Oil & Gas Bulletin
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Turkey's energy import bill up by 32% in 1H17

Anadolu Agency, *04.08.2017*

Turkey's energy import bill in the first half of the year increased by 32 percent when compared to the first half of 2016, according to Turkstat data.

The data shows that the country paid $17.1 billion for its energy imports in the first half of 2017 compared to $12.9 billion between January-June period last year. The total import bill in that period of 2017 amounted to $108.32 billion, out of which energy accounted for nearly 15.8 percent. Oguzhan Akyener, president of TESPAM said the reason behind the increase in the energy import bill is the rise in oil prices.

"In the first half of 2016, oil prices were nearly $38.50 per barrel while this number was $51 per barrel in the first half of 2017. Therefore, Turkey, just because of the price difference, suffered a loss of 32 percent in just one year," he said.

Among other factors that offset the rise in the bill were the positive effects from local coal usage. On the other hand, renewable energy investments, as part of Turkey's national energy strategy, have not reached their potential yet, according to Akyener.

"The effects of these investments and initiatives can be seen in the longer term. Oil and natural gas have the biggest share in Turkey's energy mix. It is important for Turkey to take faster and radical steps when it comes to the oil and natural gas sectors," he warned.

Turkey's Minister of Energy and Natural Resources presented Turkey's national energy strategy in Istanbul in April where he promised that Turkey would focus on the diversification of energy through greater use of local resources. Under this strategy, Turkey will produce a geophysical map of its territory to be completed by 2018 to get a full picture of natural resources.

The country aims to conduct seismic studies for oil and gas drilling activities, two in the Black Sea, and two in the Mediterranean from this year onwards. The strategy also stipulates making better use of renewable potential in the country as well as more use of local coal. Akyener highlighted the need to observe the country's energy consumption balance, adding that the variables in that balance also includes electricity and coal, along with natural gas and oil.

"When observed, it can be seen how important, necessary and sound it is for Turkey to make better use of its local energy sources," he concluded. Turkey's energy import dependency, mainly on oil and natural gas, is increasing due to this growing energy demand. Currently, Turkey is able to meet only around 26 percent of its total energy demand from its own domestic resources.

Turkey’s own seismic vessel to drill oil, gas: En. Min.

Anadolu Agency, *28.07.2017*

Ankara will conduct drilling activities with Turkey’s new seismic vessel as part of natural gas and oil exploration activities in the Mediterranean and the Black Sea, according to Berat Albayrak.

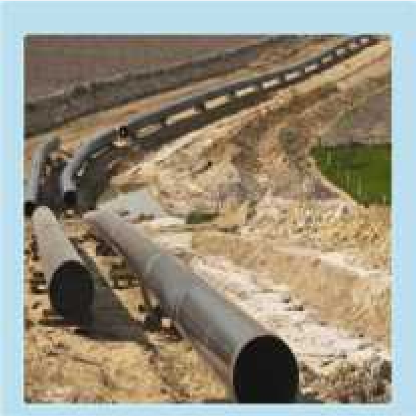
Albayrak said that negotiations are almost complete for a a new seismic vessel that will be placed on the country’s inventory in the last quarter of this year. “We will make our own drilling activities with our engineers,” he said. Barbaros Hayrettin Pasa already started conducting operations in the Mediterranean since April 2017 while a second vessel, MTA Oruc Reis, will soon be ready for exploration, he explained.

The minister said that many international reports declare that this century will be one for natural gas. “In the next five years there will be an additional LNG [liquefied natural gas] capacity of 60 to 100 billion cubic meters, which will come from Australia and the U.S. We [Turkey] will also work on our LNG markets. Before the end of this year, Turkey’s second floating LNG plant (FSRU) will be operational,” he declared. Turkey’s first FSRU became operational in Izmir in December 2016. Albayrak said that Turkey’s LNG capacity is expected to reach 107 million cubic meters (mcm) per day from the current capacity of 64 mcm.

Referring to Turkey’s wind project tender - Turkey’s Renewable Energy Resources Area Project (YEKA) to enable the country to install 1,000 megawatts of wind capacity in seven regions of Turkey with high wind power potential at a cost of around $1.2 billion, he said, “We will hold a reverse auction on the wind power project tender next week.” A consortium of Turkish and international companies submitted a total of eight final bid offers for Turkey’s 1,000 megawatts of wind power in the YEKA project on Thursday, July 27. The wind projects plan to generate 3,000 gigawatt-hours of electricity per year, powering 1.1 million homes a year.

Turkey to start drilling for natural gas and oil this year

Middle East Monitor, *30.07.2017*



Berat Albayrak, revealed that his country would start drilling for natural gas and oil in 2017.

The minister made the disclosure in Istanbul during a meeting with academics about the country's natural resources. Albayrak said that Turkey would carry out the excavations in the Mediterranean and the Black Sea, stressing that his country will take tangible steps towards securing its people's energy demands. The minister pointed out that natural gas would become the most important source of energy in the next century, as did coal in the 19th century and oil in the 20th century.

He noted that Turkey regards liquid gas as a primary source of energy. Albayrak said that Turkey would have three nuclear reactors by 2030 with the first to commence work in 2023. He also said that his country would witness new investments in the energy sector, noting that more than 60 per cent of the world's total natural gas and oil exist in an area near to Turkey.

Russian gas pipeline prompts growth in Black Sea

The Irish Times, *04.08.2017*

Responding to what it sees as "significant growth" in the Black Sea harbor towing and offshore work market, Dutch towing and salvage specialist Multraship is transferring its 63-ton bollard pull ASD tug Multratug 26 to the port of Bourgas.

Built by Damen, the Multratug 26 is the sixth tug operated by the Bourgas Tug Service, a wholly unit of Multraship. Pepijn Nuijten, joint-managing director of Multraship, says, "We have seen a significant growth in our Black Sea operations, mainly in harbor towage and in offshore work, not least that involving the Turkish Stream Project to build a natural gas pipeline from Southern Russia to Turkey."

