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PETFORM

TurkStream to hit Turkish shore in May

Anadolu Agency, *05.01.2018*

The first line of the TurkStream natural gas project will reach the Turkish shore in May of this year and will be in service at the end of 2019, the project management team told Anadolu Agency in an exclusive interview.

With the aid of the world's biggest construction vessel, the two parallel pipeline project, which consists of pipe production, offshore and onshore pipelaying and a receiving terminal, is set for a Spring launch. The first line is intended for the Turkish market, while the second targets gas supplies to countries in south and southeastern Europe.

South Stream, which is a subsidiary of Gazprom, the major Russian partner in the project, will build the offshore section of the project. "It will be in May that the first line will reach the Turkish shore. After that, the vessel [Pioneering Spirit] will have another job. Then, it will return to the Black Sea to work on the second line of the TurkStream. We expect that it will return in the third quarter to the Black Sea and then continue with the launch," TurkStream's spokesman Sander van Rootselaar said. According to van Rootselaar, the project's total capacity of 31.5 billion cubic meters of natural gas will meet the annual energy demands of 15 million households.

The project will be able to produce the equivalent of 126,000 wind turbines and 39 nuclear units. "That's a massive amount of energy to be allocated to Turkish and European energy markets," van Rootselaar said. Describing the project as "a very major contribution to energy security," he expects that with the project Turkey will become a key supply link for south and southeast Europe. Demand is rising in the European gas market at a time when domestic production is in decline, he said, and as a result, he affirmed that the TurkStream would play a significant role in southeast Europe, particularly with some underdeveloped markets in the Balkans that could benefit from TurkStream gas. "In the first eleven months of 2017, there was a massive increase in demand in several countries that will hopefully receive gas from TurkStream. Turkey's gas demand in the first 11 months of 2017 increased by 20.4 percent while Hungary's demand increased by 22.3 percent, Serbia by 26.1 percent, Greece by 11.6 percent and Bulgaria by 6.8 percent," he said.

These statistics from Gazprom covers the region of TurkStream's second line and, according to Gazprom, proves the validity of the project that will be able to cover this increased demand from TurkStream gas. "It strengthens our conviction that we are building something that is actually valuable for these countries," he explained. "Each offshore pipeline will be made up of over 75,000 individual pipe joints that are designed specifically for high-pressure gas transport," he said. The 12-meter-long pipes, which are manufactured for resilience and strength, weigh in at 9 tonnes and have a steel inner wall with a thickness of 39 millimeters.

Van Rootselaar confirmed that the construction of 700 kilometers out of a total of 1,860 kilometers of the two lines of the subsea section of the project has been completed. With the advanced technology of the Pioneering Spirit, the vessel is equipped to deliver four kilometers of pipelaying daily even in harsh weather conditions and has also reached records of over 5 kilometers per day. “We have seen that the speed of pipelaying of Pioneering Spirit is faster than we expected. It is the first pipelaying job of this vessel,” he said. “We have increased the number of supply vessels in order to supply enough pipes to deliver 4 kilometers each day and even with records of over 5 kilometers,” he added.

He said that the company aims to either eliminate or as much as possible minimize the project’s impact on the environment specifically in the locality that covers the pipeline’s route. This includes the area close to Turkish landfall near the town of Kiyikoy, located approximately 100 kilometers west of Istanbul. “We restore the land to a pre-construction state to the best extent possible. Also, we support Kiyikoy’s development through community investments,” he said. He added that environmental measures that have been taken include relocating protected species away from the construction site, changing the pipeline route to protect the beach in Kiyikoy and also commissioning a study for the compensation of tree loss in permanent construction areas.

Van Rootselaar also noted that a joint venture between Turkey’s state-owned crude oil and natural gas pipeline and trading company BOTAS and Gazprom will build the onshore section of the project that will extend to Europe via Turkey. “As soon as we hit the shore in Turkey, from there on it’s the responsibility of BOTAS to create the extension and through Turkey it’s the responsibility of BOTAS-Gazprom joint venture to construct the line towards the European border and the extension through Europe. That’s the responsibility of pipeline companies in various nations,” he explained.

Greece and Bulgaria candidates for European part of project. The official said negotiations with Greece and Bulgaria for the European side of the project are ongoing and are making good progress. “There is a positive vibe surrounding the project,” he said with Serbia and Hungary showing interest for participation at a governmental level. “Before we deliver the first gas to Turkey at the end of 2019, a decision should be made about the second line,” he said.

Why Turkey supports TurkStream, TANAP?

Anadolu Agency, *11.01.2018*

Turkey's new supply sources with new TANAP and TurkStream natural gas pipelines will help supply security and help meet demand surges in line with the Turkish government's energy policy to diversify sources.

The Gas Supply Changes in Turkey report written by OIES, Gulmira Rzayeva, a fellow in the OIES discerned that the Turkish government is in the process of making significant structural changes to the country's energy sector and the country expects two natural gas pipeline projects to be operational in the near future.

The report said that with the development of TANAP and TurkStream, Turkey for the first time ever would effectively become a key transit route for the southeast European gas market. "On the other hand, it appears that Turkey, with its close collaboration with Moscow, is conducting a policy of 'the enemy of my enemy is my friend' vis-a-vis the EU, given the existing tensions between Ankara and Brussels," it claimed. The report said that with TANAP, Turkey would gain from its important transit role for the EU and its weight will only increase if and when TANAP is operating at full capacity given the strong political support of the EU and also the U.S. In contrast, Ankara may face U.S. sanctions if it continues to support the Russian TurkStream project, along with strong opposition from Brussels and impaired relations with Ukraine.

The report said that Turkey is investing billions of dollars in the expansion of its gas infrastructure capacity to balance demand fluctuations, diversify supply sources, lessen its dependence on Russia, and become an important natural gas exporter in the next ten years, with the aim of increasing its political weight in the region. As of today, the country's maximum daily entry point send-out capacity during the peak season is 260 million cubic meters per day, whereas the infrastructure capacity is almost doubling to more than 473 million cubic meters per day.

"Given that the country's gas demand is projected to be around 55–56 billion cubic meters by 2025, around 300 million cubic meters per day of spare capacity will remain for export," it explained. The OIES report also noted that with the construction of the two new international pipelines - TANAP and TurkStream - Turkey will have spare capacity to import extra gas from various new sources and re-export gas in the future. The report said that in particular, the government is planning to reduce its reliance on gas in the share of the energy mix for power generation mainly due to commercial and strategic concerns on over-reliance on natural gas imports. However, the report noted that Turkey aims to have more control over its gas market by freeing the market away from oil-indexed gas price contracts to a more fluid daily gas-to-gas indexation and to place more emphasis on expanding the required infrastructure for the storage of gas, namely LNG, through the application of more floating storage and regasification units (FSRUs).

“Because of previous rapid growth in gas consumption for electricity production - the biggest natural gas consumption sector in the country, gas demand growth projections have, in the past, been high,” the report said. “Thus, gas demand growth is not determined by BOTAS [Turkey’s state-owned crude oil and natural gas pipeline and trading company] but by the power production sector, and for this reason the government has been implementing a successful policy of reducing the share of natural gas in the power generation sector and substituting it through a scheme to support locally produced energy resources.” The report read that the first stage of Turkey’s energy strategy involves a policy of decreasing Turkey’s absolute dependence on the major single gas supplier – Russia - that provides 53 percent of total gas imports.

The OIES said that Turkey also intends to lessen its dependence on current import and transmission infrastructure capacity, which is constrained and cannot meet gas demand in peak periods. Turkey will diversify supply sources and the type of gas imports to ensure imports are available from a wider range of available sources on competitive terms, and at the same time storing more gas in the country once downstream infrastructure capacity allows.

