# Oil & Gas Bulletin

▸ *06.07.2018*


## Talks to continue over Kirkuk oil exports to Turkey

Anadolu Agency, *02.07.2018*

**Negotiations between Ankara, Baghdad and Erbil over the transfer of Kirkuk crude oil to Turkey's Ceyhan port are still ongoing, the Iraqi oil minister said.**

**"Talks between the federal government, Kurdistan region and the Turkish side continue for resuming exports of Kirkuk's oil through Ceyhan," according to Oil Minister Jabbar Ali Al-Luiebi's interview with the semi-official Al Sabaah newspaper. He said no exact date has been scheduled yet for the start of crude oil exports via Turkey.**

Luiebi also confirmed the current production from Kirkuk stands at 220,000 barrels per day, adding that, "production is totally transferred to local refineries in the country". In addition, oil ministry spokesman Asim Jihad said that if the parties reach an agreement, crude oil exports could restart via pipeline from Iraq's Kurdish region to Turkey's Ceyhan port. Production from Kirkuk's fields halted in June 2014, when Daesh forces took over the Mosul province and a third of Iraq. In October 2017, Iraq announced that crude oil could be exported with the help of an additional line in the Kirkuk-Ceyhan oil pipeline with a million barrel daily oil transfer capacity. However, the building of the pipeline has not yet started. Kirkuk is known as Iraq's second oil rich province after Basra.

## EBRD agrees up to €500M loan for Trans Adriatic P/line

Anadolu Agency, *26.06.2018*

**The European Bank for Reconstruction and Development (EBRD) approved a loan up to €500 million for the construction of the Trans Adriatic Pipeline (TAP) project, the Bank announced.**

**According to the EBRD announcement, the project is a priority for the European Union (EU) and the energy community. The 878-kilometer pipeline will start at the Greek/Turkish border, cross Albania, and after passing under the Adriatic Sea, will end in southern Italy.**

It constitutes the final leg of the 3,500-kilometer-long Southern Gas Corridor, which has a $40 billion investment volume to transport gas from the Caspian region to Europe. TAP will have an initial annual capacity of 10 billion cubic meters equivalent to the energy consumption of approximately seven million households in Europe. “The pipeline will make a significant contribution to the diversification of Europe’s energy supply. It will also help make energy supply for consumers more reliable, as well as achieve significant CO2 reductions by providing a cleaner fuel, as compared to coal,” according to the EBRD statement. The total project cost is €4.5 billion and the first delivery of gas is expected by 2020. The European Investment Bank’s board earlier this year approved TAP’s eligibility for a €1.5 billion loan. Further contributions from export credit agencies of France, Germany and Italy are currently under consideration, the EBRD said in the statement.

At the starting point in Turkey, TAP will connect to the Trans Anatolian Pipeline (TANAP) for which the EBRD approved a €500 million loan last October, the statement said. The inauguration of TANAP took place in June in Turkey and first commercial gas was delivered on June 30. “At the end point in Italy, TAP will connect to the Italian natural gas network and from there with wider European networks,” the statement said.

# Oil refinery TUPRAS tops Fortune 500 Turkey list

Anadolu Agency, *02.07.2018*

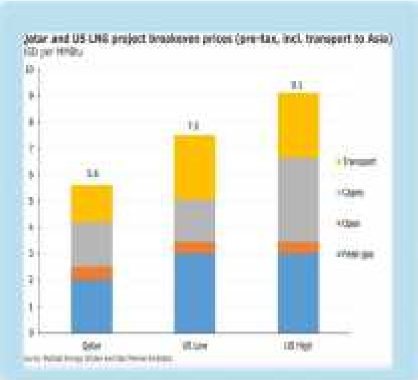
**Oil refinery TUPRAS topped Fortune 500 list for Turkey with a net sales revenue of 53.9 billion Turkish liras ($14.8 billion) in 2017.**

**According to the list, EPIAS, also known as Energy Stock Exchange Istanbul, came in second place with a net sales revenue of 41.2 billion liras ($11.3 billion). It was followed by fuel oil distribution and lubricants company Petrol Ofisi with 40.8 billion liras ($11.2 billion) in net sales figure. It revealed that total net sales of Turkey’s top 500 companies rose 29.5 percent year-on-year to hit 1.2 trillion liras ($330.3 billion) in 2017.**

Their net profits also surged by 52.3 percent during the same period. Exports of the leading 500 Turkish companies totaled to 286.5 billion liras ($78.7 billion), up almost 30 percent compared to previous years. The list includes publicly and privately held companies for which revenues are publicly available.

