Engie to grow by establishing trade platform in Turkey

AA Energy Terminal, *30.12.2016*

Engie is implementing a growth plan by setting up a gas and power trading platform in Istanbul, the company said. Engie said it aims to enhance the competitiveness of the Engie assets through optimized supply and market access.

“An active support will be given to the further development of the Turkish power and gas wholesale markets, with high focus on renewable power generation and related services,” noted the company. Denis Lohest, Engie CEO said the company’s strategy in Turkey is to develop projects to increase its production capacity with a special focus on renewable energy sources.

“Our main target is to keep and strengthen our vision to be a reliable partner for our stakeholders in Turkey,” he said. Engie is one of the leading natural gas distributors, and also owns two gas-fired power plants in Turkey.

The company owns 90 percent stake at Izgaz company, which is the third largest natural gas distributor in Turkey. In addition, since October 2010, GDF SUEZ ETP operates a license to import liquefied natural gas (LNG), and began trading activities of natural gas in 2011.

GDF SUEZ ETP obtained a power supply license in 2013 and is primarily intended to be a platform for the commodity price risk management. The company also started trading with Turkish Egegaz and Botas for the supply of LNG by cargoes and provided 13 LNG cargoes since.

Engie’s Baymina Enerji power plant in Turkey’s capital Ankara has a capacity of 763 megawatts and is operated by Engie, holding 95% share of the company. Uni-Mar power plant, where Engie has 33 percent stake, has a capacity of 480 megawatts.

Foreign investors continue to trust in Turkey's potential

Anadolu Agency, *04.01.2017*

Energy Council of Foreign Investors President Mario Diel said on Monday that the normalization of relations with Russia and Israel, the lifting of sanctions on Iran - despite the many challenges the country faced with terrorist attacks in 2016 - have helped foreign investment in Turkey to remain strong.

Diel, evaluated energy developments in 2016 in terms of future prospects and expectations in Turkey. The president hailed the potential in Turkey's energy sector as one of the most attractive in the region and for Europe, and asserted that foreign investors will continue to invest in the country despite the negative incidents that it experienced last year.

Noting that German EWE Holding's decision to increase investments in Turkey and the declaration of the Danish Danske Commodities to have increasing confidence in Turkey are among the positive developments in the energy sector last year, Diel welcomed Energy and Natural Sources Minister Berat Albayrak's efforts and support in 2016 to help the energy sector and its investors establish a sustainable environment to attract investment and a positive outlook for the future.

"The government's guaranteed tariffs in the renewable sector are still much higher compared to most European countries. New investments are highly welcomed and supported by several governmental incentives and less bureaucratic hurdles," Diel said.

He also explained that contrary to reports in Western media, Turkish banks are still showing strong commitments and supporting investments in the energy sector. "Foreign investors are still interested in the Turkish energy market due to its growth potential and the importance of Turkey in the region," he said.

Recent global developments including Brexit in the U.K., the U.S. presidential elections results and the weak Turkish lira have also impacted Turkey's economy and by extension its energy sector, Diel said.

"We could witness disruption in the electricity market as power plant owners struggle to pay their debts since most of them are financed either through U.S. dollars or on a euro basis," he added. Diel said, however, that these developments have been positively offset by the normalization of relations with Russia and Israel which will not only create new business and investment opportunities but also offer sustainable energy sources for Turkey and the region. Diel surmised that mega projects like the Trans Anatolian Natural Gas Pipeline (TANAP), Southern Gas Corridor - Trans Adriatic Pipeline (TAP), the TurkStream project, which are already under construction or in the development phase, will strengthen Turkey as an important energy corridor and transfer the country through connections to important energy producing countries with Europe.

TANAP plans to transport 16 billion cubic meters (bcm) of natural gas from fields in Azerbaijan into Turkey and then onto markets in southern Europe, once operational in 2018. The Southern Gas Corridor Pipeline project, which aims to carry Caucasian gas to Europe, is regarded as a project that will reduce Europe's over-dependence on Russian gas and will provide the EU with diversification of energy sources.

The project will include three major pipeline projects, the expansion of the South Caucasus Pipeline through Azerbaijan and Georgia, the construction of TANAP across Turkey and the construction of the TAP through Greece, Albania and into Italy.

Additionally, the TurkStream, which was announced by Russian President Vladimir Putin during a 2014 visit to Turkey, is set to carry gas from Russia under the Black Sea to Turkey's Thrace region. One line, with 15.75 billion cubic meters of capacity, is expected to supply the Turkish market, while a second line is set to carry gas to Europe.

"Recent investments such as Turkey's first floating storage and re-gasification unit (FSRU) in western İzmir province along with the planned increase in natural gas storage will increase Turkey's competitive power in the natural gas market," he said.

"Iran will most likely be a bigger player especially in the gas market where Turkey will be again, not only one of the most important consumers but also as a transfer country to the Western world," he added.

The newly constructed railway connection between Baku, Tbilisi and Kars will boost commodity trading in the entire region up to China, Diel said. "Nevertheless, Turkey is the biggest market in the region with a still growing economy and is, despite all the challenges, a young, dynamic and demanding population located at one of the most important geopolitical regions," he added.

"We will contribute our know-how and experience in the market, not only for individual commercial interests, but also for a better future for the Turkish people," he concluded. Energy Investments in 2017TurkStream to start constructionThe construction of the first pipeline for the TurkStream project, which is estimated to cost 11.4 billion euros and will contribute to Turkey's ambition to become an energy hub in the region by carrying Russian gas to Europe, will commence in the second half of 2017.

Last week, Gazprom CEO Alexei Miller announced that Gazprom completed the creation of capacities to feed gas to the TurkStream pipeline and the Russian party is fully ready for supplies at a conference call. In the second half of 2017, the laying of the pipeline in the Black Sea will start, he said.

Russia's state-owned gas giant Gazprom estimated the cost of construction of the TurkStream pipelines at 11.4 billion euros, with the cost of the first line construction estimated at 4.3 billion euros, as previously reported by Russian news agency TASS. Russia also thinks that the first line will contribute about $750 million to the Russian treasury as revenue obtained from export taxes. On Oct. 10, Turkey and Russia signed an inter-governmental agreement on carrying out the construction of the planned TurkStream gas pipeline to compress Russian gas under Turkish waters in the Black Sea toward Europe.

The agreement was signed by Energy Minister Berat Albayrak and his Russian counterpart Alexander Novak, in the presence of Russian President Vladimir Putin and President Recep Tayyip Erdoğan after their talks in Istanbul as part of the 23rd World Energy Congress.

The General Assembly of the Turkish Parliament ratified the bill for the TurkStream agreement on Dec. 2 and it was consequently approved by President Erdoğan. Following Prime Minister Binali Yıldırım's two-day official visit to Russia upon the invitation of his Russian counterpart Dmitry Medvedev, the bill for the TurkStream project was ratified by the Russian government and it will be voted out in Duma, the lower wing of the Russian parliament this month.

Currently, surveys for the two nuclear power plants, one in Sinop province in northern Turkey and the other in Akkuyu in southern Turkey, are continuing. However, these processes are to accelerate in the new year in order to facilitate the beginning of the construction process.

Furthermore, Energy Minister Albayrak previously announced that studies on the third nuclear power plant are also continuing in accordance with the increasing energy demand of the country. Yesterday, the Dünya daily reported that a consortium consisting of Japan's Toshiba, China's State Power Investment Corporation and the U.S.'s Westinghouse plans to meet with the Turkish government to initiate the project, which is estimated to cost around $17 billion.

Ten events that shaped Turkey's energy sector in 2016

TRT, *30.12.2016*

Taking steps to reduce its reliance on external energy sources, Turkey developed its domestic capacity and ramped up its role as an international energy hub in 2016.

