Turkish Stream is 'Russia's Trump Card' in rivalry with US in Europe

Sputniknews, *26.12.2017*

Washington's concerns over the Turkish Stream cannot impact Ankara's stance on the project, according to energy expert Tolga Demityol, who pointed to the economic and political importance of the new pipeline for Turkey's role in the region.

Russia's energy giant Gazprom has already laid over 600 kilometers of pipes for the Turkish Stream gas pipeline, a company spokesperson said. "The current construction pace is nearly four kilometers a day. This is very fast," Sergei Kupriyanov said in interview with the Rossiya 24 broadcaster.

He added that the work is "proceeding at full speed" and that construction is likely to be completed according to schedule. Competition for the European Market Turkish Stream it is believed will further strengthen the role of Russian natural gas in Europe amid recent attempts by the United States to get a piece of the European energy pie, including with the deliveries of its liquefied natural gas (LNG) to some European countries. In late November, Washington once again expressed its objections to the Turkish Stream. Commenting on the issue, Tolga Demityol, a senior energy researcher at the Istanbul-based Altinbas University, pointed to the reasons behind Washington's concerns over the new gas pipeline.

The analyst also noted that Turkey has not joined the recent US sanctions against Russia, including in energy, and has "the potential to be an important player amid the geopolitical rivalry between the two major powers." During a December meeting with his Turkish counterpart Recep Tayyip Erdogan, Russian President Vladimir Putin commented on the Turkish Stream, saying the project was very important in terms of Turkey's energy security.

On August 2, US President Donald Trump signed a bill imposing sweeping sanctions on Russia, Iran and North Korea. In particular, the anti-Russia sanctions target the country's defense and economic sectors, restrict dealings with Russian banks and energy companies, as well as counteract the construction of the Nord Stream 2 pipeline. The sanctions raised concerns that they could also challenge the construction of the Turkish Stream. However, Russian Energy Minister Alexander Novak said the project would be implemented on time regardless of the sanctions.

Commenting further, Demityol underscored that the Turkish Stream project is both politically and economically important for Ankara. The remaining 50 percent of the supplies via Turkish Stream will be further delivered to South and Southeast European countries, which potentially opens the way for Turkey to become a European gas hub. The analyst, however, underscored that in order to become a regional gas center, gas pricing should also be based on the spot market. The Turkish Stream project presupposes the construction of two conduits of the main gas pipeline along the bottom of the Black Sea, with an annual capacity of 15.75 billion cubic meters of gas each. One route is designed to deliver gas directly to the Turkish market and the other is for transit gas supplies through Turkey to European countries.

The construction of the first portion was launched in May and is expected to be put into operation in March 2018, while the second – in 2019. “This is why Turkey needs to formulate legal regulations related to the activities in energy markets,” the analyst pointed out. What is also important, according to Demityol, is the creation of a Russian-Turkish joint company to operate gas supplies to third markets.

Turkey’s crude oil imports rise in October

IENE, *27.12.2017*

Turkey’s total oil imports increased with the boost of diesel and crude oil imports in October, according to the country’s energy watchdog’s report.

Diesel imports increased by 26.30 percent to 1.2 million tonnes and crude oil imports increased by 6.66 percent to 2.2 million tonnes in October, Energy Marketing Regulatory Authority (EMRA) said. As a result, Turkey’s oil product imports overall increased by 17.49 percent to 3.8 million tonnes in October compared to October 2016.

Aviation fuels decreased by 69.21 percent to 3.79 thousand tonnes in October compared to the same month last year. Production of total oil refinery products increased by 0.12 percent to 2.5 million tonnes. However, diesel production decreased by 8.96 percent to 847 thousand tonnes. In October, total fuel sales rose by 11.65 percent to 2.6 million tonnes compared to the same month last year.

Turkey's total gas imports rise by 19.7% in October

Anadolu Agency, *27.12.2017*

Increasing natural gas consumption fueled by power generation triggered a 19.7 percent jump in Turkey's natural gas imports year-on-year in October.

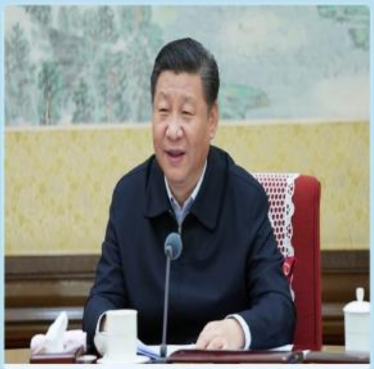
Turkey's total natural gas imports rose to 4.13 billion cubic meters (bcm) in October 2017 from 3.45 bcm in October last year, Turkish Energy Market Regulatory Authority (EMRA) announced in its Natural Gas Market Report for October 2017. Turkey's natural gas consumption soared by 17.9 percent to 4.08 bcm in the same period from 3.46 bcm last year, which is fueled by increasing electricity demand.

Due to the production decline in hydroelectric power plants in recent months, Turkey increased production in natural gas combined cycle plants. In October 2017, electricity production facilities consumed 1.94 bcm of natural gas, 11.4 percent more than the last year. The country had produced 31.16 percent of its electricity from natural gas in 2016, EMRA's 2016 data revealed. The Organized Industrial Zones (OSBs) became the second biggest consuming sector with 332 million cubic meters (mcm). The country imported 3.64 bcm of natural gas via pipeline and 495 mcm through liquefied natural gas (LNG) facilities, EMRA's data shows.

Turkey's natural gas imports from Russia increased by 10.2 percent to 2.40 bcm in October 2017 compared to 2.17 bcm in October 2016. The country's natural gas production rose from 27.9 mcm in October 2016 to 29.1 mcm in October 2017, the majority of which came from the northwestern Tekirdag province.

Iran welcomes Turkey investment in energy sectors

Xinhuanet, *27.12.2017*



Iran's parliament speaker said that his country welcomes investment from Turkey in the oil and gas industry, Tasnim news agency reported.

