Oil & Gas Bulletin
▸ 30.03.2018

# TurkStream proceeds as planned towards Turkish shore

Anadolu Agency, *24.03.2018*


**The company responsible for the construction for the project's offshore section, South Stream Transport B.V, always remained focused on reaching the Turkish shores and is on track to make this happen, said Erich Jurdik, deputy CEO responsible from construction.**

**Jurdik, who has been working for South Stream Transport for seven years, told Anadolu Agency that he is now responsible from the construction process of the TurkStream, the second project to deliver Russian natural gas to Turkey across the Black Sea.**

TurkStream is a more challenging and sophisticated project -- due to deeper waters and higher capacity -- than the Blue Stream project, which has been in operation for over 15 years now. He told that based on the experience from and success of the Blue Stream, surveys were conducted for the TurkStream. "We are progressing at very high speeds as permitted by the weather, and we will complete the first offshore line of the TurkStream this spring," he explained. Jurdik remains positive about the project and said that to date, the project did not encounter any major problems including budgetary setbacks. Asked whether the company considered alternative routes during the jet crisis between Turkey and Russia, Jurdik said that TurkStream remained in focus with Turkey as the destination. "Even during that period, the project was on the table. We worked on it and didn't look for any alternatives," he explained.

"We are in a relatively comfortable position but of course we shouldn't fall asleep. The project is critical but is progressing positively. We have to be very vigilant and careful about what we do to complete everything in time. From the technical and commercial point of view, I don't foresee any major issues and delays for the TurkStream," he stressed. Jurdik hailed the strong relations that the company has with its partners and contractors as a key component to the success of the project. He said that the company has good contractors, with the Jersey-based oil field services company, Petrofac building a $404 million gas receiving terminal for the TurkStream project.

"We work as a team altogether. Close relations can prevent any kind of delays. We also meet regularly with our Turkish partners and have support from BOTAS [Turkey's state-owned crude oil and natural gas pipelines and trading company]. We have good collaboration and open communication. We work with hundreds of people," he said. He said that the local Turkish company Tekfen, a sub-contractor to Petrofac, has worked on previous projects together with Petrofac, which he said was a big advantage in collaboration. He also commended the other local Turkish company, Ceynak, which has signed a logistics agreement with South Stream Transport for the timely supply of pipes that are now ready in Samsun for pipelaying.

Jurdik gave a briefing on the current status of the project and explained that the onshore facility on the Russian side is almost completed. Construction of the Turkish side has started with the clearing of the site in preparation for construction in Kiyikoy, in the Turkish Thrace region where the pipeline will land. Highlighting the benefits of TurkStream for both Turkey and Russia, “Russia benefits with a modern and reliable route to one of their largest markets, while Turkey can secure its natural gas supply with a direct connection to Russia. The development of TurkStream is a clear win-win,” Jurdik said.

Albert Haak, head of pre-construction and engineering department at South Stream Transport, said Turkey’s Energy and Natural Resources Ministry has shown support and cooperation for the project. “We have a great cooperation from ministries at all levels,” he said. He added that both sides, Russia and Turkey, are cooperating well for the project that Russian and Turkish governments endorse. “Very careful planning and cooperation was a must for a project like this and we received all permits on time,” he explained. Relations between Russia and Turkey soured in November 2015 after the downing of Russian jet along the Syrian border, which had violated Turkish airspace. Relations began to thaw on 29 June 2016 following a letter and subsequent telephone calls between the countries’ leaders.

# Turkey’s monthly gas imports hit record high in January

Anadolu Agency, *28.03.2018*

**Turkey’s monthly natural gas imports reached historic highs of 6.21 billion cubic meters (bcm) in January 2018, data from Turkish energy watchdog revealed. In January 2018, natural gas imports increased by 5.1 bcm compared to January 2017, according to official information gathered by Anadolu Agency.**

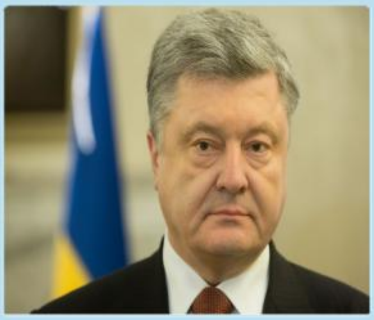
**A drought reduced hydropower generation resulting in the country substituting power production from combined natural gas cycle power plants. Total power production from hydro electricity power plants, including hydroelectric dams.**

And run-of-the-river stations, decreased by 18 percent to 4.6 billion kilowatt-hours (kWh) in January compared to 5.6 billion kWh in January 2017. The country increased electricity production from natural gas by 19 percent to 8.9 billion kWh in January 2018 compared to the same month in 2017. Due to the output growth of combined natural gas cycle power plants, natural gas consumption for electricity production increased by 27 percent to 1.8 bcm in January 2018 up from 1.4 bcm in January 2017. Turkey’s share of natural gas for electricity generation increased to 29.2 percent in January 2018 from 22 percent the previous January. Higher temperatures, above the seasonal norms last winter, decreased household natural gas consumption in the country.

Turkey's residential gas consumption decreased by 17.6 percent to 2.5 bcm in January 2018, compared to 3 bcm in January last year. The country's total natural gas consumption, including residential consumption, electricity production, industrial demand and other gas demands, increased by 4.1 percent to 6.16 bcm in January 2018, compared to the same period last year.

# President: Qatar is ready to provide liquefied gas to Ukraine

Enterprise, *28.03.2018*



**President of Ukraine Petro Poroshenko informed of "extremely important talks on the diversification of gas supply sources" that took place.**

**"We agreed that Qatar is ready to provide liquefied gas to us," the President of Ukraine said. He informed that the supply of Qatari liquefied natural gas was possible through the terminal in Poland, as well as on the Turkish route through the Bosphorus. The Head of State noted that the negotiations on that issue would take place in the near future.**

The President also stressed that "these sources of liquefied gas supply from a reliable partner of Ukraine - Qatar will create unique opportunities for improving our energy security".

