week to allow the Egyptian private sector to import $15 billion worth of natural gas from Israel over the next 10 years was heralded by the countries' respective leaders as 'historic' but has proven unpopular among the Egyptian public.

Israeli Prime Minister Netanyahu praised the deal, stating that it would strengthen 'security, economy, and regional relationships.' His counterpart in Egypt, President Abdel Fattah al-Sisi heralded the deal as a 'victory' in an interview that would 'help transform Egypt into a regional energy hub.'

Contrastingly, Mohamed Badrawy, head of the parliamentary bloc of the Egyptian National Movement, in a telephone interview broadcast on the privately-owned CBC Channel, decried the move, stating, ‘Do we even know who our friends and who our enemies are anymore?’ ‘At a time when Egyptians are struggling because of the ailing economy and the country is facing a foreign currency shortage, is it acceptable for Egypt to pay $15 billion to Israel?’ he said. Hassan Nafaa, an economics professor at Cairo University also disparaged the deal as reported by al-Monitor, stating in a tweet, ‘I am deeply saddened to hear about the gas import deal from Israel. Aren’t our people entitled to an explanation of why such a deal was concluded at a time when the official reports themselves indicate that Egypt is about to become self-sufficient in gas? Stop disrespecting the minds of Egyptians’.

Al-Monitor also reported dissenting voices in the public taking to various social media platforms to condemn the move considering growing regional ties between Egypt and Israel as well as the bizarreness of the move in respect to the prospect of energy independency posed by the opening of the Zohr gas field earlier this year. The Zohr gas field, discovered by an Italian oil and gas company last year, is reported to be the biggest in the Mediterranean, containing an estimated 304 trillion cubic meters of gas.

The announcement of the Zohr gas field discovery raised the prospect of energy independency for Egypt, or even regional dominancy as an energy exporter in the wake of the slow economic and institutional recovery after the 2011 and 2013 revolutions, as well as the damage caused to the Sinai-based gas pipelines by continued insurgencies in the peninsula by groups affiliated to the Islamic State group. The proposed new deal with Israel would allow Egyptian energy company ‘Dolphin Energy’ to import roughly seven billion cubic meters of additional gas annually from the Israeli Leviathan and Tamar gas fields in the Mediterranean under the auspice of Delek Drilling and Noble Energy – two Israeli gas excavation companies.

The deal was widely seen as the next step in warming relations between Egypt and Israel. The countries who were at one-time arch rivals have engaged in greater economic and security collaboration in the years since the revolution of 2011 that unseated the autocratic rule of President Mubarak, and then again when then-military commander al-Sisi unseated President Morsi of the Muslim Brotherhood. As reported by the New York Times earlier this month, Israeli military cooperation in the Sinai Peninsula has proven instrumental to Egypt’s attempts to rid the area of the militant insurgency that has waged a bloody campaign since 2013. Israel forces were revealed to have had carried out a number of airstrikes in the region. They had taken measures to disguise the fact that the attacks were originating from Israel and not Egypt, principally by adjusting flight paths so as to appear to be coming from Egypt.

Later this year, President al-Sisi is expected to be re-elected in what is widely seen by international observes as a ‘uncontested’ election, with most dissenting voices and genuine political rivals having been arrested. The gas deal with Israel, alongside a rumoured deal to be struck soon with Cyprus, in the long term may strengthen Egypt’s ambition to assert itself as a regional energy powerhouse – raising the prospect of re-exportation to Europe. But in the short term, the deal strains a struggling and embattled economy and a widely pressured public – weighed by economic strain and political oppression. To many Egyptians, Israel also remains something of a threat to the region, no matter the political manoeuvrings of its leaders. The treatment of Palestinians is equally condemned by many.

OVL drops plan to build LNG export facility in Iran

Milleniumpost, *26.02.2018*

NGC Videsh Ltd has shelved plans to build a $5 billion LNG export facility in Iran and has instead opted to only invest in developing a giant gas field in the Persian Gulf, for which a revised cost is being worked out, an official said.

OVL, the overseas arm of state-owned Oil and Natural Gas Corp had last year made its 'best' offer to spend $11 billion in developing the Farzad-B field in the Persian Gulf as well as in building the infrastructure to export the gas but Iran deterred on awarding the rights of the field to the Indian firm.

The company has now agreed to do just the upstream field development part, leaving the marketing of the fuel to Iran, the official said. As had been agreed during the visit of Iranian President Hassam Rouhani earlier this month, a team of OVL officials will be visiting Tehran this week to discuss modalities of the upstream development. Read This - Markets open on a negative note on Wednesday "We had initially thought that the upstream field development would cost $6.2 billion. But, this is not the final cost. We will be able to arrive at a final cost only after we do at least well to appraise the discovery we had made about a decade back," he said. Only after the appraisal well is drilled and data analysed to see the extent of the field and recoverable reserves can a final cost be put, he said, adding that OVL would put forth the idea of being allowed to drill an appraisal well on the field.

The appraisal well, he said, may take 9-10 months to be drilled and completed. Farzad-B was discovered by OVL in the Farsi block about 10 years ago. The project has so far cost the OVL-led consortium, which also includes Oil India Ltd and Indian Oil Corp (IOC), over $80 million. The field has an in-place gas reserve of 21.7 trillion cubic feet, of which 12.5 Tcf are believed to be recoverable. The official said the field as high sulphur content and separate facility would be needed to separate gas from it. Costs of these facilities can be established only after appraisal well is drilled. In the master development plan OVL submitted to Iran last year, it estimated the upstream part to cost $6.2 billion while another $5 billion will be required to build a liquefied natural gas (LNG) export facility. While Iran believes the upstream investment should not be more than $5.5 billion, it wanted India to buy all of the natural gas produced from the Persian Gulf block at a price equivalent to the rate Qatar charges for selling LNG to India under a long-term deal.

Qatar, as per a revised formula agreed upon in December 2015, sells 7.5 million tonnes a year of LNG to Petronet LNG Ltd — India's biggest gas importer — at a price of $7-plus per million British thermal unit. The rate being sought by Iran was triple of $2.3 per mmBtu rate OVL is willing to pay for the gas during low global oil prices. If global rates rise, OVL was willing to pay $4.3 per mmBtu, the official said. OVL, he said, was willing to negotiate on the upstream cost but wants Iran to take up the marketing of the fuel, including building of LNG terminal, if it believes it can get a better price for the natural gas elsewhere. India and Iran were initially targeting concluding a deal on Farzad-B field development by November 2016 but later mutually agreed to push the timeline to February 2017. The deadline to wrap up negotiations later targeted for September 2017. But, with deal stuck over pricing of gas, no new deadlines have been proposed. Last year, India cut Iranian crude oil imports by about a quarter to 18.5 million tonnes in 2017-18 fiscal to put pressure on Tehran to quickly wrap up negotiations. It has so far not finalised the volumes it will buy in 2018-19 fiscal.