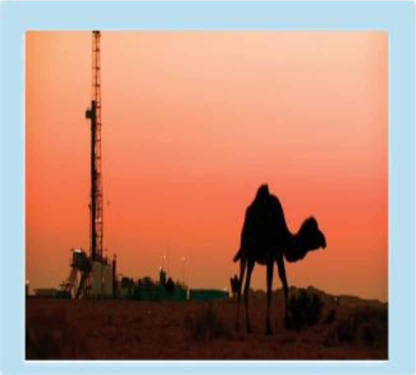
“Stage two is to shift from an energy sector based mainly on imported natural gas to an integrated energy industry based on local resources such as coal and renewables, a move strongly supported by the government. This will lessen dependence on external suppliers, and help develop the industrial sector, employment, and the economy,” it said. The third stage is to become a natural gas trading center, trading the excess gas that Turkey will have access to as a result of the implementation of stages 1 and 2. The report explained that BOTAS expects its maximum daily gas supply capacity to almost double by 2023, from the current 252 million cubic meters per day to 473 per day as new projects come on stream, adding that this will extend the country’s ability to import gas from various sources by eliminating technical constraints.

It said that by doing so, Turkey intends to ensure supply security during the peak demand seasons and to reduce its dependence on existing suppliers, allowing it room to maneuver between them and other new options. “Turkey is also expanding capacity at its existing LNG receiving terminals and building new FSRUs, taking advantage of the fact that this method of importing natural gas is available in a flexible and near immediate manner. This will give BOTAS and private companies an advantage in meeting the growing demand in winter time, instead of having to increase annual pipeline contract quantities due to the application of “take or pay” clauses,” it stressed.

The report also said that Turkey is creating a wholesale spot market within its electricity sale platform – EPIAS that will enable shippers to trade gas on a daily basis. “The biggest contribution of this new market design could be pricing – the ability of EPIAS to price gas in international gas contracts with gas-to-gas indexation rather than fixed to oil and oil product prices leaves it vulnerable to international oil price fluctuations. Obviously, in order to incorporate the EPIAS price in long-term contracts there must be transparency, trust, liquidity, and a free market and it will take time to reach that point,” it said. “Whether this initiative will be successful remains to be seen but clearly it is one of the targets the government wants to achieve,” the report said.

4 factors that could derail the OPEC deal

Oil & Price, *08.01.2018*



OPEC and its Russia-led non-OPEC allies in the deal managed to stay together for a full year of high compliance with the oil production cuts and have agreed to extend the pact for a second year to the end of 2018.

This year, however, the cartel and friends face even more challenges in sticking together until the end of the December, with both supply and demand uncertainties adding to the unknowns. On the one hand, within the cartel, possible production slumps from two OPEC members could trigger an early exit.

Another internal OPEC factor could be the ever-present possibility that some members may cheat on the production cut deal outright now that oil prices are higher. On the other hand, factors outside OPEC's control, such as U.S. shale production expansion and potentially strong global oil demand growth, could also spell the end of the production pact. OPEC could see U.S. shale as rising too much and threatening to eat away at an even bigger portion of the cartel's market share. Or some phenomenal oil demand growth, stemming from solid economic growth, could help OPEC to accomplish its mission to draw the global oil inventories down to their five-year average somewhere around the time the cartel meets to review the deal in June 2018. There are four ways in which various political and supply/demand factors could combine to call an early end to the OPEC/non-OPEC cuts, according to Bloomberg's Grant Smith.

Collapsing Oil production in Iran and/or Venezuela; Protests in Iran have been the main theme in geopolitical upside risks to oil prices at the beginning of this year. However, analysts think that immediate supply disruptions out of Iran are unlikely. But the fallout of the protests and the regime's response to them could embolden U.S. President Donald Trump to refuse to certify the Iran nuclear deal and extend sanctions on Tehran's energy industry, according to Helima Croft, global head of commodity strategy for RBC Capital Markets. President Trump faces several Iran-deal-related deadlines in coming weeks. Struggling Venezuela is another OPEC member whose production could sharply fall, which could lead to the cartel agreeing that restricting supply is no longer appropriate in a market that is significantly tighter than before the cuts started. According to a Bloomberg survey from last week, OPEC's crude oil production remained largely unchanged from November in December, but that was mostly thanks to a 50,000-bpd decline in Venezuela's production.

OPEC Members Cheating; Another way the cuts could end earlier is OPEC members repeating history and starting to cheat, with Iraq given as an example of a possible early dissenter. Iraq has been the least compliant producer, and in the few months in which it came close to its production ceiling, it was the fallout from the Kurdistan region's referendum and federal army retaking Kirkuk oil fields that helped Iraq to largely stick to its quota, not its purposeful actions. "As seasonal demand picks up in the summer months, we expect Iraq's compliance with the agreement to slip," analysts at BMI Research told Bloomberg.

‘Mission Accomplished’; The third possible road to OPEC ending the deal early is (1.) market rebalancing around the middle of 2018, or (2.) Russia persuading its OPEC allies in the deal that the market is already tightened and there is no need to overtighten it and send oil prices too high and too comfortable for U.S. shale production growth. OPEC and non-OPEC producers are meeting in June to review the state of the oil market, and the impact of the cuts—a clause in the November 2017 deal extension included on Russia’s insistence. Some bullish voices, like Goldman Sachs, see the oil market balanced at the end of Q2 2018. OPEC, however, currently expects excess global inventories to arrive “at a balanced market by late 2018.” OPEC doesn’t expect significant drawdowns in oil inventories in the first quarter of 2018, just like in 2017, Saudi Arabia’s Energy Minister Khalid al-Falih has said, and the message from OPEC is that we’ll have a clearer picture by June.

U.S. Shale Rising Too Much, Too Fast; The higher oil prices in a too-tight market could motivate U.S. shale producers to pump more than analysts currently predict. OPEC and allies are aware of the fact that U.S. production will grow, but if it grows too much, the cartel and Russia could ditch the pact and start defending their market share. This move, however, could send oil prices much lower than now—and OPEC would not be pleased. Oil prices are currently at levels at which U.S. production could substantially increase. According to the Q4 Dallas Fed Energy Survey published at end-December, 42 percent of executives at 132 oil and gas firms expect the U.S. oil rig count to substantially increase if WTI prices are between $61 and $65 a barrel. Another 31 percent of executives forecast that oil prices will need to be between $66 and $70 a barrel to see a substantial increase, while 20 percent think prices have to be above $70 for oil rig counts to substantially rise. OPEC and the Russia-led alliance face a number of challenges in keeping their deal intact until the end of 2018. It’s still too early to tell how the market will behave and how geopolitical risks factor in.

OPEC’s cheer over 2018 oil rally tinged by shale worries

Rigzone, *09.01.2018*

Oil’s price rally this year to its highest since May 2015 may seem a source of glee for OPEC, but some in the producer group fear the gains could prompt shale companies to crank open their spigots and flood the market.

Benchmark Brent crude rose further above $68 a barrel on Tuesday, supported by oil output cuts led by the Organization of the Petroleum Exporting Countries and allies including Russia that are due to run until the end of 2018. The surge comes as a welcome boost for the revenues of oil-producing nations, many still reeling from a price collapse that started.

In mid-2014 when crude began to fall steeply from above $100 per barrel due to oversupply. Some in OPEC are worried a prolonged rally could stimulate more U.S. shale oil output, however, creating more oversupply that could weigh on prices and market share. “We all are excited about the rally and want to see if it will be sustainable during the year, as it will certainly whet the appetite of shale producers,” an official from an OPEC country said. The oil minister of Iran, OPEC’s third-largest producer, said on Tuesday that the organisation’s members were not keen on increased prices as such gains would encourage more shale production.

OPEC has no formal target for oil prices. However, Saudi Arabia, OPEC’s top producer, wants to see crude above $60 to boost the valuation of its national oil company Aramco before an initial public offering of shares this year and to reduce the gap in its state budget, Saudi sources have said. OPEC sources say Saudi Arabia has become a strong advocate of higher prices, a shift from a more moderate stance in the past, and Saudi officials have downplayed the threat of a boost in shale production. Even so, U.S. production is expected soon to rise above 10 million barrels per day, close to Saudi levels, due largely to soaring output from shale drillers, government data shows.