# Shell mulls 15-year deal for Israeli, Greek Cypriot gas, partner says

Bloomberg, *22.03.2018*


**Royal Dutch Shell Plc is weighing a 15-year contract to buy natural gas for its liquefied natural gas plant in Egypt from offshore fields in Cyprus Island and Israel.**

**Shell is in talks to purchase 6 Bcm of natural gas a year from Aphrodite field, located in Greek Cypriot waters, according to Delek Drilling LP's annual report. A potential deal also could include gas from the neighboring Leviathan reservoir, Israel's largest pool, which is expected to start production by the end of 2019. The Hague-based Shell would earmark the Israeli and Greek Cypriot gas for its LNG plant in Idku, Egypt.**

The Egyptian facility has a maximum annual capacity of 12 Bcm, Delek said. Representatives for Shell did not immediately respond to a request for comment. A deal with Shell would bolster the case made by Israel and its neighbors that the eastern Mediterranean can be an energy hub. Partners in the Israeli fields Leviathan and Tamar have already signed export deals with Jordan and Egypt worth more than $25 billion. The Tel Aviv Oil & Gas Index rose as much as 1.1% on the news. The gauge traded 0.8% higher to 1,012.13 at 2:52 p.m. local time. Houston-based Noble Energy Inc. owns 35% of Aphrodite and Delek 30%; Shell owns the rest. The cost to develop the Aphrodite field will be $2.5 billion to $3.5 billion, though that doesn't include the cost of building a pipeline to transport the gas, Delek said in the report. Delek also holds a 45.3% stake in Leviathan, while Noble holds 39.7%. Ratio Oil Exploration 1992 LP owns the remainder. The two sites lie just 20 mi apart.

# Oil price crosses $70 amid Iran deal tensions

Aljezeera, *24.03.2018*


**Crude oil prices posted their biggest weekly gain in eight months with rising geopolitical risk in the Middle East threatening security supply once again.**

**International benchmark Brent crude gained 6.6 percent this week, briefly reaching $70.58 a barrel on Friday. American benchmark West Texas Intermediate (WTI) rose 5.7 percent this week and climbed as high as $66 a barrel. While both benchmarks reached Friday their highest level since January 29, they also posted their best weekly gains since the last week of July 2017. Oil prices gained momentum after investors saw increasing possibility.**

That the US could withdraw from the historic Iran nuclear deal, and heightened worries in tensions between Iran and Saudi Arabia could revive. President Donald Trump signalled this week that he is still considering withdrawing the US from the nuclear deal. This could bring back sanctions on the country and seriously limit Tehran's capability to export crude oil and oil products to the global market. In addition, the US has increased arms sales to Saudi Arabia, the regional rival of Iran. Rising tensions between the two heavyweights suggest that any supply disruption from the Middle East could threaten the global oil market. Meanwhile, Saudi Arabia Energy Minister Khalid al-Falih said Thursday that OPEC and some non-OPEC countries, including Russia, should continue the agreement to limit their oil production in 2019, which officially expires at the end of this year.

# Iraq may build oil storage in Japan, South Korea to drive Asian sales

Anadolu Agency, *28.03.2018*

**Iraq is studying the possibility of building crude oil storage facilities in South Korea and Japan as part of a plan to increase sales to Asian clients, the head of the Iraqi state-oil marketer SOMO, Alaa al-Yasiri, said on Tuesday.**

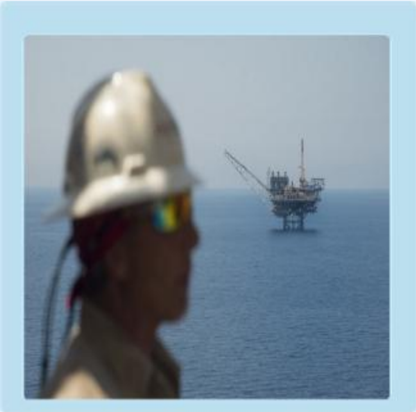
**"SOMO's new strategy is to form trade arms in Asian markets to maximize profits and boost crude shipments to Asian markets," he told reporters in Baghdad. SOMO received offers from Exxon Mobil, Total, Japan's Sumitomo and China's Unipec, to take part in marketing Iraqi crude, he said. "We are studying building crude storages in South Korea"**

"And also Japan and we're also studying options to have partnership between SOMO and companies which are ready to help with building the storages," Yasiri said. Iraq plans to stop loading crude from its southern port of Basra for three to four days in early April due to maintenance, he said. During the halt of loading operations at Basra port, Iraq will divert production to storage depots in south. Once the maintenance work is done, it will pump at maximum capacity to make up the shortfall. OPEC's second-largest producer, after Saudi Arabia, Iraq exports most of its crude from the Basra region, on the Gulf. The Basra port loading capacity is estimated at around 1.8 million barrels per day (bpd).