Turkey's power capacity and renewable energy resources have increased threefold in the last 14 years, according to the government. And since 2001, Turkey has had a deal in place to buy around 10 billion cubic meters (bcm) of gas from Iran every year, but the financial cost is high. The deal met setbacks this year. Turkey filed two cases in the International Court of Arbitration in 2012 against Iran.

Under New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958, both states agree to enforce foreign arbitral awards as if they were domestic court judgements, and agree to limited reasons to set aside or an award. One of the cases dealt with higher gas prices — and that case was resolved in favour of Turkey. The second case related to deficiencies in gas distribution, and the court sided with Iran.

2. Stake sale in Akkuyu Nuclear Power Plant

On April 27, 49 percent of the shares of the Akkuyu nuclear power plant, the first of its kind in Turkey, went up for sale. Some Turkish businesses are in the process of buying into the deal. The plant's first unit for operations are expected to be completed in 2022.

3. Turkey and Israel mended fences, and Eastern Mediterranean gas followed suit

In June, Turkey's normalisation of diplomatic ties with Israel paved the way for the two nations to participate over natural gas projects in the region of Israel and the East Mediterranean. Both countries agreed to open discussions on building a gas pipeline to pump Israeli gas into Europe.

Energy Minister Yuval Steinitz of Israel said that his country would "be glad to see Turkish companies involved in Israeli energy sector including in the exploration of gas fields. Both countries improved ties six years after the Mavi Marmara incident had strained their diplomatic relations. The relationship was damaged after Israeli soldiers killed ten civilians in a Turkish vessel in international waters that aimed to help the Gazan people.

4. A Sino-Turkish agreement on nuclear energy changed things up

In September, Turkey made a deal with China to cooperate in the peaceful use of nuclear energy. The deal is a step needed to open the way for China potentially building Turkey's third nuclear power plant. China is Turkey's third biggest trade partner worldwide after Germany and Russia, and its biggest in the Far East, according to Ankara's Foreign Ministry. [AA] The deal was initially signed in 2012, but went into effect in when Turkey published the news in its official gazette.

5. The 23rd World Energy Congress held in Istanbul

In October, Turkey hosted the 23rd World Energy Congress. The energy sector's great and the good — policymakers and executives in the energy world — came together to speak about the sector's new frontiers.

President Erdogan said Turkey's growth rate, especially in the last 14 years, has been above the world average and Turkey's energy demand has increased by 6-8 percent per annum. [Presidency of Turkey]

At the Congress, energy ministers of Organization of Petroleum Exporting Countries (OPEC), the oil cartel, and non-OPEC countries met in September to review a prior decision taken in Algeria to reduce global oil production. All sides agreed to continue to talk about cutting oil production and stabilising prices in future.

Russia, which is not the member of OPEC, said that the decision of slashing oil production was "productive," but that it needed to satisfy other countries. Russia's Energy Minister Aleksandr Novak said higher production led to a decrease in oil prices and as a result, investor confidence was low. The price of Brent crude reached $27 a barrel in January, the lowest level since December 2003. And today, amid the talks of reducing oil production, the price has gone up to $57. "In the last two years, investments [worldwide] were reduced to $450 billion," Novak said while explaining the impact of increased production on energy sector. In Algeria, OPEC member countries agreed to cap the group's total production at 32.5 million barrels per day, down from 33.64 million.

6. The TurkStream pipeline was revived

Russia and Turkey inked the TurkStream deal in October to establish a pipeline network between Russia and Turkey. The network will enable Turkey to supply gas to southeastern Europe. The TurkStream Project is being planned and developed by Gazprom, a Russian gas company. Its estimated cost is at least $12.6 billion.

7. A Turkey-Turkish Cyprus energy protocol pact was signed

In October, Turkey and the Turkish Republic of Northern Cyprus (TRNC) signed an energy protocol on the sidelines of the Energy Congress. The deal aims at constructing an undersea electricity cable to link the two countries. The project will enable energy to be transported to the southern parts of the Middle East, TRNC Energy Minister Sunat Atun said.

The agreement between Turkey and TRNC includes upgraded electricity infrastructure, the development of power supply security, the construction of interconnected systems, cooperation on renewable energy, the application of electricity regulations, as well as exploration for new oil and natural gas resources.

8. Leadership of SCO's Energy Club

Turkey's President Recep Tayyip Erdogan was elected as the chairman of the Shanghai Cooperation Organization's (SCO) Energy Club for 2017. The SCO members control three-fifths of Eurasian territory, holding about 25 percent of global oil reserves, over 50 percent of gas reserves, 35 percent of coal, and about half of the world's known uranium reserves. Erdogan improved relations with the SCO after the European Parliament advised the European Union to suspend ties with Turkey.

9. Turkey and Venezuela inked a cooperation deal

Turkey and Venezuela signed an extensive cooperation agreement regarding the energy sector in November, aimed at developing and promoting the oil, gas and petrochemical industries. Turkey also plans to fund the optimisation of existing port and transportation systems in northeastern Venezuela in exchange for petcoke, a fuel that is a cheap byproduct of the oil refining process.

The governments said they would exchange information and experience in the development of the energy sector. The two nations are also set to promote joint investments that explore and extract hydrocarbon resources, as well as market the end products.

10. Turkey might pay for gas using its domestic currency

Turkey's Energy Market Regulatory Authority (EMRA) announced in December it would use the Turkish lira in the future to trade gas with countries that have vast energy reserves. "We have taken steps also to do trade with Russia, China, and Iran in our local currency," Erdogan said.

Construction of TurkStream under Black Sea to start in 2017

Daily Sabah, *30.12.2016*

Gaprom has completed the creation of capacities to feed gas to the TurkStream pipeline and the Russian party is fully ready for supplies, Gazprom CEO Alexei Miller told a conference call on Thursday, according to the Russian news agency TASS. In the second half of 2017, the laying of the pipeline in the Black Sea will start, he said.

"We also successfully continued working on the implementation of another large export gas transportation project - TurkStream. We obtained permits and approvals, and in the second half of 2017 we'll start laying the pipes in the Black Sea.

It should be noted that this year we have finished the construction of facilities on the Russian territory to feed 31.5 billion cubic meters of gas to TurkStream. This also applies to the pipeline infrastructure and compressor stations, which means that judging by the results of our work in 2016, the Russian party is completely ready for supplying gas via the TurkStream," Miller said.

In December 2014, Putin announced the termination of the SouthStream project following disagreements with the EU. Brussels insisted that the project should comply with the so-called Third Energy Package, although it is not part of the intra-European gas infrastructure. It was decided to build the TurkStream instead of the SouthStream but this project was later suspended, in particular due to the crisis with the Russian-Turkish relations.

On Aug. 9, Turkish President Tayyip Erdoğan and Russian President Vladimir Putin met in St. Petersburg. Following those talks, the decision to resume work on the TurkStream project to set up a working group and to draw up a roadmap was taken.

It was planned that the marine section of the TurkStream will consist of four lines, each with a capacity of 15.75 billion cubic meters. The pipeline is to stretch by 660 kilometers along the old corridor of the SouthStream and by 250 kilometers along the new corridor in the direction of the European part of Turkey.

On Oct. 10, Turkey and Russia signed an inter-governmental agreement on realizing the construction of the planned TurkStream gas pipeline to compress Russian gas under Turkish waters in the Black Sea toward Europe. The agreement was signed by Energy Minister Berat Albayrak and his Russian counterpart Alexander Novak, in the presence of Russian President Vladimir Putin and President Recep Tayyip Erdoğan after their talks in Istanbul as part of the 23rd World Energy Congress. The project, announced by Putin during a December 2014 visit to Turkey, will carry gas from Russia under the Black Sea to the Turkish Thrace. One line, with a 15.75-billion-cubic-meter capacity, is expected to supply the Turkish market with a second carrying gas to Europe.