OPEC officials also think the 2018 rally has been mainly driven by unrest in Iran, rather than a tighter balance between supply and demand, giving rise to concern it may not last. “Oil prices rose because of the political situation in Iran,” an OPEC source said. “There is a worry now that this would be followed by a sharp decline in prices.” A third OPEC source said market fundamentals did not justify the price rally. While OPEC sources say oil market fundamentals remain strong on the back of the supply cuts, others are worried that economic growth in consuming countries could slow and higher prices might encourage some producers to pump above their output target.

Middle East LNG demand forecast to dip as Egypt becomes self sufficient

The National, *06.01.2018*

Middle East imports of liquefied natural gas are set to decrease as Egypt becomes more self sufficient, but the Arabian Gulf region will need more of the fuel amid a gas deficiency in several states.

Egypt could become a net exporter of energy again as it ramps up production from the Zohr gasfield which started production last year. The Middle East imported around 16.2 million tonnes (mmt) of LNG last year, roughly 2.1 mmt lower than 2016 levels, mainly due to domestic production offsetting the need for imports in Egypt.

“Ramping up gas production from Zohr and West Nile Delta gas projects will eliminate Egypt’s LNG requirements by latest in 2019,” said FGE senior consultant Siamak Adibi. “[As a consequence] LNG imports into Middle East will decline to possibly 15.5 mmt in 2018 and 14 mmt in 2019,” he said. Already Kuwait and the UAE are the only two Gulf states currently importing LNG, but demand from other states will climb as LNG receiving terminals in Bahrain and Sharjah will open in 2019. Gas also forms part of a critical mix in the drive towards cleaner energy in the GCC. “Abu Dhabi and Dubai are diversifying their power mix,” says Lucas Schmitt, senior gas and LNG analyst at Wood Mackenzie. “With nuclear and coal-fired capacity under construction, we expect some displacement of gas in power from the 2020s. Renewables have also started to get greater momentum across the region.”

The UAE unveiled a five-year spending plan of US$109 billion, that will look to prioritise development of gas from its sour reservoirs, which contain high level of sulfur. Saudi Arabia, the world’s biggest oil exporter, also plans to double its gas production capacity over the next decade and awarded $4.5bn worth of contracts in November to boost production, particularly offshore. However, there still remains a deficit of 2 to 3 billion cubic feet a day of gas in the region, says Mr Adibi. And the only option to overcome any near-term shortfalls will remain through imports. LNG imports into the Gulf states will recover from 6 mmt in 2017 to over 7 mmt in 2018, nearly 9 mmt by 2019, and over 10.5 mmt by 2020, according to FGE estimates.

“Post 2020, LNG imports into the Gulf countries will continue to increase, in line with more gas consumption for power generation,” said Mr Adibi. However, with the ongoing crisis with Qatar, the world’s largest LNG exporter and a major supplier of gas via pipeline to the UAE and Oman, the region’s big consumers of the fuel are looking for other source markets for their gas needs. The demand is likely to be met from increasing imports from the United States and Russia, who have both lined up offers to supply to the Middle East, following a visit by the US energy secretary to the region and the Saudi energy minister’s presence at the opening of Russia’s arctic LNG facility in December. The UAE has tapped US supplies since 2016, when it received cargoes from Houston-based Cheniere Energy, while Kuwait, which also faces a gas deficit, signed a 15-year contract with Anglo-Dutch major Shell last month to import the fuel. While long-term contracts were the norm for the LNG industry, regional buyers now are more keen to buy from the spot market.

“Generally buyers are showing much less appetite for the sort of long-term contracts that used to dominate the LNG market, although multi-year supply deals are still common,” says Richard Mallinson, analyst at consultancy Energy Aspects. “Supply tenders in the Middle East and elsewhere will often be won by trading houses or producers that have a portfolio of LNG from multiples sources, meaning the supply could come from various sources over the life of the contract.” With an estimated 350 million cft a day of gas set to come online from 2018 from Egypt’s offshore Zohr gasfield, the North African state, which enjoys warmer political ties with the UAE and Saudi Arabia, could look to supply to its regional neighbours. Qatar, which is estimated to hold 13 per cent of the world’s gas reserves according to the 2017 BP Statistical Review of World Energy, may face a challenging time in 2018 as it looks to secure new markets and contracts amid new supply from Australia hitting the market.

Australia could possibly overtake Qatar as the top LNG exporter this year as it aims to increase LNG exports by 16 per cent from mid-2018 to mid-2019 from new projects The big East Asian consumers, Japan, South Korea and China are likely to absorb the extra volumes with market share remaining a challenge for Qatar, which last June outlined its plans to ramp up its gas production by 30 per cent over an unspecified timeline. However, this additional supply is unlikely to enter the market anytime soon. “Qatar’s plans are more long-term and will only see it significantly increase gas production and LNG exports in four to six years’ time,” said Mr Mallinson.

Iran: Gas exports to Georgia still on agenda

Trend, *06.01.2018*

Iran, which holds the largest conventional gas reserves in the world, sees Georgia as a potential market for its gas exports. While the country has increased its gas output significantly and targets an output of 1 bcm/d by the end of the current fiscal year, Turkey and Iraq remain the only destinations for the country’s gas export.

Tehran exports 30 million cubic meters of gas to Turkey and 14 million cubic meters to Iraq per day at the moment. Iran’s deputy oil minister told the ministry’s official news agency. Tehran has the capacity to export gas to various countries, including Georgia, thanks to its geographical position.

Araqi, who heads the National Iranian Gas Company (NIGC), said that gas export to Georgia is still on the agenda and the private sector would take part in the issue once agreements are finalized. Iran needs to obtain Armenia’s agreement as well, because the gas will pass through that country’s territory, he said. Araqi added that the private sector will buy gas from Iran and will transfer it to Georgia after paying swap costs.

The official further said that previously a private company took part in the issue, but no gas was exported. Earlier in April 2017, Georgia’s Deputy Minister of Energy and Natural Resources Mariam Valishvili told Trend that delivery of gas from Iran to Georgia is theoretically possible, and there is necessary infrastructure for this, but such contracts were not concluded between state companies. She also noted that Georgia prefers Azerbaijani gas, since it is the most optimal supplier of gas to Georgian market. Azerbaijan has been the main exporter of gas to Georgia for many years. Moreover, in previous years, Georgia received from Russia 10 percent of Russian gas supply to Armenia as a payment for its transit. In April 2017, Georgia decided to abandon Russian gas and fully switch to purchasing Azerbaijani gas.

Valishvili said that it is theoretically possible to supply Iranian gas to Georgia through Azerbaijan – there are pipelines from Iran to Azerbaijan and from Azerbaijan to Georgia. In July 2016, Managing Director of National Iranian Gas Export Company (NIGEC) Alireza Kameli said that Iran signed an agreement with the Georgian private company, Georgian International Energy Corporation, to pump 40 million cubic meters of gas to Georgia. Meanwhile, Valishvili noted that Georgia's pipeline system is in possession of the state, and private companies must present such contracts to the government in order to obtain services for transportation of purchased gas through the country.

Iraq votes to end KAR operations in Kirkuk

The Oil & Gas Year, *09.01.2018*

The Iraqi parliament on Monday voted to halt development operations by Kurdish company KAR Group in the contested oilfields of the Kirkuk region, local media reported.

According to the parliament's decision, all exports from the fields will now be undertaken by Iraqi state firm SOMO. The move triggered a protest from Nechirvan Barzani, prime minister of the Kurdistan Region of Iraq, who was cited by Iraqi News as saying, "We reject the decision by the Iraqi parliament to halt the works of a Kurdish company in the oilfields of Kirkuk… The parliament has no right to that." Addressing demands from the federal government.

For a clear "delineation" of the quantities and revenues of oil produced at Kirkuk, Barzani said, "We have come up with a scrutiny formula for the sake of transparency." The prime minister also said an audit by global firm Deloitte had shown the the Kurdistan Region's oil revenues were insufficient to cover the salaries of local public servants, a key question in the ongoing budget dispute between Baghdad and Erbil.