Economic activists from the neighboring state could also seize the opportunities available in Iran's railroad and aviation sectors, Ali Larijani said. Larijani made the remarks in a meeting with his Turkish counterpart. Calling for efforts to increase the value of trade exchange between Tehran and Ankara, Larijani said the two Muslim neighbors could also work on many projects in the road construction as well as pharmaceutical and hospitality industries.

For his part, Speaker of the Grand National Assembly of Turkey Ismail Kahraman stressed the need for close coordination between Iran and Turkey on regional issues, saying mutual cooperation would keep preventing terrorist groups from reaching their objectives across the region.

Iraqi oil minister says expects oil market to be in balance in first quarter

Anadolu Agency, *25.12.2017*

Iraqi Oil Minister Jabar al-Luaibi said on Monday he was optimistic there would be a balance between supply and demand by the first quarter of 2018, leading to a boost in oil prices.

Global oil inventories have decreased to an acceptable level and there were positive signs that oil market prices would improve significantly in 2018, Luaibi told journalists. "I am optimistic, and during the first quarter of next year there will be more balance between supply and demand, which will reflect positively on improving global oil prices," he said.

A slight rise in oil production in the United States in December might have some effect on prices, he added. Luaibi was speaking at a signing ceremony with China's state-run Zhenhua Oil. Iraq reached an agreement with Zhenhua to develop the southern portion of the East Baghdad oilfield. The oil ministry expects the costs needed to develop the oilfield could reach $3 billion, said Abdul Mahdi al-Ameedi, who heads the oil ministry's licensing and contracts office. Iraq has made significant changes to the new service contract with the Chinese company that links global oil prices and the cost of development, he said.

"It's a new contract with new amendments which we made to overcome the chokes and lapses in our previous service contracts," Luaibi told journalists. The new contact will allow Zhenhua to receive a $3.5 fee for each barrel of crude produced from the oilfield, Ameedi said, and will serve as a model for all upcoming contracts with international companies. "The East Baghdad contract was drafted in a way to significantly minimise the cost of oilfield developments. This contract will be a model for the following oil deals," he said.

Iraq plans to utilise 20 million cubic feet of gas produced as a by-product of oil production from the East Baghdad oilfield to supply a nearby power station, Ameedi said. He said he expects the signing of the East Baghdad final deal to take place in March. The head of the state-run Midland Oil Company, Jalal Ahmed, told reporters that the increase of crude output from East Baghdad oilfield, which he said was now producing 10,000 barrels per day, will be used to feed a nearby major electricity station near Baghdad. Jalal also said his company has plans to upgrade production from the Neft Khana oilfield near the Iranian border to 8,000 barrels per day from the current 2,000.

Iraq starts oil production in southern Dhi Qar city

Anadolu Agency, *25.12.2017*

Iraq produces 4.5 million barrels of oil per day and exports about 3.5 million barrels of oil per day. Iraq starts producing oil from Nasiriyah oil field located in the southern city of Dhi Qar, Iraqi Oil Minister Jabar Ali al-Luaibi said.

The total current production from the field is about 20,000 barrels of oil per day (bpd), Luaibi said in a written statement, adding that the field has a production capacity of 100,000 bpd. Iraq will also produce natural gas from the field, the minister said. The country produces 4.5 million bpd and exports about 3.5 million, which is the main revenue source for the war torn Arab country.

Iraq, China to develop oil field in Baghdad

Reuters, *26.12.2017*

Iraq reaches initial deal with China's ZhenHua Oil to develop East Baghdad oil field.

In a press meeting in Baghdad, al-Luaibi said that Iraq and ZhenHua Oil will work together to reach a daily oil production capacity of 40 thousand barrels from East Baghdad oil field, under the terms of a five-year agreement. The Chinese firm will also construct a residential area, health care center, school and kindergarten near the oil field, the minister said.He asserted that the 50 percent of the work force in the oil facility will be Iraqi citizens.

Iraq starts producing oil from Nasiriyah oil field located in the southern city of Dhi Qar, Iraqi minister announced in a previous statement on Monday. The country produces 4.5 million barrels of oil per day and exports about 3.5 million, which is the main source of revenue for the war torn Arab country.

Iraq invites bids to build new Kirkuk export pipeline

Reuters, *24.12.2017*

Iraq has given foreign energy companies a month to signal their interest in building a new export pipeline from the Kirkuk oilfields in the north of the country.

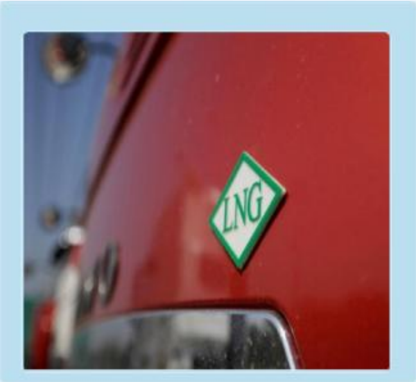
The new pipeline will replace an old and severely damaged section of the Kirkuk-Ceyhan pipeline. It will start from oilfields near Kirkuk and extend to the Fish-Khabur border area with Turkey. Iraq's oil ministry set Jan. 24 as the deadline for companies to submit letters of interest in building the new pipeline, the ministry said in a statement. The 350-km pipeline which will have the capacity to transport more than one million barrels per day.

Also, it will be run under an investment model known as “build-operate-transfer,” oil ministry spokesman Asim Jihad said . Under the project terms, the interested companies or consortia should also build a gas pipeline, pumping stations and facilities for crude storage. Jihad said interested companies must pay the project costs and can then recover them after operating the project for an agreed period of time. Exports from oilfields in Kirkuk have been on hold since Iraqi government forces took control of them from the Kurds last month in retaliation for a Kurdish referendum on independence which was widely opposed by Turkey, Iran and Western powers.