Russia's state-owned gas giant Gazprom estimated the cost of the construction for pipelines of the TurkStream at 11.4 billion euros, with the cost of the first line construction estimated at 4.3 billion euros, as previously reported by Russian news agency TASS. Russia also reckons that the first line will contribute about $750 million to the Russian treasury as revenue obtained from export taxes.

The General Assembly of the Turkish Parliament ratified the bill for the TurkStream agreement on Dec. 2 and it was consequently approved by President Erdoğan. Following Prime Minister Binali Yıldırım's two-day official visit to Russia upon the invitation of his Russian counterpart Dmitry Medvedev, the bill for the TurkStream project was ratified by the Russian government and it will be voted out in the State Duma, the lower wing of the Russian parliament in January.

Chairman of the Russian State Duma Committee of Energy Pavel Zavalny previously said, "We hoped voting would take place this year, but the last session of the Duma will be held on Dec. 21. However, we will not be able to make it to this date."

Zavalny also said, "I expect the voting will take place in January. The first session of the Duma will be held on Jan. 9. The agreement has not yet been submitted to Duma's approval." The Russian government approved a draft legislation on Dec. 16 to enable Russia to ratify its agreement with Turkey on the TurkStream gas pipeline project. A statement released by the official website of the Russian government said it approved the draft federal law and submitted it to the State Duma in accordance with the established procedure.

Southern Gas Corridor hits halfway point

Natural Gas Europe, *30.12.2016*

It's half-time to construct the SGC designed to carry an initial 16bn m³/yr of Azerbaijani gas to Turkey and Europe and which is designed to eventually carry twice that volume.

In physical terms, the system is already more than half completed so that it may well start to deliver its initial 6bn m³/yr to Turkey and 10bn m³/yr to the EU well ahead of schedule – as long as the Italian olive trees may be uprooted and replanted in time. Although the project dates back almost a decade, the final go-ahead can be dated precisely to December 17, 2013, which was when the final investment decisions were taken for two of the three core elements:

The second phase upstream development of the Shah Deniz gasfield (which includes expanding the existing South Caucasus Pipeline from Azerbaijan to Georgia's border with Turkey) and the giant Trans-Anatolian Pipeline (Tanap) across Turkey. The resolution to build (equivalent to an FID) the third core element, the Trans-Adriatic Pipeline (TAP) from the Greek-Turkish border to Italy, had been taken a few weeks earlier once it was clear that the other two FIDs would go ahead. As for the completion date, Tanap was originally due to deliver gas to Turkey by the end of 2018, but now looks set to open around mid-2018.

As for TAP, its EU certification requires it to enter commercial service by December 31, 2020, but in practice TAP's schedule is aimed at delivering gas from around the start of 2020. Moreover, Tanap's head, Saltuk Duzyol, briefing journalists during field trip on December 8, said Turkey's state gas gas company, Botas, would receive its first deliveries from Tanap in June 2018 and that deliveries from Tanap to TAP will start in June 2019.

Construction progress to date makes such an early delivery quite feasible. "In Azerbaijan and Georgia, we're pretty much on schedule and on budget - even a little ahead of schedule," BP Azerbaijan vice-president Bakhtiyar Aslanbeyli told NGW earlier this month. He said that for the elements for which BP, as Shah Deniz operator was primarily responsible – the upstream works at SD2 and the SCP Expansion (SCP-X) pipeline work – were now 82% completed in terms of procurement, design and engineering.

The platforms, jackets and top decks for the giant offshore platforms at which the SD2 gas will be produced were 93% ready, he added. This is a particularly complex activity, since what is officially a single platform will, to the layman, consist of two platforms linked by a bridge, with one used for working and the other for living.

The jacket for the first platform was delivered to the field in September 2016, the jacket for the second will be delivered in the first quarter of 2017 and the bridging platform will sail off to the field in the second quarter of 2017. "So, by summer all top decks and jackets will be place," Aslanbeyli said. Overall, he continued, "construction activities will be pretty much completed by summer of 2017 – and pretty much under budget."

In December 2013, the SCP partners – a group dominated by BP, Azerbaijan's Socar and the state Turkish companies who are shareholders in SD2 and Tanap – anticipated that overall spending would amount to around $45bn, of which some $28bn would be required for works being carried out directly by the SD2 consortium in Azerbaijan and Georgia. Now, however, Aslanbeyli told NGW, "we think it will be close to $40bn."

In Georgia itself, Gvaladze Gia, external affairs director at BP Georgia, told NGW that work was going very well and should be completed by the third quarter of 2017. This should be sufficient to ensure initial deliveries of gas to Turkey, for which just 2bn m^3 are planned in the first year of operation.

At Tsalka, high in the South Caucasus at close to 1,500 metres, a second Georgian compressor station is being installed to push larger volumes of gas to Turkey, as well as the 10bn m^3/yr bound for the EU, through an existing stretch of the South Caucasus Pipeline.

"It's been a harsh winter," Gvaladze said, "but the work is going very well with completion expected in 2018." In Turkey, Duzyol said on December 8 that construction work on Tanap was 55% complete. He also said costs had fallen dramatically. Briefing journalists he said: "When designing the construction of the Trans-Anatolian Pipeline, its cost was estimated at $11.7bn. Its cost dropped below $10bn as a result of changes in the market." Indeed some reports put the revised cost for Tanap as low as $8.6bn. Yet while work on these core elements is progressing, there are still some doubts concerning the final element: the Trans-Adriatic Pipeline which will carry gas headed for Europe onwards from a connection with Tanap at the Turkish-Greek border.

The contracts for all TAP's sections, including the 105-km subsea link from Albania to Italy, have all been let with the bulk of the pipes required for construction in Greece and Albanian already delivered and ground works and pipe-welding under way.

But there is still one outstanding issue to be resolved. This concerns the need to secure permission from the local authorities in southern Italy to temporarily relocate perhaps as many as 2,000 olive trees in order to allow the final 8 km of pipeline to be laid between the point at which the subsea section comes ashore at San Foca and a planned junction with Italy's Snam-Rete gas transmission system. "In Italy we got approved the 'single authorisation' and the EIA. (environmental impact assessment," required to develop the project, Aslanbeyli told NGW. "But we need to get necessary permits from the regional government for the relevant olive trees, which is required to start construction. So far, we have not got that."

Whether the change in prime minister, in the wake of the recent Italian referendum, will change matters is not clear. As a result, Aslanbeyli said, "it is difficult to give any timing and details." Meanwhile TAP is working continuously with the regional authorities to try to sort out the issue.

However, Aslanbeyli added, "If we don't get permits by early January, then this will impact – delay – the construction schedule." If the delays extend beyond early January, the concern is that the underlying timetable will be affected, since there are season-related requirements concerning the replanting of olive trees.

Nonetheless, said Aslanbeyli, "the schedule is still to deliver first gas to Europe in 2020." And it's a schedule that has to be met, since European certification for TAP states explicitly states that "commercial operations are scheduled to begin not earlier than 1 January 2020 and not later than 31 December 2020."

Lebanon to restart oil, gas licensing round after three-year delay

Reuters, *05.01.2017*

Lebanon intends to restart its first oil and gas licensing round after a three-year delay, the energy minister said on Thursday, hoping to kick-start the development of a hydrocarbon industry stalled by national political paralysis.

In its first sitting since being formed in December, Lebanon's new cabinet passed two decrees on Wednesday defining the blocks and specifying conditions for production and exploration tenders and contracts. The country's offshore resources could bring a major economic boost to a country whose financial mainstays including tourism have been hit by conflict in the region and Beirut's own political turmoil.