The so-called TurkStream project will bring Russian natural gas from Anapa in Russia to the village of Kiyikoy in Turkey via a 930 km pipeline under the Black Sea. The offshore component of the project is being constructed by PAO Gazprom. TurkStream will reportedly be the first 32-inch sized system laid at depths of over 2 km.

The TurkStream Offshore Gas Pipeline will consist of two parallel gas pipelines stretching for 930 km across the Black Sea, each with a diameter of 81 cm and an annual throughput capacity of 15.75 billion cubic meters. TurkStream will be the first pipeline of its size to be installed at a water depth of up to 2,200 metres. One of the pipelines will cater for the Turkish market, while the other will stretch to the Turkish-Greek border to ensure reliable deliveries of Russian gas to the European markets. In line with the schedule, first gas is expected to flow through TurkStream by late 2019.

Back at the end of this past May, the 382m construction vessel Pioneering Spirit arrived in the Black Sea to start preparatory work for deepwater pipelaying. Nuijten says the ASD FiFi Multratug 26 “will be the best-equipped tugboat in Bulgaria, and its deployment in Bourgas is part of Multraship’s commitment to provide specialist equipment and services in those parts of the world where they are most needed.”

Israel’s role in Turkey’s gas hub

Petroleum Economist, *04.08.2017*

A recurring theme in Turkish political discourse has been an ambition to establish an energy hub to capitalise on the country’s strategic location linking resource-rich countries to its east with European markets to its west. Israeli gas and new flexible supplies of liquefied natural gas can help Turkey deliver on the aim.

So far, Turkey’s strategy has lacked clarity and the objective has been open to multiple interpretations, each reflecting the country’s tortuous relations with its neighbours and the poor level of market liberalisation and regulatory reform that would be needed to create a viable gas hub.

Yet the rationale is plain. Creating such a regional nexus would help guarantee Turkey’s access to affordable energy resources in the long term, and the trading position would generate lasting economic and political benefits. The vision is now being refashioned for other reasons too. Russia, Turkey’s dominant gas supplier, is quietly downsizing its presence in the Turkish energy sector. In turn, Turkey’s attention is turning to seaborne supplies—via both liquefied natural gas cargoes and the potential for piped gas from Israel. This combination, contracted under more flexible terms, would help Turkey to become an exporter to Europe and even a supplier of choice to Syria, when the country emerges from its civil war.

Russian gas has been a mainstay of Turkish energy for the past three decades, covering well over half of the country's annual gas imports. In addition to the Trans-Balkan line built in the 1980s, which supplies Turkey and the region, Russia also spearheaded the construction of Blue Stream, a pipeline feeding exclusively the Turkish market.

In recent years, Russia bought controlling shares in the Turkish private downstream gas sector, signed an agreement to develop its first nuclear power plant and is now building TurkStream, a second pipeline across the Black Sea, which aims to sell gas to Turkey and, possibly, further to Europe by the end of the decade.

Yet despite its visible presence, Russia's position in Turkey's gas sector is now shrinking, for two main reasons. The first relates to the decline in Turkish gas demand combined with recent efforts to diversify supplies by buying more LNG on a short-or medium-term basis. Between 2006 and 2016, Russia's share of Turkey's gas imports shrank from 64% to 53%.

The second factor is linked to a more aggressive stance regarding Russia—reflected in Ankara's decision to nationalise Gazprom's minority stake in Akfel Holding, Turkey's largest private gas importing group, last December.

Although this nationalisation has been under-reported and neither Ankara nor Moscow officially commented on it, Russia seems to be reviewing its position in Turkey. In June, Rosatom, Russia's state-owned nuclear company, said it would sell a 49% stake in the $20bn Akkuyu power plant, Turkey's first nuclear power facility.

This announcement was followed by reports that Gazprom would sell its majority stake in Bosphorus Gaz, a private gas importer. It also plans to pull out from, rather than fight to keep, its stake in Akfel Holding, effectively ending its control over Turkish private downstream operations.

It's not a total retreat. Turkey remains Russia's second-largest gas market after Germany and, through TurkStream, will provide, at the least, a new route for Russian gas exports to Europe (allowing Moscow to avoid shipping its gas via Ukraine). It may even enable an increase in supplies, if the Trans-Balkan line remains operational.

Nonetheless, as Russia reviews its Turkey strategy, Ankara should gain enough breathing space to reflect on its own energy domestic and regional energy strategy—and pursue new opportunities.

Turkey has depended on Russia not only because of the sheer size of the imports—which, at 30bn cubic meters a year, far outweigh the combined supplies from Iran, Azerbaijan, Algeria and Nigeria—but also because so much domestic demand is concentrated in a region close to Russian-controlled infrastructure. This is the highly urbanised northwestern Marmara region, the landing point for Russian gas.

In recent months, though, Turkey has worked to increase its gas-storage and importing capacities at onshore LNG-receiving terminals in the Aegean and Marmara Seas. Last year, it also chartered its first floating storage and regasification unit (FSRU), now located in the Aegean Sea and close to the high-demand centres.

LNG is an attractive option because if offers greater flexibility during periods of peak consumption. The terms embedded in the latest LNG supply contracts signed by US producers are also advantageous, offering more flexible pricing and allowing buyers to resell the imported gas.

These new contract arrangements could form a benchmark for other gas exporters—an opportunity for both Israeli pipeline gas and LNG, and for Turkey's hub ambitions. The imports could meet local demand but also be re-exported, depending on demand and the commercial feasibility.

Energy security is critical to all this too. Turkey's total dependence on imports for gas exposes it to supply risks—a reason it wants to increase its use of domestic lignite coal and renewables in power generation and move ahead with nuclear energy.

But coal and nuclear power bring environmental risks and renewables are intermittent. More gas is a solution, so long as it follows the age-old dictum first promoted by Winston Churchill that "safety and certainty lie in variety and variety alone".

Israeli gas is the only new source that doesn't offer more of the same under a different guise. The 0.62 trillion-cm Leviathan offshore gasfield was discovered in Israel in 2010 and 50-75% of its reserves have been earmarked for exports. Turkey is one of the major target markets.