Qatargas becomes sole exporter of Qatari LNG

Anadolu Agency, *05.01.2018*

Qatargas will become the sole entity for exporting Qatari LNG to the world from Monday, Jan. 1 following Qatar Petroleum's move on Tuesday in which it was designated as the only exporter of the state's crude oil, Qatar Petroleum announced Wednesday.

Following the merger of Qatargas and Qatar's second-biggest LNG producer, RasGas, the new entity will start to operate as the exclusive company to export Qatari LNG, according to Qatargas' press release. "Our aim was to integrate the two companies' [Qatargas and RasGas] resources.

Also capabilities to create a truly unique global energy operator in terms of size, service and reliability. We also aimed to create higher value for our stakeholders, and enhance the competitive position of the Qatari gas industry," President & CEO of Qatar Petroleum Saad Sherida Al-Kaabi said in the press release. The merger is set to bring in economies of scale. "It is important to highlight that this integration will ultimately save us around 2 billion Qatari Riyals [$549 million] in operating costs annually," Al-Kaabi said. Qatargas, the Qatar's first grassroots LNG company, was established in 1994 and its first LNG vessel left the Ras Laffan Port bound for Japan on Dec. 24, 1996.

According to Al-Kaabi's statement in the press release, as of Jan. 1, all the ventures that were previously operated separately by Qatargas and RasGas will now operate under the new Qatargas company as a single entity to export Qatari LNG to the world, under a one shared vision, one management system, and one work culture. Qatar Petroleum has a 65 percent share in Qatargas, ExxonMobil holds 10 percent interest, TotalFinaElf has 10 percent stake and Mitsui and Marubeni each hold a 7.5 percent share.

Kiev’s achievement in weaning off Russian natural gas

Anadolu Agency, *08.01.2018*

Ukraine’s gas market, once known as one of the largest in Europe, is transitioning away from overdependence on Russian imports to closer integration with the European gas market.

Despite the difficulties involved, ranging from a volatile political and economic environment to large-scale protests, coupled with ongoing military conflict and the annexation of Crimea, the state-owned national oil and gas company Naftogaz stated in an open letter that the company has stopped importing gas from Russia as of 2016.

This has been supported by a web link that counts the number of days without importing natural gas. Russia’s decision to cut off gas supplies to Ukraine in mid-2006, 2009, and for the third time in 2015 paved the way for the real necessity to change the gas market structure in Ukraine. While Russia has paid the utmost attention in diversifying its gas transit structure away from Ukraine, which became evident in the Nord Stream and Turk Stream projects, Ukraine, on the other hand, has made every effort to minimize its over-reliance on Russian natural gas. Ukraine’s new set of arrangements varying from regulation to pricing has been implemented to wean itself off Russian influence. Furthermore, a steep decline in the total gas consumption over the years has helped Ukraine reduce its gas imports from Russia.

Natural gas consumption dropped by more than half since 2006, from 75 billion cubic meters (bcm) in 2006 to 60 bcm in 2010, and to 33 bcm in 2015. A slight drop of 0.6 bcm followed this in 2016. This rapid downward trajectory in gas consumption is mainly attributed to the level of economic activity. Economic hardship experienced since 1990’s further escalated in 2010 after the confrontation with Russia. Following this, the Ukrainian economy contracted by a further 6 percent in 2014 and approximately by 10 percent in 2015, further deteriorating the fragile economy. While industrial production was hit the hardest during the conflict period, commodity prices increased over the years. Only in 2016 did Ukraine GDP increase just above 1 percent. Although it appears that the economic downturn has subsided, the economic recovery does not appear to be happening as swiftly as expected.

Other reasons behind the decline in gas since 2010 apart from the economic recession include pricing reform, limited energy savings and the introduction of energy efficiency to diminish gas consumption. To meet domestic demand, Ukraine both used its own production and greatly benefited from reserve flows. Additionally, 25 percent of the overall drop in natural gas consumption in Ukraine between 2013 and 2015 occurred mainly due to political tension in the conflict zone in the East. Given that the Eastern region of Ukraine was the largest gas consumer for many years, accounting for 36 percent of total gas consumption in 2015, after the deteriorating political escalation in the region, gas consumption severely decreased. Only in the cities of Donetsk and Luhansk did gas consumption slash by 80 percent and 61 percent, respectively.

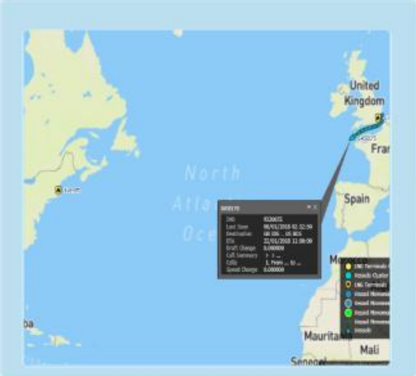
Principally, Ukraine has met domestic demand from its own domestic gas production, which reached as much as 20.1 bcm in 2016. With the aim of initiating competition in pricing against Russia, Ukraine has started a reverse flow from Slovakia, Hungary and Poland. In 2015, the EU met approximately 28 percent of Ukraine's gas consumption. Natural gas imports from the EU increased from zero to 5.07bcm in 2014 and to 10.3 bcm in 2016, reaching 11.07 bcm at the end of 2016. Seemingly, Ukraine chose reverse flow to wean itself off Russian gas imports and also to push down gas prices. However, to get through the calendar year 2016 without gas import from Russia, Naftogaz agreed to pay significantly higher prices for reserve flow deliveries. Naftogaz's effort in minimizing gas imports from Russia eventually paid off in 2016.

Russian gas transported through Ukraine has been in decline since 2006, dropped precipitously over the years from approximately 130 bcm in 2006 to 67 bcm in 2015. Despite the increase in Russia's gas transport volume via Ukraine in 2016, from 67 bcm to 82 bcm, this upward change has been attributed to Russia's flexible pricing policy and lack of competition from LNG that drove demand up in Europe. However, the overall transit volume is set for further declines in the coming years.

The compound effect of increasing energy savings with the implementation of energy efficiency policies along with slower economic growth amid pricing reforms has ensured that Ukraine has achieved its main target of diversifying natural gas supplies away from Russia. After the contraction in gas demand starting from 2013, demand was met by domestic production and with reserve flows. However, once the economy recovers and political tensions with Russia recede, it is expected that Ukraine's gas demand will increase at such a rate that extra volumes of natural gas imports will be required. And these will either be met by increasing domestic production or extra western inflows. The current trajectory suggests that the Ukrainian government will do whatever it takes to minimize direct Russian imports in the years ahead. At a time when living standards are falling, the decision to pay a significantly greater energy bill for Western inflows continues to be an obstacle for Ukrainian consumers, who have had to bear the price burden of this energy independence policy.

First Russian LNG arrives in UK, to ship elsewhere

Bloomberg, *08.01.2018*



Not many people had expected the U.S. to turn to Europe for natural gas this winter.

Yet the polar chill that gripped the U.S. East Coast this month, and sent spot prices to records, has led to a tanker loading a cargo of liquefied natural gas in the U.K. for Boston, some of which was likely produced by a project in Siberia targeted by U.S. financial curbs. The Gaselys tanker is due to arrive in Boston on Jan. 22 after loading fuel from storage tanks at the U.K.'s Isle of Grain, according to ship-tracking data compiled by Bloomberg.

The vessel docked at Grain shortly after the terminal near London received the first cargo from the $27 billion Yamal LNG plant in Russia's icy north. "Gas from anywhere is profitable into that northeastern U.S. gas market as prices are the highest in the world," said Trevor Sikorski, head of natural gas, coal and carbon at Energy Aspects Ltd. in London. The arrival from the U.K. would make it the first LNG reload into the U.S. since a cargo from the tanks of the Huelva terminal in Spain was imported in June 2014, according to data through October from the U.S. Department of Energy. U.S. imports of the super-chilled fuel, mostly into Boston from Trinidad and Tobago, have dropped since exports started from the Gulf of Mexico coast in 2016.