But analysts warn of challenges ahead and that investor confidence has been shaken by the setbacks. Lebanon will offer five offshore blocks for exploration and production and is to hold another pre-qualification round for companies interested in bidding, Minister of Energy and Water Cesar Abou Khalil told a news conference.

Lebanon, along with Cyprus, Israel and Egypt, sits on the eastern Mediterranean gas field discovered in 2009. The Lebanese government has estimated with a probability of 50 percent it has 96 trillion cubic feet of natural gas reserves and 865 million barrels of oil offshore, but squabbling between parties has prevented the passage of vital laws needed to develop the sector.

Abou Khalil said if all goes to plan exploration contracts could be signed in nine months and drilling could take place in as little as a year and a half after that because a lot of the necessary mapping and analysis has already been done.

With large debt, stagnant growth and bearing the costs of more than 1 million refugees from neighboring Syria’s conflict, Lebanon would benefit from the revenues, job creation and increased economic activity that might accompany a hydrocarbon industry.

But analysts urge caution, saying until drills actually break ground, there is no way of telling how much gas or oil there really is and potential economic impact is a complete unknown. Sami Atallah, executive director of the Lebanese Center for Policy Studies, said it could take around seven years before revenues start to flow.

“Oil and gas are not the answer,” he said. “You don’t want it to stall reforms ... to be a disincentive for making changes to the economy.” Industry watchers say Lebanon needs to now produce transparent road maps and regulatory framework for the energy industry. This will boost investor confidence and avoid the accusations of corruption which surround many of Lebanon’s public services and industries such as refuse disposal, telecommunications and electricity.

“The oil and gas industry can be a curse or a blessing,” said Diana Kaissy, of the Lebanon Oil and Gas Initiative, a non-governmental organization promoting transparency and policy development in the hydrocarbon sector.

“Lebanon is blessed with the chance of starting straight from the beginning with its oil and gas industry. It can learn from others’ mistakes and best practices,” said Kaissy, who is also part of international transparency campaign group Publish What You Pay.

In 2013, 46 companies qualified to take part in bidding for oil and gas tenders, 12 of them as operators, including Chevron, Total and Exxon Mobil. Abou Khalil said he expects these 46 companies to be interested still and that Lebanon will hold another pre-qualification process to increase competition and secure the best deal.

Political risk consultant Mona Sukkarieh said investor enthusiasm for the 2013 tender was high, but the delays have undermined this. “It is essential now to do things right, even if not swiftly ... A competitive fiscal regime, in addition to regulatory and fiscal stability are key to gain back investors’ confidence,” said Sukkarieh, co-founder of Beirut-based Middle East Strategic Perspectives (MESP).

Political paralysis left Lebanon without a president for more than two years. The government was unable to tackle long-pending economic and development issues such as garbage disposal, electricity, water and stock market privatizations.

The deadlock finally came to an end late last year with the election of Michel Aoun as president and the formation of a new government under Prime Minister Saad Hariri. “At times, country risk might be high, but that does not entirely conceal Lebanon’s energy potential. Oil and gas companies are used to operating in areas where political and country risks are high,” Sukkarieh said.

The government’s next task is to agree a tax regime for the nascent hydrocarbon industry. On Wednesday, the cabinet also agreed to form a ministerial committee to discuss the draft tax law. Abou Khalil said the committee would meet on Thursday.

“The committee is committed to finalize comments on the tax law (with) the shortest delay,” he said. “It might take a couple of weeks, and then we will go back to the council of ministers and we will transfer the (draft) law to the parliament, where it is expected to be passed in the first legislative session.”

Lebanon set to join East Mediterranean race for oil and gas

Bloomberg, *04.01.2017*

Lebanon will auction energy-development rights to five offshore areas and adopt production-sharing contracts to attract international investors as the tiny country seeks to join a regional race to tap oil and gas wealth in the eastern Mediterranean.

The government may qualify more bidders for its first sale of offshore energy licenses, and it plans later to announce dates for the historic auction, Energy Minister Cesar Abi Khalil said Thursday in Beirut. He made his comments a day after Lebanon’s cabinet approved two decrees allowing the nation to move ahead with the sale, ending three years of delays.

“The number of blocks that will be auctioned off in the first licensing round will be five, in line with the gradual auctioning strategy we are pursuing,” Khalil said at a news conference at the ministry’s headquarters. The government plans eventually to offer a total of 10 offshore blocks for exploration. Lebanon has lagged behind neighboring Israel, Greek Cyprus and Egypt in developing oil and gas deposits that may lie beneath its share of the Mediterranean Sea. Three years ago, former Energy Minister Gebran Bassil said seismic surveys showed the country could hold at least 96 trillion cubic feet of gas and 850 million barrels of oil. Exxon Mobil Corp. and Eni SpA are among companies qualified to bid to explore off the country’s coast.

The newly formed government headed by Prime Minister Saad Hariri passed the two decrees on Wednesday, state-run National News Agency reported, citing Bassil, who currently serves as foreign affairs minister. The decrees demarcate energy blocks, specify tender protocols and establish the use of production-sharing contracts with investing companies.

Production-sharing contracts will enable investors to share any oil and gas output with the Lebanese government, in contrast to service contracts that would pay the companies a fixed fee for whatever they produce, regardless of market prices.

Lebanese law requires that money from the sale of oil and natural gas be deposited into a national sovereign wealth fund. A law to establish such a fund is currently being studied, Khalil said. ExxonMobil, Eni, Chevron Corp., Petroleo Brasileiro SA and Royal Dutch Shell Plc are among companies already qualified to bid as operators. Thirty-four companies are qualified as non-operators, including Marathon Oil Corp., OMV AG and Dana Petroleum Plc.

The Energy Ministry will consult with the companies to gauge their interest in the auction, and depending on what they say, it will decide whether to hold an additional qualification round, Wissam Chbat, the head of the regulatory Petroleum Administration, said in an interview.

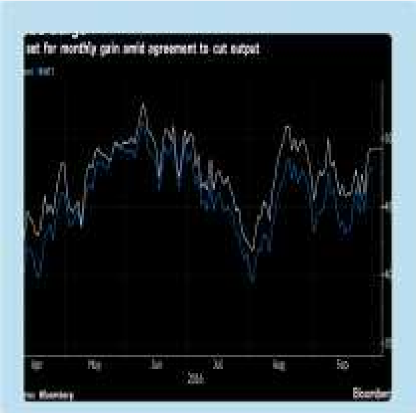
An auction of energy assets first scheduled for November 2013 was delayed after the government failed to pass the decrees. Political disputes then left the country without a president for more than two years until the Oct. 31 election of Michel Aoun, a Christian close ally of the Iran-backed Hezbollah group.

Lebanon, which is struggling with severe power shortages and hosting more than a million Syrian and Palestinian refugees, needs revenue to trim its public debt, the highest as a share of annual economic output among Arab states.

The cabinet also formed ministerial committees to study a petroleum tax draft law and another proposed law governing onshore oil resources, Information Minister Melhem Riachi said Wednesday in a televised news conference.

Saudi Arabia cuts output in accordance with OPEC deal

WSJ, *05.01.2017*



Saudi Arabia has cut its crude-oil production by at least 486,000 barrels a day since October, said a person familiar with the kingdom's output, bringing the world's largest exporter of petroleum swiftly into line with OPEC's deal to raise prices.

The news come as the group's secretary-general said he would hold informal talks with the Kingdom and six other oil producers next week to assess the implementation of the production agreement. Saudi Arabia agreed to cut its output by 486,000 barrels a day as part of an agreement struck by the OPEC to reduce production by 1.2 million bpd.

The kingdom's leaders had said they would quickly implement their cuts, the biggest of any member in the 13-nation cartel. But, with OPEC's patchy record in implementing production pullbacks, some analysts were skeptical members would abide by their pledges.