Iraq has 10 million barrels in oil storage capacity in the southern region, Yasiri said. Iraq's crude output should not exceed 4.360 million barrels per day in compliance with a deal between oil exporting nations to curb supply in order to lift prices, he also said. March oil exports won't exceed 3.426 million bpd, he said. Oil exports from the northern Kirkuk fields through Turkey, halted since October, could resume "at any moment" as talks with the Kurdistan Regional Government which controls the pipeline are ongoing, he said. The main issue hindering the resumption of exports to Turkey is the Kurdistan region's demand that the central government in Baghdad pays debt related to the development of the Kurdish oil industry infrastructure, he said. In parallel, the Iraqi government plans to build within six months a pipeline to Turkey that runs in territory under its control, he said, adding that 96 offers to construct the facility had been received. Iraq could start "in one to two weeks" sending crude by truck from Kirkuk to Iran's Kermanshah refinery, starting at a daily average rate of 30,000 bpd, he said. The swap deal agreed at the end of 2017 between Tehran and Baghdad provides for Iran to export from its Kharg terminal, on the Gulf, on SOMO's behalf, the same amount of crude it receives from Kirkuk.

# $19.5bn Israeli gas deal with Spanish company scrapped

Middle East Eye, *23.03.2018*



**A $19.5bn agreement that would have seen Israeli gas supplied to a Spanish company for 15 years has been scrapped, according to public filings on the Tel Aviv Stock Exchange.**

**According to a non-binding letter of intent signed in May 2014, partners in Israel's Tamar field would have supplied gas to Madrid-based Union Fenosa Gas (UFG). The gas was to be liquefied at an Egyptian plant in Damietta which is operated by Segas, a joint venture between UFG and Italian energy giant Eni, and two state-owned Egyptian companies, and then sent to Spain.**

But the agreement is "no longer relevant," according to records which Delek Drilling, one of Tamar's partners, filed this week. The cancellation, said analysts, suggests that Egypt, which has started producing gas in December from the Zohr "supergiant" field which Eni found in 2015, may supply the gas instead. News of the cancellaton comes just weeks after the announcement that Israel's Delek Drilling and Texas-based Noble Energy have agreed to supply $15bn worth of natural gas from Tamar and a second field, Leviathan, to private Egyptian firm Dolphinus over the next decade.

Egypt was once a net exporter of gas, but years of political instability and mismanagement, including deals which MEE has investigated, led to it importing gas for its rising population. Recently, Egypt has been putting out signals that it plans to become an exporter again in the coming years. When the Noble/Delek-Dolphinus deal was announced, Egyptian President Abdel Fattah al-Sisi said the country had "scored a goal" and the deal would "help transform Egypt into a regional energy hub". Many Egyptians, however, criticised the deal and questioned why the country was importing more gas months after gas started to be produced from Zohr.

Many questions remain over the deal, including how the gas would be transported and at what price. David Butter, an associate fellow at Chatham House, said in light of recent developments, the end of the Union Fenosa-Tamar deal "seems logical". "Either because it would be superseded by the Dolphinus deal, which is half and half Tamar and Leviathan, or because Segas reckons it will be able to push some Zohr or other Eni-produced gas through Damietta," he said. Amnon Portugaly, a researcher with the Chazan Centre at the Van Leer Jerusalem Institute, said the gas from Zohr has put Union Fenosa in a stronger bargaining position. "They can take the gas from Zohr, send it to Damietta, and send it to Spain, and everyone is happy – except Israel, which has to cancel the contract," Portugaly said. Union Fenosa, Eni, Delek and Texas-based Noble Energy, the largest shareholder in Tamar, did not respond to MEE's requests for comment.

# Can Israel compete in the natural gas race?

Oil &Price, *27.03.2018*

**Israel is a nation that has built its economy on downstream industries, being traditionally bare of natural resources and primary materials. Now, thanks to offshore discoveries of massive natural gas reserves, the tiny Mediterranean country is hoping to change that.**

**Thanks to the estimated 2.1 billion cubic feet of natural gas lying in the Karish and Tanin gas fields, along with the previously-discovered Tamar and Leviathan deposits (found in 2009 and 2010, respectively), Israel is looking to become energy-independent for the first time in the nation's history, and they're not stopping there.**

The economically ambitious country is already organizing a push into foreign markets, becoming an exporter of natural gas. Back in 2016, Israel approved the sale of the Karish and Tanin fields to Greek gas exploration firm Energean Oil & Gas PLC in an effort to move a step closer to their goal of domestic energy independence. Now, in March 2018, the board of directors at Energean has finally given the official green light on a final investment decision (FID) to move forward with their funding of $1.6 billion into the development of the still-untapped Karish and Tanin natural gas fields. The Greek firm has publicly stated that they've already secured long-term agreements with some of Israel's largest private power producers who, in combination with some big-name Israeli industrial companies, have contracted purchases of 61 billion cubic meters of natural gas over 16 years.

Energean, which recently raised over $400 million for the project in a recent initial public offering (IPO) of shares in London, will be developing a floating production, storage and offloading facility that will have the capacity to treat 8 billion cubic meters of natural gas per year. The Greek company also announced plans to build a 90-kilometer pipeline to transport the gas from the offshore facility to the Israeli mainland, allowing connection to the domestic gas grid. Drilling at the Karish field is slated to begin in 2019, and Energian has projected that their gas will hit the domestic market in the 2021. This will be followed by the drilling of 6 wells in the Tanin field, to be connected to the floating production and offloading facility. Energean will be working in competition with the already-established and much larger fields of Tamar and Leviathan (estimated to hold up to 8.4 trillion and 18.9 trillion cubic feet of gas, respectively), controlled by the stakeholders of U.S. firm Noble Energy Inc. and units of Israel's Delek Group. In addition to these domestic-market developments, Israel has also cut a deal with Egypt to export natural gas, despite the North African nation's own massive gas reserves and the two nations' shaky diplomatic relations. Private Egyptian gas supplier Dolphinus Holdings agreed to a $15 billion deal to buy gas from Noble Energy and its partners from Leviathan and Tamar on February 19. The deal is groundbreaking in several ways, not the least being the economic exchange between former political enemies.