# Qatar is poised to win race for new LNG projects

Oil & Price, *04.07.2018*




**In April 2017, Qatar lifted the North Field natural gas production moratorium that had been in place since 2005. This will allow Qatargas to increase production from the world's largest gas field and export more LNG volumes.**

**The company has plans to build three new liquefaction trains with a total capacity of 23.4 Mt. This would lift the country's total export capacity to 100 Mt. The expansion comes at a time when there are several liquefaction trains in the U.S. ready to take FID. The Qatari project represents a challenge for these projects.**

As it is estimated that it has the lowest breakeven price of all the planned projects in the world. Rystad Energy estimates that the breakeven price for the Qatari brownfield expansion would be around $5.60 per MMBtu (including transport to Asia), which is around 34% below the breakeven price of the more competitive U.S. projects. Breakeven prices for the U.S. projects are estimated to be between $7.50 and $9.10 per MMBtu (including transport to Asia). The main reasons for the Qatari project being more competitive are that natural gas production costs are below other regions and its proximity to the Asian markets. Qatargas signed a front-end engineering design (FEED) contract earlier this year sending a clear signal that they will go ahead with the development of the new trains. They have not yet disclosed the signing of long-term supply agreements with potential buyers, however, Chinese buyers could be especially interested in signing new agreements with Qatar since exports from the U.S. could eventually be subject to tariffs if the trade war between China and the US continues to escalate.

Rystad Energy forecasts that at least 56 Mt of new LNG supplies will be needed by 2025. If Qatar goes ahead with the commissioning of the new trains the volumes could come online by the start of 2023, thus an additional 33 Mt of capacity would still be needed by 2025 to keep the market balanced. There are several projects awaiting a FID in the U.S. such as Sabine Pass Train 6, Delfin, Driftwood, Rio Grande and Texas LNG. Additionally, there are projects in other regions such as Mozambique LNG and Fortuna FLNG that have advanced negotiations. These projects could add the required additional capacity but would need to start their development by 2020 to avoid a supply shortage as demand continues to grow. On the other hand, there is a risk that too many projects take FID, leading to a loose market with depressed prices after 2020.

Many of the planned projects have not secured project financing since the developers need to sign long-term supply agreements that can guarantee they can meet their financial obligations. With the current tight LNG market driven by strong Asian demand and Asian Spot prices trading above $10 per MMBtu in the summer (a period when prices should theoretically drop), buyers could be more willing to sign new long-term supply agreements at the $8 per MMBtu level required to take the U.S. projects forward. Overall, Rystad Energy expects Qatargas to take FID within 2018 or early 2019. The additional 33 Mt will have to come from the US and other international plants but developers need to avoid a race that could potentially create a supply glut.

# Oil supply beyond quota needs OPEC's consent

Anadolu Agency, *02.07.2018*

**Oil production beyond the agreed limit set by OPEC needs the approval of the organization's members, the CEO of the National Iranian Oil Company said Monday in response to recent reports that Saudi Arabia agreed to hike up its production at the request of U.S. President Donald Trump.**

**Shana, Ali Kardor reacted to recent remarks by Saudi officials about ramping up the kingdom's crude oil output to "serve U.S. interests in the oil market", saying "if a contrary view exists in this regard, OPEC must convene an emergency meeting".**

Sourcing its story to the Iranian Parliament's news agency, ICANA, Shana quoted the official as saying that "Saudi Arabia has been notified of the interpretation of OPEC's recent statement and Iran's OPEC governor has announced that any differing interpretation of the OPEC statement would make holding an emergency meeting of the members necessary". Trump, who has long been a critic of high oil prices, said Saturday that he asked Saudi Arabia to increase its oil production in order to reduce prices on the global oil market. "Just spoke to King Salman of Saudi Arabia and explained to him that, because of the turmoil & dysfunction in Iran and Venezuela, I am asking that Saudi Arabia increase oil production, maybe up to 2,000,000 barrels, to make up the difference...Prices too high! He has agreed!" Trump wrote on his Twitter account. The White House confirmed in a same-day press release that during the call on Friday, the two leaders "reaffirmed their dedication to a healthy and stable global energy market for the benefit of all nations".

“The two leaders agreed that balancing the global oil market is essential to ensure access to reliable and affordable energy to people everywhere,” the statement said. “In response to the President’s assessment of a deficit in the oil market, King Salman affirmed that the Kingdom maintains a two million barrel-per-day spare capacity, which it will prudently use if and when necessary to ensure market balance and stability, and in coordination with its producer partners, to respond to any eventuality,” it added. Kardor argued that Saudi Arabia had “bragged about its ability to bolster crude oil output while the country may not be able to enhance its output by more than 500,000 barrels per day,” Shana said. On June 23, OPEC and some non-OPEC countries decided to add around 1 million barrels per day (bpd) to global oil supply as of July 1. Russian Energy Minister Alexander Novak said Friday that Russian companies would start on Sunday to increase their oil production by 200 thousand bpd in line with the decision.