Kurdistan has built another pipeline for Kirkuk exports to the Turkish Mediterranean port of Ceyhan after the old Kirkuk pipeline belonging to the federal government had been damaged by Islamic State militants.

Kuwait secures LNG deal as gulf energy exporters hunt for gas

Bloomberg, *24.12.2017*



Kuwait struck a 15-year deal with Royal Dutch Shell Plc for liquefied natural gas, locking in supplies as neighbors in the oil rich Gulf consider their own import strategies.

The United Arab Emirates and Kuwait are the only importers of LNG in the region, with Bahrain joining the club in 2019. Saudi Arabia is looking at natural gas assets from Russia to East Africa and the U.S. The three oil producers pump about half of OPEC’s output, but use growing quantities of that crude in power generation, losing out on export revenue. Now these countries are looking to import more natural gas.

“The big issue for Kuwait is they burn a lot of oil, most of their power generated is from oil, and so importing LNG for them is cheaper and frees up oil for export,” Robin Mills, chief executive officer of Dubai-based Qamar Energy, said by phone. Kuwait Petroleum Corp.’s sales purchasing agreement with Shell International Trading Middle East Ltd. will start in 2020, the companies said Sunday in an emailed statement. Shell has supplied Kuwait with LNG since 2010 and declined to disclose the volumes in the new contract. While KPC is working to boost domestic gas production, and the country is negotiating a pipeline deal with Iraq, there is a “pressing requirement” to secure supplies in the meantime, they said.

Kuwait imported 3.49 million metric tons of LNG in 2016, according to the International Group of Liquefied Natural Gas Importers. Saudi Arabia, the biggest crude producer in the Organization of Petroleum Exporting Countries, diverts tens of millions of barrels of crude every year into its electricity generation plants, particularly during the peak air-conditioning season in the summer. It doesn't produce enough gas to supply its power stations. Most the gas it does pump goes to its fast-growing petrochemicals industry. Kuwait is planning petrochemical projects in the U.S., Canada and Bahrain, and will start offshore drilling for oil and gas in March, KPC Chief Executive Officer Nizar al-Adsani said in October.

Why Saudi Arabia is looking for oil and gas in the U.S.

Fortune, *26.12.2017*

As Saudi Arabia prepares to sell a piece of its government-owned oil company Aramco to investors next year, the country is sniffing around for new energy assets.

The kingdom, which has tentatively planned an IPO in 2018 for Aramco, is reportedly focusing on American shale country, according to the WSJ, which cited several unnamed sources. The IPO itself is momentous. Taking Aramco public would end 38 years of complete state control of the largest oil producer in the world. The implications of an IPO, which is expected to beat out Apple and Microsoft to become the world's most valuable company.

It will likely have far-reaching effects. And not just on the markets and Saudi Arabia. It would likely reshape Aramco into a more diversified company with oil-and-gas production assets outside of Saudi Arabia. And that's where American shale country comes in. According to the WSJ, Aramco has had early talks with Tellurian, the Houston-based liquefied natural gas developer, about taking a stake in the company or buying some of its fuel. The state-owned oil producer has also looked into buying assets in the Permian and Eagle Ford oil and gas basins. Other U.S. companies have been approached about natural gas export deals, reported the WSJ.

These talks, as tentative and early as they might be, illustrates a dramatic shift for Aramco. It also points to how the booming shale-oil industry in the U.S. has weakened Aramco's position. To be clear, Aramco does own U.S. assets already. But these are refineries. Aramco only produces oil and gas within Saudi Arabia. And it doesn't currently import oil or gas. Snapping up even a piece of a U.S. gas producer could help the company, and country, make better use of oil produced at home. Here's how: Saudi Arabia is sitting on proven oil reserves that are 13 times as large as the reserves booked by Exxon Mobil, which is the largest independent oil company in the world. It's also sitting on 298 trillion cubic feet of natural gas. However, the country uses some of its oil reserves to produce electricity. If it can use more natural gas to produce electricity, Aramco can save its more valuable crude oil for export.

Turkmen president appoints adviser for oil and gas issues

Trend, *23.12.2017*

Yagshygeldi Kakaev was appointed the Turkmen president's adviser on oil and gas issues, reads a decree of the head of Turkmen state.

Turkmenistan is one of the key players in the gas market of the Caspian and Central Asian regions. According to a report by BP, Turkmenistan holds the fourth largest natural gas reserves in the world after Iran, Russia and Qatar. The largest resources are concentrated in the Mary region in the east of the country. The reserves of Galkynysh, in conjunction with nearby deposits, are estimated at 27.4 trillion cubic meters.

According to the program for the development of the country's oil and gas industry, by 2030 it is planned to increase gas production to 230 billion cubic meters.

Gazprom in Iran LNG MoU

Upstream Online, *23.12.2017*

Russia's Gazprom has signed a memorandum of understanding in Tehran aimed at completing the partly-built Iran liquefied natural gas facilities at Bandar Tombak, but sources in Moscow have raised questions over the viability of Russian involvement, writes Vahe Petrossian.

Gazprom executive chairman Alexei Miller signed the MoU, along with a second wider gas co-operation MoU, late last week following talks with with Iranian Oil Minister Bijan Zanganeh and other officials in Tehran. The Iran LNG-related MoU was with the Oil Industry Pension Fund chairman.

Iran LNG was one of three similar projects proposed at the turn of the century, but abandoned or delayed because of US sanctions and other obstacles. With a proposed capacity of 10.8 million tonnes per annum, Iran LNG was the only project under Iranian control, and facilities such as storage tanks and utilities were built by local contractors despite the failure to secure liquefaction technology and full finance. Germany's Linde, Siemens and others have been discussing the supply of liquefaction technology and specialised equipment, but no work has taken place.