A 500-550km pipeline linking the field to Turkey would aim to export 8bn-10bn cm/y in the initial phase. Another 10bn cm/y could be added at a later stage for re-export. The pipeline's likely entry point would be at Iskenderun, in the southern Mediterranean Hatay region, and close to Turkey's oil terminal at Ceyhan.

Besides being a totally new source of supply, Israeli gas would help Turkey overcome supply shortages affecting its power, industrial and residential sectors during the peak winter consumption months. This would coincide with the off-peak season in Israel, allowing for exports to be ramped up.

Leviathan is a premium gasfield not just because of its size, but also because its gas is high quality, at 99.5% methane. And the supplies could be available within three years. In terms of meeting peak supply, it would also bring advantages over LNG, the spot prices for which can still be volatile. About 76% of long-term LNG contracts also remain linked to the oil price, a form of indexation Turkey is trying to move away from.

The commitment involved in international pipeline supplies—especially one that would need hefty sunken investment in a subsea line laid in water depths of up to 2,250 metres—is much greater than in the LNG business. So it would be backed by long-term government-to-government umbrella agreements.

Israel could beef up its energy security too. The connection between it and Turkey could be through a bi-directional gas pipeline, giving Israel assurance if its own resources started to deplete. Above all, a complement of LNG and Israeli piped gas seems the best option.

In recent months, Turkey mooted the idea of bringing a second FSRU into the Marmara Sea close to Istanbul to cater for peak demand periods. Another plan would see a third FSRU at Dortyol, in the southern Mersin region, close to the Syrian border and Ceyhan. With the right infrastructure in place—a new pipeline connecting the southern region to northern consumption hubs in Istanbul and Ankara, and a cross-border interconnector—LNG imported via the Dortyol terminal could feed both the Turkish gas market and, eventually, neighbouring Syria.

Of course, much will depend on the evolving political relationship between Israel and Turkey. But if Ankara and Jerusalem understand the new stakes at play, a fully functioning hub should be possible-one that reflects the two countries' pragmatic response to the challenges of a fast-changing gas market.

Eni: Egypt's Zohr field development 80% complete

Anadolu Agency, *02.08.2017*

The development of Egypt's Zohr field is a record in the oil industry on the basis that it is 80 percent complete in less than two years after the discovery was made, Italian oil giant Eni announced.

The Egyptian Prime Minister Sherif Ismail held a meeting with Eni's CEO Claudio Descalzi on Tuesday, which focused primarily on the future of Zohr's field and "the positive impact it will have on the national energy economy," the company said. Descalzi outlined the progress made with the rapid development of the project, the statement read.

"Thanks to the significant operational synergies that Eni has been able to exploit with its facilities in the area, the development of Zohr is 80 percent complete less than two years after the discovery was made, a record in the oil industry," the statement continued. The Zohr gas field is an offshore natural gas field located in the Egyptian sector of the Mediterranean Sea and viewed as the largest gas discovery in the Mediterranean.

Eni discovered the field in 2015 and plans that operations will start by the end of 2017 with a potential capacity of 850 billion cubic meters. "With a potential of 850 billion cubic meters of gas in place, not only will Zohr be able to satisfy almost all of the total domestic gas demand for the coming decades, it will also allow Egypt to return to being a net energy exporter," Eni noted. The Italian company has been present in Egypt since 1954, operating through its subsidiary Italian Egyptian Oil Company (IEOC). The company is the main producer in the country with production reaching approximately 230,000 barrels of oil equivalent per day.

Saipem secures $900M Zohr gas field contract in Egypt

Reuters, *28.07.2017*

Italian engineering contractor Saipem was awarded offshore contracts worth $900 million for the Optimized Ramp Up Phase of the Zohr field development, the company announced.

The Optimized Ramp Up phase will cover engineering, procurement, construction and installation activities in which Saipem along with joint venture partner Petrobel have finalized offshore contracts. Petrobel is a joint venture between Eni's subsidiary in Egypt - Italian Egyptian Oil Company (IEOC) and Egyptian General Petroleum Corporation (EGPC).

The company is in charge of the development of the Zohr field on behalf of PetroShorouk, a joint venture between Egyptian Natural Gas Holding Company (EGAS) and IEOC. Works will commence in July 2017 and are due to be completed by the end of 2018. "In the execution of this further phase of the development, we will deploy our most technologically advanced vessels and leverage our proven abilities and skills," Stefano Cao, Saipem CEO, was quoted as saying.

This acquisition confirms and consolidates Saipem's presence in the Eastern Mediterranean Sea, he also asserted. The Zohr gas field is an offshore natural gas field located in the Egyptian sector of the Mediterranean Sea and viewed as the largest gas discovery made in the Mediterranean. Eni discovered the field in 2015 and plans for the start of operations by the end of 2017 with a potential capacity of 850 billion cubic meters.

Iraq-Iran oil deal unconstitutional: Kurdish Reg. Gov.

CNBC, *04.08.2017*

Kurdish Regional Government (KRG) officials declared that the oil deal signed between the central government in Baghdad and Iran without the consultation of the KRG is unconstitutional and would not be successful, Kirkuk officials said.

Following the meeting of Iranian Oil Minister Bijan Namdar Zangeneh and Iraq's oil minister Jabar Ali al-Luaibi on July 30 in Tehran, Zangeneh said that a pipeline to ship Kirkuk oil to Iran would be built, further enhancing Iran and Iraq's bilateral relations. Iraq and Iran signed an agreement to export the oil that is produced from the wells in Kirkuk in February 2017.

Among those wells, the KRG controls five while three others are under the control of the Iraqi state-owned North Oil Company. The oil-rich Kirkuk region is a point of contention between Baghdad and the KRG in terms of shares over revenues gained via oil exports. The Kurdish parliament's Natural Resources Commission deputy president Dilshad Saban said that the deal has more of a "political" angle than an "economic" one.