# Oil falls as OPEC output rises, more production planned

Reuters, *02.07.2018*

**Oil futures fell Monday as supplies from Saudi Arabia and Russia rose while economic growth stumbled in Asia amid escalating trade disputes with the United States.**

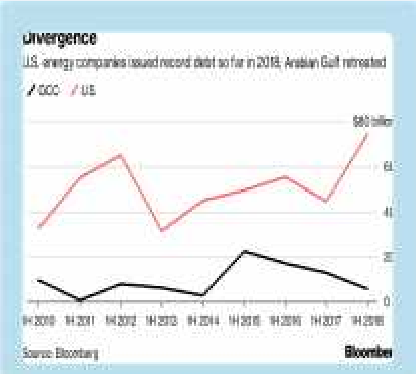
**A flurry of announcements over the weekend unsettled oil markets. Global benchmark Brent fell 2.4 percent in the session, changing direction from last week when it gained more than 5 percent. Brent crude fell $1.93 to settle at $77.30. U.S. light crude fell to settle down 21 cents at $73.94. The premium for U.S. crude for the front month.**

Compared with the second month widened to as much as $2.38 a barrel, the most since Aug. 20, 2014. The move indicates the market expects supply shortages to be more severe in the short term. Information provider Genscape said U.S. crude inventories at the Cushing, Oklahoma, and delivery hub had fallen in the week, traders said. Genscape said stockpiles at the hub were down 3.2 million barrels in the week to June 22, but rose slightly in the four following days to June 26. Cushing supplies are down partially due to an outage in Canada. Production at Syncrude Canada’s oil sands facility near Fort McMurray, Alberta, is likely to remain offline at least through July, a Suncor Energy Inc spokeswoman reaffirmed on Tuesday. “There seems to be great uncertainty about how much oil will be added to the supply side of the market,” said Gene McGillian, vice president of market research at Tradition Energy in Stamford, Connecticut, referring to how much Saudi Arabia’s spare capacity will be able to offset shortages around the world. “How this really is going to play out seems to be up in the air.”

U.S. President Donald Trump tweeted on Saturday that Saudi Arabia’s King Salman bin Abdulaziz Al Saud had agreed to pump more oil, “maybe up to 2,000,000 barrels.” The White House later walked back the comments. Saudi Arabia’s output is up by 700,000 barrels per day (bpd) from May, a Reuters survey showed, and close to its 10.72 million bpd record from November 2016. Production from the Organization of the Petroleum Exporting Countries increased by 320,000 bpd in June, according to a Reuters survey published Monday. The 12 OPEC members with supply reduction targets increased output by 680,000 bpd compared to May. Russian output rose to 11.06 million bpd in June from 10.97 million bpd in May, the Energy Ministry said on Monday. U.S. production has soared 30 percent in the past two years, to 10.9 million bpd, meaning the world’s three biggest oil producers now churn out almost 11 million bpd each, meeting a third of global oil demand. Also weighing on oil demand are trade disputes between the United States and other major economies including China, the European Union, India and Canada. China, Japan and South Korea all reported slowdowns in export orders in June amid escalating trade disputes with the United States.

# Rising oil price sees Gulf Arab borrowing at lowest since 2014

Bloomberg, *03.07.2018*




**Gulf Arab energy companies retreated from debt markets in the first half of 2018 after a banner year for borrowing as higher oil prices curbed financing needs for existing operations and new projects.**

**Oil and gas producers, pipeline operators and refiners in Kuwait, the UAE, Saudi Arabia, Oman, Bahrain and Qatar borrowed $6 billion through loans and bonds in the first half of 2018, the slowest start in four years, according to data compiled by Bloomberg. By comparison, US energy companies issued a record $74.3 billion in debt so far in 2018.**

The diverging debt appetites between the six Arab exporters and US suppliers shows that GCC producers are bringing in more cash to finance operations and expansion after crude prices rose 18 percent this year. It also reflects how higher prices are spurring a debt-fuelled surge in US production, which is pumping a record 10.9 million barrels a day and has averaged 10.4 million barrels this year, according to Energy Information Administration data. GCC countries pump about 17 million barrels a day and their energy industries borrowed a record $28.7 billion in 2017, with $12.8 billion in the first half. Oil and gas producers in the US are far more dependent on debt than GCC exporters. Borrowings in the US tend to rise with oil prices to finance drilling activity, while Gulf Arab producers seek debt when prices are low and companies have to send more cash to their government owners to help plug budget deficits.