Companions to the Israeli gas deal: Noble and Delek in talks to acquire East Mediterranean gas pipeline

Madamasr, *28.02.2018*

Sources close to the gas deal signed between Dolphinus Holdings, which is partly owned by Egyptian businessman Alaa Arafa, and Delek and Noble Energy, the lead partners managing Israel's largest gas fields, say the latter companies are in talks with East Mediterranean Gas company shareholders over acquisition of the company.

The deal would give Delek and Noble a controlling share of EMG, the company that owns the natural gas pipeline running from Egypt to Israel, and would facilitate the use of the pipeline to transport the gas allocated for export in the deal.

The source, who spoke to Mada Masr on condition of anonymity, says that a decision has been made to begin technical alterations to the pipeline to reverse its flow and allow operators to import gas into Egypt instead of having the country export gas to Israel, which was the previous arrangement according to a deal signed in 2008. The pipeline was the target of successive militant attacks after 2011. In 2012, the Egyptian Natural Gas Holding Company (EGAS) terminated its contract with Israel. The state-owned company attributed the decision to a breach of contract by EMG for delayed gas payments. The alteration is, however, pending the Egyptian State Lawsuits Authority approval of a nondisclosure agreement whereby Egypt would pledge not to use the new deal, or information relating to it, in any legal proceedings related to current or future arbitration cases with Israel and Israeli companies.

The source says the request was presented to the lawsuits authority over a month ago and that there has not been a timeframe presented within which Egypt would be obligated to sign the agreement. The quantity of natural gas reported in the initial agreement — 64 billion cubic meters over a 10-year span — is also only a third of the amount Israel expects to export to Egypt, according to the source, the remaining two thirds to be negotiated in the future.

Little information was previously available about Dolphinus Holdings, with Egyptian officials and state-owned media outlets billing it as an Egyptian private company party to the agreement in the immediate wake of the deal. However, the source close to the deal tells Mada Masr that the company is, in fact, registered in Switzerland rather than Egypt. Another source close to the governmental departments concerned with the deal says that Arafa is not the sole shareholder of Dolphinus Holdings, and that other players in Egypt's energy sector hold stakes in the company and will be publicly identified soon. The Texas-based Noble Energy and Israeli-company Delek announced last week that they struck an agreement to export US$15 billion worth of natural gas from Israel's Tamar and Leviathan gas fields to Dolphinus Holdings. Noble Energy and Delek stated that the deal involves the sale of an approximately 64 billion cubic meters over the span of 10 years. According to Dolphinus Holdings, talks were initiated to have gas flow into Egypt through the existing pipelines owned by EMG. The source close to the deal reports that Dolphinus Holdings will pay Israel "a rate significantly lower than what Egypt had been paying to meet its needs for liquified gas over the past two years," a figure the sources pegs at having exceeded $3 billion. "The same amount [of gas] will cost no more than $1.5 billion at the rate at which [Egypt] will purchase gas from Israel," the source says.

None of the parties involved in the deal have disclosed the import rate so far. However, the rate "will definitely grant Egypt leverage in any future negotiations with drilling companies, meaning that — in light of the precedent of this contract with Israel — Egypt's next deal with any gas company will include better conditions than those offered by the contract with Eni to drill in the Zohr field," the source says. Under the terms of the agreement, the imported gas will hit the Egyptian market next year. The tentative plan is to allocate a portion for national consumption, while the remaining supply is to be pumped into liquefaction plants for export, according to the source. "Intermittent deliveries" to Dolphinus Holdings will begin this autumn or early next year on a trial basis, according to the same source. By spring 2019, the daily supply is projected to steady at 700 million cubic feet.

There are two natural gas liquefaction plants in Egypt: the Egyptian Liquefied Natural Gas company's Idku complex, which is comprised of two liquefaction terminals, and the Italian-Spanish Unión Fenosa, which is based in Damietta and is comprised of one terminal. The Egyptian Ministry of Petroleum and Mineral Resources holds a 12-percent shareholder stake in the Idku complex through EGAS and another 12-percent share through the Egyptian General Petroleum Corporation (EGPC). The remaining shares are divided between several private companies: Shell (formerly British Gas) at 35.5 percent, Malaysia's PetroNas at 35.5 percent, and Engie (formerly Gaz de France) 5 percent. Eighty percent of the Damietta natural gas liquefaction complex operated by Unión Fenosa is owned by Unión Fenosa and the Italian energy company Eni. The remaining shares are divided between EGAS, which owns 10 percent, and the EGPC, which owns 10 percent.

The source close to the deal corroborates information Mada Masr published last year regarding the aims of negotiations to import gas from Israel. By striking a deal to import gas from Israel, Egypt aimed to find a way around the international arbitration fines of $1.7 billion, owed to the Israeli Electricity Company (IEC) and over $200 million, owed to EMG. Egypt also sought to terminate commercial arbitration with the relevant partners of EMG through the deal, thereby avoiding a potential arbitration fine of $8 billion, which would have been owed to Unión Fenosa. Sources told Mada Masr in August 2017 that the Israeli government had agreed "in principle" to reduce the fine, in exchange for permission granted by the Egyptian government to the Egyptian private sector to import gas from Israel, as well as opening the door for negotiations over the demarcation of maritime borders in return. Egypt realized that it was headed for an "inevitable loss" in the arbitration cases, according to the source who is well-informed on the deal. Therefore, a decision was made "to import gas [from Israel] at a very good rate, liquify it, and then export it at a higher price or use it [for domestic purposes] on a wide scale in the very lucrative petrochemicals industry."

Recent comments from Israel, however, may indicate that the negotiations are not yet settled. On Monday, the Israeli newspaper Haaretz reported that Israel insists it has not struck an agreement to forfeit its arbitration payout. "Israel hasn't given up on the debt and the matter did not come up for discussion during talks on the Leviathan export deal to Egypt that was signed [last] week," Israel's Energy Ministry told the paper. A senior Israeli government source, however, told the Israeli business newspaper TheMarker that, while he doesn't expect Egypt to pay the arbitration settlement, such a move by Egypt will not affect electricity rates in Israel because the Israel Electric Corporation (IEC) has already written off the debt as unrecoverable and incorporated the losses into rates over the last six years. Near the end of 2015, the International Chamber of Commerce in Geneva ruled that EGAS and EGPC were obligated to pay the aforementioned sums in compensation to EMG and the IEC. The decision served as a penalty for Egypt's April 2012 decision to halt gas exports to Israel after the pipeline was targeted by several attacks and Egypt came to import natural gas itself as the needs of its national market increased.