On one hand, the deal allows Israel to advance its goal of becoming a player in the global gas market for the first time ever. On the other hand, however, it helps Egypt reinforce its position as a major gas hub in the region, which could lure potential customers away from Israel's new gas exports. This month a $19.5 billion dollar and 15-year deal for with a Spanish company fell through, as the company decided against Israeli gas and moved their sights toward Egypt's giant Zohr field instead. Despite this pitfall, Israel is making huge gains in the natural gas industry overall, especially considering where the country was just a few years ago, with virtually zero natural resources to its name. Now, with a major deal with Egypt under their belt and significant developments underway in their newly discovered gas fields, Israel is charging forward toward a future in the energy sector. Prime Minister Binyamin Netanyahu has discussed possible future deals with Bulgarian President Rumen Radev, and Royal Dutch Shell is considering a 15-year deal with Israel to feed its Egypt-based liquefied gas plant. The question is whether this momentum will last. As Egypt continues to explode into the regional natural gas hub next door, it will remain to be seen whether Israel will continue to benefit from foreign interests in the region or be left behind.

# OPEC, Russia consider 10- to 20-year oil alliance - Saudi Crown Prince

Reuters, *23.03.2018*

**Saudi Arabia and Russia are working on a historic long-term pact that could extend controls over world crude supplies by major exporters for many years.**

**Saudi Crown Prince Mohammed bin Salman told Reuters that Riyadh and Moscow were considering a deal to greatly extend a short-term alliance on oil curbs that began in January 2017 after a crash in crude prices. "We are working to shift from a year-to-year agreement to a 10 to 20 year agreement," the crown prince told Reuters in an interview in New York.**

"We have agreement on the big picture, but not yet on the detail." Russia, not a member of the Organization of the Petroleum Exporting Countries, has worked alongside the 14-member group during previous oil gluts, but a 10 to 20 year deal between the two would be unprecedented. Top OPEC producer Saudi Arabia recruited Russia and other non-OPEC countries to help drain oversupply when oil prices collapsed to below $30 a barrel in 2016 from over $100 in 2014. Crude has since recovered to $70 but fast-rising output from U.S. shale producers has capped prices.

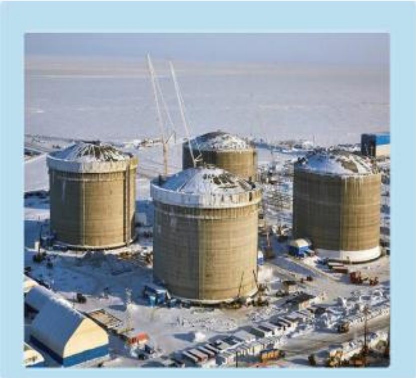
“This is all about whether the arrangement is a short-term expedient to deal with this particular crisis in the oil market, or whether it reflects a realignment in world oil,” said oil historian Daniel Yergin, vice chairman at consultancy IHS Markit. “OPEC countries want to find a way to institutionalize this relationship rather than to have it be a one-shot deal.” Robert McNally at consultancy Rapidan Energy Group said Riyadh wanted help in breaking the boom-bust cycles that characterize oil markets by capping crude on the upside as well as by helping lift low oil prices. “History shows that without a long-term, powerful, competent coherent, disciplined swing producer in the oil markets ... you get space-mountain oil prices. Wild volatility of the sort we have seen in the past 10 to 15 years and that Saudi Arabia and Russia do not want to see again,” McNally said.

He said that would require Russia to join Saudi in building spare production capacity to use when prices rise too much. A long-term pact between Moscow and Riyadh would effectively co-opt Russia to the Saudi-led OPEC cartel while strengthening Russia’s hand in the Middle East where the United States has long been the dominant super-power. News of the potential oil alliance came at a time when the two have been working to cement an economic relationship despite being at odds over the conflict in Syria, where they back opposing sides. Riyadh supports rebels fighting Syrian President Bashar al-Assad’s army, while Russian and Iranian forces have backed Assad – meaning that Russia effectively sides with Iran, Riyadh’s regional arch-foe. A meeting between the Saudi crown prince and Russian president Vladimir Putin on the sidelines of a G20 meeting in China in September 2016 was instrumental in bringing Russia on board to support OPEC, non-OPEC oil curbs.

Last October, Saudi King Salman became the first Saudi monarch to visit Russia, providing investment and political support for a Russian economy battered by Western sanctions. “It is a very important strategic development,” Helima Croft at RBC Capital Markets said of a potential 10 to 20 year Saudi-Russia oil collaboration. “First, the Crown Prince is making the statement, not the oil minister, one more clear sign that he (like Putin) is the final word on his country’s oil policy. “Second it is one more sign of the major reversal in Saudi-Russia relations. Saudi was a staunch cold war ally of the U.S. Now this Russia-Saudi alliance appears to be thicker than oil and seems to be driven by the personal affinity between Putin and MBS,” said Croft.

# Novatek ships first LNG cargo from Yamal plant to India

Anadolu Agency, *27.03.2018*



**Russia's Novatek made its first LNG cargo shipment produced at the Yamal LNG plant to the Indian market.**

**The transfer was made through Novatek Gas and Power Asia, a wholly-owned subsidiary of Novatek, the company said. "One of our core priorities enumerated in the company's corporate strategy up to 2030, is the expansion of the supply geography and the growth of our presence in the key Asian markets. The first cargo delivered to the growing Indian market is an important development step in this direction," said Lev Feodosyev, Novatek's first deputy chairman.**

Novatek, the operator of the Yamal LNG project in the Russian Arctic, started exports from its first liquefaction train in December 2017. At full capacity, the facility is capable of producing 16.5 million tons of LNG per year, with 15 Arctic LNG carriers dedicated to serving the project.