Isle of Grain terminal operator National Grid Plc said it doesn't comment on the intentions of gas shippers using its facilities. It's not immediately clear who owns the cargo. U.S. domestic demand climbed to a record last week as snow and winds bombarded Americans on the East Coast. Temperatures tonight in Boston may fall to as low as 15 degrees Fahrenheit (minus 9 degrees Celsius), with a cold outlook persisting through this month, according to AccuWeather Inc. Yamal LNG, co-owned by Russia's Novatek PJSC, France's Total SA and China National Petroleum Corp., has faced financial sanctions from the U.S. since 2014 because of Russia's involvement in the Ukrainian crisis. The market shouldn't see any irony in this cargo going to the U.S., said James Henderson, director of the natural gas research program at the Oxford Institute for Energy Studies. "It's a normal trade," he said. "LNG is supposed to travel globally to where the demand is."

Poland sets record high gas exports to Ukraine

Anadolu Agency, *11.01.2018*

Poland's natural gas deliveries to the Ukrainian market in 2017 doubled, reaching over 700 million cubic meters, Polish Oil and Gas Company PGNiG announced on Wednesday.

According to the statement, "in just seventeen months, from August 2016 until December 2017, Polish Oil and Gas Company has delivered over 1 billion cubic meters of natural gas to the Ukrainian market. PGNiG's supplies of gas to Ukraine have doubled in 2017 reaching over 700 mcm a year." "The portfolio of gas in our offer is well diversified: it comes from our domestic production in Poland and from various import directions.

In the first three quarters of 2017, 12 percent of our total import came via the LNG terminal in Swinoujscie mainly from Qatar, Norway and the U.S.," Vice-President of PGNiG, Maciej Wozniak said. According to Wozniak, the company does not plan to import natural gas from Russia after 2022 – the expiration date of the current long-term contract with the Russian supplier Gazprom. "For PGNiG energy security is a priority and it means diversified supplies of gas from different geographical directions at competitive prices, while supplies from Gazprom do not fulfill these conditions," Wozniak added. The Polish energy giant started delivering gas to Ukraine in August 2016 via a direct interconnector, while in October 2017 the company signed framework agreements with the Ukrainian gas system operator Ukrtransgaz for gas storage and transmission pipeline capacities in Ukraine.

There's a big victim from OPEC'S oil cuts

Bloomberg, *09.01.2018*

OPEC's strategy to end a worldwide crude glut is causing havoc for a vital link in the oil industry's supply chain: the fleet of supertankers that shuttle fuel between continents.

The ships' average earnings plunged last year by more than half to levels not seen since 2009 and far below what shipping analysts had been predicting. Now, the producer group's extension of output cuts throughout 2018 is adding to the downturn. "These cuts reduced the number of cargoes from the Middle East to Asia significantly at a time when a large amount of newly-built vessels are being delivered," Olivier Jakob, managing director at Petromatrix GmbH in Zug.

Oil supertankers, known in the industry as very large crude carriers, or VLCCs, can measure a quarter of a mile in length and haul about 2 million barrels of crude. Since the beginning of 2017, the Organization of Petroleum Exporting Countries and its allies have sought to reduce oil production by almost 1.8 million barrels a day, curbing exports and business for tankers on key trade routes. The group in June plans to revisit the cuts, which currently run through the end of the year. Crude exports from OPEC's Persian Gulf members last month dropped below 18 million barrels a day for the first time since August, tanker-tracking data compiled by Bloomberg show. In particular, observed shipments declined to China and Japan from Saudi Arabia, Iran and the United Arab Emirates.

Meanwhile, the global supertanker fleet is expected to expand by 4 percent this year, after growing 5.3 percent last year and 7.4 percent in 2016, Clarkson Research Services Ltd. estimates. Shipping rates have tumbled in recent months, a time of year when they often strengthen. "If OPEC lifts the output cut in its revision in June, the rates would improve as more oil will be pumped to the market," said Jakob. "But if it doesn't then the rates would suffer the whole year."

Earnings for the vessels slumped by 57 percent to $17,794 a day on average last year, the lowest since at least 2009, Clarkson data show. Analysts surveyed by Bloomberg had anticipated an average of $25,000 a day for 2017. Oil prices and tanker earnings often move in opposite directions. In 2013, a year when Brent crude reached almost $120 a barrel, supertankers earned an average $18,621 a day, according to Clarkson. Two years later, amid the oil-price slump, daily returns jumped to an average $64,846.

Since June, Brent futures have soared 51 percent to the highest level in more than three years, trading around $68 a barrel. Earnings on a key supertanker route from the Persian Gulf to Asia plummeted 69 percent in 2017 to end the year at about $16,000 a day, well below the December seasonal average, Baltic Exchange data show.

The rate rout has affected some of the world's largest tanker companies. Shares of Bermuda-based DHT Holdings Inc. declined to a 2017-low of $3.55 on Dec. 20, though they have risen slightly in recent days. Frontline Ltd.'s shares dropped 39 percent last year.

Fleet growth and inventory drawdowns, which reduce the amount of fuel for export, are "the dominant reason for the weak tanker market we have experienced during the last 12 months," Robert Hvide Macleod, chief executive officer of Frontline's management business, said by email. The OPEC cuts have been offset by an increase in trade flows elsewhere, including the Atlantic Basin and from the U.S. to Asia, he said. Amid the market turbulence, Antwerp-based Euronav NV on Dec. 21 said it would acquire Gener8 Maritime Inc. of New York, creating an independent tanker operator with a fleet of 75 crude tankers, including 44 VLCCs. Euronav declined to comment because the transaction hasn't been completed yet. A Gener8 Maritime spokesman didn't immediately respond to a request for comment.

"The crude tanker market has a double whammy: reduced OPEC exports and too many new ships," said Burak Cetinok, head of research at Arrow Shipbroking Group in London. "We expect volatility in the rates this year but overall a challenging market. In addition, crude is now trading in a structure called backwardation, when near-term contracts are at a premium to later-dated ones, an indication that the market is re-balancing and the attraction of storing oil -- particularly at sea -- is diminishing. "That frees the ships tied-up for storing oil, adding to the vessel glut," Petromatrix's Jakob said. The second half of this year may provide a turning point for supertankers as demand for OPEC crude increases and fleet growth slows, according to shipping analyst Eirik Haavaldsen at investment bank Pareto Securities AS. "The first half will be weak though, and probably weaker than the first half of 2017," he said.

Don't expect OPEC's oil deal to fall apart in 2018

Bloomberg, *07.01.2018*

Whatever your view on the effectiveness of the deal between OPEC and a group of non-member countries to limit oil supply in order to drain excess inventories and boost prices, there is one thing that everybody seems to agree on -- they stuck to their guns much better than anyone thought possible for the whole of last year.

But there is a growing chorus of voices calling the deal's demise this year. Here's why I believe they're wrong.The most common reasons for suggesting that the deal will fall apart in 2018 are:

A growing pressure to cheat, capitulation in the face of surging U.S. shale production, or a declaration of success. Each of these is certainly plausible, but I think the risks are low. “We tend to cheat,” former Saudi oil minister Ali Al-Naimi famously observed shortly after the output deal was agreed in November 2016. That has certainly been a perennial problem for OPEC in the past, but it may be much less of a problem in the coming months. That's not because of some new-found sense of collective responsibility so much as the fact that those countries most prone to flouting their pledges simply can't do so at the moment. They are already producing at, or very close to, full capacity.Sure, Iran and Iraq are both planning to add additional new facilities this year, but they are probably the only ones. Recent unrest in several Iranian cities prompted fears of disruption to the country's oil supply, but a much bigger threat comes from any toughening of U.S. sanctions, which could once again target buyers of Iran's crude. President Trump's antipathy towards the Islamic republic may threaten even the current level of production.Elsewhere, Nigeria's big new offshore project, the 200,000 barrel a day Egina field, is now not expected to start producing until late in the year, so any increase there can only come from the uninterrupted operation of existing facilities, which proved impossible to achieve in 2017. As for Libya, its oil infrastructure is showing the strains of years of underinvestment in repair and maintenance. Output is unlikely to grow much from the current level of around 1 million barrels a day and the risks are skewed heavily to the downside.The only OPEC countries that have made significant voluntary cuts are the Persian Gulf Arab nations -- Saudi Arabia, Kuwait and the United Arab Emirates. But these are the very countries that have a history of abiding by their output targets. The likelihood of them cheating is much lower than for most fellow members.