In 2016, Egypt's Ministry of Petroleum and Mineral Resources began to import liquified gas. Now, it aims to meet domestic demand for natural gas by importing approximately 80 shipments of liquified gas at a price of $1.8 billion during the current financial year, a dip from the 118 shipments that were imported during the previous financial year. Cyprus as part of Egypt's plan to become a regional energy hub. While Dolphinus Holdings works toward importing gas from Israel through EMG's pipelines, Egypt and Cyprus reportedly reached a preliminary deal to extend existing pipelines from Cyprus gas fields to Egypt's Idku complex for re-export to agreed upon destinations, according to a government official quoted in the privately owned Al-Shorouk newspaper on Monday. "The agreement deals mainly with Egypt's share of the quantity of Cypriot gas to be exported through Egypt and the conditions for resorting to international arbitration to settle any potential disputes," the source said. The cost of extending the pipeline, however, is still being negotiated, but initial projections from the source have it becoming operational between 2019 and 2020. A Cypriot government official whose work concerns Egypt and Cyprus' economic cooperation spoke of an impending deal to Mada Masr in an interview conducted early last week and estimated that Cypriot gas will begin to flow into Egypt two years from now.

The Egyptian source who is well-informed of the Dolphinus Holdings deal corroborated the timeline as well, saying that any similar agreements with Cyprus would take no less than two years to be implemented, “not only for the extension of the supply pipeline, but also because the Cypriot field has yet to be developed. […] Such pipelines would have the capacity of 700 million cubic feet per year.” Much like the gas imported from Israel, a portion of the gas imported from Cyprus would be allocated for national consumption, while the remaining portion would be exported through liquefaction plants, according to the source, who describes it as part of Egypt’s plan to become a regional energy hub. Egyptian Minister of Petroleum Tarek al-Molla signed an agreement of principles last year with Cyprus’ Minister of Energy, Commerce, Industry and Tourism Yiorgos Lakkotrypis to supply gas from Cyprus via an undersea pipeline. For the Cypriot official, who spoke to Mada Masr on condition of anonymity, gas exports from Cyprus to Egypt are “part of a major project, which will also involve Greece, Israel and perhaps other Eastern Mediterranean states for the benefit of all these countries.” Eastern Mediterranean countries, the Cypriot official says, “pay no attention to the Turkish threats against Egypt and Cyprus, as Turkey is incapable of hindering this cooperation.” The agreement between Egypt and Israel, the Egyptian source believes, “has aborted Turkey’s plan to introduce itself to countries of the European Union as an international hub for the import of natural gas from the east to the west, by way of the pipeline through which gas is supplied from Russia to Europe via Turkey.”

And while the source concedes that Egypt and countries of the Eastern Mediterranean are unlikely to replace Russia as the largest supplier of natural gas to Europe, he says that Egypt is capable of contributing greatly to reducing Europe’s dependence on Russia’s gas, “diminishing Turkey’s significance to the Europeans and acquiring greater influence within European diplomatic circles.” Demarcation of maritime borders with Greece. The Egyptian government has recently agreed to begin negotiations over the demarcation of its maritime border with Greece, according to a Greek government official and an Egyptian diplomat who are have direct knowledge of the negotiations.

Egypt signed a maritime border demarcation agreement with Cyprus in 2003, which came into effect in 2013 when it was ratified by interim President Adly Mansour. Technical negotiations over the demarcation of maritime borders between Egypt and Greece, however, are still underway. Official negotiations have yet to be launched, and no maritime border demarcation agreements have been signed between Egypt and Israel or the Palestinian Authority. “Egypt recently agreed to begin the negotiations, even though Greece has yet to begin to demarcate its maritime borders with Turkey,” the Greek official says. The negotiations are projected to begin officially in April, he says, after the conclusion of Egypt’s upcoming presidential election, with the intention to develop a final agreement prior to the Greek legislative election, which is to be held next year.

Three western partners of Nord Stream II defend project

Globenewswire, *27.02.2018*

The Nord Stream II natural gas pipeline is a billion-dollar investment with state-of-the-art European gas infrastructure that guarantees a secure supply of gas to both European residents and industry, the CEOs of three partner companies to Gazprom said late Monday in defense of the project's realization.

Klaus Schafer, CEO of Uniper, Mario Mehren, CEO of Wintershall and OMV's CEO Rainer Seele wrote an article in support of the project amid the emotive opposition to its construction.

The executives affirmed that facts are barely considered with progressing a project that can supply much needed and competitive, reliable power for energy-intensive industries in Europe. They argued that natural gas provides the underlying pillar for secure supplies and will become even more important in this role, especially if Europe wants to achieve its ambitious climate goals. "For this, we need not less but more gas - as a partner for renewables. Today, Europe can still supply a large proportion of its own production with gas. But domestic production is falling faster than originally forecast," the article read and noted that at the same time, demand is rising, a fact that remains undisputed among experts. "Above all, gas will replace coal and, together with the growth from renewable energies, will enable a climate-friendly and secure energy supply. Rising demand is encountering a decrease in domestic production – that means Europe's import demand for natural gas is growing," the article said.

LNG changes market but not Europe's needs. The CEOs stressed that although an expanding LNG market offers diversification of supplies, with U.S. LNG targeting the European market, it cannot compete with pipeline gas. Europe has sufficient terminal capacity and has considerable interest in securing more gas for its markets, they said but noted that thanks to pipeline gas, they have comparatively low gas prices. "U.S.-produced LNG is not interesting for Europe in terms of price because Europe is in a very good pipeline distance to major natural gas producers. This is a trump card from which we Europeans benefit every day," they said. They explained that Europe is efficiently linked via pipelines to many gas producers such as Norway, Russia and Algeria, which pays off not only economically, but also in terms of energy policy because it means security and reliability.