According to Saban, this decision is part of an aim to manipulate the planned referendum in Kirkuk on Sept. 25 when participants will vote on whether the northern Kurdish region should formally secede from the Iraqi state. He also considers that both sides are not in a position to put the agreement in place. The Kirkuk Provincial Council Chairman Rebwar Talabani, who spoke to the KRG's local media, also said that the oil deal conflicts with the constitution. Underlining Article 112 of the constitution, Talabani argued that any agreement over oil production, processing or exports from any province in the country has to be made through consultation.

Kirkuk governor Najmiddin Karim, in a written statement, reacted to the deal between the sides, stating that the agreement was reached without the consultation of the KRG, and therefore would be unsuccessful. The Kirkuk provincial administration supports all oil agreements that are reached by the central government, especially in efforts to increase production capacity through greater recovery of wells, Karim noted. However, any deal reached or any meeting held on oil production without the consultation of the Kirkuk administration and provincial council cannot be successful, he declared. During the U.S.-led invasion of Iraq in 2003, Kurdish Peshmerga forces seized Kirkuk, prompting an influx of Kurds into the ethnically diverse city.

While Baghdad says Kirkuk is administratively dependent on Iraq's central government, the Patriotic Union of Kurdistan -- an influential political party in the region -- wants to see the city incorporated into the semi-autonomous Kurdish region. Kirkuk's population is comprised mainly of Arab, Turkmen and Kurdish inhabitants.

Hormuz strait: biggest oil chokepoint for 6 yrs. in row

Reuters, *03.08.2017*

The Strait of Hormuz has been identified as the world's biggest oil transit chokepoint for six successive years.

Chokepoints are narrow channels that are located along popular international sea routes for transportation of crude oil and oil products and other commodities. They are strategic for global oil supply, since any security risk on these routes could adversely affect not only the safe passage of products but also oil prices in general. Among all the chokepoints worldwide, the Strait of Hormuz, located between the Persian Gulf and the Gulf of Oman, saw the highest volume of oil transit between 2011 and 2016.

The strait had 18.5 million barrels per day (mbpd) of oil transported through it in 2016, according to the EIA. "The Strait of Hormuz is the world's most important oil chokepoint because its daily oil flow of about 17 million barrels per day in 2015, accounted for 30 percent of all seaborne-traded crude oil and other liquids," the EIA's World Oil Transit Chokepoints report showed. "EIA estimates that about 80 percent of the crude oil that moved through this chokepoint went to Asian markets," it said, adding, "China, Japan, India, South Korea, and Singapore are the largest destinations for oil moving through the Strait of Hormuz."

The Strait of Malacca, which is located between the Malay Peninsula and the Indonesian island of Sumatra, saw 16 mbpd of oil transit last year, representing the world's second biggest chokepoint. The Suez Canal, connecting the Mediterranean Sea to the Red Sea, witnessed 5.5 mbpd of oil transportation in 2016 to take third place. The Bab el-Mandeb Strait between the Horn of Africa and the Middle East, which links the Mediterranean Sea to the Indian Ocean, was the fourth biggest with 4.8 mbpd of oil transit last year; while the Danish Straits that connect the Baltic Sea to the North Sea, saw 3.2 mbpd of oil transit to come in fifth place last year.

The Turkish Straits, which include the Bosporus and Dardanelles and divide Asia from Europe, is ranked the sixth biggest chokepoint with 2.4 mbpd of oil transit last year. "Oil shipments through the Turkish Straits decreased from 2.9 mbpd in 2011 to 2.4 million mbpd in 2016," the EIA said. "... but the volume that traveled through the Turkish Straits fell in the mid-2000s as Russia shifted crude oil exports away from the Black Sea and toward the Baltic ports," it added.

Although the Turkish Straits have seen less oil transit in the past five years, the EIA said oil transport through the straits may increase in the future as Kazakhstan's crude oil production rises, and the country exports more crude oil via the Black Sea.

Russia to develop oil fields in Iran

Iran Front Page, *30.07.2017*

Iranian Oil Industries Engineering & Construction (OIEC) inked a Memorandum of Understanding with Russia's Gazprom Neft to develop oil fields in Iran, according to the OIEC.

The agreement includes both companies' mutual interest in combining forces in the preliminary assessment and investigation of the geological potential of Iranian oil fields. The document was signed by OIEC CEO Behzad Mohammadi and First Deputy CEO of Gazprom Neft, Vadim Yakovlev, according to the statement.

"The parties have agreed to hold joint consultations with the National Iranian Oil Company (NIOC) on the evaluation, exploration and development of assets offered to investors, and to consider additional opportunities for cooperation in Iran," the statement said.

Italian Snam, Albgaz to cooperate for Albanian gas mkt.

Reuters, *01.08.2017*

Snam and Albania's gas infrastructure operator Albgaz agreed to collaborate in the development of Albania's gas market, the company announced.

Both signed a MoU for developing collaboration to support the start and development of the country's gas market and infrastructure system that will be launched when the Trans Adriatic Project (TAP) pipeline transverses the country. The TAP project aims to connect the TANAP at the Greece-Turkey border and cross northern Greece, Albania and the Adriatic Sea before going onshore in southern Italy, where it will link up with the Snam-operated Italian natural gas network.

The entire project will be 878 kilometers in length with an initial capacity of 10 billion cubic meters per year to transfer Azerbaijan's natural gas to several European markets. TAP is currently in its construction phase, which started in 2016. "The collaboration is targeting, inter alia, to support Albgaz in the development of the infrastructure necessary to launch the gas market and the implementation of best practices typical of the activities run by Snam," the statement read. Albgaz was set up in January 2017 and is tasked with developing and managing infrastructure for the Albanian gas market.

Russia ex-min: NordStream II on track despite sanctions

Platts, *03.08.2017*

The strong mutual interest from Russia and West Europe to realize the Nord Stream II natural gas project will drive the project forward and secure its completion, Igor Yusufov said.