Saudi Arabia "has completely implemented the cut—if not more," the person familiar with Saudi output said. The person said the kingdom—the world's largest oil exporter and the biggest producer in OPEC—has reduced its production to about 10.058 million barrels a day, the amount it agreed to with OPEC.

Oil prices rose after The Wall Street Journal reported the Saudi production figure, with Brent crude turning positive and rising to $56.57. In an interview with The Wall Street Journal, OPEC's secretary-general Mohammad Barkindo said he would hold informal talks with Saudi oil minister Khalid Al-Falih, who holds the group's rotating presidency, on the side an Abu Dhabi oil conference on Jan 12-13.

Dr Barkindo said that the talks, which will gather the oil ministers of Iraq, Algeria, Oman, Qatar, Kuwait and the United Arab Emirates "will focus on a compliance mechanism" for the implementation of coordinated production cuts both inside and outside OPEC.

The disclosures came on the same day that Saudi Arabia's state-run oil company raised prices for customers in the Far East, a move analysts took as a signal of the kingdom's firm intention to curtail output.

The higher prices will hit some of Saudi Arabian Oil Co.'s key customers in China, Japan and South Korea, where the Saudi kingdom believes demand is high enough to absorb the price increase, said Edward Bell, a commodities analyst from the Dubai-based Emirates NBD bank. Nearly two-thirds of the company's crude exports go to the Far East, according to its 2015 annual report.

It is an indication that the company, known as Aramco, is testing which regions can support higher prices, Mr. Bell said. “Aramco is clearly looking to maximize its revenue as it lowers production by upping prices to its main customer base,” said Mr. Bell.

After a two-year slump during which prices fell to 12-year lows below $28 a barrel in 2016, the oil market has been buoyed by the OPEC agreement. Prices have risen from the mid-$40 a barrel level in November to the mid-$50s this month.

OPEC pledged in November to cut output by more than 1 million barrels a day in hopes of clearing an oversupply of oil that had weighed prices down. With the exception of Iran, Nigeria and Libya, each OPEC member agreed to specific production targets. Oil traders are now watching OPEC member countries closely for signs of compliance with the pledged cuts.

Most analysts have said Saudi Arabia and the majority of its neighbors in the Persian Gulf will fully comply with the proposed cuts. However, there are still some reservations about other participants. Iraq, for instance, has signaled to oil traders that it planned to increase oil exports in January. But its oil minister said Thursday the country had begun to reduce output in line with the OPEC agreement.

“It is clear from both the comments and actions from Saudi Aramco that it is going to cut its output as promised,” said Olivier Jakob, an analyst from the Switzerland-based Petromatrix. “[The market] should be watching other producers more closely to see if they are also falling into line.”

Mr. Jakob added the full extent of OPEC cuts won’t be clear until official January data is released in mid-February. Other non-OPEC players, such as Russia, also pledged to cut production but forcing producers to comply is almost impossible.

Saudi Aramco IPO may not happen if oil prices rise

Oilprice, *04.01.2017*

Apart from trying to talk up oil markets in recent months, Saudi Arabia has been stoking investment banks as well with the plan to sell 5 percent of its most valuable asset and possibly the world’s most valuable company, Saudi Aramco.

The initial public offering of shares in the company is now in the plans for 2018. Proceeds from the possible listing would go to diversify the Saudi economy away from oil. But as 2017 begins, with oil prices in the US$50s compared to US$30s in January last year, Saudi officials may not see Aramco’s share sale as urgent as they did in early 2016 when they announced the plans for an IPO.

The Saudis expect the kingdom's oil revenues to jump this year compared to last year. Then incoming U.S. President Donald Trump as well as recently passed U.S. legislation concerning Saudi Arabia may make Saudi officials reassess plans and take the IPO on other stock markets rather than on the NYSE.

In addition, a stake sale of Aramco would mean the Saudis sharing part of (even a small one) of oil proceeds with new shareholders. Last but surely not least, an IPO on any stock market would require Saudi Aramco to make financial and production figures public and let independent third parties look into its books and possibly the most guarded secret of Saudi Arabia – how much oil does it really have and how much it can pump?

At the end of December, Saudi Arabia announced some economic figures for 2016 and projections for 2017 in its budget plan for this year. In nominal figures, the Saudis managed to cut their budget deficit last year compared to 2015, but did not provide a percentage for how these billions of Saudi riyals stack up as percentage of GDP.

Total national debt last year was 12.3 percent of the projected GDP in fixed prices for 2016. Looking ahead to this year, Saudi Arabia expects total revenues to rise by 31 percent, with oil revenues seen 46 percent higher than in 2016. Non-oil revenues are estimated to increase by 6.5 percent on the year in 2017. Still, oil revenues are more than twice non-oil proceeds.

“As the Kingdom's economy is strongly connected to oil, the decrease in oil prices over the past two years has led to a significant deficit in the government's budget and has impacted the Kingdom's credit rating,” the overview in the budget plan for 2017 reads.

Now that oil prices have recovered - especially from the January and February lows of last year - markets are waiting to see if OPEC, whose de facto leader is Saudi Arabia, will deliver on promised cuts. Trumps new policies could see silver prices surge in 2017, and with sentiment looking like it could turn any minute - now is the time to position yourself for the rally.

Most expectations hover around the US$50-60 projections for oil prices this year, which may help the Saudis get more oil revenues and make Aramco's share sale less urgent than it would have been a year ago.

According to a Reuters Breaking views calculation, a sustained 20-percent annual rise in average oil prices could be worth at least $23 billion in additional revenues for Saudi Arabia. Then there's the Trump factor and the U.S. legislation that allowed the victims of 9/11 families to sue Saudi Arabia for its supposed role in the terrorist attack to consider. If some Saudi officials were really willing to review the NYSE option for listing Aramco shares, they would have to assess all political and financial aspects of such a move.

Next, the IPO process itself in which investors and investment banks would have to look into how much Aramco is really worth may require the Saudis revealing how much oil reserves they really have. Aramco itself says that crude oil and condensate reserves are 261.1 billion barrels, but this figure has not been revised since the 1980s. In an interview with the Financial Times in November 2016, Saudi Arabia's energy minister and Aramco chairman, Khalid al-Falih, said:

“Everything that Saudi Aramco has, that will be shared, that will be verified by independent third parties, reserves . . . costs [and] profitability indicators”. However, with oil prices higher than US$50 and Saudis’ expectations of a 46-percent rise in oil revenues this year, the start of preparations for an Aramco IPO may not be worth sharing oil secrets with the world and revenues with shareholders.

OPEC’s long-term aim is to run down excess stocks

Financial Times, *03.01.2017*

The deal between Opec and some non-member countries to limit production over the next six months caught the market by surprise. Prices received an immediate boost and Brent, the global oil marker, is now trading at an 18-month high above $58 a barrel. Even so, scepticism remains widespread.

But the 13-member group has every incentive to make this deal work. Those who doubt that the cuts will be fully implemented should consider the broader context. Opec has agreed to curb output by 1.16m barrels in the first half, while Russia and a handful of other producers have said they will trim output by 560,000 b/d.

Even if some countries do not fully comply, the combination of firm commitments from Saudi Arabia and its Gulf allies — they have pledged 800,000 b/d of cuts — and natural declines in such places as Venezuela suggests Opec output will fall.

Reducing production just as inventories have started to edge lower — stocks in the OECD club of mostly rich nations are 85m barrels lower than in July — makes a lot of sense. It will accelerate the rebalancing of the oil market and boost prices. The alternative — cutting at a time when stocks were still rising — would have had little impact on prices.

Looking back to the communiqué released in late September after Opec reached a preliminary agreement to cut production at a meeting in Algiers, it was clear that the group, especially Saudi Arabia, was keen on reducing excess stocks.