GCC producers "raised what they wanted last year. This year oil prices are much stronger than anyone anticipated, and they don't have the capital needs to go back to the market," said Robin Mills, chief executive officer of consultant Qamar Energy in Dubai. "The US seems convinced that the shale boom is more sustainable, and this is the rush that everyone goes for." Oil and gas producers in Saudi Arabia, Kuwait and the UAE plan to spend more than $600 billion on energy projects over the next five to 10 years, officials from the countries have announced. Some of that will be financed by debt, especially for refineries and petrochemical plants, but borrowings will likely be subdued in 2018 because many of the projects won't begin for a few years, Mills said. The biggest borrowing in the GCC this year was a $3 billion loan to Abu Dhabi National Oil Co. UAE-based oil field services providers Shelf Drilling Holdings Ltd. and Borr Drilling Ltd. took out a combined $1.25 billion, Saudi Aramco Total Refining & Petrochemical Co. issued a $150 million revolving credit line, and Kuwait Integrated Petroleum Industries Co. borrowed about $1.3 billion to finance the construction of its liquefied natural gas import terminal.

# Saudi Arabia Won't Bring 2 Million Bpd Online

Oil & Price, *02.07.2018*

**President Trump said in a tweet on Saturday that Saudi Arabia agreed to boost oil production by 2 million barrels per day (mb/d), a claim that surely came as news to the Saudis.**

**The tightening of the oil market has pushed up prices, which is always a concern for U.S. politicians wary of catching heat from their constituents. The decision by OPEC+ in June to hike production by 1 mb/d looks increasingly inadequate in dealing with the growing number of supply outages around the world. It's no surprise that Trump wants more Saudi oil on the market, but he likely misunderstood what the Saudis told him.**

Saudi Arabia was producing 10 mb/d in May and recent reports suggest they might add as much as 800,000 bpd to 1 mb/d in July, a massive increase in such a short period of time. But it's a far cry from the 2 mb/d that Trump thinks Saudi Arabia will add. That would translate into overall production of around 12 mb/d, which is probably unrealistic for a few reasons. First, there are technical questions about how far and how fast Saudi Arabia can push its oil fields. Can they ramp up to 12 mb/d? Probably, but there is not a lot of historical evidence to go on. Also, they probably can't do it immediately, it would take time, perhaps more than a year. The second – and more important – reason why Saudi Arabia won't comply with Trump's wishes to add another 2 mb/d onto the market is that they don't want to. Ramping up that much would leave the oil market dangerously low on spare capacity, cutting it down to less than 1 mb/d. At that point, any supply disruption would send oil prices skyrocketing. Indeed, it wouldn't even take a tangible disruption – the mere possibility of another outage would lead to a significant volatility.

Of course, Saudi Arabia is aware of this, which is why it is extremely hard to imagine them adding 2 mb/d. Perhaps that is why the White House walked back President Trump's comments when they published details of Trump's conversation with King Salman. "In response to the President's assessment of a deficit in the oil market, King Salman affirmed that the Kingdom maintains a two million barrel per day spare capacity, which it will prudently use if and when necessary to ensure market balance and stability," the statement from the White House read. Increasing supply by 2 mb/d is a very different thing than "prudently" using spare capacity to "ensure market stability." Nevertheless, Trump is probably right that the oil market needs more supply. And OPEC could struggle to meet the emerging supply gap, which seems to grow worse with each passing day. Venezuela has lost close to 1 mb/d in the past two years, and could lose another 500,000 bpd over the next year. An outage in Canada is expected to send a little over 350,000 bpd offline for the month of July. And Trump himself could be responsible for disrupting around 1 mb/d – or more – of Iranian supply. "Don't forget the one negative to the Iran deal is that you lose a lot of oil, and they got to make up for it. And who is their big enemy? Iran. OK. You think of it. Iran is their big enemy, so they are going to have to do it," Trump said on Sunday in a Fox News interview. "And I have a very good relationship with the (Saudi) king and with the crown prince of Saudi Arabia and with the others around and they are going to have to put out more oil."

Over the weekend, the oil market received another jolt on news that force majeure will likely be declared at two additional Libyan export terminals, which has translated into the disruption of more than 850,000 bpd and has pushed the country's output down to a paltry 300,000 bpd. It's a staggering loss, and it almost single-handedly wipes out the planned increase from the OPEC+ coalition. Oddly, oil prices did not spike at the start of trading on Monday, which suggests oil traders clearly didn't entirely dismiss President Trump's bold claim that OPEC would add 2 mb/d. The market is probably betting that Saudi Arabia could add more supply than previously indicated. But as the supply outages mount, Saudi Arabia is in danger of losing control of the market. Riyadh does not want to burn through all of its spare capacity, which means it won't add something like 2 mb/d. However, that means that the market is starting to look undersupplied for the second half of 2018. It's a tricky balance for Riyadh, wanting to keep the market balanced but also wanting to keep dry powder for future disruptions. Most likely, the Saudis will opt for allowing prices to go higher rather than using up most of their spare capacity.