# Gazprom and Naftogaz start gas contracts termination negotiations

Tass, *27.03.2018*

**Gazprom and Naftogaz of Ukraine started talks on termination of gas supply and transit contracts, Deputy CEO of the Russian holding Alexander Medvedev told reporters.**

**"Indeed, the meeting between Gazprom and Naftogaz of Ukraine took place last week. The negotiation process started within the framework of the procedure for termination of gas supply and transit contracts. Furthermore, Gazprom notified Naftogaz one again that it will dispute the decision of the Stockholm Arbitration in the transit contract. The appeal in that case will be filed by end of March," Medvedev said.**

Gazprom filed an application to the Svea Court of Appeal in Sweden, requesting partial reversal of the final decision of the court in arbitration proceedings with Naftogaz of Ukraine regarding gas supplies, the Russian gas holding said on March 22. Gazprom filed an application to the Svea Court of Appeal on November 7, 2017, disputing a separate decision in arbitration proceedings with Naftogaz on gas supplies and requesting its partial cancellation. Gazprom plans to appeal against the court decision on the transit contract by end of March. Gazprom and Naftogaz have been in dispute over gas prices and gas transit tariffs since 2014.

Earlier this year the Stockholm Arbitration Institute court ruled that Gazprom should pay about $ 4.7 bln to Naftogaz (taking into account the satisfied counter claims, Gazprom has to pay $ 2.56 bln). Gazprom disagreed with the decision of the Stockholm Arbitration Institute and announced that it would immediately start the procedure for the termination of gas contracts with Naftogaz. Gazprom CEO Alexei Miller said that the Stockholm arbitration made an asymmetric decision on contracts with Naftogaz of Ukraine regarding supply and transit of gas. Termination of contracts with Naftogaz of Ukraine may take 1.5-2 years, he said earlier.

# Putin relative appointed to management of state gas giant Gazprom

Reuters, *23.03.2018*


**Mikhail Putin, identified by the Kremlin as a distant relative of Russian President Vladimir Putin, has been appointed deputy chair of the management board of state-run gas giant Gazprom, the company said.**

**Mikhail Putin was born in 1967 and studied medicine, according to a biography published by Gazprom. He worked in the health ministry, and between 2004 and 2007 was head of Gazprom's medical directorate. His latest role was as deputy head of the management board at Sogaz, an insurance company for which Gazprom is a major client.**

Earlier this week, Kremlin spokesman Dmitry Peskov said of Mikhail Putin: "As far as I know, he is a distant relative of the president. I don't know if they have any interaction." Mikhail Putin is a son of the president's cousin, Interfax news agency reported. Gazprom declined to say what Mikhail Putin's responsibilities in the company would be. Gazprom had a vacancy on its management board after Alexander Kozlov, who was in charge of the company's logistics and procurement, died last December aged 65. Information about the president's family is closely guarded from the public eye by Putin, a former head of Russia's FSB secret service. He keeps his two daughters, Maria and Katerina, as well as his grandchildren, away from exposure to the media.

Putin has said he wants them to lead normal lives. Reuters reported in 2015, citing sources who know her, that Katerina was using the surname Tikhonova, inherited from her grandmother. Katerina Tikhonova runs publicly-funded projects at Moscow State University and serves as the vice president for expansion and marketing of the World Rock'n'Roll Confederation.

# Novatek wins license for oil exploration in Russia

Anadolu Agency, *22.03.2018*

**Novatek's wholly-owned subsidiary, Novatek-Yurkharovneftegas, won the bid for a geological survey, exploration and production license for the Payutskiy subsoil area, which includes the Nanadyanskoye gas field in Russia.**

**According to the announcement, the Payutskiy license area has estimated hydrocarbon resources of 354 million barrels of oil equivalent, according to the Russian resource classification system. The license term is 27 years and the auction resulted in a one-time payment of 66 million rubles ($1.16 million) for subsoil use. "The Payutskiy license area is located in the Krasnoyarsk territory.**

On Wednesday, Novatek obtained a federal patent No. RU 2645185 C1 for its proprietary natural gas liquefaction technology called Arctic Cascade. The patented LNG technology is based on a two-stage liquefaction process that capitalizes on the colder ambient temperature in the Arctic climate to maximize energy efficiency during the liquefaction process.

# EU strengthens rules on gas p/line from third countries

Anadolu Agency, *23.03.2018*

**European parliament agrees on stricter rules for new pipelines entering or leaving EU including Nord Stream II. EU gas market rules must apply to all pipelines entering or leaving the EU, with strictly limited exceptions, Energy Committee MEPs agreed.**

**The Industry and Energy Committee approved the new amendments to the EU gas market directive on Wednesday with 41 votes to 13 with nine abstentions. The new rules state that all gas pipelines from third countries into the EU must comply fully with EU gas market rules on EU territory.**

MEPs agreed that the EU Commission and member states affected must be involved in deciding any exceptions, which must be strictly time-limited. The committee also amended the proposal to say that, when deciding upon exemptions for new pipelines entering the EU, the Commission should consider any EU restrictive measures, such as economic sanctions, imposed on third countries. “More specifically, gas pipelines from e.g. Russia, including the Nord Stream II, Norway, Algeria, Libya, Tunisia and Morocco must comply with key provisions for the creation of an internal gas market, such as the unbundling of transmission system operators, supervision by independent regulatory authorities, and third party access to infrastructure, say MEPs,” the Parliament statement read.

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. The EU has extended sanctions on Russia on March 12 for another six months until Sept. 15 over its actions against Ukraine.