“The conference opted for a production target ranging between 32.5m and 33.0m b/d, in order to accelerate the ongoing drawdown of the stock overhang and bring the rebalancing forward,” the communiqué said.

At the end of November those views were echoed on the sidelines of the ministerial meeting in Vienna. The fact that no one in Opec even mentioned the phrase “higher prices” to the press or in any written statement is a testament to this. By focusing on the cause rather than the symptom Opec has been smart.

A conundrum for the group has been the fact that while its production has risen 800,000 b/d in the past year, that has come against a backdrop of sharply falling non-Opec production, down 900,000 b/d.

Opec is not entirely wrong to be perplexed that compensating for falling production should push prices down. The issue is the stock overhang. Ultimately, the cartel’s strategy of substituting high-cost production with its own output will work, but not until the enormous volume of excess stocks has been whittled down. Once the glut has been reduced, prices can rise and Opec can fill any deficit.

This is not necessarily a six-month deal to boost oil prices. Of course the expectation is for prices to rise (and any failure to do so would perhaps be the biggest threat to the deal) but the underlying objective is to run down excess stocks.

As such the market should not rule out an extension of the deal in May for another six months, in contrast to the pervading market assumption that Opec will raise output at the earliest opportunity once prices rise.

Riyadh is extremely aware that reducing the overhang will take longer than six months. A stock draw also pushes the futures curve into backwardation (although not until late this year, given the size of the overhang), something that will deter producers from hedging further out.

Another important consideration is the production outlook and the deep investment cuts and massive lay-offs in the oil industry. Against this backdrop, a real supply shock is in the offing this decade, something to which Opec referred after the meetings in Algiers and in Vienna.

The longer prices stayed low, the more likely it was that they would rise sharply later. It may come as a shock to those who say Saudi Arabia cut production to shore up prices that $100 oil is as scary to Riyadh as $30 oil. Energy Aspects has long argued that the kingdom wants to ensure that oil remains in the energy mix in the long term, and prices close to $100 are extremely damaging to that objective.

Gulf energy companies reduce borrowing 26% as oil prices surge

Bloomberg, *02.01.2017*

Energy companies in the Middle East reduced their borrowing by 26 percent in 2016 as an increase in oil prices in the year provided revenue needed for exploration and production.

Bonds and loans issued by energy producers in the six-nation Gulf Cooperation Council declined 26 percent to $17.5 billion from a record $23.7 billion in 2015, data compiled by Bloomberg show. Oil trader BB Energy Gulf DMCC in Dubai was the only borrower in the final six months last year, taking out $200 million to refinance debt. Crude oil rallied 16 percent in the final three months of 2016 as oil producers from OPEC and 11 non-OPEC nations agreed to cut output this year.

Before the rally, lending had surged as energy companies turned to banks and investors for cash as borrowing costs fell and oil prices declined. The drop in lending later in the year was a boon to those who did borrow, with BB Energy increasing its refinancing from $175 million as the deal was oversubscribed.

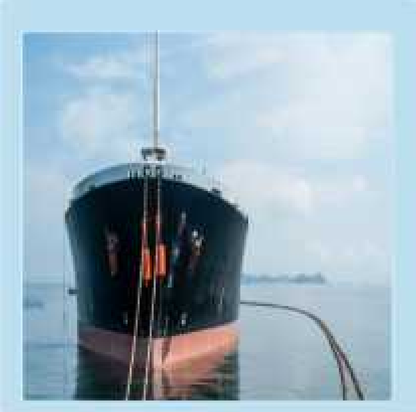
“If oil prices go up a few notches, it will help them rely less on international borrowing,” John Sfakianakis, director of economics research at Jeddah-based Gulf Research Center, said by phone Monday from Athens. “There’s more money available for oil companies to keep within rather than go out and borrow.” Borrowers also held back as costs increased. The J.P. Morgan Middle East Composite Index of the region’s debt yield, an indication of borrowing rates, averaged 4.7 percent last year compared with 4.43 percent in 2015. The gauge had dropped to a 16-month low in late August. In December, the U.S. Federal Reserve raised interest rates and forecast a steeper path for 2017 increases.

In contrast to industry, governments in the Gulf region increased borrowing following a halving of oil prices since 2014, forcing some of them to use foreign cash reserves. Saudi Arabia led sovereign issues, raising $17.5 billion in the biggest emerging-market bond sale in October. Qatar sold $9 billion in May and Abu Dhabi raised $5 billion in April.

“If oil prices continue to improve, producers will rely less on international borrowing, especially as costs increase as the Fed hikes rates,” Sfakianakis said. “This year could be a repeat of 2016. More government borrowing, and not as much by oil companies.”

China’s Iran oil imports to hit record on new production

Reuters, *05.01.2017*



China’s Iranian crude oil imports may rise to a record this year as state-owned oil firms lift more crude through their upstream investments while extending their current supply contracts, senior industry and trading sources said.

Chinese firms were expected to lift between 3 million to 4 million barrels more Iranian oil each quarter in 2017 than last year, four sources with knowledge of the matter estimated. That would be about 5 percent to 7 percent higher than the 620,000 barrels per day (bpd) of Iranian crude the country has imported during the first 11 months of 2016, according to the customs data.

Iran, a member of the Organization of the Petroleum Exporting Countries (OPEC), won an exemption from the group’s production cuts agreed to on Nov. 30 and may raise output slightly. China’s demand for foreign crude could touch new highs as state-run refiners start up new plants and as Beijing allows more independent refiners to import crude, with the country forecast to remain a key driver of 2017 demand growth.

State refiner Sinopec Corp and state-run oil trader Zhuhai Zhenrong Corp, the two biggest Chinese lifters of Iran’s oil, are set to roll over annual supply agreements with National Iranian Oil Co (NIOC), with combined volumes of about 505,000 bpd, two sources with knowledge of the agreements said.

Additionally, China National Petroleum Corp (CNPC) and Sinopec expect to lift more oil this year from two oilfields they operate under service contracts, the sources said. A press official with Sinopec said the company does not comment on operational matters. CNPC and NIOC did not immediately respond to requests for comment.

Sinopec signed a development deal for the Yadavaran field in late 2007 with CNPC signing a deal for the North Azadegan field in 2009, after Japanese and European companies pulled out of the projects, both in the southwestern Iranian province of Khuzestan, due to sanctions over Iran’s nuclear program. Both fields started pumping oil in early 2016, with North Azadegan reaching full production in the third quarter and Yadavaran in the fourth quarter, and they are currently pumping at around 160,000 bpd.

“The terms of return on investment are still being finalised ...but it’s safe to say Sinopec is going to lift more from Yadavaran this year than last,” said a Beijing-based oil executive familiar with Sinopec’s operations on Yadavaran. A separate senior trading source estimated that Sinopec could lift about 4 million barrels of Yadavaran crude, considered a heavy grade with an API gravity rating of about 25, every quarter this year. The person did not give an earlier comparison.

After first shipments last October, CNPC is expected to lift an average of about 3 million barrels from North Azadegan each quarter, said a second senior trader with knowledge of CNPC's Iranian production.

OPEC oil output falls from record highs

Oilprice, *05.01.2017*

A newly released survey by Reuters indicates that OPEC oil output in December fell from its record high - for the first time since May - falling to 34.18 million barrels per day, down from 34.38 million in November.

This is supported by a tweet from a Wall Street Journal reporter that the Saudis have already cut output to honor the OPEC pledge. WSJ reporter Georgi Kantchev tweeted on Thursday that Saudi Arabia has already cut oil output by at least 486,000 barrels per day to 10.058 million barrels per day. Kantchev cited an unnamed and undescribed source in his tweet.

The Reuters survey, based on shipping data and industry sources, noted that OPEC—as of December—was pumping 1.68 million barrels per day above the 32.5 million production ceiling agreed to at the 30 November meeting, effective 1 January 2017. The biggest output drop came from Nigeria, where the government is facing down Niger Delta militants targeting oil installations.