France’s Total was earlier this year said to have expressed some interest in the scheme, but last week’s MoU is the first indication of any Russian interest. Sources in Moscow told Upstream that the Gazprom MoU was unlikely to lead to any early Russian involvement. “I am sure there will be little progress in the next two or three years as Gazprom needs billions of dollars for its own gas export pipeline projects,” said one source. Sources in Tehran said the significance of the MoU lay in the involvement of the pension fund. However, it is unclear if the fund would be able to tap enough resources to meet the estimated $3 billion cost to complete Iran LNG. Work so far has already cost Iran $3 billion.

Iran LNG was at one time tied to the Phase 12 development of the South Pars gas field. Iranian officials earlier this year told Upstream that the Iran LNG negotiations with hopeful foreign companies at that time were based on an engineering, procurement, construction and finance arrangement. This suggests that any foreign company would be treated as a contractor.

Ukrainian Gas Company wins dispute case

Anadolu Agency, *23.12.2017*

Russian gas giant Gazprom has lost a commercial dispute against Ukraine’s state-owned energy company Naftogaz, the Ukrainian company said on Friday.

In a statement, the company said the Stockholm-based International Court of Arbitration rejected Gazprom’s take-or-pay claim for around $56 billion for gas sold between 2009 and 2017. Since Russia’s illegal annexation of the Crimea region in 2014, Ukraine has been wracked by conflict in its eastern areas with Russian-backed separatists, leading to more than 10,000 deaths, according to the UN.

Gazprom Neft's investments to be around $6.6 B in 2018

Anadolu Agency, *25.12.2017*

The volume of the investment programs in 2018 is expected to be at around $6.6 billion, which is same total for the current year, Russia's Gazprom Neft, subsidiary of gas giant Gazprom, said on Monday.

The main share of the investments is allocated to programs aimed at the development of oil fields and upgrading of the oil refineries, according to the company statement. The hydrocarbons production volume in 2017 is forecasted to reach 89.8 million tonnes of oil equilant, 4.2 percent higher than the 2016 figure, while the annual processing volume is estimated at 39.7 million tonnes.

Gazprom Neft, a subsidiary of Russian Gazprom, is primarily engaged in oil and gas exploration and production, refining, and the production and sale of petroleum products.

Ukraine and Russia both claim victory in gas dispute

Reuters, *23.12.2017*

Ukraine's Naftogaz and Russia's Gazprom both claimed victory on Friday in a long-running gas dispute, each saying a Stockholm court had ruled in its favor over a gas contract.

The dispute is a by-product of the worsening relations between Kiev and Moscow since Russia's annexation of Crimea and the eruption of Russian-backed separatist violence in Ukraine's Donbass region, which has killed more than 10,000 people. Arbitration Institute of the Stockholm Chamber of Commerce declined to comment or even to confirm it is handling the case, so it was not possible to obtain an impartial account of what is the final ruling.

Gazprom appealed a May ruling by the court over a ‘take-or-pay’ clause in a 2009-2019 contract between the two countries. Naftogaz on Friday said the court had again rejected Gazprom’s $56 billion claim on this issue and other points. In June 2014, Gazprom and Naftogaz lodged multi-billion-dollar claims against each other with a Stockholm arbitration court, which resolves commercial disputes. “Naftogaz won the gas sales arbitration case against Gazprom on all issues in dispute,” Naftogaz said in an emailed statement. It said the ruling was worth around $75 billion to Naftogaz in the long term, but did not give a breakdown on how it reached the estimate.

With its claim, Naftogaz had sought a lower price for Russian gas and disputed the take-or-pay clause requiring buyers to pay for gas whether they take physical delivery or not. Gazprom, however, said the court had backed most of its claims and ruled that the main terms of the contract between Naftogaz and Gazprom were valid. Gazprom’s shares were up by 0.2 percent, in line with broader Moscow stock exchange. Gazprom said the Stockholm court had ordered Naftogaz to pay more than $2 billion to Gazprom for gas supply arrears and that it had also ordered Naftogaz to buy 5 bcm of gas from Gazprom annually from 2018.

“The main thing is that Naftogaz managed to avoid tens of billions of dollars worth of claims on take-or-pay clauses, it could have been an unbearable burden both for Naftogaz and the state,” Fitch Ratings analyst Dmitry Marinchenko said. Pricing disputes in the past led to Russian gas supplies disruptions to Europe via Ukraine, including in 2009 and 2006. Since then Russia has been pushing for new pipeline projects via the Baltic and Black seas to bypass Ukraine. In a separate claim still pending before the Stockholm court, Naftogaz is seeking up to $16 billion from Gazprom in relation to a transit contract. A decision is expected in February 2018. The Stockholm Chamber of Commerce says on its web site that it offers arbitration and mediation services to Swedish and international parties who wish to have their disputes resolved outside the public courtroom.

BP starts chase for huge Azeri platform

Upstream Online, *22.12.2017*

UK supermajor BP has made initial approaches to fabricators about the next big platform it needs for its giant Azeri-Chirag-Guneshli (ACG) oilfield development off Azerbaijan, with the overall development thought to be valued upwards of $3.5 billion.

At least three industry sources told Upstream that BP recently initiated a pre-qualification exercise for another huge production platform, to be known as Azeri Central East (ACE), and other associated offshore facilities required for the development project.

BP is thought to have offered several packages to offshore engineering, procurement and construction players, including the key contacts for the fabrication of topsides, a jacket and subsea templates for the ACE platform. In addition to the packages involving the giant offshore platform, BP is also believed to be pre-qualifying contractors for various other packages. These include subsea pipeline installation and diving work, transportation and installation of the jacket and topsides, fabrication of living quarters and engineering and fabrication of drilling facilities, added sources.