Yusufov, who is also the founder of Moscow-based investment company Fund Energy, told Anadolu Agency that the Nord Stream II would ensure energy security for European nations. The Nord Stream II project was announced on June 18, 2015, when Shell, Gazprom, E.ON and BASF along with OMV signed a memorandum of understanding for the construction of the project, which will add two additional pipelines to the original Nord Stream project.

The project plans to have a 55 billion cubic meters in capacity to Europe per year to provide sufficient gas flow from Russia to Germany across the Baltic Sea to supply 26 million households in the region. However, on Wednesday when President Donald Trump signed into law a bill imposing sanctions on Russia for its alleged meddling in the 2016 presidential election while voicing major objections to its provisions, his action challenged those involved in the project and questioned whether it would be realized.

Trump criticized the Congress and shared his reservations about the bill in a lengthy statement when he announced his decision to sign it into law. Trump described the bill as "significantly flawed" due to its "unconstitutional provisions." "I am sure that they [sanctions] would reflect first of all some controversies inside the American policy," Yusufov said.

The former minister noted the sanctions include the Russian energy market and cooperation with European companies on pipeline projects such as the Nord Stream II. "Especially since the supply through this pipeline is also likely to be much cheaper than the gas that will twice undergo an expensive technological liquefaction-recovery procedure, and moreover, will also be transported across the ocean," he said.

A number of large Western European energy companies are involved in the North Stream II project, with the likelihood that sanctions would hurt their interests, Yusufov explained. He added that on Friday, German Foreign Minister Sigmar Gabriel voiced his concerns over the U.S. sanctions against Russia, and warned against using them as a tool to harm European companies. “President Trump knows that, and so does the State Department and the U.S. Administration. Sanctions policies are neither a suitable nor an appropriate instrument for promoting national export interests and the domestic energy sector,” Gabriel said on Friday.

The sanctions endorsed by Trump also threaten the businesses of major German energy companies with Russia. The sanctions include possible measures against companies who give financial or technological support to Russian energy export pipelines. German companies were concerned over the possible consequences of the planned Nord Stream II natural gas pipeline between Russia and Germany.

Gabriel has long favored the Nord Stream II and closer economic ties with Russia, as a way of gaining political leverage over Moscow. “Anyway since there is strong mutual interest both from Russian and the West European side in the success of the North Stream II project, I would agree with President Putin: the project born as a reflection of mutual economic interest is in full compliance with the principles of the market economy the U.S. is committed to,” Yusufov said. “So I would not doubt that the Nord Stream II will be accomplished and serve the cause of energy security of European nations,” he added. The Nord Stream II natural gas project consists of a twin 1,224-kilometer-long offshore pipeline system through the Baltic Sea, from Russia to Germany.

Expert: US meddling in European energy ‘unacceptable’

Independent, *04.08.2017*

The U.S.’ direct interference with sanctions in Europe’s energy markets is unacceptable, regardless of opinions held on the Russian-led Nord Stream II gas project or on Russia itself, according to Simone Tagliapietra, an energy fellow at the Brussels-based think tank, Bruegel.

Tagliapietra told that the bill that was signed by U.S. President Trump allows for sanctions on Russia’s export pipelines, directly hitting the planned Nord Stream II project. The sanctions will affect a range of Russian industries including the energy industry and limits U.S. investments in Russian companies.

“However, Trump signed the bill with a certain amount of caveats, for instance urging Congress to refrain from using the bill to create ‘unintended consequences for American businesses, our friends, or our allies’: a caveat that also concerns the Nord Stream II,” Tagliapietra explained. He said, in short, the bill does not kill the project but just adds a further element of uncertainty over its future. “This situation looks surrealistic anyhow: the feasibility of European energy projects should be decided in Europe, not in Washington,” he stressed.

David Livingston, an associate with the Carnegie Endowment for International Peace in London said that the sanctions bill forces the Nord Stream II to be viewed as a political, and indeed an unacceptable project of the Russian state. Livingston said that “the bill is, whether one supports its aims or not, a quite forceful and rare instrument of extraterritorial influence.” “There are many in Europe who, perhaps quietly, welcome the sanctions bill, and a smaller but far more vocal axis - centered around Germany - that view it as a threat to European sovereignty,” he said.

The expert added that sanctions bills are defined very often by their implementation, and this most recent one is no exception. Livingston said that it contains many new powers and provisions, but it remains to be seen if and how they will be implemented. “It is here that the Germans, and those that support their position, can hope to achieve mutual understandings in the weeks and months ahead,” he noted.

Richard Kauzlarich, the co-director of the Center for Energy Science and Policy at George Mason University went one step further than the European experts and said the Nord Stream II is undoubtedly a political project and always has been. Kauzlarich, who also served as the U.S. ambassador to Baku from 1994 to 1997, said that it is precisely for that reason that Congress acted to strengthen the sanctions. “The U.S. is also making efforts to use potential LNG exports as a way of providing enhanced energy security to the countries of Central and Eastern Europe,” he said, and added, “Not all Europeans believe that the U.S. has taken the right step with sanctions. It will take some time to see the impact on the Nord Stream II. It does show that the U.S. is prepared to be a major actor in European energy security.”

The Nord Stream II project was announced on June 18, 2015, when Shell, Russia’s Gazprom, Germany’s E.ON and BASF along with Austrian OMV signed a memorandum of understanding for the construction of the project, which will add two additional pipelines to the original Nord Stream project. The project plans to have a 55 billion cubic meters in capacity to Europe per year to provide sufficient gas flow from Russia to Germany across the Baltic Sea to supply 26 million households in the region.

However, on late Tuesday when Trump signed into law the bill imposing sanctions on Russia for its alleged meddling in the 2016 presidential election while at the same time voicing major objections to its provisions, his action challenged those involved in the project and questioned whether it would be realized. Trump criticized Congress and shared his reservations about the bill in a lengthy statement when he announced his decision to sign it into law. Trump described the bill as “significantly flawed” due to its “unconstitutional provisions.”