Nord Stream II diversifies gas purchases and increases competition. The CEOs claimed that the Nord Stream II pipeline would provide another reliable route for transporting gas to Europe, and nothing more. They underlined that more options mean more competition while several alternatives inevitably translate into greater security of supplies. The companies also defended Russian gas and affirmed that these supplies are an essential component of the project, especially as there is no country in the world with more gas reserves. “However, this is not about Europe’s one-sided dependence on Russia, but about a partnership that has been ensuring very reliable gas supplies in Germany for several decades,” the article stated.

Role of European Commission. The high-level executives were critical about the stance that the European Commission’s stance (EC) has taken on the project. “The EC needs to ask itself why it has not acted in an objective manner in the debate surrounding the Nord Stream II. The legal framework for this project is clear and leaves the European Commission with no room for negotiation – as the European Council’s legal service has precisely confirmed. Here, applicable law must be consistently respected, because only this creates investment and thus energy security,” they contended. “One thing should be noted: projects of this size will no longer be able to find investors in future if the sword of Damocles also hangs over economic projects, if they become instrumentalized in social or political discussions, or if they become their plaything,” they warned.

The Nord Stream II natural gas pipeline project plans to deliver Russian gas to Europe through the Baltic Sea supplying 55 billion cubic meters of capacity per year. However, many European countries such as Lithuania, Poland and Ukraine oppose the project, claiming that it will increase dependence on Russia.

LNG market needs $200 billion investment to meet demand

Reuters, *26.02.2018*

More than $200 billion of investment in liquefied natural gas is needed to meet a boom in demand by 2030, Royal Dutch Shell, the world’s top LNG trader, said on Monday.

The LNG market is set to continue its rapid expansion into 2020 as facilities approved for construction in the first half of the decade come on line, in a development expected easily to meet sharp growth in consumption of the super-chilled fuel. But a decline in spending in the sector since 2014 as a result of weaker energy prices will create a supply gap from the mid-2020s unless new investments emerge.

LNG plants are complex and expensive, requiring large processing units, known as trains that cool natural gas to around minus 160 degrees Celsius (minus 260 Fahrenheit). The liquefied fuel is then shipped to demand centers and converted back into gas. While LNG demand is expected to grow from 293 million tonnes per year (mtpa) in 2017 to around 500 mtpa by 2030, supplies are seen slipping to 300 mtpa due to a lack of new projects and natural declines in existing production, Shell's head of integrated gas and new energies, Maarten Wetselaar, said. The cost of developing the required capacity is roughly $1 billion per mtpa, Wetselaar said. That does not include investments in the development of the gas fields associated with LNG plants, he told reporters.

"The industry is still looking at quite a challenge to build supplies to meet demand in the 2020s," he said. Shell is considering moving ahead on new projects such as LNG Canada and Lake Charles on the U.S. Gulf Coast, Wetselaar said. The Anglo-Dutch company is expected this year to launch the Prelude floating LNG plant in Western Australia, one of the largest and most complex gas projects in history. "Our investment cycle is coming to an end with Prelude coming on stream this year. We will have the space to take investment decisions, (but) it doesn't necessarily mean we will spend the money." Competition is fierce as projects have to face off against the lowest-cost gas hubs such as North America, where the shale boom has led to abundant and cheap supplies, as well as Qatar, Russia and East Africa. "In order to take a final investment decision on a project of this size you want to make sure it is as low-cost as it can be because the cost of an LNG project ... is going to stick with you for 30, 40 years," Wetselaar said. In its annual report - a legacy from BG Group, which the company acquired in 2016 - Shell forecast global demand for gas to grow by an average 2 percent per year until 2035. That would make gas the fastest-growing source of energy over the period. LNG demand is set to grow twice as fast as gas power plants in China, South Korea and India switch from coal and governments move to reduce carbon emissions, Shell said.

Shell backs its report on LNG shortages

Anadolu Agency, *27.02.2018*

Supply investments are required to meet global long-term demand growth in LNG as strong fundamentals exceeded expectations in 2017, a Shell spokesperson announced on Tuesday.

She explained that the external environmental context is creating more opportunities for gas and LNG, but added that supply investments are required to meet long-term demand. The official said in Shell's latest 2018 LNG Outlook report released on Monday that a supply shortage in mid-2020s is a possibility based on current demand projections unless new LNG production project commitments are made soon.

“However, this is the headline of the report. The report goes into quite extensive detail and data to back up our view of the LNG outlook,” she said. Shell has been a pioneer in LNG for more than 50 years, she stressed based on the fact that the company is involved at every stage of the LNG value chain: finding the fields and extracting gas, liquefying gas and shipping it, then turning the LNG back into gas and distributing it to customers. Many reputable forecasters for years have anticipated an LNG supply glut. One of these includes Marco Giuli, a policy analyst from the Brussels-based European Policy Center, who said in mid-2016 that an LNG glut is coming as liquefaction facilities amounting to about 200 billion cubic meters (bcm) per year are coming onstream by 2025, notably in the U.S. and Australia.

In addition, Robin Mills, a non-resident fellow for Energy at the Brookings Doha Center said in mid-2016 again that new U.S. LNG would further add to the oversupply. The oversupply in LNG, and the period of low prices could even be lower and longer than for oil, Mills predicted. Furthermore, Italian energy company Snam said in its Global Gas Report 2017 that an LNG glut has begun to take shape. Contrarily, in accordance with Shell’s report, Royal Dutch Shell CEO Ben van Beurden said at the beginning of February that there is little evidence of an LNG oversupply. On the question of Qatar holding its top position as the leading LNG exporter country, she said the answer depends on whether Qatar can produce any new capacity for an increasingly competitive market place.

Qatar currently is the leading LNG exporter, accounting for around 30 percent of global trade by exporting 77.2 million tonnes. It is followed by Australia and Malaysia. Report says LNG market set to expand Shell said in its latest report that the LNG market would continue to defy the expectations of many market observers, with demand growing by 29 million tonnes to 293 million tonnes in 2017. According to the company’s report, Japan remained the world’s largest LNG importer in 2017, while China moved into second place as Chinese imports overtook South Korea’s. Total demand for LNG in China reached 38 million tonnes, a result of continued economic growth and policies to reduce local air pollution through coal-to-gas switching, the report showed. The report also added that demand for LNG in transport is growing globally as diverse marine segments are choosing LNG at a time when the LNG bunkering network is developing globally.