# Shell sells stake in southern Iraq oil field for $406 million to Itochu subsidiary

The National, *22.02.2018*

**Shell agreed to sell its 19.6 per cent stake in the West Qurna 1 oil field in southern Iraq for $406 million to a subsidiary of Japan's Itochu Corporation, as the energy major undergoes a $30 billion divestment programme to streamline its upstream portfolio.**

**The purchaser assumes debt of $144 million as part of the transaction, the company said in a statement. The sale, which is expected to be completed in the next couple of days, has an effective date of December 2015. "Iraq is an important country for the Shell Group"**

"Exiting West Qurna 1 allows us to focus our resources on other assets in our Iraq portfolio," said Andy Brown, Shell's Upstream Director. "Shell remains committed to working with its partners to redevelop Iraq's energy infrastructure by capturing associated gas, through the Basrah Gas Company joint venture for domestic and regional consumption."

# Eni and Snam mulling 'South Stream Lite' investment

Interfax, *23.03.2018*


**Eni and Italian transmission system operator (TSO) Snam are considering investing in a pipeline to transport Russian gas from Turkish Stream to Austria via Bulgaria. As a country reliant on Russian supplies from the Baumgarten hub, Italy wants to ensure enough gas supplies can reach Austria after Gazprom stops exporting via Ukraine.**

**Eni Chief Executive Claudio Descalzi and Snam Chief Executive Marco Alverà said last week that they would consider taking part in the project. The pipeline has been dubbed 'South Stream Lite'.**

Because it would roughly follow the path of the proposed South Stream pipeline, which was scrapped by Russia in 2014 following opposition from Bulgaria and the EU. South Stream Lite has gained impetus following the decision by Gazprom to stop sending gas to Europe through Ukraine. Gazprom said on 2 March that it does not intend to renew its transit contracts with Naftogaz Ukrainy, which expire in December 2019. On 5 March, Gastrans, a subsidiary of Gazprom-controlled South Stream Serbia, launched a non-binding open season for capacity booking on a South Stream Lite interconnector between Bulgaria, Serbia and Hungary. The interconnector would be operational in October 2019, Gastrans said.

Italy imports around 27 billion cubic metres of gas per year from Russia and is keen to find a way to ensure it continues to receive supplies after the expiration of the Ukrainian transit contract. Tapping into the Turkish Stream project, which is currently under construction, could make sense for both Russia and Italy. Its second line will have a capacity of 15.75 bcm/y and is intended to supply the European market. Under the original plans for the pipeline, the second line of Turkish Stream would cross the Black Sea to Turkey and go on to Greece and central Europe. South Stream Lite envisions the Turkish Stream pipeline making landfall at Bulgaria before traversing Serbia and Hungary to Austria. According to Italian thinktank Ref-e, Eni holds an agreement with Gazprom to receive Russian gas at Baumgarten until 2035, which Eni wants upheld. “We signed a contract for quantities, and our expectations are that this gas comes to us at Baumgarten,” Descalzi told Interfax Natural Gas Daily at Eni’s strategy presentation in London last week.

Should Eni invest, it would represent a change in strategy for the company. Eni typically invests only in pipelines that transport gas produced by the company, said Descalzi. “Normally we participate in pipelines built for [shipping] our gas. But clearly [Russian supplies to Italy] are big quantities so I cannot say yes or no, we have to evaluate the conditions. We are discussing the modernisation of our contracts with Gazprom, inside this [...] maybe we can also consider to participate in the investment in a pipeline,” he added. Alverà said Snam would also consider investing in a new pipeline to bring Russian gas into Europe across the Balkans. “If Gazprom invites us, we would look into this opportunity,” he told Interfax Natural Gas Daily on the sidelines of Snam’s strategy presentation in London last week.

However, South Stream Lite is one of many proposed pipelines being considered by Gazprom to take over from the Ukrainian route, and only one or two of these would be needed. Gazprom may instead decide to use the second phase of the Trans-Adriatic Pipeline (TAP), together with existing interconnectors in eastern Europe and ITGI-Poseidon. It has been assessing these options over the past year. While Snam has said it would consider investing in a new pipeline, it would likely prefer to continue to receive gas via Ukraine. Alverà underlined Snam’s commitment to cooperating with Naftogaz or Slovakian TSO Eustream to create “a reliable corridor” for Russian supplies across Ukraine by upgrading existing infrastructure. Alverà also noted that a link between Turkish Stream and TAP may still be an option, with Russian supplies reaching Italy from the South.

Either way, Snam may be more interested than Eni in investing in a pipeline across the Balkans, Davide Tabarelli, founder of energy research firm Nomisma Energia, told Interfax Natural Gas Daily. “Snam needs to invest in order to make money from transport fees, therefore they are interested in every project. However, in this case there is a strong presence of local states, and Gazprom itself, that wants to be in the area,” said Tabarelli.. Linking Turkish Stream 2 into Baumgarten would offer Gazprom the advantage of not having to change the delivery point for the supplies contracted with its European partners, said Katja Yafimava, an analyst at the Oxford Institute for Energy Studies.

# China signs offshore concessions with UAE

Anadolu Agency, *24.03.2018*

**China National Petroleum Corporation (CNPC) the country’s largest oil and gas producer, awarded stakes in two offshore concessions from Abu Dhabi National Oil Company (ADNOC).**

**Under the terms of the agreements, the Chinese company awarded a 10 percent interest in the Umm Shaif and Nasr concession and a 10 percent interest in the Lower Zakum concession. On Wednesday, Wang Yilin, Chairman of CNPC, and Sultan Ahmed Al Jaber, Minister of State in the United Arab Emirates and the Group CEO of Abu Dhabi National Oil Company (ADNOC) signed the agreements.**

The concessions will be operated by ADNOC. According to the international media outlets, both concessions value more than $1 billion. “The signing of agreement is a significant result in promoting the Belt and Road Initiative and UAE’s Looking-east Policy. In the future, the two companies will strengthen the strategic relationship and enhance mutually beneficial cooperation,” the statement read.