Support for shale fracking drops in UK

Anadolu Agency, *03.08.2017*

Support for fracking, the process of pumping pressurized water and chemicals into the earth to extract shale oil and gas, dropped to 16 percent in the U.K. from 21 percent a year ago, the U.K. government's data showed.

The government's latest Energy and Climate Change Public Attitudes Tracker revealed that 33 percent of the public opposes fracking. Other commonly cited reasons included the risk of contamination to water supply at 25 percent, while 25 percent also consider that fracking is generally not a safe process, 23 percent regard that there is too much risk or uncertainty to support it and 20 percent believe that there is a risk of earthquakes.

The tracker showed levels of concern in relation to the U.K.'s future energy security at 64 percent. In the U.K. 20 percent were worried over paying energy bills, according to the data. The level of worry was lowest among those with household incomes over £50,000, at 12 percent, and was highest among social renters at 27 percent. Seventy seven percent of participants in the tracker said they supported the use of renewables. Support for the use of nuclear energy reached 35 percent compared with 21 percent who opposed it.

Germans prefer more Russian gas, less US LNG

Financial Times, *31.07.2017*

A recent survey showed that only 6 percent of German citizens want to import less natural gas from Russia and instead import more U.S. liquefied gas, Germany's oil and gas producer Wintershall announced.

The firm announced the results of a representative survey conducted by the opinion research institute Forsa, who interviewed more than 1,000 German citizens on behalf of Wintershall. In November 2013, 50 percent of the German pubic still considered the U.S. to be a reliable energy supplier.

“In a comparable survey conducted in March this year, almost a quarter of Germans still considered the U.S. to be a reliable energy supplier,” Professor Manfred Gullner, founder of the Forsa Institute, was quoted as saying. This share has halved in only three months, which is a clear indication of the German public’s “critical perception” of the current U.S. policy under President Trump, according to Gullner.

A clear majority of 83 percent of German citizens rejected the U.S.’s planned expansion of its economic sanctions against Russia, the survey showed, which would also restrict the activities of German and European companies. “Accordingly, 86 percent concur with the criticism of the planned sanctions expressed by German and Austrian politicians, while only a small minority of 7 percent consider the criticism to be exaggerated,” the German firm reported.

Only a few give credence to the U.S.’s argument that the sanctions are in response to Russia’s possible interference in the U.S. presidential elections. More than three-quarters, or 77 percent, of the respondents believe that in reality the U.S. is attempting to bolster its own economic interests in the European natural gas market. For more than 80 percent of German citizens, the top priorities for the natural gas provision are its affordability and security of supply, the survey showed, while diversified suppliers and transport routes - 50 percent - are also considered relevant. “However, only 6 percent want to import less natural gas from Russia and instead import more American liquefied gas. Just under a quarter at 24 percent would like countries that have previously benefited from gas transport revenues to also benefit in future from transit revenues,” it showed.

The survey also highlighted that 62 percent of the respondents consider Norway to be the “most reliable partner” for offsetting the decline in natural gas production in Europe. The country is followed by Canada at 46 percent and Russia with 34 percent. “Relative to comparable older surveys relating to trustworthiness, the U.S. has dropped down the rankings and is currently only considered by 13 percent of Germany’s citizens to be a reliable energy supply country after Brazil and Argentina (18 percent each), Mexico (17 percent) and the Middle East and the Caspian region (16 percent each),” the firm noted. Wintershall underlined that this makes the U.S. just ahead of Iran at 9 percent, and both Iraq and North Africa at 5 percent each.

Statoil starts production at Byrding field in North Sea

Rigzone, *28.07.2017*

Statoil and its partners started production on the Byrding field in the North Sea as planned, announced.

According to the company, recoverable volumes in Byrding, an oil and gas field north of the Troll field in the North Sea, are estimated at a good 11 million barrels of oil equivalent. The partners have invested around $126 million in the field, which is a reduction from the original estimate of around $440 million. "Good utilization of existing infrastructure has resulted in a cost-effective development that will add profitable resources to the Troll field," said Gunnar Nakken, senior vice president for the operations west cluster.

Statoil increased its share in Byrding from 45 percent to 70 percent when the company acquired Wintershall Norge's 25 percent share in October 2016.

Shell's net profit rises $1.9 billion in 2Q17

Oilprice, *30.07.2017*

Royal Dutch Shell's net profit reached $1.9 billion in the second quarter of 2017 compared to $239 million for the same period last year, the company announced.

The company's current cost of supplies (CCS) earnings attributable to shareholders excluding identified items was $3.6 billion in the second quarter of the year, up from $1.04 billion in the same period of 2016. The company explained that compared to CCS earnings for the second quarter of 2016, this year's second quarter CCS earnings reflected higher contributions from the downstream sector.

"Shell's strong results this quarter show that we are reshaping the company following the integration of BG," Royal Dutch Shell Chief Executive Officer Ben van Beurden said. Cash generation has been resilient over four consecutive quarters at an average oil price of just under $50 per barrel, Beurden noted. He added that the external price environment and energy sector developments means Shell will remain "very disciplined with an absolute focus on the four levers within their control, namely capital efficiency, costs, new project delivery, and divestments."

Faroe ups resource estimates for offshore Norway blocks

Business Daily, *01.08.2017*

Initial exploratory tests of the Brasse discovery offshore Norway revealed better-than-anticipated results in oil and gas resources, the company that conducted and published the results, Faroe Petroleum, announced.

Faroe Petroleum published the results of the appraisal wells 31/7-2S and 31/7-2A in the Brasse discovery which resulted in an increased resource range to 56-92 mmboe. Faroe Petroleum, an independent oil and gas company focusing principally on exploration, appraisal and production opportunities in Norway, the U.K. and Atlantic Margin, said that the results "considerably exceeded expectations."

The total gross volumes of recoverable hydrocarbons for the Brasse field have been revised up to between 56 and 92 mmboe up from the previous estimate of between 43 and 80 mmboe. The company said that based on extensive data collected from the initial discovery well, initial sidetrack, appraisal well with drill stem test, and the appraisal well sidetrack, the total gross volumes of recoverable hydrocarbons for the Brasse field have been revised up to 46-76 millions of barrels of oil and 59-97 billions of standard cubic feet of dry gas (56-92 mmboe in aggregate).