# Gazprom targets 'record' gas delivery to Europe in 2018

Oil & Price, *29.06.2018*

**Russia's Gazprom aims to deliver a "record" level of around 200 billion cubic meters (bcm) of natural gas to Europe by the end of 2018, Chairman Alexey Miller said Friday.**

**Speaking to journalists in St. Petersburg, Miller said that in the first half of the year, Gazprom's exports to Europe had increased by six percent to 101 bcm. "If Europe's gas demand from Russia continues at the current rate, 2018 will end with a record level," the chairman added. Gazprom meets 30 percent of Europe's annual gas demand. Last year, the company exported around 194.4 bcm of natural gas to Europe.**

# BP holds millions of barrels of oil off China as demand falters

Rigzone, *29.06.2018*

**Four supertankers chartered by energy major BP have been held up or delayed off China's east coast over the last two months, unable to fully discharge oil as slowing demand from the country's private refiners starts to impact global markets.**

**Two of the four BP-chartered very large crude carriers (VLCCs) are still off Shandong province holding half their cargoes of Angolan crude oil, and another is headed back there from South Korea, according to trade flow data in Thomson Reuters Eikon and two shipping sources who track these vessels.**

It's not clear why the tankers have had so much trouble offloading all their oil, or if BP had first secured buyers for the 8 million barrels - worth more than $600 million at current market prices - that was loaded onto the vessels out of Africa. BP has declined to comment on the matter. What is apparent is that the fortunes of China's independent refiners, often called "teapots", have turned for the worse amid escalating global trade tensions, rising crude oil prices, an oversupplied domestic fuel market and tighter government tax scrutiny.

“Either it’s because of lower run rates curbing teapots’ buying, or the buyers are having problems paying,” said an executive with a western trading house. While an executive at an independent Shandong refiner said: “The market is bad - weak demand as plants come under policy headwinds ... (with) the tax rules biting into margins.”

Both executives declined to be named as they were not authorised to speak publicly about commercial operations. It is not unusual for producers like BP to ship cargoes before finding a buyer. But having cargoes orphaned for two months is less common, several oil traders and shippers said. Paying for supertankers, each half a kilometre (0.3 miles) long, to wait in open seas to unload is costly as well. Although it is not known at what rate BP chartered the four vessels, shippers estimate the daily charter rate for a VLCC is now about $30,000 a day. So, four chartered VLCCs sitting idle for a month would cost BP around $3.6 million. BP declined to comment on the cost of having the tankers waiting off China to unload oil. Several traders and shippers said BP was unlikely the only seller caught off guard by the slowdown in demand and the teapots’ troubles, although all said stranded cargoes of this size and duration is rare. Among the four BP-chartered ships, the Texas has been held up the longest. It discharged part of its Angolan crude load in mid-April at Qingdao and was slated to offload the rest of its cargo at Rizhao, another port in Shandong, shortly after. Instead, the Texas has been anchored off the coast until this week, when it discharged 130,000 tonnes on Thursday, according to a port source with knowledge of the matter.

# Eni strengthens its presence in Norwegian offshore

Anadolu Agency, *02.07.2018*

**Italy-based multinational energy company Eni and HitecVision, a private equity investor in the upstream offshore oil and gas industry, agreed to merge Point Resources AS with Eni Norge AS, renaming the company Var Energi AS.**

**The combined entity will be an independent Norwegian exploration and production company, built on the existing organizations’ leveraging of complementary strengths, according to the simultaneous announcements from each of the companies on Monday.**

The portfolio of the combined company will have a geographical coverage ranging from the Barents Sea to the North Sea, including the production of 180,000 barrels of oil equivalent per day (boepd) from 17 oil and gas fields, according to the companies’ press releases. The company’s resources are indicated to have a capacity of 1,250 million barrels of oil (mboe) equivalent, the press releases also said.

According to the statements, production is expected to reach 250,000 boepd by 2023 after developing more than 500 mboe in ten existing assets, with a breakeven price of less than $30 per barrel. In total, the new company plans to invest more than NOK 65 billion ($8 billion) over the next five years to bring these projects onstream, revitalize older fields and explore for new resources. “This is a fundamental step ahead in our strategy to reinforce Eni’s presence in OECD countries with further upstream potential, such as Norway,” Claudio Descalzi, CEO of Eni stated in the press release.

“The high quality of the human capital as well as of the assets in the portfolio, together with the expansion opportunities still available in Norway, will create a significant upside value to the shareholders of the merged company. Eni will bring into Var Energi its globally recognized capacity to innovate and its best technology, which has enabled us to achieve remarkable results in recent years, through great discoveries and the startup of these discoveries in a record time” Descalzi added. Eni and HitecVision will jointly own Var Energi AS with a 69.6 percent and 30.4 percent stake, respectively. The shareholders have agreed the key strategy and objective of the company, both press releases said.