Further smaller packages are expected to be offered by BP at a later stage. The offshore platform, along with the living quarters, is expected to tip the scales at more than 30,000 tonnes of fabrication, of which the topsides alone could account for a hefty 17,000 tonnes. The jacket is expected to be between 13,000 tonnes and 15,000 tonnes, sources added. One source said that the pre-qualification process is expected to conclude next month, following which, BP is expected to start a formal tender process, most likely during the first quarter of 2018.

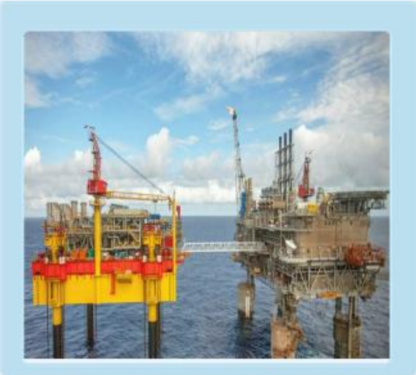
BP is understood to be involved in talks with several international EPC players and domestic yards, even though Azeri state oil company Socar and local authorities are keen to place most of the fabrication work within Azerbaijan, sources said. International EPC players that are rumoured to be interested in the ACE project include US giant McDermott, Italy’s Saipem, UK-based TechnipFMC, Malaysia’s Sapura Energy and Oslo-listed Subsea 7. Additional offshore contractors are also believed to be eyeing the project, sources added.

Industry sources have suggested that BP is examining all possible options, including overseas fabrication of some elements set for final assembly in the Caspian, as it aims to reduce costs for the offshore development project. However, sources acknowledged that it is unlikely to be easy for BP to secure approval from state-player Socar (also a partner in ACG) to move significant amounts of fabrication outside Azerbaijan, even if local costs are believed by some to be at least 45% higher than those at other international yards. One local source pointed out that any plan to fabricate the offshore facilities outside the country would mean a loss of domestic investments and jobs. A second Azeri source claimed that state-owned Socar considers its subsidiaries BosShelf and Amec-Azfen-Tekfen “well placed” to execute the offshore project and wants to keep the domestic yards busy.

Industry sources told Upstream that a key point of contention between operator BP and its partner Socar is the likely cost of fabrication given how much more it will cost locally. Having cost estimates for overseas fabrication will lay the foundation for “substantive and reasonable discussions with Socar”, one industry source close to the development told Upstream. A source from a leading international EPC contractor agreed it might not be easy for BP to move fabrication of the huge topsides and jacket outside Azerbaijan but suggested subsea jobs and smaller fabrication elements could still be up for grabs for international EPC players. BP is also planning a pre-drilling campaign of the kind that it has executed on earlier phases of ACG as well as its operated Shah Deniz gas-condensate development. This programme is set to involve nine subsea wells drilled by a semi-submersible rig in a campaign that is expected to start in 2019, sources said.

Shell stepping up fight at Malampaya field

Upstream Online, *23.12.2017*



Anglo-Dutch supermajor Shell is considering further legal action in an attempt to resolve its protracted tax dispute with the Philippines government, which is overshadowing talks regarding an extension to Service Contract 38 that hosts the giant producing Malampaya gas field.

Shell last year launched arbitration proceedings with the International Centre for Settlement of Investment Disputes (ICSID) and a tribunal was constituted on 26 January 2017. Progress to date has been slow. Although ICSID late last month issued a notice concerning procedural matters.

There is still no announced date for the hearing. Shell has applied to the Department of Energy for a 10-year extension to SC 38, that is due to expire in 2024 – the company had originally eyed another 15 years. It had earlier been expected that Malampaya's giant gas condensate reservoir would go into decline in 2024, but sources say that the field could keep flowing at significant rates to 2028 or even 2029 without massive fresh investments.

Upwards of 1.5 trillion cubic feet of gas is understood to have been produced to date from Malampaya's 2.7 Tcf reserves. Shell and partners Chevron and Philippine National Oil Company Exploration Corporation are locked in a dispute with the Philippines Commission on Audit (COA) relating to 14 years of back taxes on SC 38. The COA is of the opinion that corporate income tax should be paid on top of the government's take from Malampaya.

However, Shell's position is that the income tax forms part of the government's share – and the Department of Energy agrees. "The Malampaya joint venture consortium continues to engage the Department of Energy in response to the CoA decision and hopes to resolve this issue amicably. Nonetheless, the joint venture partners are also pursuing legal remedies, including arbitration," a spokesperson for Shell told Upstream. The DoE has lobbied the commission to review its decision, not only for the sake of the Malampaya partners but also so as not to send out a worrying message to potential investors. Shell now faces another potential headache. Energy undersecretary Donato Marcos is said to be considering awarding SC 38 to 10% partner state-owned PNOC EC on its 2024 expiry, as this could mean more revenue for the government. It would then be up to the new operator to try to line up a farm-in partner or partners with the necessary technical experience and financial clout.

Austrian hub blast proves importance of gas storage

Anadolu Agency, *26.12.2017*

Energy storage is the main instrument to cope with sudden supply shocks like Baumgarten hub blast in Austria, Marco Giuli, policy analyst at the European Policy Centre told.

A huge explosion at Baumgarten gas hub near Austria's border with Slovakia has killed at least one person and left many more injured. Following the event, the hub was temporarily shut down, while Italy declared a state of emergency. The gas prices in the continent also spiked as the explosion created a bottleneck when there is usually high demand because of the winter.

Giuli said that an upward pressure on prices occurred across the EU hubs straight after the accident triggered a short-lived shortage. "However, Baumgarten was only part of the story. At the same time outages occurred in some U.K. and Norwegian gas fields, whilst protracted withdrawal of five French nuclear reactor was keeping demand high in that country," Giuli noted. He also underlined that the price hike only means that normal market mechanisms were at work and reacted to a temporary supply shock.