"We are very pleased to announce the completion of this successful, Faroe-operated, appraisal program of the Brasse field, which considerably exceeded expectations and further confirms the commerciality of this discovery," Graham Stewart, chief executive officer of Faroe Petroleum, was quoted as saying.

"The program has established excellent reservoir quality and reservoir communication, together with excellent flow rates, even at the periphery of the field. This new data has resulted in an increased resource range to 56-92 mmboe and a substantial increase to flow rate expectations," he continued.

EU demand for gas up by 5% year on year in 1Q17

Anadolu Agency, *30.07.2017*

EU demand for natural gas grew by 5 percent in the first quarter of 2017 year on year as a cold 2016-2017 winter and a rapid growth use in power generation supported the expansion in gas consumption, according to newly-published quarterly report on European gas markets.

The EU gas demand increased by 7 percent in 2016, with the U.K. and Germany taking the lion's share of the growth. These two countries were responsible for 58 percent of the annual increase in EU gas consumption, the report read. Imports of natural gas in the first quarter of 2017 increased by 12 percent year on year.

"The growth was driven by increasing supply from traditional pipeline suppliers, particularly Russia and Algeria," it added. The report also noted that Russia remained the top supplier of the EU in the first quarter of 2017, covering 41 percent of total extra-EU imports. "While Ukraine pulled through two consecutive winters without Russian supplies, Ukraine remained the main supply route of Russian gas coming to the EU," it said, adding that the EU's estimated gas import bill was around €20 billion in the first quarter of 2017, about 35 percent more than a year earlier.

Liquefied natural gas (LNG) imports fell by 5 percent in the first quarter of 2017 in the EU. In January and February, imports significantly decreased in Northwest Europe as cargoes were attracted to the high-priced Asian markets, according to market report.

It also highlighted that the share of the U.S.' LNG imports from the total in the EU increased to 6 percent in the same period noting that Malta joined the ranks of LNG importers. "Because of the strong weather-driven demand, storage withdrawals during the 2016-2017 winter were much stronger than a year ago and by the end of March filling rates decreased to 26 percent. The woes of the Rough facility in the U.K. continued, thereby affecting prices and gas flows in Northwest Europe," the report explained.

As a result of the below-average temperatures, low LNG imports in Northwest Europe and uncertainty about the Rough storage site, in January 2017 European hub prices increased to the highest level since 2015. Milder weather and a rise in LNG imports helped prices ease by March. Trading activity on European hubs decreased in the first quarter of 2017 and the Dutch TTF hub, the European benchmark for longer-term contracts, alone covered almost half of total traded volumes, the report showed.

Natural gas demand in Spain up 17% in July

Platts, *01.08.2017*

The demand for natural gas in Spain grew by 17 percent in July compared to the same period last year, Spanish gas grid owner-operator Enagas announced.

"This percentage is the largest monthly increase in the summer months since 2008 and is mainly due to the growth in demand for gas for both electricity generation and the industrial sector," the company explained. It is estimated that demand for natural gas for electricity generation in July will reach 8,200 gigawatt-hours (GWh), the highest figure recorded since February 2012, the company said.

The reason for the increase is very low hydroelectricity production and the scheduled shutdown of one of the country's nuclear power stations, Enagas declared, adding that this figure reflects a 53 percent increase in demand over the same month last year. "Combined cycle power stations became the primary source of power generation in order to cover demand over a period of ten days, underscoring the important role natural gas plays in guaranteeing power supply," the Spanish company noted.

Conventional demand for supplying homes, businesses and industries is estimated to have grown by 5.9 percent in July compared to the same month last year, mainly the result of greater industrial consumption, which has risen by about 6.2 percent. "The domestic sector remained stable at values similar to those of July last year," the company said. For the year to date, the demand for natural gas in Spain has increased by about 7.6 percent compared to the same period in 2016.

Anadarko signs two agreements for Mozambique LNG proj.

Anadolu Agency, *01.08.2017*

Anadarko Petroleum finalized two agreements with Mozambique, known as the "marine concessions" to allow it to design, build and operate the marine facilities for its LNG project in northern Mozambique, the company announced.

This follows the publication of the Mozambican Government's decrees approving these agreements, the statement read. Anadarko is developing Mozambique's first onshore LNG plant consisting of two initial LNG trains with a total capacity of 12 million tonnes per annum (MTPA) to support the Golfinho/Atum field located entirely within Offshore Area 1.

"This is a key milestone on the path to a final investment decision (FID) for our initial two-train LNG project," Mitch Ingram, Anadarko executive vice president, Global LNG, was quoted as saying. The agreement marks the completion of the core components of the legal and contractual framework with the government, Ingram said, adding that, "We will now look ahead with our plans to begin resettlement, which will enable the construction of the LNG plant."

Offshore Area 1 is located within the Rovuma Basin, approximately 40 kilometers offshore northern Mozambique. The area hosts the Prosperidade and Golfinho/Atum complexes, which further host several deepwater discoveries. The offshore fields are being developed as part of the larger Mozambique LNG Project, which also includes the construction of an LNG park within the Cabo Delgado Province of northern Mozambique.

Echo Energy inks deal for onshore Bolivian gas block

Anadolu Agency, *02.08.2017*

The South and Central American-focused upstream gas company Echo Energy signed a Technical Evaluation Agreement (TEA) for the Rio Salado Block, onshore Bolivia, the company announced.

The agreement between the London-listed Echo Energy, Pluspetrol and YPFB (Yacimientos Petrolíferos Fiscales Bolivianos) signed on July 25, 2017 in Bolivia will enable the companies to undertake a technical evaluation of the block over the next 12 months, the company said. Pluspetrol is a privately held independent oil and gas company while YPFB is a Bolivian state-owned oil company.