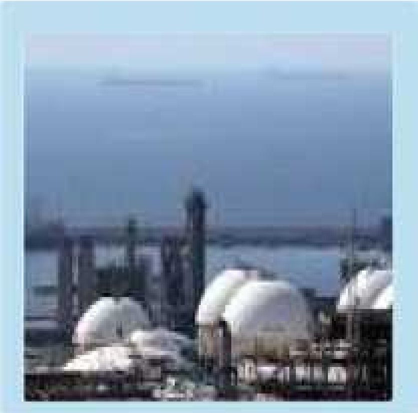
Saudi Arabia also pumped less, according to the survey, after seeing record output in November. The reason for lower Saudi oil exports in December was lower demand, rather than an effort to make cuts.

On the flip side, Libya, which along with Nigeria is exempt from the November deal cuts, saw an increase in output, as did Iraq. Iran also put out 300,000 barrels per day more, according to the survey. Trumps new policies could see silver prices surge in 2017, and with sentiment looking like it could turn any minute - now is the time to position yourself for the rally.

Earlier today, news agencies reported that Saudi's state-owned Saudi Aramco had launched talks about cutting between 3 percent and 7 percent of its February crude shipments in line with the Kingdom's commitment to cut output by 486,000 barrels per day. Iraq oil officials also said today that they had implemented output cuts as of 1 January, but offered no further details.

For Europe bound gas, Russia successfully by-passing Ukraine

Forbes, *30.12.2016*



Russia is increasing finding ways to get its cheap natural gas into Europe without having to rely on Ukrainian pipelines. And if the Turkish Stream gets built according to plan over the next three years, Ukraine will have to find new ways to make money from the energy business instead of relying on the easy and steady flow of Russian gas transit fees.

The ENTSOG said that over the last week alone, Gazprom has "significantly increased" gas transmission via the Baltic Sea pipeline known as Nord Stream. Almost all additional gas volumes passed into Europe through Germany's OPAL pipeline.

The volume of transmission through Ukraine has fallen dramatically, Ukraine's state-run energy giant Naftogaz said in a statement on Friday. The combined daily supplies to Europe via Ukraine and Nord Stream remain stable, however.

According to ENTSOG, the daily use of Russia's Nord Stream–OPAL pipeline route has grown from 57.1 million cubic meters (mcm) to 80.5 mcm. Russia's Gazprom increased the use of the OPAL line from 50% to over 80% of its capacity into Europe, proving once again how much the Germans are tied to the Russian energy matrix even as nearby Poland and Lithuania have new liquefied natural gas terminals as alternatives. LNG is more expensive than gas piped in from Russia.

During the same one week period before Christmas, volumes of gas transmitted through Ukraine's lines leading into Slovakia have fallen from 148.9 mcm to 120.8 mcm per day. ENTSOG data suggest that there is a connection between the increase in OPAL and the decline in transit to Europe through Ukraine and Slovakia. Naftogaz says this data challenges the statement of the European Commission that Gazprom's wider access to the OPAL pipeline will not lead to less transit via Ukraine.

Naftogaz fears that the increase in alternative routes for Gazprom means the Russians are taking "deliberate actions" to decrease transit through Ukraine's gas transmission system, leading to lower fees and less negotiating power for the Ukrainians.

Natural gas is the source of nearly all political strife between Russia and Ukraine. The Euromaidan movement began in 2013 when then-president Viktor Yanukovych, an ally of Vladimir Putin, opted out of a trade deal with the European Union in favor of cheaper long term natural gas contracts from Gazprom. public revolt ensued, leading to Yanukovych's ouster in February 2014 and the installation of a pro-Western Prime Minister named Arseniy Yatsenyuk who was a favorite of the U.S. State Department. Yatsenyuk's new position led to a bitter divorce with Russia. That split ultimately saw large chunks of Ukrainian real estate taken over by the Russians.

Crimea, a historic Black Sea peninsula that is home to the famous post-World War II peace negotiations city of Yalta and Russia's only warm water naval port, was annexed by the Kremlin in March 2014. The move led to sanctions against Russia.

Naftogaz has been the promise of Ukraine now for the last three years. The company promised to reform, but political in-fighting among opposing political parties and their allegiances to Ukrainian oligarchs have stalled privatization plans. Naftogaz insiders have said that the company stays out of politics. But it is Ukrainian politics that have remained deeply enmeshed in Naftogaz and its future.

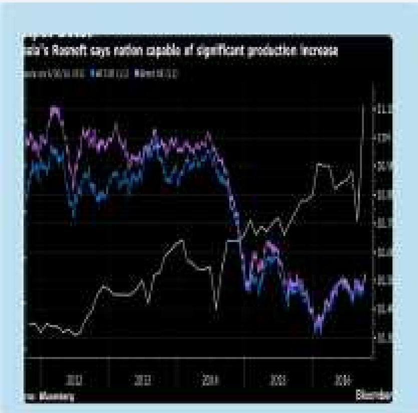
Naftogaz executives and others in the private sector agree that Ukraine needs to develop its own sources of energy in an independent manner so its gas is not used as merely a means for cheap energy for certain oligarchs and their friends. More importantly, it would alleviate Naftogaz from the whims of Russian foreign energy policy.

Russia is also planning to build a second pipeline alongside the existing Nord Stream line in the Baltics. Poland rejected the deal in the third quarter because a number of the multinational oil companies involved, including Shell Oil, already had a large market share in Poland. Anti-trust authorities there said the new pipeline, dubbed Nord Stream II, would give the multinationals an even bigger market share, making it harder for Poland's LNG endeavor to be a viable alternative for Europe. The deal is now on ice.

But over the last several weeks, Russia and Turkey have mended fences following the downing of Sukhoi fighter jet over Syria. Turkey shot it down. Russia sanctioned certain Turkey businesses shortly afterwards. Today, both governments are on better speaking terms and the Turkish Stream pipeline deal between Gazprom and BOTAS Petroleum is back on.

TRS natural gas premium over peg Nord soars on LNG shortage

ICIS, *03.01.2017*



The premium held by the southern French TRS natural gas hub over the northern French PEG Nord has soared and could increase further in the coming days, as a shortage of LNG supply puts stress on southeastern France's gas network.

"The spread could increase to €5.00-8.00/MWh, but it's difficult to see it going past €8.00/MWh," a trader at a utility said. "There's a danger of a gas shortage but it is too soon to say what the full impact will be, as people are just coming back from the holidays," he added, a reference to how a less liquid market generally gives off poorer pricing signals.

The TRS Day-ahead contract closed €5.65/MWh above PEG Nord on 30 December 2016, its highest premium since 12 September. And forward prices indicate a wide spread could persist, with the TRS January ‘17 contract assessed €4.40/MWh above PEG Nord on the same day. A lack of LNG supply to southern France has led system operator GRTgaz to make requests of shippers to bring more LNG into the Fos LNG terminals, which are used to supply the TRS zone.

“All it takes is the goodwill of the two or three main players to solve the problem. But it has to make financial sense for them [to bring in LNG cargoes],” said a second trader. The TRS Day-ahead price is currently more than €4.00/MWh above most other European hubs, including the liquid TTF and NBP, indicating southern France may be an attractive destination for cargoes.

On the flip side, high Asian prices will continue to act as a draw on LNG cargoes, which may otherwise have been bound for Europe. “I’m not sure about the physical restraints [of bringing LNG in], but it is unlikely to be in the short-term. Maybe by next month – it depends where they can divert cargoes from,” the second trader added.