When it comes to the non-OPEC countries, let's be honest, the only one that really matters is Russia. It is the only country that pledged a large voluntary reduction, all the others were either tiny, or the result of natural declines that cannot be reversed quickly.Will President Putin renege on the deal once re-elected? I don't think so. To do so could endanger the arms and investment deals signed during the Saudi king's visit to Moscow and weaken Russia's burgeoning influence in the Middle East. That still doesn't seem a good trade-off.The only other pledges from OPEC's friends for output reductions of more than 20,000 barrels a day came from Oman, Mexico and Azerbaijan.

Of those three, Oman has a history of working with the producer group when times are particularly tough. The other two have rebranded natural declines in their output as “cuts.”Those four countries taken together could actually see lower output this year than last year, given Russia’s gradual implementation of its cut, stabilization in Mexcio and Oman, and continuing decline in Azerbaijan.
NON-OPEC CUTS

What about the other risks to the deal? Capitulating in the face of surging shale supply would also be a very difficult step for OPEC to take. It would be a huge personal blow to Saudi oil minister Khalid Al-Falih and to Crown Prince Mohammed Bin Salman, the architects of the policy. Not impossible, but perhaps the end of OPEC as a meaningful contributor to oil price formation.Al-Falih and his Russian counterpart, Alexander Novak, have repeatedly said that even when they decide they are able to declare “job done,” there will not be a sudden free-for-all. Any loosening of the output restrictions will be gradual and only be done as quickly as the market can bear. Given their ability to hold the deal together this far, perhaps it is time we believed them.

Norway p/line gas exports to Europe hit record in 2017

Rigzone, *11.01.2018*

The Norway’s exports of pipeline natural gas increased 8 percent in 2017 year-on-year to a record 117.4 billion cubic meters, the country’s pipeline system operator Gassco said.

The country transported this amount of gas last year via pipeline from the Norwegian continental shelf to continental Europe and the U.K., Gassco confirmed. “That set a clear record in volume terms for the four decades since Norwegian gas exports began,” the company added. These exports currently cover about a quarter of Europe’s gas consumption, and according to the company “will remain a secure energy source for consumers there in the years to come.”

Relaying his pride that Norway can ensure secure and reliable deliveries to Europe, Frode Leversund, Gassco’s CEO said, “This performance demonstrates the key role played by Norway’s gas exports in European energy supplies,” Gassco is the operator for the Norwegian gas transport infrastructure, which includes pipelines, process plants in Norway, and terminals in Germany, Belgium, France and the U.K.

Norway to expand oil & gas exploration drilling in 2018

China.org, *10.01.2018*

Norway is expected to expand its exploration activities in 2018 with the drilling of 35 wells, according to Wood Mackenzie (WoodMac) on Wednesday.

WoodMac said in its latest Norway Upstream report that the increase is driven by near-field activity in the North Sea and around Aasta Hansteen in the Norwegian Sea. "But the Barents [Sea] remains the hotspot. Companies will be looking to improve on 2017 results and we think they will," WoodMac said. In 1997, BP proved reserves in the Aasta Hansteen gas field located in the Norwegian Sea and in 2006 Statoil became the operator of the field.

According to WoodMac, in 2018 two fields are expected to come on stream with steady production. "Norway's total annual production will decline by 2 percent to 3.9 million barrels of oil equivalent per day in 2018, remaining in line with production in the past five years," the consultancy said. It also added that this year investments in Norway's upstream activities would be around $15 billion. "Operators will continue to optimize developments but it remains to be seen if further cuts can be achieved," WoodMac said.

Europe has enough gas to meet half of its 25 yr. demand

Anadolu Agency, *10.01.2018*

Europe has enough gas to meet around half of its demand for another 25 years with 5,100 billion cubic meters (bcm) of remaining proved natural gas resources, according to the latest report of the IOGP.

International energy consultancy Wood Mackenzie conducted an analysis of remaining gas volumes in Europe upon a request from the IOGP. "The responsible exploration and development of Europe's gas resources has the potential to secure energy supply, skilled jobs and government revenues for decades to come," the IOGP said.

The report showed that 50 percent of estimated European gas demand is currently supplied by European production, but warned that market interconnectivity is necessary if Europe wants to reap the full benefits of its remaining indigenous gas potential. European resources could still supply one third of EU gas demand under a 2 degree Celsius scenario in 2040, the IOGP said, and added, “Europe currently has around 5,100 bcm of commercial and technically recoverable natural gas resources. This figure does not include an estimated 989 bcm of resources that are classed as yet to find.” “Yet-to-find resource expectations have also risen, driven by conducive policies and encouraging prospects in Croatia, Cyprus, Greenland, Ireland, Norway, and Romania,” the consultancy explained.

It said that successful results of recent licensing rounds show that oil and gas companies are investing in Europe’s many prospective basins, both onshore and offshore. “Unconventional reservoirs have the potential to add to this effort. European exploration activity is recovering since 2016, with success rates and discovery costs back to 2009-2010 levels,” it noted. It stressed that between 2016 and 2025, over €50 billion of exploration expenditure is expected in EU mature areas or roughly €5 billion per year. The IOGP said that Europe’s own resources can continue to be a secure foundation to meet domestic demand, complemented by future pipeline and LNG imports. “More gas hubs are needed in certain regions of Europe to provide liquidity and transparency. Europe has to compete with other regions to attract upstream industry investment. A stable and predictable regulatory environment will be critical to maximize the recovery of Europe’s gas resources for the benefit of its citizens,” it said.

Uganda’s investment decision on U.S. $200m pipeline expected in 2018

Allafrica, *06.01.2018*

Uganda is set to land two mega-million dealings in the course of the New Year that will arguably transform its economy.

A crude oil refinery worth $500 million and oil export pipeline worth in the region of $200 million are the proposed projects for the sub-Saharan country that has already set its equity in making the project a success. It is informed that the projects will cost the government a mammoth amount to be in the area of close to $7.5 billion. The East African country is still I the search for an architectural designer.

And as well an investor to inject the funds to ease the burden, which will as well set-up the phased 60,000 barrels daily refinery in a sought to be public-private partnership. In return the African country will retain a 40% stake in the refinery, which is worth a cut for the state. Two parties seem to be interested in the project and are believed to be on board already. There ongoing talks between the Intra-continental Asset Holdings venture that includes Yaatra Ventures LLC and General Electric (GE) Africa from America and Saipem SpA from Italy, and the DongSong venture from Asian country and powerhouse, China. The negotiations are to find a potential investor.

The refinery is a delicate project and the suitable investor would be needed to fulfill the passion of the government. For the pipeline, the National Pipeline Company (NPC) is in check of the modalities. The subsidiary of the Uganda National Oil Company (Unoc) has been mandated to oversee and handle the government's commercial interests as far as the petroleum sector is concerned. The Energy and Finance Ministries have inspected the project and given a green light for it. The two projects have been approved avidly and will set to commence their construction in the near future.

Total E&P, the French company is monitoring the 1,445km pipeline which will have the capacity to feed neighbouring countries with oil. The final investment decision on the pipeline is expected in the first quarter of 2018, while the engineering, procurement and construction contract will most likely be awarded in late 2018 or early 2019.

Africa Oil Corporation - Almost half billion dollar growing oil company

Seeking Alpha, *08.01.2018*

Africa Oil Corporation has had a difficult time since the start of the crash. However, the company has an enviable portfolio and the ability to produce significant oil.