# Sonatrach plans to boost gas by 50% with Er-Rar invest.

Anadolu Agency, *03.07.2018*

**Algeria’s national hydrocarbon company Sonatrach plans to increase its daily natural gas production to 24 million cubic meters (mcm) from 16 mcm with the help of new investment on the country’s border with Libya, the company announced Tuesday.**

**Abdelmoumen Ould Kaddour, CEO of Sonatrach, conducted research and development studies for the Er-Rar gas field located next to the Libyan border in southeast Algeria. The company invested 64 billion dinars (US$540 million) for the development of the gas field, according to Kaddour.**

British oilfield services company Petrofac and Italian pipeline contractor Bonatti together with Sonatrach have made investment and development plans for the gas field over the past six years, according to Kaddour. Algeria exported 55 billion cubic meters (bcm) of natural gas in 2017 out of total production of 135 bcm, the company announced. It exports natural gas to Europe from three different pipelines. Sonatrach announced recently that the company plans to terminate their long-term gas agreements and aims to implement five-year short-term agreements in the future.

# Algeria raises production at eastern Alrar gas field

Reuters, *02.07.2018*

**Output at Algeria's Alrar gas field close to its border with Libya has risen to 24.7 from 16 million cubic metres per day following an extension of the field, the head of state energy firm Sonatrach said on Monday.**

**CEO Abdelmoumen Ould Kaddour, who was officially inaugurating the field extension, is pushing to raise output at ageing gas fields as part of an effort to boost Algeria's revenue from hydrocarbons production. A number of gas projects, most of which are expansions of existing fields, have come online in 2017 and 2018.**

The cost of the extension at Alrar, completed with the help of foreign firms Petrofac and Bonatti, was 64 billion Algerian dinars ($545 million). Algeria, a supplier of gas to Europe, produced 135 billion cubic metres of gas in 2017. In recent years it has struggled to attract investment to help develop new fields and increase existing production.

# Libyan oil firm halts exports from Haftar-held seaports

Anadolu Agency, *02.07.2018*

**Libya's National Oil Corporation (NOC) has stopped exporting oil from the country's eastern Al-Harika and Al-Zwaitina seaports, the company announced Monday.**

**In a statement, the NOC said that a state of emergency had been imposed at both ports -- following a similar move last month at Libya's Sidra and Ras Lanuf ports -- against the backdrop of an ongoing political crisis. "We had previously warned of the consequences of the continued closure of seaports by the general command," the statement read, referring to forces led by Libyan military commander Khalifa Haftar.**

The statement goes on to quote Mustapha Sannallah, head of the NOC's board of directors, as saying that Haftar's forces had prevented two vessels from onloading oil shipments at Al-Harika and Al-Zwaitina. "Our oil-storage facilities [at the two ports] are now full to capacity," Sannallah said, "which has forced the NOC to temporarily halt production." In the statement, the NOC urges pro-Haftar forces to allow it to "carry out its responsibilities" as the only internationally recognized authority for finding, producing and exporting Libyan oil. According to the NOC, the ongoing port closures are costing the company roughly 850,000 barrels of crude oil, 710 million cubic feet of natural gas and more than 20,000 barrels of condensate per day. The company goes on to estimate daily revenue losses at some $67 million, also noting that Libya's treasury had lost more than $650 million since Haftar launched operations last month to capture the Sidra and Ras Lanuf ports.

Last week, Haftar -- who was appointed military commander in 2015 by Libya's Tobruk-based parliament -- captured some of the country's most lucrative oilfields following clashes with a rival military force. Afterwards, Haftar handed over the oil ports he had captured to a rival petroleum corporation instead of the UN-recognized NOC. The move prompted a storm of criticism inside Libya and concerns among major powers -- including the U.S., France and Italy -- regarding Haftar's ability to manage the oilfields.

# Asia's newest LNG hedge

Oil & Price, *05.07.2018*


**If fuels were actors, LNG would be the rising star. Everyone wants LNG: it's cheaper and cleaner than oil, and it is abundant enough to remain attractive in the long run as well. But some LNG fans may have outdone themselves.**

**Reuters write in a recent report that Japanese utilities are looking for merger and acquisition opportunities to secure alternate markets for the LNG supplies they have contracted with U.S. producers, as domestic demand is set to slide and may not be strong enough to soak up all that they have been contracted to purchase.**

For energy-hungry Japan and South Korea, the rise of U.S. LNG was a true boon. It offered them an alternative to costlier, oil-tied Qatari LNG supplies, so traders such as JERA, Kogas, and Tokyo Gas rushed to secure long-term, flexible delivery contracts with LNG producers that needed cash to build their LNG plants. It was a win-win situation: the producers got the investments they needed to make LNG capacity available, and traders got a long-term supply commitment under better terms than Middle Eastern LNG. Now it seems that they may not need all these supplies—supplies that they are locked into purchasing.

The International Energy Agency has forecast that Japan's demand for gas for power generation could slump by as much as 17 percent by 2023 on the back of returning nuclear power generation capacity and growth in renewable energy. South Korea also has an ambitious renewables program. So gas traders are looking to Europe for markets. Earlier this month, JERA and France's EDF announced they will merge their LNG trading units, which will provide JERA with greater access to the European LNG market, which has become the swing market in this energy industry segment. Europe consumes 550 billion cubic meters of natural gas annually and is always open to a more diverse set of supply sources.