Shell in the LNG market. Shell is one of the world’s largest LNG shipping operators. The company directly manages around 40 LNG carriers and charters more than 50 others on long-term time charters. Collectively, this makes up around 20 percent of the global LNG fleet. Shell’s trading operation buys and sells LNG to and from Shell, its partners and third parties. Shell has LNG supply projects throughout the world, as well as interests in and long-term capacity access to regasification plants. The company has six regasification terminals in the U.S., two in Mexico, and one each in Spain, India, Singapore, the U.K. and the Netherlands. Shell’s LNG liquefaction plants in operation are located in Norway, Brunei, Malaysia, Oman, Russia, Australia, Egypt, Nigeria, Peru and Trinidad and Tobago. The Dutch company is also constructing two LNG liquefaction plants in Australia. Its total LNG liquefaction volume was 30.9 million tonnes at the end of 2016.

ExxonMobil, Hess strike lucky no. 7 offshore Guyana

Rigzone, *28.02.2018*

Exxon Mobil Corp. and Hess Corp. have made their seventh oil discovery offshore Guyana following drilling at the Pacora-1 exploration well, the companies announced separately on Wednesday.

"This latest discovery further increases our confidence in developing this key area of the Stabroek Block," ExxonMobil Exploration Co. President Steve Greenlee said in a statement. "Pacora will be developed in conjunction with the giant Payara field, and along with other phases, will help bring Guyana production to more than 500,000 barrels per day."

ExxonMobil reported that it encountered approximately 65 feet (20 meters of high-quality, oil-bearing sandstone reservoir at Pacora-1. The latest discovery is located approximately four miles west of the Payara-1 well and follows other Stabroek Block successes at: Liza, Payara, Liza Deep, Snoek, Turbot, Ranger.

The Stena Carron drillship commenced drilling on Jan. 29, 2018, for Pacora-1, which reached 18,363 feet (5,597 meters) depth in 6,781 feet (2,067 meters) of water, ExxonMobil stated. ExxonMobil's Esso Exploration and Production Guyana Limited operates the 6.6 million-acre (26,800-square kilometer) Stabroek Block and holds a 45-percent interest in it. Other companies that own interests in Stabroek include Hess Guyana Exploration Ltd. (30 percent) and CNOOC Nexen Petroleum Guyana Limited (25 percent.) After the Pacora-1 completion, Stena Carron will move to the Liza field, drill the Liza-5 well and complete a well test that will be used to assess Payara development concepts, Hess stated. Hess added that Stena Carron will conduct more Stabroek appraisal drilling after it completes Liza-5 operations. "The giant Payara field, which is planned as the third development offshore Guyana, will now include Pacora resources," Hess CEO John Hess said in his company's announcement. "The Pacora oil discovery reaffirms the remarkable exploration potential of the Stabroek Block."

Total, Edison get Greek go-ahead for oil and gas exploration

Reutres, *28.02.2018*

BP Greece's parliament gave the go-ahead for companies including France's Total and Italy's Edison to explore for oil and gas in the west of the country.

Licences for four blocks were awarded in 2016 but had to be ratified by parliament for exploration work to begin. Encouraged by recent large gas finds in the eastern Mediterranean, Greece is eager to attract investment in its energy sector as it tries to emerge from years of economic crisis. Western Greece is an underexplored area and very little data exists on its hydrocarbon potential.

A Total-led consortium with Edison and Greece's biggest oil refiner Hellenic Petroleum was awarded Block 2 in the Ionian Sea; Hellenic Petroleum was also awarded the Arta-Preveza and northwestern Peloponnese onshore blocks and Energean, Greece's only oil producer, the Aitoloakarnania onshore block. Hellenic Petroleum holds an exploration licence in the Patraikos Gulf off the Peloponnese peninsula and plans the first test drilling there in 2019. Energean also plans to start drilling in another field off the peninsula in 2019. "We are turning a new page in the chapter of tapping into hydrocarbons," Energy Minister George Stathakis told parliament before the vote. He said the country was slowly catching up with Cyprus, Israel and Egypt. Total has shown interest in the eastern Mediterranean following major gas discoveries off Israel and Egypt. It is currently drilling for oil off Cyprus.

Together with Hellenic Petroleum and U.S. oil major Exxon Mobil, it has also expressed interest in exploration at two sites off Crete, prompting Greece to launch a tender. The Greek branches of Greenpeace and the World Wildlife Fund (WWF) had called on lawmakers to reject the bills ratifying the contracts, saying iconic and ecologically sensitive marine and coastal areas were at great risk. The bills "trapped the country in a growth model that is extremely polluting and dangerous to humans and the environment," they said in a statement. Stathakis said Greece will make sure that strict environmental rules will be applied.

Italian Intesa Sanpaolo ready to finance Nord Stream 2, if no sanctions imposed

Sputniknews, *26.02.2018*

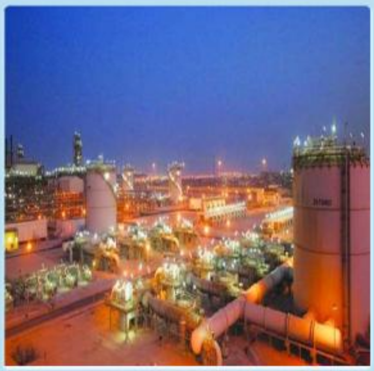
Italian Intesa Sanpaolo banking group is ready to finance the Nord Stream 2 gas pipeline project, if Brussels does not impose any sanctions, Antonio Fallico, bank's board of directors chairman, told Sputnik.

"We are waiting for the decision of the EU Commission regarding this issue and if the decision is positive and the sanctions are not imposed, Intesa Sanpaolo is ready to participate in the project," Fallico said. Commenting on when Brussels will be ready to announce its decision Fallico noted that "at least after the presidential election in Russia it will become clear."

"I hope that German and French leaders have already realized that such restrictions are targeted not only against Russia, but Europe as well. If in line with the US sanctions the Nord Stream is blocked, EU economy will suffer great losses," the chairman warned. Earlier in the day report in the German magazine Der Spiegel appeared, claiming that German consumers may incur additional losses due to the construction of the Nord Stream 2 gas pipeline and recalling that some Eastern European countries oppose the implementation of the project which however is supported by the German government. The Nord Stream 2 project aims to deliver 55 billion cubic meters of Russian natural gas a year to the European Union across the Baltic Sea to Germany, bypassing Ukraine. In August, US President Donald Trump signed the bill allowing Washington to target European companies participating in Russian projects, such as Nord Stream 2.

LNG: Qatar could partner with companies having Chinese buyer ties, says BMI

Gulf Times, *24.02.2018*



Qatar, which is planning to build three new LNG trains to target the tighter LNG market expected in the mid-2020s, could rather look to partner with companies that have strong existing relationships with Chinese buyers to bolster its position in this market, according to BMI, a Fitch company.