Giuli noted that energy storage is the main instrument to cope with sudden supply shocks and EU countries have greatly upgraded their storage capacity over the last years. "As a result of this, European markets are way more resilient than in the past," he said and noted that countries differ significantly with reference to their storage capacity. "As Italy and the U.K. experienced parallel shocks last week, the U.K. was a source of greater concern as its storage capacity accounts for 4 percent of the U.K. gas demand, whilst in Italy it accounts for 17 percent," Giuli explained.

He also added that diversification of energy supply routes is an essential guarantee for security and competition. "However, both Italy and the U.K. are extremely diversified gas markets. Alternative import capacity would ensure security of supply in case a shock from one source lasts for a while, but only storage can provide guarantee in case of a sudden emergency," he concluded. "TurkStream would be good security investment if gas cut took longer" "The Baumgarten accident could have been serious and important, but actually was not; gas began to flow again within 12 hours," Prof. Jonathan Stern, distinguished research fellow and founder at the Natural Gas Research Programme of Oxford Institute for Energy Studies said.

He added that the impact was minimal, prices increased in Europe, but especially Italy, just for some hours. “The only longer term issue which the accident raised was that; if the accident had cut off Russian supplies to the south for some days or weeks, this demonstrates that an alternative route for gas flows to Italy and southern Europe, via TurkStream, would be a good security investment,” he said. The TurkStream will send Russian gas to Turkey with the first of its two lines. The second line of the project will carry Russian gas to southern and southeastern Europe.

Simone Tagliapietra, research fellow at Bruegel, said that the damage caused by Baumgarten accident was repaired quickly and the impact of the accident was short term. “It created some turbulence in the pricing, particularly in Italian market for one day. But then the crisis vanished the following days,” he noted. “I think the European gas market is very well interconnected, it is not vulnerable like it was ten years ago. I would say that European gas market today is far safer,” Tagliapietra said, adding that Italy was able to cope with the supply shortage from Russia with its storage capacity. “Supply security is about storage, it is about LNG, about interconnections, having reverse flows all around, having a number of international pipelines. We have all of this,” he added.

China developing first smart oil carrier

China.org, *27.12.2017*

Engineers with Dalian Shipbuilding Industry Co are working on China’s first smart crude oil carrier, which will incorporate technology to help the captain operate the ship.

The company is undertaking a special project named “smart ship 1.0 R&D”, assigned by the Ministry of Industry and Information Technology, according to Guan Yinghua, deputy chief engineer of DSIC. “The very large intelligent crude carrier will be the most important result of the project,” said Guan, adding that smart vessels represent the future. “We must seize the chance to innovate and upgrade our products. Unmanned vessels will be built as automation.

Intelligence keep improving and auxiliary decision-making becomes more effective,” she said. DSIC, based in Dalian, Liaoning province, built the country’s first domestically developed aircraft carrier. It is a subsidiary of State-owned shipbuilding giant China Shipbuilding Industry Corp. This year, the shipyard has delivered 24 high-end vessels, including large container ships capable of carrying 20,000 standard 20-foot containers, advanced deep-water semi-submersible drilling platforms, China’s biggest ship for transporting live animals and a very large chemical tanker.

DSIC’s annual revenue is expected to exceed 20 billion yuan ($3.05 billion). The company is pushing China’s shipbuilding industry to shift from conventional shipbuilding to high-end vessels. In July, the shipyard delivered a 319,000-ton crude carrier to China Merchants Energy Shipping Co. It is among the new generation of energy-saving and environmentally friendly ships classified as very large crude carriers and independently developed by Guan and her fellow engineers. DSIC is the nation’s first shipyard that can design and manufacture 300,000-ton crude carriers.

It has delivered more than 70 VLCCs and has eight orders, accounting for more than 10 percent of the total number of such carriers in operation worldwide. As a delegate to the 19th National Congress of the Communist Party of China, Guan said she was excited to hear Xi Jinping, general secretary of the CPC Central Committee, call innovation the “primary driving force behind development” and “the strategic underpinning for building a modernized economy”. Guan said, “Large-scale State-owned enterprises must unswervingly implement the national strategy, and the pace of scientific and technological innovation cannot be stopped.” Since the international financial crisis in 2008, the shipbuilding industry and the offshore industry have been in a downturn. Despite that, DSIC has delivered more than 380 high-performance civilian ships to owners around the world since 2006. DSIC’s service spans the entire life cycle of a ship, including research and development, construction, repair and scrapping. Guo Ping, a professor at Dalian Maritime University, said that with a growing technical level and competitive prices, Chinese shipyards are winning more orders.

China to become world’s No 2 LNG importer in 2017, behind Japan

Business Times, *26.12.2017*

China will become the world’s second-biggest importer of liquefied natural gas (LNG) this year as it overtakes South Korea, shipping data in Thomson Reuters Eikon showed.

This is a huge boost to Asia’s emerging spot market as Chinese buyers rely much more on short-term purchases to meet their needs than their counterparts in Japan and South Korea. Shipping data in Thomson Reuters Eikon shows that China’s imports of LNG will have risen by more than 50 per cent in 2017 compared with the previous year to around 38 million tonnes.

Comparatively, import-dependent Japan and South Korea will have taken around 83.5 million tonnes and just over 37 million tonnes by the end of the year, respectively. Analysts, though, say China’s LNG imports will rise further. “We are expecting to see even higher surges in winter demand over the next three to four years as the Chinese government pushes more broadly its gas-for-coal drive,” said Wang Wen, Beijing-based gas analyst with consultancy Wood Mackenzie.

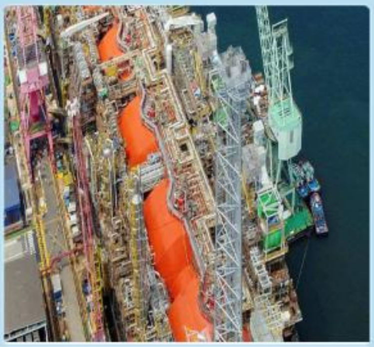
China’s soaring LNG import demand is a result of a huge government gasification programme that saw millions of households switch from using coal for household heating this year to natural gas. Beyond virtually doubling Asian spot LNG prices LNG-AS since June to US$11.2 per million British thermal units (mmBtu) - their highest since November 2014 - China’s rapid growth in purchases also changed the structure of the market.