Last month, Tokyo Gas and Centrica inked a deal for the joint purchase of LNG from Anadarko's East African LNG project in Mozambique, yet to be built. Anadarko's lenders for the project have asked for long-term supply commitments for at least 8.1 million tons of the project's 12.88-million-ton annual capacity, and Tokyo Gas and Centrica committed to buy 2.6 million tons of LNG from the U.S. producer. The total commitments have so far come in at 7.7 million tons. And what if Anadarko can't find commitments for 8.1 million tons annually? Its Mozambique project will be scrapped, and buyers will find another supplier. With so much LNG capacity coming on stream in Australia, the United States, and Russia as well, buyers will have the pleasure of being able to pick the cheapest and most flexible options out there, which means the LNG market will only become more competitive in the coming years. Some suppliers could fall over board if they can't offer low enough prices and flexible delivery mechanisms. These flexible mechanisms—and price independence from oil—were what set U.S. producers apart from traditional suppliers that peg their LNG to oil prices to the detriment of buyers and insist on a fixed delivery routes. U.S. producers won the Asian market because they were fine with deliveries being diverted. Chances are, more producers will follow their example to maintain or expand market share. And they will have to hope that Europe does not decide to double down on renewables and increase the pace of their expansion, shrinking the LNG market.

# Oil slips as U.S. crude stockpiles show surprise build

Reuters, *05.07.2018*

**Oil fell on Thursday after U.S. government data showed an unexpected build in crude oil stockpiles.**

**U.S. crude futures fell $1.20 to settle at $72.94 a barrel, retreating from Tuesday's 3-1/2-year high of over $75. Brent crude futures lost 85 cents to settle at $77.39 a barrel. U.S. crude stockpiles rose 1.3 million barrels last week, according to U.S. Energy Information Administration data. Analysts had expected a 3.5 million-barrel draw. "Because it's driving season, you expect a lot of crude to go through refineries right now.**

So that’s why we were looking for a draw,” said Gene McGillian, vice president of market research at Tradition Energy in Stamford, Connecticut. On Thursday, The Wall Street Journal reported that public listing preparations of state-run Saudi Aramco have stalled. That may reduce the pressure on Saudi Arabia to keep oil prices high, said John Kilduff, partner at energy hedge fund Again Capital LLC in New York. Saudi Arabia has wanted to sell shares in Aramco to bring in foreign investment to diversify its economy, but legal concerns about listing in places like London or New York have presented complications. Inventories at Cushing, Oklahoma, the delivery point for U.S. crude futures, fell to their lowest level since December 2014. Flows into Cushing dropped following an outage at the 360,000 barrel per day (bpd) Syncrude facility in Alberta, which is expected to persist through July. “With those continued drawdowns at Cushing, we were approaching a situation where you could soon start to consider us nearing a shortage,” Kilduff said.

The inventory report also showed an increase in imports, which “provided some relief...and showed that even with the Syncrude situation, all is not lost,” Kilduff said. President Donald Trump. On Wednesday, he accused the Organization of the Petroleum Exporting Countries of driving up fuel prices. OPEC, together with a group of non-OPEC producers led by Russia, reduced output in 2017 to prop up the market. Last month, the group agreed to lift production by about 1 million bpd to offset losses from Venezuela and Iran. Prices have risen as a result of Washington’s plans to reimpose sanctions against Iran, OPEC’s No. 3 producer, analysts said.

# US wants to reduce Iran’s oil revenue to zero

Reuters, *03.07.2018*

**The U.S. wants to reduce Iran’s oil revenue to zero, the State Department director said. “We are working to minimize disruptions to the global market but we are confident there is sufficient global spare oil production capacity,”**

**Hook sad more than 50 firms announced their intent to leave the Iranian market, particularly in energy and finance sectors, as the U.S. is moving toward placing sanctions on Iran. “We have been clear with countries and companies around the world that we are bringing severe economic pressure on Iran until the regime changes its destabilizing policies,” he added.**

Hook also said a delegation under his lead will visit Gulf states “in the coming days”, as part of global diplomatic efforts. President Donald Trump withdrew the U.S. from the nuclear deal in May, which was signed in 2015 between Iran and the P5+1 group of nations -- the five permanent members of the UN Security Council plus Germany). The Treasury Department said the sanctions on Iran would take effect in 90-day and 180-day periods -- after Aug. 6 and Nov. 4. Iran’s crude production was around 3.8 million barrels per day in May, according to OPEC’s Oil Market Report for May. The country exports more than 2 million barrels of oil.