The expansion offers substantial opportunities for oil majors to expand their gas portfolios and Qatar to grow exports to new markets, BMI said, highlighting that Qatar has unveiled plans to develop three new LNG trains in order to achieve the 100mn tonnes capacity target set in its mid-2017 expansion programme.

Initially, BMI had expected the 23Mtpa of capacity growth to come from a mixture of debottlenecking work at existing mega-trains, in addition to two new-build production trains. “While in our view debottlenecking poses an attractive opportunity to boost output from Qatar’s existing trains, feasibility investigations have reportedly highlighted challenges with undertaking work in a somewhat congested environment surrounded by operating LNG facilities,” it said.

The risks associated with debottlenecking in such an environment, and the downtime in production required to undertake upgrades, are now thought to hold negligible cost savings over a new build train, it added. Qatar will then proceed with the development of three new 7.8Mtpa mega-trains to add to the existing 77.1Mtpa processing capacity. The final investment decision on the expansion is being targeted for early 2020, with the hope that new capacity will be ready from 2024, around the period the LNG market is expected to get tighter. Qatar has previously offered 30-35% equity stakes in its LNG trains. ExxonMobil in particular has a strong relationship having equity stakes in 12 of Qatar’s 14 trains; ConocoPhillips, Total and Shell are also present in the newer Qatari trains.

The construction of three new trains (as opposed to debottlenecking) also offers the country an opportunity to expand its relationships with more international oil companies, and potentially those with established access to growing LNG import markets. Finding that Qatar has been successful in tapping some of the fastest growing LNG markets over recent years, BMI said in 2016 Qatari LNG dominated imports of India, Pakistan, Thailand and Egypt. However, Qatar’s position in China remains comparatively under-represented at around 18%, with Australia holding around 46% of the market, it found. “While it is not definite that Qatar will sell equity stakes in the new trains, the country could look to partner with companies that have strong existing relationships with Chinese buyers to bolster its position in this market,” it said.

Santos confirms gas production shutdown after Papua New Guinea earthquake

Rigzone, *27.02.2018*

Australian natural gas company Santos confirmed Tuesday that gas production at the PNG LNG Hides plant and the Kutubu gas facilities has been safely shut down as a precautionary measure, following a major earthquake and a series of aftershocks in the Papua New Guinea highlands.

"The company has been advised by PNG LNG operator ExxonMobil PNG that no staff or contractors have been injured as a result of these seismic events, and all personnel are safe and accounted for," Santos said in a company statement.

"Production will remain shut-down whilst a full assessment of the impact of the earthquake is made," Santos added. Reuters reported that a 7.5 magnitude earthquake hit the country on Monday.

Japanese firms in consortium to bring LNG to Australia's east coast

Business Times, *26.02.2018*

A consortium including Japan's JERA and Marubeni Corp is planning to import liquefied natural gas (LNG) to Australia's east coast, aiming to supply industrial gas users and possibly a new power plant, a spokesman for the group said on Monday.

This is the second proposed LNG import terminal for Australia, the world's no.2 LNG exporter, looking to fill a supply gap at a time when the country's gas producers have locked in long-term contracts to supply LNG to Japan, China and South Korea.

A final investment decision is expected this year on the project to import up to around 2 million tonnes a year of LNG starting in 2020 into a market where energy prices are soaring, said the spokesman for the group, Australian Industrial Energy. "This market is desperate for new gas," James Baulderstone, a former Santos Ltd executive who is leading Australian Industrial Energy, told Reuters.

Egypt signals that $15 billion gas deal will hinge on Israeli debt concessions

Haaretz, *27.02.2018*

Egyptian officials have signaled that a giant $15 billion deal to buy natural gas from Israel hinges on Israel's backing down from rulings awarding it $1.8 billion or more of compensation when Egypt cut off its supply of gas to Israel in 2012.

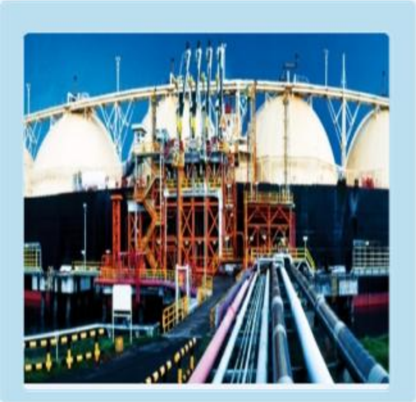
In Israel, however, officials deny that there has been any agreement on compensation. "Israel hasn't given up on the debt and the matter did not come up for discussion during talks on the Leviathan export deal to Egypt that was signed ," Israel's Ministry of Energy said. The ruling caused Cairo to break off talks about importing gas from Israel.

However, they were apparently revived sometime during 2016 on parallel governmental and business tracks. Last September, the Egyptians said the two sides had agreed that IEC would forgive $500 million of the debt it's owed. A senior Israeli government source, who asked not to be identified, told TheMarker that he didn't expect Egypt would agree to pay the debt and compared it to Israel's refusal to pay the Iranian government compensation decided upon by an international arbitrator. In 2016, Switzerland's highest court ordered Israel to pay Iran around $1.1 billion plus interest in a decades-old dispute over a secretive oil pipeline company predating the 1979 Islamic revolution.

The source said that Egypt's failure to pay the compensation wouldn't affect electricity rates in Israel since IEC had already written off the debt as unrecoverable and had incorporated it into rates over the last six years. In response to news of the Israeli-Egyptian gas deal last week, Cypriot Energy Minister Georgios Lakkotrypis said he expected to sign a similar pact with Egypt in the next few weeks to export gas. The island's Aphrodite field is close to Leviathan and is also owned by Noble and Delek. However, Israeli sources cast doubt on an imminent deal, saying that the startement was designed to distract attention from Egypt's closer relations with israel. "They have been talking about a deal for Aphrodite with the Egyptians for years and it's not happening," said one source, who asked not to be named.

Something unexpected just happened in LNG markets

Oil & Price, *27.02.2018*



In the increasingly topsy-turvy world of liquefied natural gas (LNG) markets, the world's largest LNG importer could soon be exporting the super-cooled fuel to the world's second largest LNG exporter a situation unimaginable, even laughable just a few years ago.

On Monday, news broke that Japanese consortium, made up of JERA, the world's largest private LNG buyer, and Marubeni Corp., were planning to export gas to industrial users on Australia's eastern coast. There is even a possibility that the Japanese consortium will construct an LNG import terminal in New South Wales, Australia's most populous state.