The Rio Salado block, which surrounds Echo's Huyaco block, contains an extension of Echo Energy's structure. As a result, the company's seismic reprocessing program for Huayco will now be extended to include additional data covering the Rio Salado acreage for a minimal incremental cost over the Huayco area.

"On completion of the technical evaluation, the companies will have the opportunity to negotiate a commercial agreement with YPFB which would define a work program and is likely to include the drilling of an exploration well," the company noted. The acquisition of Echo Energy's interest in Rio Salado is contingent on the agreement of final commercial terms, the company added.

ExxonMobil discovers additional oil offshore Guyana

Anadolu Agency, *30.07.2017*

Exxon Mobil discovered additional oil in the Payara reservoir offshore Guyana, in South America and increased the total Payara discovery to approximately 500 million oil-equivalent barrels, the company announced.

“These positive well results increase the estimated gross recoverable resource for the Stabroek Block to between 2.25 billion oil-equivalent barrels and 2.75 billion oil-equivalent barrels,” according to the statement. “Payara-2 confirms the second giant field discovered in Guyana, “Steve Greenlee, president of ExxonMobil Exploration Company was quoted as saying.

“Payara, Liza and the adjacent satellite discoveries at Snoek and Liza Deep will provide the foundation for world class oil developments and deliver substantial benefits to Guyana. We are committed to continue to evaluate the full potential of the Stabroek Block.”

Esso Exploration & Production Guyana Limited is the operator holding a 45 percent interest in the Stabroek Block. Hess Guyana Exploration Ltd. holds a 30 percent share and CNOOC Nexen Petroleum Guyana Limited holds a 25 percent stake. On Jan.13, ExxonMobil Corporation made the first oil discovery, the Payara-1 well offshore Guyana in South America.

Chevron: Australian Wheatstone LNG to begin production in August

Platts, *01.08.2017*

The first train of the Wheatstone LNG terminal in Western Australia is expected to begin this month, project operator Chevron confirmed to S&P Global Platts.

Chevron is currently in the process of starting up the plant, with cooling down expected to commence shortly. LNG production is expected to start in August, Chevron Upstream EVP Jay Johnson told investors. A Chevron spokesman said more precise timeframe for the loading and sale of the first cargo was not available. The project will include an onshore facility located at Ashburton North Strategic Industrial Area, 12 km west of Onslow in Western Australia's Pilbara region.

The foundation project includes two LNG trains with a combined capacity of 8.9 million mt/year and a domestic gas plant. "The Wheatstone platform and pipeline are operational and supplying natural gas to the inlet of the onshore LNG plant," Johnson told investors last week.

Train 2 construction was progressing well, and remained on track to start up six to eight months after Train 1. The Wheatstone Project is a joint venture between Australian subsidiaries of Chevron (64.14%), Kuwait Foreign Petroleum Exploration Company (13.4%), Woodside Petroleum (13%), and Kyushu Electric Power Company (1.46%), together with PE Wheatstone, part owned by JERA (8%).

US oil production rises, inventories decline last week

Anadolu Agency, *03.08.2017*

Crude oil production in the U.S. increased while inventories decreased last week, according to the EIA data.

Production of crude rose by 20,000 barrels per day (bpd) to 9.43 million bpd for the week ending July 28, the EIA data showed. This marked the 20th weekly increase in the U.S.' crude oil production in the past 25 weeks. Commercial crude oil inventories, however, fell by 1.5 million bpd, or 0.3 percent, to 481.9 million bpd for the week ending July 28. This represented the 14th weekly decline in inventories in the past 17 weeks.

The market expectation for commercial crude oil stocks was a decrease of 3 million barrels. Crude stocks fell 7.2 million barrels in the previous week. Strategic petroleum reserves, which are not included in the commercial crude inventories, remained unchanged at 678.9 million barrels.

Gasoline inventories also fell by 2.5 million barrels, or 1.1 percent, to 227.7 million barrels for the week ending July 28, according to the EIA data. The market expectation for gasoline stocks was a decline of 0.6 million barrels, but stocks decreased more than expected to 1 million barrels in the previous week. The U.S.' crude oil imports increased by 209,000 bpd to 8.25 million bpd for the week ending July 28, the EIA data showed. Crude oil exports, on the other hand, decreased by 328,000 bpd to 702,000 bpd last week.

Announcements & Reports

▸ 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

▸ East Africa 2017 Oil & Gas Exhibition & Conference

Date : 16 - 18 August 2017
Place : Dar-es-Salaam, Tanzania
Website : www.expogr.com/tanzania/oilgas/

▸ Tanzania Oil & Gas Congress

Date : 09 - 11 September 2017
Place : Dar-es-Salaam, Tanzania
Website : www.cwctog.com/

▸ Global Oil & Gas Middle East & North Africa Conference

Date : 15 - 16 September 2017
Place : Cairo, Egypt
Website : www.oilgas-events.com/Find-an-Event/Global-Oil-Gas-Middle-East-North-Africa-%281%29

▸ Deloitte Oil & Gas Conference

Date : 19 September 2017
Place : Houston, USA
Website : 10times.com/deloitte-oil-gas-conference

▸ European Gas Conference

Date : 20 - 21 September 2017
Place : Amsterdam - The Netherlands
Website : https://www.icisconference.com/europeangas

► *European Gas Summit*

Date : 26 - 27 September 2017
Place : Rotterdam - The Netherlands
Website : https://www.platts.com/events/emea/european-gas/index

► *Global Oil & Gas South East Europe & Mediterranean Conference*

Date : 27 - 28 September 2017
Place : Athens, Greece
Website : www.global-oilgas.com/SEEMED/

► *International Conference on Petroleum Industry & Energy*

Date : 28 - 29 September 2017
Place : İstanbul, Turkey
Website : www.waset.org/conference/2017/09/istanbul/ICPIE

► *IADC Drilling Middle East Conference & Exhibition*

Date : 03 - 04 October 2017
Place : Dubai
Website : www.iadc.org/event/me2017/

► *7th Iraq Oil & Gas Conference*

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