# Number of oil rigs in US falls for 2nd consecutive week

Oil & Price, *30.06.2018*

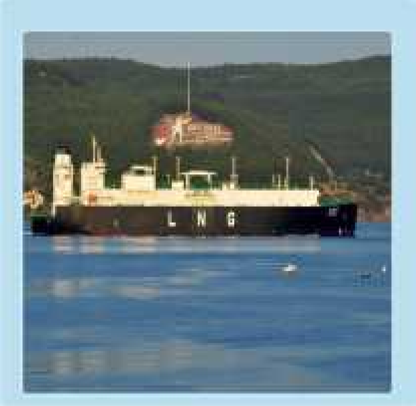
**The number of oil rigs in the U.S. decreased for the second week in a row, according to oilfield Services Company Baker Hughes data on Friday.**

**The oil rig count in the country fell by four for the week ending June 29, the data showed. This brought the total number of oil rigs in the U.S. to 858, from 862 the week before. In the previous week, number of oil rigs fell by one, marking the first decline since the week of March 29. The U.S. EIA data showed this Wednesday that crude oil production in the country rose by 62,000 bpd.**

This number staying almost unchanged at 10.9 million bpd for the week ending June 22. This marked the 23rd time that crude oil output in the U.S. showed an increase in the past 24 weeks. The U.S. crude oil production is expected to average 10.8 million bpd this year, and 11.8 million bpd next year, according to the EIA's Short-Term Energy Outlook for June.

# Global LNG trade to surpass 500 bcm by 2023: IEA

Anadolu Agency, *29.06.2018*




**Global liquefied natural gas (LNG) trade is expected to pass the 500 billion cubic meter (bcm) mark in 2023, driven by strong demand in developing Asian markets, according to the International Energy Agency's annual gas market report.**

**The IEA report, which was released on Tuesday, showed that China accounted for over a third of the increase in global LNG demand. It said that the U.S. would surpass Australia to become the second largest LNG exporter by 2023 at 101 bcm, but it could overtake Qatar (105 bcm) as the top exporter if new US export projects achieved their final investment decision in the next two years.**

"Qatari expansion is not expected to be operational before end-2023," the report noted. According to the agency, the three global LNG players will together provide 60 percent of LNG exports by 2023, at around 100 bcm each, with Russia gearing up to reach 37 bcm but still some way behind.

China becomes largest gas importer. The report also said that China would become the largest natural gas importing country in the world by next year, with the share of imports rising from 39 percent to 46 percent. “Much of the increase is LNG, imports are expected to increase by 80 percent from 51 bcm to over 90 bcm between 2017 and 2023,” it said, adding that pipeline imports from Eurasia would also increase substantially thanks to the new and expanded pipeline capacity. The IEA said that Europe’s import dependency further increased with the impact of Groningen field phase-out in the Netherlands, combined with the continuous depletion of domestic production.

The European natural gas supply gap will increase by 30 bcm over the forecast period to reach over 310 bcm by 2023, according to the report. “This increasing gap is bridged by a combination of additional LNG and pipeline gas from both new sources and traditional suppliers,” it said. The Dutch government has since 2014 been mandating caps on production from Groningen owing to the impact of earthquakes affecting nearby communities caused by this production. At the end of March, the Dutch Ministry of Economic Affairs and Climate Policy launched the plan to phase out Groningen natural gas production by 2030. According to the IEA, the announcement marks a turning point for the country as it is the first time an end date of Groningen gas production is mentioned.

# Announcements & Reports

### ► *A review of demand prospects for LNG as a marine fuel*

**Source** : OIES
**Weblink** : https://www.oxfordenergy.org/publications/review-demand-prospects-lng-marine-fuel/

### ► *Gas 2018*

**Source** : IEA
**Weblink** : https://www.iea.org/gas2018/

# Upcoming Events

### ► *Surveying of Offshore Floating Units*

**Date** : 12 - 29 July 2018
**Place** : London
**Website** :http://www.lloydsmaritimeacademy.com/event/surveying-offshore-floating-units-distance-learning-course?utm_source=rigzone&utm_medium=listing&utm_campaign=FLR2998EXLRZ&xtssot=0

### ► *The Essentials of Rock Physics and Seismic Amplitude Interpretation*

**Date** : 07 - 12 July 2018
**Place** : Houston
**Website** : http://www.peice.com/eventdetails.aspx?event=114805&utm_campaign=events&utm_medium=referral&utm_source=rigzone

### ► *Basic Drilling Technology: BDT*

**Date** : 16 - 20 July 2018
**Place** : Houston
**Website** : http://petroskills.com/course/basic-drilling-technology-bdt?sessionId=37513

### ► *Eastern Unconventional Oil & Gas Symposium 2018*

**Date** : 05 July 2018
**Place** : Washington DC
**Website** : http://www.euogs.org/

### ► *Four Corners Oil & Gas Conference*

**Date** : 09 August 2018
**Place** : Farmington
**Website** : https://www.fourcornersoilandgas.com/

### ► *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/