# US friendly suggestion to China: Buy more American gas if you don't want more tariffs

RT, *23.03.2018*

**Donald Trump's economic adviser has a suggestion as to how China can avoid more tariffs on its goods – buy more liquefied natural gas (LNG) from America.**

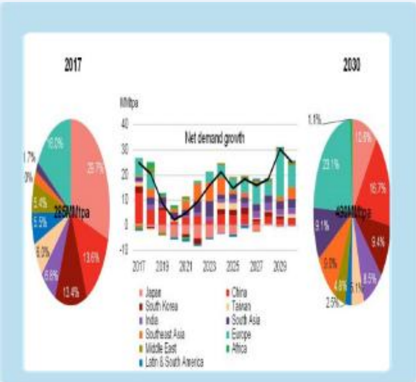
**"China needs to import very, very large amounts of LNG and, from their point, it would be very logical to import more of it from us, if for no reason other than to diversify their sources of supply," said US Secretary of Commerce Wilbur Ross in an interview with Bloomberg. "It would also have the side effect of reducing the deficit. On Thursday, Trump slapped China with $60 billion in tariffs on imports.**

Adding that "this is the first of many" trade actions, as he signed the memo. The US trade deficit with China stood at $375 billion in 2017. A lot of the imported goods are from American manufacturers, who send raw materials to China due to cheap labor. When the goods are shipped back to the US, they are considered imports in the trade balance. However, Washington's demand for China to buy more American gas is unlikely to cut the deficit, according to a Bloomberg-polled analyst Anastacia Dialynas. Beijing has commitments with other countries, and only 40 million tons of China's 2030 imports aren't already under contract, which accounts only for $13.5 billion at current prices.

China is not the only target market for US LNG exports. Washington has been one of the fiercest opponents of Russia's Nord Stream 2 gas pipeline to the European Union. Moscow has repeatedly said Washington is hindering the project, because it wants Europe to buy American LNG instead of cheaper Russian gas.

# LNG trade to surpass 300mmtpa for the first time this year, as Asia and Europe drive up imports

Bnef, *23.03.2018*




**BNEF sees global LNG demand growing to 305MMtpa in 2018 and 490MMtpa by 2030. New export capacity scheduled to come online in 2018-2020 will provide sufficient supply until 2025.**

**London, New York and Singapore, 22 March 2018 Global imports of LNG will set a new record this year on the back of 7.2% growth. A further surge in demand to 2030 will be driven by environmental measures in China, rising power generation in South and Southeast Asia, and a reduction in domestic gas production in Europe.**

Global LNG Outlook 2018, the latest forecast from Bloomberg New Energy Finance (BNEF), shows that LNG demand will reach 305MMtpa this year, up from 285MMtpa in 2017. Although this represents a strong expansion, it will be down from the 9.6% rate seen between 2016 and 2017. BNEF sees a slowing in the rate of LNG demand growth during 2019-22, with demand stabilizing in the 314-330MMtpa range, before a new acceleration during the 2020s. From 2023, imports will rise at a compound annual growth rate of 5% till 2030. Ashish Sethia, global head of LNG analysis, said: “The growth rate in 2019-22 will slow as the commissioning of new gas pipelines from Russia absorbs some of China’s demand, and as more nuclear power comes online in Japan. Average utilization of export plants in 2021, when supply capacity reaches its peak, will likely be 81%, which is low by historical standards.” The report highlights that floating storage and regasification (FSRU) technology will continue to unlock demand in new markets, particularly South and Southeast Asia. “In 2022-23, South and Southeast Asia will become the main driver for the world’s LNG imports, adding 11.7-13.6MMtpa of demand,” commented Maggie Kuang, head of Asia-Pacific LNG analysis and lead author of the report.

“During 2018-30, European LNG imports are anticipated to grow faster than previously expected due to restrictions on production at the giant Groningen gas field in the Netherlands,” stated John Twomey, head of European gas analysis. “In the long term, declines in Dutch and Norwegian gas production and retirement of coal capacity will push LNG imports over 104MMtpa by 2030, as Europe aims to keep its reliance on Russian pipeline gas under control,” he added. On the supply side, 30-33MMtpa of new capacity will be added around the world during 2018-20. Global capacity is forecast to peak at 396MMtpa in 2021 and will provide sufficient supply to markets until 2025. The growth of demand in Asia and the continual push to reduce the cost of U.S. LNG will likely lead to new sales and purchase agreements for the U.S. product.

“About 65MMtpa of supply projects, mostly in the Gulf of Mexico, are likely to reach final investment decision between 2018 and 2020,” said Anastacia Dialynas, lead LNG analyst, Americas. Only 20MMtpa of new contracts were signed in 2017, some 10MMtpa lower than the previous year, reflecting an expectation among buyers of abundant supply over the coming few years. However, we expect a revival in contract signing activities in 2020. Continuous demand growth will result in the need for new contracts growing from 13MMtpa in 2022 to 297MMtpa by 2030 (assuming the demand is fully met with term contracts). New contracts are also needed to underpin final investment decisions on new supply projects by 2020, to provide sufficient supply capacity in the market post-2025.