Africa Oil Corporation is focused on both de-risking its assets and building the infrastructure to get oil to market. The company should start producing oil soon. The company is backed by Maersk and has no debt and a significant cash pile of more than $0.4 billion. As a result, the company shouldn't need to issue equity. Africa Oil Corporation (OTCMKTS: OTCPK:AOIFF) is an almost $0.5 billion oil company and one with significant resources.

Africa is a rapidly growing economy that will soon become a major player in the oil environment. As we will see throughout this article, the company's leading assets along with the company's financials make it a top tier investment to take advantage of African Oil. Africa Oil Corporation has had a massive drop in its stock of almost 85% since the start of the oil crash. However, the company has a portfolio of leading assets that will produce a significant amount of oil.

Africa Oil Corporation has a significant rift valley land base with a world class onshore oil discovery in Kenya. The company has 760 million barrels of resources here that have the potential to generate $10s of billions in profits as prices recover. African countries are looking to grow their economy and oil is a great way to do that, which Kenya will support. That means this resource can bring strong profits for the company.

Indonesia to open over billion dollar tender for Borneo gas pipelines

Reuters, *09.01.2018*

Indonesia will open a tender in 2018 for the development of three pipelines to transport and distribute gas from the Natuna area to the island of Borneo, the chairman of the country's downstream oil and gas regulator said on Tuesday.

Natuna, between the Malay peninsula and Borneo, is home to several gas-producing fields. The tender will be for a Natuna to West Kalimantan pipeline worth an estimated $550 million, a West Kalimantan to Central Kalimantan pipeline worth around $516 million, and a Central Kalimantan to South Kalimantan pipeline worth about $97 million.

The proposed pipelines would be for transmission and distribution, said regulator chairman Muhammad Fanshurullah Asa, noting that they would supply gas to power stations in West Kalimantan and the Ketapang industrial area. He did not give further details on the proposal.

3 million barrels per day could go offline in 2018

Oil & Price, *11.01.2018*

Venezuela's oil production has been falling for years, but 2018 could mark a new, darker chapter for the South American nation.

Late last year, Venezuela's government defaulted on millions of dollars' worth of debt, with larger and more significant payments maturing this year. The ability to service billions in debt payments this year is almost certainly out of the question, although the size of the default this year remains to be seen. The cash crunch that Venezuela has suffered through has worsened substantially over time.

And the country’s oil sector has paid the price. Venezuela produced over 3.5 million barrels per day (mb/d) in the late 1990s, but output has been falling for much of the past two decades, although often at a gradual pace. The declines really started to accelerate in the past two years. But 2018 could be even worse. A year ago, Venezuela produced between 2.0 and 2.2 mb/d, depending on whose data one uses. By the end of 2017, production really began to plunge, dipping to just 1.7 mb/d in December, according to S&P Global Platts. That is the lowest figure since the 1980s, aside from a brief period in 2003 when a strike knocked output offline.

Worryingly for Venezuela, the monthly declines are accelerating. A year ago, monthly declines typically ran somewhere between 10,000 bpd and 30,000 bpd. By the third quarter, those monthly dips ballooned to around 40,000 bpd, month-on-month. But Between November and December, output fell by massive 100,000 bpd, according to S&P Global Platts. Argus Media says the losses are even larger than that, with production falling by 151,000 bpd in December to 1.686 mb/d.

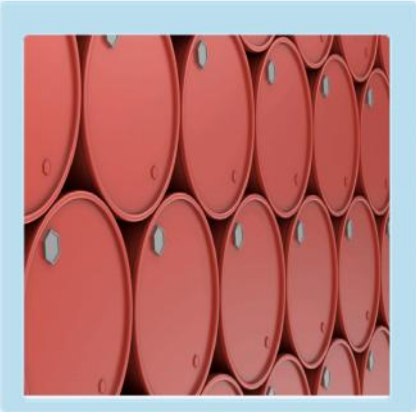
The scary part is that the situation is probably only going to grow worse. Venezuelan President Nicolas Maduro removed the head of PDVSA in November, putting a general in charge at the state-owned oil company. The move was probably made to placate the military, but it also jeopardized the operations of the oil company. S&P Global Platts says that the general in charge, Manuel Quevedo, purged the company of officials at the end of the year. The move, ostensibly to root out corruption, will likely hollow out some of the technical talent that helps keep oil operations running, such as they are. Compounding that problem is labor unrest on the ground. S&P Global Platts says that protests and resignations of refinery personnel are mushrooming because the poor state of PDVSA’s assets are leading staff to worry about safety.

“The Venezuelan economy could collapse at any moment,” said Torbjorn Kjus, oil market analyst with Norway’s DNB Bank, according to S&P Global Platts. “We could envisage scenarios spanning from outright civil war to a state coup, to a general strike or even just one more year of strangulating slow death for the economy. Neither of these outcomes bodes well for Venezuelan oil production.”

Just about every oil analyst agrees that production will continue to fall at a significant rate, but there is disagreement over the magnitude of decline. The Rapidan Group puts losses at 300,000 to 400,000 bpd in 2018. That’s plausible, but to the extent that projections like these are off, they could vastly understate the declines underway. Ed Morse of Citi says that Venezuela’s production could fall below 1 mb/d, which would essentially be a loss of 700,000 bpd by the end of the year. There are plenty of reasons why these more dire scenarios could play out. More credit defaults are likely. Venezuela is locked out of the bond markets, which means it will have trouble finding cash. PDVSA’s oil and refining assets are in a decrepit state and are only deteriorating. The quality of Venezuela’s oil exports are also worsening, and some refiners around the world are rejecting shipments. The lack of cash means that PDVSA will struggle to import the diluent needed to mix with its heavy oil. And rock bottom morale and increasing worker unrest could cripple operations. The losses from Venezuela, combined with potential outages in Iraq, Libya and Nigeria, could reach 3 mb/d in 2018, Citi said.

US oil output to hit record over 11 mmbpd by end of 2019

Reuters, *09.01.2018*



U.S. crude oil production is expected to climb to more than 10 million barrels per day (bpd) early in 2018, reaching that milestone for the first time since 1970, and to continue to surge into 2019 to a record high, the U.S. Energy Information Administration said Tuesday.

Production was expected to hit 10.04 million bpd during the first quarter of this year, the agency said in a monthly report. The 10 million-bpd milestone previously had not been expected to be reached until the fourth quarter. The monthly average for February is expected to surpass 10 million bpd, said Tim Hess, the lead analyst for the report.

The EIA revised its production growth forecast for 2018 sharply higher to 970,000 bpd from 780,000 bpd in its previous outlook. U.S. output will be at an all-time high in 2019, surpassing 11 million bpd by the end of that year, a new high for national output, the EIA said in the report. The average production in 2019 will rise 580,000 bpd to 10.85 million bpd, the agency said in its first outlook for next year. “The major risk factors would be more global in nature, rather than anything specific domestically,” EIA acting administrator John Conti said on a conference call. “Domestically, things are lining up in terms of moderate prices and increased opportunity for production.”

Much of the production growth will be concentrated in the Permian Basin, the largest U.S. oilfield stretching across Texas and New Mexico, said John Staub, the EIA director of the office of petroleum, natural gas and biofuels analysis. As a result, pipeline capacity constraints should not be a major limiting factor in starting new production, he said. Despite the rising production, oil prices edged higher on Tuesday, with U.S. crude touching its highest since December 2014. The market was supported by OPEC-led production cuts and expectations that U.S. crude inventories have dropped for an eighth week. Oil traders have closely watched U.S. crude production to see whether output gains from U.S. shale formations will surpass the 1.8 million bpd cuts. U.S. demand growth of 150,000 bpd was estimated for 2017, slightly lower than previous expectations. The agency increased its demand estimates for 2018 to 470,000 bpd from 410,000 bpd. Demand is expected to climb an additional 340,000 bpd in 2019 to 20.65 million bpd, the agency said.