Despite efforts to change the market, LNG trading has remained dominated by long-term contracts under which fixed monthly volumes are supplied at prices linked to the oil market, although within certain prices ranges. Such deals have been preferred by Japan and South Korea, which meet all their gas demand through LNG imports, as it gives them security of supply and prevents price volatility. China is different. It has significant domestic natural gas reserves and also brings in supplies via pipeline from Central Asia.

This means its utilities may order LNG cargoes only when they require gas at short notice - for instance during the current winter cold snap and supply crunch - possibly bringing a sudden spurt of purchases to a spot LNG market that in the past has seen limited activity. “China will surely become a key driver for Asian spot LNG prices,” Wang Wen said. Japan, China and South Korea together make up 60 per cent of global LNG demand. The world’s biggest LNG producers are Qatar, Australia and Malaysia, which together meet around 60 per cent of global demand. US exports are also surging thanks to the shale oil and gas production boom in North America.

Kribi opens the door to LNG production

Reuters, *20.12.2017*



Cameroon is on the verge of becoming a liquefied natural gas exporter after earlier false dawns as French explorer Perenco’s Kribi floating liquefaction development closes in on first production, writes Barry Morgan.

State oil company SNH predicts LNG production could hit 1.2 million tonnes per annum before the end of next year, heralded by the arrival last month in Cameroon waters of Golar LNG’s Hilli Episeyo floater, which set set sail in October from Keppel Shipyard in Singapore. The converted vessel is being moored off Kribi in the Gulf of Guinea.

Gulf of Guinea where an existing export terminal is located for evacuation of Doba basin gas exports transported down the Chad-Cameroon Pipeline. Operating for SNH and Perenco, the Hilli Episeyo floater will not only produce 1.2 million tpa of LNG but also gas and 5000 barrels per day of condensate for domestic consumption. First LNG shipments are tentatively anticipated by the end of this month, although final commissioning of the FLNG project is not expected to be completed before the end of the first quarter of 2018.

Russian gas giant Gazprom has been lined up as the sole offtaker of the project’s LNG production under a deal signed in late 2015 that envisages 500 billion cubic feet of gas going to the project from the Sanaga Sud and Ebome fields. Primary feedstock gas will come from the Sanaga South field, which Perenco operates off Kribi —Sanaga was the first offshore gas to be developed, initially pumped from a two-well production module and piped ashore for processing. The impending start-up comes after earlier false starts for the West African nation’s LNG sector, notably when GdF Suez (now Engie) eyed a $10 billion LNG project at Mboro a decade ago in partnership with SNH. The pair originally envisaged an initial 3.5 million tpa train online before 2018 and more to come.

SNH and Engie completed a one-train FEED study in 2016 but the project was shelved due to unfavourable market conditions. Since then, attention has turned to Perenco's more modest ambitions, while there are plans for further similar projects to follow. Meanwhile, Cameroon's proven oil reserves are not much greater than 200 million barrels while average oil production fell from 90,000 bpd in 2016 to 85,000 bpd this year, a far cry from the 124,000 bpd highpoint in 1997. Perenco pumps the bulk of Cameroon's oil production from concessions in the Rio Del Rey and Douala basins, while also operating three PSCs, one of these producing oil from Dissoni North. Perenco claims to have reduced gas flaring by 30% over the past four years while producing an average of 30 million cubic feet of gas a day.

Although the national focus remains on gas, the US Geological Survey believes that Cameroon's proven gas reserves have so far barely risen above the 4.8 trillion cubic feet posted for 2016. The director general of SNH, Adolphe Moudiki, says this figure will grow and he recently told investors: "Even now our gas resources are far greater than the needs identified and all ongoing gas projects, including planned floating units, can be put in place without impact on the supply of gas to the Kribi thermal power station, the Douala-based industries, chemical fertiliser production in Limbe or the proposed Mboro gas liquefaction scheme."

To counter u.s., Russia allows Gazprom to sell LNG 'at any price'

Forbes, *28.12.2017*

From a pure commercial perspective, the real 'war' being waged between Washington and the Kremlin is not over Ukraine. It's over Europe.

Russia and the U.S. are the new titans of oil and gas. Russia wants to make sure that its investments in the far east do not eventually get undercut by the Americans selling to the Middle East and Asia. U.S. natural gas exporters are already encroaching on long-held Russian markets in Europe, particularly in countries whose governments tend to be anti-Russia.

So to retaliate from a recent five year deal signed between Poland and U.S. liquefied natural gas (LNG) exporters, the Russian governent said that its state-controlled gas giant, Gazprom, can undercut the Americans in Europe by selling LNG "at any price". The executive order, approved on Wednesday by Vladimir Putin's administration, allows Gazprom to sell natural gas to companies engaged in the production and export of LNG starting January 1 at an "unregulated price," the Kommersant business daily reported on Thursday. The decree will primarily effect Gazprom's Baltic LNG project and their Sakhalin-2 project. Gazprom is in a joint venture with Shell on the Baltic LNG facility in Leningrad. The move can be seen as a means to compete with new LNG plants in Lithuania and Poland, both of which have been receiving shipments from the Gulf of Mexico.

Gazprom was restricted to sell gas at a regulated rate to local producers of LNG, and now it can sell it for less. In the original version of the decree, Gazprom lobbied to switch to unregulated prices with export-oriented gas chemical companies too, but was not granted this wish. The U.S. has become a serious competitor to Russia in Europe. Animosity towards the Russian company are seen by Washington energy policy makers as an opportunity to convince energy ministers there to diversify away from Russian gas and import U.S. LNG. LNG is a costly process and the infrastructure is not quite there yet, with Poland and Lithuania having two of the newest facilities to import natural gas from abroad. Gazprom gas is primarily delivered via pipelines, at a much lower rate.