# US LNG exports quadruple in 2017

Anadolu Agency, *28.03.2018*

**The U.S.’ liquefied natural gas (LNG) exports quadrupled in volume last year, compared to the previous year, the country’s EIA announced.**

**LNG exports reached 1.94 billion cubic feet per day (bcf/d), or 54.9 million cubic meters per day in 2017 (mcm/d), up from 0.5 bcf/d, or 14.2 mcm/d in 2016, the EIA said. All of the LNG exports from the U.S., which came from Cheniere Energy’s Sabine Pass liquefaction terminal in the state of Louisiana, reached 25 different countries. Last year, 53 percent of the U.S.’ LNG exports were shipped to three countries Mexico, South Korea, and China, the EIA said.**

Mexico received the largest amount in 2017 with 20 percent, it added. “Growing natural gas demand in Mexico, particularly from the power generation sector, and delays in the construction of domestic pipelines connecting to U.S. export pipelines led Mexico to rely on LNG imports to supplement imports of natural gas by pipeline,” the EIA said in a statement. Exports to South Korea accounted for 18 percent of total U.S. LNG exports in 2017, while exports to China made up 15 percent of total U.S. LNG exports. “In Asia, the widening difference between the Henry Hub natural gas price, to which U.S. LNG contract prices are indexed; and crude oil, to which LNG prices are benchmarked in Asia, helped to drive increases in LNG imports from the U.S.,” the statement said. “These exports were sold mostly on a spot basis, with volumes in October, November, and December increasing as record-high LNG demand prompted China to seek additional LNG on the global spot market to supplement contracted volumes,” it added. The EIA said almost 60 percent of the U.S.’ LNG in 2017 was sold on a spot basis to more than 20 countries in Asia, North and South America, Europe, the Middle East, North Africa, and the Caribbean.

While the Sabine Pass in Louisiana and Cove Point in Maryland are the only LNG export facilities in the U.S., there are four LNG projects that are expected to become operational over the next two years. Elba Island LNG in Georgia and Cameron LNG in Louisiana are estimated to come online in 2018. Freeport LNG and Corpus Christi LNG both in Texas are anticipated to be operational in 2019. After these projects are completed, the U.S.' LNG export capacity is expected to reach 9.6 bcf/d, or 271.9 mcm/d by the end of 2019, the EIA said. "As export capacity continues to increase, the U.S. is projected to become the third-largest LNG exporter in the world by 2020, surpassing Malaysia and remaining behind only Australia and Qatar," it added.

# US oil rig count rises eighth time in nine weeks

Anadolu Agency, *24.03.2018*

**The number of oil rigs in the U.S. increased for the eighth time in the past nine weeks, according to oilfield services company Baker Hughes data.**

**The oil rig count in the country rose by four for the week ending March 23, the company said. With the increase, the number of oil rigs, which indicates the short-term change in the U.S.' oil industry, is now at 804. The current level also shows approximately 23 percent increase in the oil rig count, which stood at 652 in the same period last year. Despite the increase in the number of oil rigs.**

International benchmark Brent crude traded at $70.08 per barrel with a 1.7 percent daily gain at 1350 EST (1750 GMT). American benchmark was at $65.52 a barrel around the same time with a 1.9 percent gain. The U.S.' crude oil production also increased last week, according to the Energy Information Administration (EIA). Crude output in the country rose by 26,000 barrels per day (bpd) to 10.41 million bpd for the week ending March 16, the EIA data showed on Wednesday. This market the ninth weekly increase in the U.S.' crude oil production in the past 10 weeks. The U.S.' crude oil production is expected to average 10.7 mbpd this year and to reach 11.3 mbpd next year to surpass Russia, according to the EIA's Short-Term Energy Outlook for March.

# Oil prices post largest weekly gain in 8 months

Oil & Price, *20.03.2018*

**Crude prices rose around 6 percent this week. Crude oil prices posted their biggest weekly gain in eight months with rising geopolitical risk in the Middle East threatening security supply once again.**

**International benchmark Brent crude gained 6.6 percent this week, briefly reaching $70.58 per barrel on Friday. American benchmark West Texas Intermediate (WTI) rose 5.7 percent this week, and climbed as high as $66 a barrel. While both benchmarks reached Friday their highest level since Jan. 29, they also posted their best weekly gains since the last week of July 2017.**

Oil prices gained momentum after investors saw increasing possibility that the U.S. could withdraw from the historic Iran nuclear deal, and heightened worries in tensions between Iran and Saudi Arabia could revive. President Donald Trump signaled this week that he is still considering withdrawing the U.S. from the nuclear deal. This could bring back sanctions on the country and seriously limit Tehran's capability to export crude oil and oil products to the global market. In addition, the U.S. has increased arms sales to Saudi Arabia, the regional rival of Iran. Rising tensions between the two heavyweights suggest that any supply disruption from the Middle East could threaten the global oil market. Meanwhile, Saudi Arabia Energy Minister Khalid al-Falih said Thursday that OPEC and some non-OPEC countries, including Russia, should continue the agreement to limit their oil production in 2019, which officially expires at the end of this year.

# Announcements & Reports

### ▸ *Oil and Natural Gas Resources and Technology*

**Source** : EIA
**Weblink** : https://www.eia.gov/outlooks/aeo/section_issues.php#grt

### ▸ *Quarterly Gas Review – Analysis of Prices and Recent Events*

**Source** : OIES
**Weblink** : https://www.oxfordenergy.org/wpcms/wp-content/uploads/2018/03/Quarterly-Gas-Review-1.pdf

### ▸ *Prices and crisis – LNG and Australia's East Coast gas market*

**Source** : OIES
**Weblink** : https://www.oxfordenergy.org/wpcms/wp-content/uploads/2018/03/Prices-and-crisis-LNG-and-Australias-East-Coast-gas-market-Insight-30.pdf

### ▸ *UK Dependence on Imported Hydrocarbons: How Important is Russia?*

**Source** : OIES
**Weblink** : https://www.oxfordenergy.org/wpcms/wp-content/uploads/2018/03/UK-Dependence-on-Imported-Hydrocarbons-Insight-32.pdf

# Upcoming Events

### ▸ *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/