Trump's offshore plan unlikely to spark drilling rush

Oil & Price, *08.01.2018*

Last week, the Trump Administration proposed the most aggressive U.S. offshore oil and gas drilling plan since the Reagan Administration, offering to open more than 90 percent of the federal Outer Continental Shelf (OCS) for consideration of future exploration and development.

The draft proposal which will now undergo a public comment period and proposed program drafts that will take months has drawn harsh criticism from the governors of the Pacific states and from Florida. Analysts think that the opposition to offshore drilling in the West and East coast states.

It is just one of the reasons why the oil and gas industry will not be jumping into a kind of oil drilling rush along the U.S. coasts. Oil firms will have to calculate if potential huge investments into exploration and into production infrastructure will yield any returns on investment in the prevailing oil prices years from now. In addition, companies will have to start seismic studies in some areas from scratch—for example, areas in the Atlantic and the Pacific were last appraised in the 1980s. The consultancy has estimated that there has been "a tremendous shift of E&P spending towards shale." Last year, U.S. drillers channeled more than 60 percent of their total investments to shale, and this trend is likely to increase to about 70 percent in the coming decade, Rystad says.

The Bureau of Ocean Energy Management's (BOEM) latest estimates from 2016 show a mean of 89.87 billion barrels of undiscovered technically recoverable oil and a mean of 327.49 trillion cubic feet of undiscovered technically recoverable natural gas in the federal OCS. Most of those resources are in the Gulf of Mexico, followed by Alaska, the Pacific, and the Atlantic. Then oil companies will have to contend with some natural phenomena such as the Gulf Stream in the Atlantic. And last but not least, a possible new administration in 2020 or 2024 could rescind drilling plans, and by then, companies are not expected to have started production in the currently-off-limits waters. The plan to open almost the entire U.S. coast to drilling is just an initial draft plan and could dramatically change in the form of the proposed program after the comment period ends. The Administration is starting big to have wiggle room to narrow down the areas, according to analyst speculation.

In its current form, the initial plan could potentially unlock up to 65 billion barrels of oil equivalent (boe), consultancy Rystad Energy said last week. This estimate, however, is the high-case scenario in which all unexplored areas would see exploration activities, and disregards constraints such as limited access to capital, insufficient infrastructure, or environmental concerns. "The question remains, what is the likelihood of companies prioritizing exploration and development in all of these areas. During the last three years, we did not see high interest in exploration in the deep-water GOM," Nils-Henrik Bjurstrøm, Product Portfolio Manager and Head of Exploration analyses at Rystad Energy, said.

Despite the billions of probable barrels left to be discovered, oil prices will be the major determinant in drilling plans, according to analysts. “In the current commodity pricing environment, I don’t see a lot of appetite on laying down new infrastructure,” Imran Khan, who leads Wood Mackenzie’s commercial valuation team for oil and gas projects in the Gulf, told CNBC. The laying of new infrastructure is always expensive, and it becomes even more so in states that oppose drilling. States control the first three miles of shallow water, and then the federal jurisdiction begins. Therefore, uncooperative states may dig in and refuse to authorize pipelines and facilities.

“The state can make it difficult to provide the support services in order to maintain production and also to gain production,” Grady Hurley, an oilfield and maritime attorney at law firm Jones Walker, told CNBC. “For the most part, companies don’t want to operate where they’re not welcomed and where there’s other opportunities,” he noted. Then in the Atlantic, “You have the Gulf Stream to contend with, which is a consistent 3-knot current from south to north that I don’t think you can put a platform in,” William Turner, senior research analyst at Wood Mackenzie, told Hart Energy. There’s also the risk of a change of agenda in a new administration that could additionally discourage oil firms from being willing to spend big after they have just turned the corner of the downturn. “There’s not going to be any platform already producing oil in a seven-year window. That would be extremely fast. Whatever plans they are going to be developing will be subject to a new administration at some point,” Turner told Hart Energy. Of all the areas currently up on the block, analysts see the Gulf of Mexico and Alaska, especially areas not far from existing infrastructure, as the most viable potential developments.

The single biggest oil price influencer in 2018

Oil & Price, *09.01.2018*

Geopolitical concerns will replace the OPEC/non-OPEC production cuts as the main driver of oil prices this year, according to 67 percent of 100 Middle East energy industry executives polled by research firm Gulf Intelligence.

Just as the OPEC cuts started to have a tangible effect on global oil inventories, the geopolitical risk premium returned to the oil market last year, first with the fallout from Kurdistan’s referendum and Iraq’s response to it, which pushed oil prices up on concerns over supply outages from the region.

Then the Saudi government’s purge spooked the markets, as well as the heightened tension between Saudi Arabia and Iran. North Korea’s belligerence and Venezuela’s economic collapse and near-default are also some of the geopolitical risks to watch for in 2018. This year, oil prices made their strongest start to a year in four years, with both Brent and WTI trading at the beginning of the year above $60 a barrel for the first time since January 2014, amid protests in Iran and uncertainties over whether more U.S. sanctions on Tehran are on the way.

According to the survey by Middle East-energy-focused Gulf Intelligence, the majority of executives, or 51 percent, see the average price of Brent crude oil this year in the $60s, followed by 22 percent who expect Brent to average in the $70s, 21 percent in the $50s, and 6 percent in the $40s or lower. The highest share of executives, 34 percent, expects OPEC/non-OPEC compliance to the cuts to average just 70 percent in 2018. A total of 32 percent see compliance at 80 percent, while 100-percent compliance is the prediction of just 12 percent of executives surveyed. Asked whether they expect Saudi Aramco's initial public offering to go ahead in 2018 as planned, 59 percent of executives responded 'yes', while 41 percent are skeptical about the Saudi oil giant managing to pull off what is expected to be the world's biggest IPO before the end of the year.

Brent oil price hits $70/brl, highest level in 3 years

Anadolu Agency, *10.01.2018*

Brent crude oil price surpassed $70 per barrel on Thursday, trading above this level for the first time in the past three years, according to official data.

The international benchmark gained 1.2 percent to hit $70.03 a barrel at 1125 EST (1625 GMT). This is the highest price level for Brent crude since Dec. 4, 2014, according to official data. American benchmark West Texas Intermediate (WTI) also rose 1.8 percent to reach $64.75 per barrel around the same time -- the highest level for the benchmark since Dec. 8, 2014, according to data.

OPEC and Russia extending the output cut deal through 2018 has trimmed some of the oversupply in the global market, experts said, adding the sudden decline in the U.S.' weekly crude oil production also pushed oil prices higher. According to the U.S.' Energy Information Administration (EIA) data released on Wednesday, crude oil output declined sharply by 290,000 barrels per day (bpd) to 9.49 million bpd last week, due to snow storms and freezing temperatures in the county. The U.S.' commercial crude oil inventories also decreased by 4.9 million barrels last week, more than the market expectation of a 3.9 million barrels of decline, according to the EIA.

Announcements & Reports

▸ *Annual Energy Outlook 2017*

Source : EIA
Weblink : https://www.eia.gov/outlooks/aeo/pdf/0383(2017).pdf

▸ *Energy Deals 2017 Annual Review*

Source : PWC
Weblink : https://www.pwc.com.tr/tr/sektorler/enerji/enerji-sektorunde-birlesme-satin-almalar-energy-deals-2017.pdf

▸ *Gas Supply Changes in Turkey*

Source : OIES
Weblink : https://www.oxfordenergy.org/wpcms/wp-content/uploads/2018/01/Gas-Supply-Changes-in-Turkey-Insight-24.pdf

Upcoming Events

▸ *European Gas Conference 2018*

Date : 29 January 2018
Place : Vienna, Austria
Website : https://www.europeangas-conference.com/

▸ *Egypt Petroleum Show*

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

▸ *North Africa Petroleum Exhibition & Conference*

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

► *The 10^{th} International Petroleum & Natural Gas Summit*

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

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

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

► *Kuwait Oil & Gas Summit*

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

► *International Conference on Petroleum & Petrochemical Economics*

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

Supported by PETFORM

► *Flame Conference 2018*

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

► *27^{th} 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/