The quickest way to get LNG supplies into France is from Algeria. The only vessel currently scheduled to arrive at Fos is the 76,000cbm Cheikh El Mokrani, according to ICIS LNG Edge. Send-out from the terminals is projected at 9 million cubic metres (mcm)/day until 5 January, 2mcm/day shy of GRTgaz’s requested level. Between 6-15 January, send-out is forecast to fall to 4mcm/day.

The TRS zone as a whole is running at a deficit of around 25mcm/day, operator data shows. Total consumption is pegged at around 115mcm/day, with an additional 10mcm/day exported to Spain. On the supply side, around 35mcm/day is being imported from northern France via a set of pipelines called the north-south link, just shy of maximum capacity.

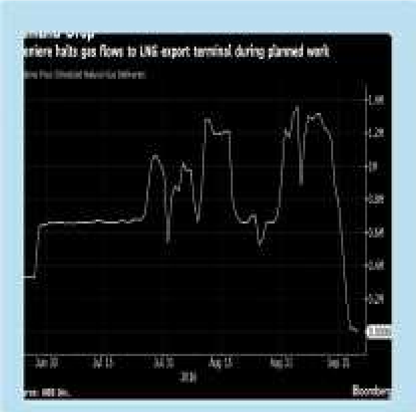
Storage withdrawals have ramped up to around 46mcm/day, but are likely to dip due to maintenance at the Manosque site. The Manosque facility will be fully offline until between 3-5 January, while the operator undertakes maintenance work to guarantee the availability of full withdrawal capacity. Capacity had been restricted to just 50% since the start of the gas winter.

Colder weather and associated higher weather-driven consumption could deepen the mire. Temperature in southern France is forecast at 2-4°C below seasonal norms this week, according to meteorologist WSI. Due to the particular characteristics of the TRS zone and its relative disconnection from neighbouring markets, the price impact had not spread to other European hubs on Tuesday morning.

PETFORM

Oil rises as US crude supply seen falling, OPEC cuts start

Bloomberg, *04.01.2017*



Oil rose amid projections that U.S. crude inventories declined while OPEC and other producers implement promised production cuts. Futures rebounded after tumbling 2.6 percent Tuesday. U.S. stockpiles probably fell by 2 million barrels last week, according to a Bloomberg survey before an Energy Information Administration report Thursday.

While Kuwait has already cut output and Oman said it would follow suit, rising production elsewhere could blunt the impact of accords to curb supply. Price gains accelerated as U.S. equities advanced and the dollar slipped, boosting investor demand for commodities priced in the currency.

“After the big drop the time has come to get back into the market,” Michael Lynch, president of Strategic Energy & Economic Research in Winchester, Massachusetts, said by phone. “We’re waiting to see if there are going to be drops in inventories, which are still very high.”

Oil last year capped its biggest annual gain since 2009 as the Organization of Petroleum Exporting Countries and 11 nations from outside the group agreed on a plan to reduce production. Libya, which along with Nigeria is exempt from the supply deal, is increasing output from its biggest oil field after two years of internal conflict.

West Texas Intermediate for February delivery rose 93 cents, or 1.8 percent, to settle at $53.26 a barrel on the New York Mercantile Exchange. Total volume traded was 15 percent below the 100-day average at 2:41 p.m. The contract touched $55.24 Wednesday, the highest since July 2015, before retreating. Prices rose 45 percent last year.

Futures climbed from the settlement after the industry-funded American Petroleum Institute was said to report U.S. crude stockpiles fell by 7.43 million barrels last week. February WTI traded at $53.30 at 4:40 p.m. in New York.

Brent for March settlement advanced 99 cents, or 1.8 percent, to $56.46 a barrel on the London-based ICE Futures Europe exchange. Prices advanced 52 percent in 2016, the first gain in four years. The global benchmark crude closed at a $2.24 premium to March WTI.

OPEC’s crude production fell by 310,000 barrels a day in December, as unplanned disruptions in Nigeria reduced supply before deliberate cuts took effect this month. OPEC -- excluding Indonesia which suspended its membership on Nov. 30 -- pumped 33.1 million barrels a day last month, according to a Bloomberg News survey of analysts, oil companies and ship-tracking data.

Under the terms of OPEC's agreement, the group's total output including Indonesia would fall to 32.5 million barrels a day. Compliance with that target will be judged against independent estimates compiled by OPEC, which can vary from the Bloomberg News survey.

U.S. crude stockpiles were at 486 million barrels in the week ended Dec. 23, the highest seasonal level in more than three decades, according to weekly data compiled by the Energy Information Administration since 1982. The forecast decline would be the first drop in three weeks.

"I don't expect any big moves after yesterday's big reversal," Stephen Schork, president of Schork Group Inc., a consulting company in Villanova, Pennsylvania, said by telephone. "Unless there's an unexpected headline, we will probably wait until tomorrow's report before making a big move."

Announcements & Reports

► *Annual Energy Outlook 2017*

Source : IEA
Weblink : http://www.eia.gov/outlooks/aeo/pdf/0383(2017).pdf

► *Natural Gas Weekly Update*

Source : EIA
Weblink : http://www.eia.gov/naturalgas/weekly/

► *This Week in Petroleum*

Source : EIA
Weblink : http://www.eia.gov/petroleum/weekly/

Upcoming Events

► *European Gas Conference*

Date : 23 - 25 January 2017
Place : Vienna, Austria
Website : http://www.europeangas-conference.com/

► *Oil & Gas IP Summit*

Date : 24 January 2017
Place : London, United Kingdom
Website : https://oilandgasip.iqpc.co.uk/

► *North Africa Oil & Gas Summit*

Date : 26 January 2017
Place : Milan, Italy
Website : http://nas.theenergyexchange.co.uk/

► *International Conference on Oil & Gas Projects in Common Fields*

Date : 07 – 08 February 2017
Place : Amsterdam – The Netherlands
Website : http://www.waset.org/conference/2017/02/amsterdam/ICOGPCF

► 19th International Conference on Oil and Gas Projects in Common Fields

Date : 07 – 08 February 2017
Place : Bangkok - Thailand
Website : http://www.waset.org/conference/2017/02/bangkok/ICOGPCF

► Cuba Oil & Gas Summit 2017

Date : 07 – 09 February 2017
Place : Havana - Cuba
Website : http://www.cubaoilgassummit.com/

► Iran LNG & Gas Summit

Date : 14 – 16 February 2017
Place : Frankfurt, Germany
Website : http://www.iranlngandgas.com/

► Australasian Oil & Gas Exhibition & Conference (AOG)

Date : 22 – 24 February 2017
Place : Perth - Australia
Website : http://aogexpo.com.au/

► LNG Summit

Date : 23 – 24 February 2017
Place : Houston – United States
Website : http://lng-usa.com/

► Nigeria Oil & Gas Conference & Exhibition

Date : 27 February 2017
Place : Abuja - Nigeria
Website : http://www.cwcnog.com/

► 15th Global Oil & Gas Turkey

Date : 15 – 16 March 2017
Place : Istanbul - Turkey
Website : http://www.global-oilgas.com/Turkey/Home/

► New Zealand Petroleum Conference 2017

Date : 21 March 2017
Place : New Plymouth - New Zealand
Website : http://www.petroleumconference.nz/

► *CIS Oil & Gas Summit*

Date : 26 – 27 April 2017
Place : London, United Kingdom
Website : http://cissummit.theenergyexchange.co.uk/

► *Offshore West Africa*

Date : 06 – 08 June 2017
Place : Lagos, Nigeria
Website : http://www.offshorewestafrica.com/index.html

► *Big Gas Debate 2017*

Date : 14 June 2017
Place : London, United Kingdom
Website : http://www.theenergyexchange.co.uk/big-gas-debate/

► *7th Iraq Oil & Gas Conference*

Date : 28 – 30 November 2017
Place : Basrah, Iraq
Website : http://www.basraoilgas.com/Conference/