A report three days ago in The Australian Financial Review said that the proposed terminal's imports could represent up to 75 percent of NSW's gas demand, while plans to increase the number of gas-fired power stations will increase that demand pull. How could Japan, for all practicable purposes a hydrocarbon anemic country with scant oil and gas resources, import gas to oil and notably gas rich Australia? The answer is straight forward: In an effort lock in lucrative prices for LNG in the Asia-Pacific region amid limited supply around the start of the decade, Australia went on an LNG export project development feeding-frenzy. Since the country doesn't have an energy master plan there was no coordination on these massive CAPEX export projects.

Adding insult to injury, budget blowouts and cost overruns since then have been the norm, casting further doubt on the wisdom of Australia having as many as ten major LNG export projects. As a result, Australia will soon overtake Qatar as the world's largest LNG exporter, with more than 80 million tons per annum (mtpa) of liquefaction capacity. Qatar, however, and likely for geopolitical reasons as much economic, has vowed to increase its production capacity from 77 mtpa to over 100 mpta in the next five years. The U.S, for its part, is projected to become the world's second largest exporter of LNG by the end of 2022, just behind Australia and ahead of Qatar, the Paris-based International Energy Agency (IEA) said in July. However, the IEA did not factor in Qatar's 100 mpta uptick goal into its equation.

Notwithstanding, given the Trump Administration's pro energy thrust and the call to make the federal review process for new LNG project proposals easier, the U.S. could still rival both Australia and Qatar as the top LNG exporter by the mid to later part of the next decade. At the start of the past decade LNG supply contracts were almost entirely indexed to the price of oil, virtually ensuring producers with both a steady stream of income since buyers were locked into 20 and even 30-year long term contracts, and also ensuring that these prices would only not pay for their capital-intensive projects, but lock in handsome profits.

This situation for LNG markets climaxed on March 11, 2011, when a 9.1 magnitude earthquake hit the Japanese coast with a subsequent tsunami, which caused not only a meltdown at the Fukushima Daiichi Nuclear Power Plant, but the subsequent shutdown of all of all of Japan's 50 nuclear plants needed to produce electricity. The result was cataclysmic for LNG buyers and for Japan itself whose gas import dependence as a result of the shutdowns sent the country's trade imbalance to record highs. With a then global shortage of LNG and with buyers at the mercer of suppliers, spot prices in Asia, which represents around two-thirds of global LNG demand, hit historic highs, finally breaching the US$20/MMBtu mark in February 2014. For the next several years, Japan and other large LNG buyers, India, South Korea and Taiwan, sought various ways to mitigate stretched LNG supplies and spiraling prices associated with that shortage.

However, sine then massive gas output from Australia and now the U.S. has flooded global markets, ensuring that the historic supply overhang could continue to at least 2022, or even longer, depending on whose forecasting model you use. Over the past two years, this supply glut has given ammunition to LNG buyers to fight back as they seek better contractual terms, mostly pivoting away from restrictive destination clauses, take or pay provisions, and oil-price indexations. Australia, for its part, whose headlong thrust in the LNG export race has neglected to reserve enough gas for domestic consumption, setting off a political fire-storm within the country and forcing Canberra to act. With the situation spiraling out of control, Prime Minister Malcolm Turnbull's administration announced controversial export controls in April that would restrict exports from the region if gas became unavailable to domestic users.

And, it's this Australian domestic supply gap that Japan is seeking to fill – in essence coming full circle in just a matter of years. Ironically, JERA (which is spearheading the push to export LNG to Australia) was formed in 2015 when Japan was scrambling to wrest some measure of control over its over-reliance on LNG imports, particularly its increase of LNG spot cargoes and exorbitant prices. JERA is a joint venture between two of Japan's biggest power companies, Tokyo Electric Power and Chubu Electric Power. LNG markets have now come full circle, with more unexpected developments sure to follow.

Canada's first nations seek bigger stakes, profits from oil sector

Reuters, *02.03.2018*

Canada's First Nations are boosting investments and leveraging their clout with regulators to gain stakes in oil and gas projects as they seek greater returns on energy produced or transported across their territory.

Aboriginal groups in Canada have traditionally played a more passive role in the energy industry, collecting royalties from oil and gas output. That model is changing as some indigenous groups buy oil wells and negotiate ownership stakes in proposed pipelines and storage projects. "It's assets that create cash flow," said Joe Dion.

"Chief Executive of First Nations-owned Frog Lake Energy Resources Corp, which produces 2,000 barrels of oil per day. "We get a piece of the action." First Nations, also called bands, play a pivotal role in Canada's oil industry because governments and companies have a legal duty to consult and accommodate them before proceeding with resource projects affecting their territories. The law gives bands "pretty close to an effective veto," said University of Saskatchewan professor Ken Coates.

Some aboriginal groups have used that leverage to stop or delay oil projects, as when Enbridge Inc's proposed Northern Gateway pipeline was rejected by Prime Minister Justin Trudeau in 2016 after bands raised environmental concerns. Other indigenous groups, however, are increasingly using the same power to negotiate ownership stakes in projects. A bigger financial role for First Nations in the sector could help unlock oil and gas reserves in Canada, the world's fifth largest producer, that might otherwise stay in the ground because of objections from environmental or aboriginal rights groups. Their experience parallels that of Native American tribes, who are also deeply split on whether and how to develop the vast resources on tribal lands. Indigenous Canadians make up about 5 percent of the nation's population and face higher levels of poverty and violence, giving bands a powerful incentive to maximize energy revenues to raise living standards.

"It's so polarized," said Stephen Buffalo, chief executive of the advocacy group Indian Resource Council. "Some want to see the benefit, others think it's going to kill the earth." Frog Lake, a firm owned by Alberta's Frog Lake First Nation, is looking to buy more oil-producing properties outside of its territory along with stakes in tank farms and pipelines, said Dion, who is a member of the neighboring Kehewin Cree Nation. Dion said aboriginal groups have traditionally settled for "the smaller stuff" - royalties from outside energy firms. "The revenue-sharing piece is here now," Dion said. "That is where we have to go." Aboriginal groups have a legal say in projects on their lands, which are held in trust by the Canadian government for band members, and also those that might impact them indirectly. First Nations' support gives energy firms better odds of overcoming any concerns from other aboriginal groups. Ottawa on Feb. 8 unveiled draft legislation for resource projects that places greater emphasis on considering their impact on aboriginal communities.