There is only one LNG terminal in the U.S., which is owned by Cheniere Energy and has been exporting LNG at its Sabine Pass facility since last year. Sabine Pass has a capacity of about 2 billion cubic feet per day. Total capacity is expected to be 3.5 billion cubic feet per day once rail infrastructure is fully built. There are five additional LNG projects under construction with a total capacity of about 7.5 billion cubic feet per day that will come online in 2018 and 2019, making total U.S. LNG export capacity about 10 or 11 billion cubic feet per day by 2020, according to the Institute for Energy Research in Washington. Four more projects with a capacity of almost 7 billion cubic feet per day are approved but not yet under construction. If completed, the U.S. will be a top three LNG exporter along with Australia and Qatar. Not to be outdone, Russia's Baltic LNG terminal has the capacity to produce 10 million metric tons of LNG. Global consumption of LNG this year is seen at around 280 million metric tons.

Tellurian looking into pipeline network

Upstream Online, *23.12.2017*

US player Tellurian is considering plans for a $7 billion pipeline network to link its proposed liquefied natural gas export facility in Louisiana with two major US shale plays.

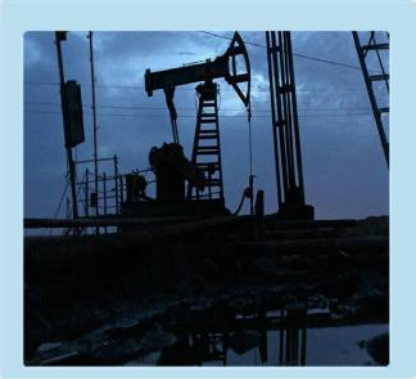
The Houston-based LNG developer said this week it is planning to develop the Tellurian natural pipeline network, which would include a pipeline running 625 miles (1000 kilometres) from the Permian basin of Texas and New Mexico and a 200-mile pipeline from the Haynesville shale, which stretches across the Texas-Louisiana border. The company said it is also continuing plans to build its previously announced 4 billion cubic feet per day.

96-mile Driftwood pipeline, which would originate in Gillis, Louisiana and terminate at Tellurian's planned Driftwood LNG facility. The 2 Bcfd Permian project, known as the Permian Global Access Pipeline (PGAP), would originate at the Waha Hub in Pecos County, Texas and would terminate near Gillis with proposed deliveries to the Creole Trail Pipeline, Cameron Interstate Pipeline, Trunkline Gas Company, Texas Eastern, Transco, Tennessee Gas Pipeline, Florida Gas Transmission, and the Driftwood pipeline, Tellurian said. Meanwhile, the 2 Bcfd Haynesville Global Access Pipeline (HGAP) would deliver "to the same interstate pipelines near Gillis, Louisiana", according to Tellurian.

Chief executive Meg Gentle said the network would be able to serve the 8 Bcfd of incremental gas demand expected in south-west Louisiana by 2025. “When completed, PGAP and HGAP will deliver natural gas from multiple low cost production basins and debottleneck the existing pipeline infrastructure in Southwest Louisiana,” Gentle said. “We intend to begin soliciting third party shipper interest in the first half of 2018, and would seek to commercialise PGAP and HGAP by year end 2018.” The Driftwood pipeline is expected to begin service in the middle of 2021, while the other two pipelines are expected to be operational by the end of 2022. Tellurian is working on plans to develop its operated Driftwood LNG project, which it says could build up to eventual capacity of as much as 27.6 million tonnes per annum. The project is planned to produce first LNG in 2022.

Oil prices reach highest levels since May 2015 at $67

Oil & Price, *27.12.2017*



Brent crude oil price soared a little over $67 on Tuesday for the first time since May 2015, pushed upwards by the supply disruption following an attack on the Libya’s Es-Sider oil pipeline.

International benchmark Brent crude oil prices started trading at $66.25 Wednesday and currently it is around $66.24 at 08.26 GMT. The prices, which started the day at $64.75 on Tuesday, increased to $67.03 with a rise of 3.47 percent due to the attacks on the Es-Sider pipeline in Libya. According to the Libyan National Oil Company’s statement.

The explosion blocked the transport of between 70 thousand and 100 thousand barrels per day. Despite the tight supply in Libya, Forties pipeline, one of the major oil pipelines in the North Sea, started pumping oil in lower quantities. The incremental restart helped compress the prices lower, which otherwise would swell over $67, according to the experts.

Announcements & Reports

▸ *The Impact of Brexit on the EU Energy System*

Source : Bruegel
Weblink : hhttp://bruegel.org/2017/12/the-impact-of-brexit-on-the-eu-energy-system/

▸ *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

▸ *World Gas Congress Asia (WGCA 2018)*

Date : 18 January 2018
Place : Osaka, Japan
Website : http://wgcasia.org/

▸ *European Gas Conference 2018*

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

▸ *Egypt Petroleum Show*

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

► International Petroleum Week 2018

Date : 20 February 2018
Place : London, UK
Website : https://www.ipweek.co.uk/

► North Africa Petroleum Exhibition & Conference

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

► The 10th International Petroleum & Natural Gas Summit

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

► The 8th International Offahore Engineering Technology & Equipment Exhibiton

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

► Kuwait Oil & Gas Summit

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

► International Conference on Petroleum & Petrochemical Economics

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

► 27th World Gas Conference

Date : 25 - 29 June 2018
Place : Washington DC
Website : https://wgc2018.com/?src=Upstream

► *Offshore Oil & Gas and Chemical Industry Technology and Equipment Exhibition*

Date : 23 - 25 August 2018
Place : Shanghai
Website : http://sh.cippe.com.cn/en/For_Visitors/Venue_Time/