Under the rules for assessing major projects, to take effect next year, such concerns will be heard by the new Canadian Energy Regulator and Impact Assessment Agency of Canada.

US will overtake Russia as top oil producer by 2019, says the International Energy Agency

Reuters, *28.02.2018*

The United States will overtake Russia as the world's biggest oil producer by 2019 at the latest, the International Energy Agency (IEA) said on Tuesday, as the country's shale oil boom continues to upend global markets.

IEA Executive Director Fatih Birol said at an event in Tokyo the United States would overtake Russia as the biggest crude oil producer "definitely next year", if not this year. "U.S. shale growth is very strong, the pace is very strong ... The United States will become the No.1 oil producer sometime very soon," he told Reuters separately.

U.S. crude oil output rose above 10 million barrels per day (bpd) late last year for the first time since the 1970s, overtaking top oil exporter Saudi Arabia. The U.S. Energy Information Administration said early this month that U.S. output would exceed 11 million bpd by late 2018. That would take it past top producer Russia, which pumps just below that mark. Birol said he did not see U.S. oil production peaking before 2020, and that he did not expect a decline in the next four to five years. The soaring U.S. production is upending global oil markets, coming at a time when other major producers — including Russia and members of the Middle East-dominated Organization of the Petroleum Exporting Countries (OPEC) — have been withholding output to prop up prices. U.S. oil is also increasingly being exported, including to the world's biggest and fastest growing markets in Asia, eating away at OPEC and Russian market share. Meanwhile, U.S. net imports of crude oil fell last week by 1.6 million bpd to 4.98 million bpd, the lowest level since the EIA started recording the data in 2001, reflecting further erosion in a market OPEC has been relying on for decades.

Birol said production growth was not just strong in the United States. "Canada, especially the oil sands, and Brazilian offshore projects. These are the two major (non-U.S.) drivers," he said. On the demand side, Birol said the IEA expected growth of around 1.4 million bpd in 2018.

Steel tariffs may raise cost of energy projects and delay pipeline building, critics say

CNBC, *02.03.2018*

Though steelmaker stocks rose sharply after Trump announced steep tariffs on steel from overseas, energy companies and pipeline makers will likely take a hit.

The U.S. oil and natural gas industry depends on specialty steel for many of its infrastructure projects, and U.S. steelmakers don't supply it, said Jack Gerard, the CEO of the American Petroleum Institute, a trade association for the industry. "The actions taken today are inconsistent with the administration's goal of continuing the energy renaissance and building world-class infrastructure," Gerard said.

The administration said Thursday it would slap a 25 percent tariff on imported steel and 10 percent on imported aluminum, beginning next week. Even before the announcement, opponents had voiced concerns that tariffs could raise prices for all kinds of consumer and commercial goods made from aluminum and steel. There are also doubts that U.S. steelmakers would be able to handle higher volumes and produce all grades of steel necessary for industrial production. The thickest energy pipelines use a grade of steel that is produced abroad. When President Trump signed an executive order approving the Keystone Pipeline last year, he made headlines by also mandating that steel for future pipelines will need to be "made in the USA."

At the time U.S. steelmakers said they had the capability to produce the steel, they just needed time to increase their output. They argued that foreign competition and anti-competitive trade practices have put them at a disadvantage for years. "The real question is whether the U.S. steel industry has the capacity to supply every pipeline project in the United States," said Libby Toudouze, portfolio manager at Cushing Asset Management. "Let's say in 2017, 2018 we need 300 miles of pipeline, and the U.S. steel companies' maximum capacity could crank out 100 miles of pipe. It's not reasonable for us to hold up the 200 miles of pipeline because the U.S. guys can't scale to get there," she said.

Oil rig count in US rises by 1 this week

Oil & Price, *20.02.2018*

The number of oil rigs in the U.S. increased by one this week, oilfield services company Baker Hughes data showed on Friday.

With that result, the number of oil rigs, which indicates the short-term change in the U.S.' oil industry, is now at 799. The current level also shows approximately 33 percent increase in the oil rig count, which stood at 602 in the same period last year. The small increase in the oil rigs led to some losses in crude oil prices on Friday. International benchmark Brent crude fell to $66.95 per barrel at 1410 GMT.

That is while the American benchmark declined to $63.34 a barrel around the same time; however, both benchmarks preserved their daily gains that were above 1 percent. The U.S.' crude oil production decreased slightly last week, according to the Energy Information Administration (EIA). Crude output in the country fell by one thousand barrels per day (bpd) to 10.27 million bpd for the week ending Feb. 16, the EIA data showed on Thursday. The U.S.' crude oil production is expected to average 10.6 mbpd this year and to reach 11.2 mbpd next year to surpass Russia, according to the EIA's Short-Term Energy Outlook for February.

Brent oil trades above $67 at week beginning Feb. 26

Anadolu Agency, *18.02.2018*

International Benchmark Brent crude traded at $67.19 per barrel while American benchmark West Texas Intermediate (WTI) saw $63.78 at 06.40 GMT on Monday.

Brent crude traded at $66.19 per barrel while WTI saw $62.14 at 06.40 GMT on Friday. Brent oil started the week with a price of around $65 last week, and increased to around $66.47 by the end of the week. The U.S. Energy Information Administration said on Thursday that commercial crude oil inventories in the country fell by 0.4 percent, or by 1.6 million barrels, to 420.5 million barrels.

Which resulted in an increase in crude oil prices trading above $66. However, the market expectation was an increase of 1.8 million barrels in stocks. In addition, the number of oil rigs in the U.S. increased by one this week, oilfield services company Baker Hughes data showed on Friday. With that result, the number of oil rigs, which indicates the short-term change in the U.S.' oil industry, is now at 799. The current level also shows approximately a 33 percent increase in the oil rig count, which stood at 602 during the same period last year.

According to experts, the decline in U.S. crude oil production also supported the upward movement in oil prices. Last week, crude oil production in the U.S. fell by a thousand barrels per day to 10.27 million barrels, compared to the previous week. This decline was the first after increases over five straight weeks. The statement of a 133 percent conformity level of the Organization of the Petroleum Exporting Countries (OPEC) and participating non-OPEC countries on Thursday also pushed prices to their highest level last week of $66.48.

Announcements & Reports

► *Short Term Energy Outlook*

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

► *Capital Investment in Upstream Oil and Natural Gas Industries*

Source : EIA
Weblink : https://www.eia.gov/outlooks/ieo/section_issues.php?src=home-b2#uon

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/