Oil & Gas Bulletin

▸ *11.05.2018*

Turkey to debut 1st onshore LNG production and storage

Anadolu Agency, *08.05.2018*

A Turkish company, LNG Gaz Uretim Depolama ve Satis AS. has received the green light to progress the country's first onshore LNG production and storage in the country's midwestern and northern Anatolian regions,

The project will be Turkey's first launch into LNG production and non-marine storage although in small volumes, Cevat Evliyaoglu told Anadolu Agency in an exclusive interview. On May 3, Turkish Energy Market Regulatory Authority (EMRA) approved the company's application to build two LNG storage facilities in Turkey's Afyonkarahisar and Corum cities.

"EMRA is working on the tarification of the storage facility. This tarification will also be the first for EMRA and will set a precedent for future projects. After tarification, we will start negotiations with financial institutions and banks for project finance," Evliyaoglu said. Turkey, which is the third biggest gas importer in Europe, is struggling to increase its natural gas storage capacity. In 2017, a gas storage facility was opened in central Anatolia. The country also started to store gas offshore with Floating Storage Regasification Units (FSRU) in December 2016. A second FSRU was launched in Hatay - a province in the Mediterranean region in early February. "In Turkey, natural gas was stored only in gas form in storage or underground in the past," Evliyaoglu said.

He added that gas is stored in FSRUs in liquefied form offshore, but these facilities are limited to coastal areas. "We will not only be the first in LNG production, but also the first in LNG storage on a terrestrial basis in Anatolia," he said. The company's facilities will have a production capacity of 208 cubic meters of LNG per day and storage facilities of 2,000 cubic meters of LNG, Evliyaoglu explained. "This is a strategic project for Turkey in natural gas supply security. Capacities are expandable in line with the demand from LNG users and natural gas demand from the national transmission line," he said. The liquefaction method will enable gas to be stored by decreasing its volume by 1/600th in a gaseous state based on standard conditions for temperature and pressure. According to Evliyaoglu, the $35 million project will start in June and is set for completion within approximately one and a half years.

Iran to tender 14 oil exploration blocks in July

Anadolu Agency, *07.05.2018*

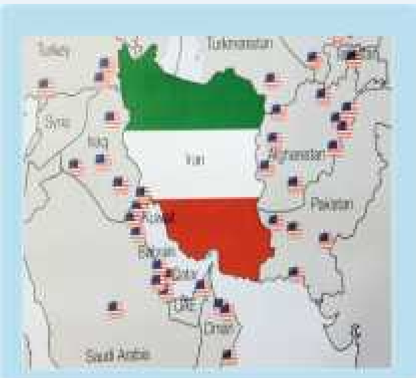
Tehran is preparing to hold a licensing round for 14 oil exploration blocks in July, the exploration director of the National Iranian Oil Company (NIOC) said Monday, according to a report on the Oil Ministry's news website, Shana.

Of the 14 exploration blocks unveiled earlier in the day, six blocks are expected to attract foreign investors, Saleh Hendi told Shana on the sidelines of the ongoing Iran Oil Show 2018 in Tehran. Hendi said that Austria's OMV, Russia's Lukoil and China's CNPC had shown interest in the exploration blocks, for which development agreements would be signed.

He added that seven blocks were located in the Zagros and Persian Gulf areas, including four commercial blocks. The blocks cover more than 80,000 square kilometers and are located in six sedimentary areas across the country. The most important blocks are located in the west and southwest, Shana said, adding three onshore blocks were in northeastern Iran. The 23rd Iran International Oil, Gas, Refining and Petrochemical Exhibition opened in Tehran on Sunday. Over 4,000 Iranian and foreign international companies from 38 countries are represented at the four-day annual convention, which is sponsored by the Oil Ministry and its subsidiary, NIOC.

Iran opposes higher oil prices, signaling divide with Saudis

Bloomberg, *06.05.2018*



Iran, faced with a possible restoration of U.S. sanctions, came out against higher oil prices, signaling a split with fellow OPEC member and political rival Saudi Arabia, which is showing a willingness to keep tightening crude markets.

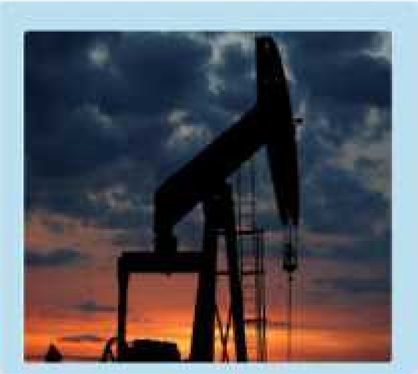
A "suitable price" for crude is $60 to $65 a barrel, Amir Hossein Zamaninia, deputy oil minister for international and commercial affairs, said in an interview Sunday in Tehran. Oil Minister Bijan Namdar Zanganeh said earlier in the day that Iran supports "reasonable" oil prices and is not an advocate of costlier crude.

Brent crude futures surged above $75 a barrel to a three-year high on Monday as traders braced for the possible re-imposition of U.S. restrictions on Iran. The Persian Gulf country's regional arch-rival Saudi Arabia is said to want crude closer to $80 a barrel, in part to support a stake sale in state energy giant Aramco. The OPEC nations continue to clash in proxy conflicts from Syria to Yemen. The Organization of Petroleum Exporting Countries will meet next month in Vienna. Together with allied producers, OPEC began reducing oil production last year in a drive to clear a global glut. The curbs have all but eliminated surplus oil inventories.. Even so, Saudi Arabia, the world's largest crude exporter, is urging fellow members to keep curtailing output.

The constant fluctuation in oil prices is destabilizing for future investment and security of supply, Zanganeh said. He made no mention of the multiparty nuclear accord that eased sanctions on Iran starting in January 2016, but he warned that the insertion of politics into the energy market will hurt producers and consumers alike. "We strongly believe the oil market should not be political," Zanganeh said. "Political interference will disrupt the process of development and exchange in the market." Renewed U.S. sanctions on Iran may disrupt more than the Gulf nation's oil exports. Iran holds the largest proven reserves of natural gas, and its gas and petrochemical industries have continued to grow since sanctions curbs were eased more than two years ago.

Iran sanction worries, oil surges on Venezuela-Conoco dispute

Reuters, *24.04.2018*



Oil prices rose for the fourth straight day on Monday to hit levels not seen since late 2014, boosted by the latest trouble for Venezuelan oil company PDVSA and the possibility that the United States could re-impose sanctions on Iran.

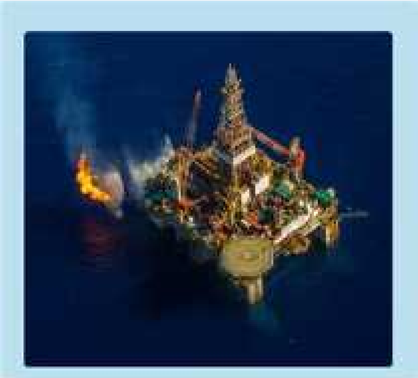
U.S. WTI crude futures rose $1.01, or 1.5 percent, to settle at $70.73 a barrel. This was the first time since November 2014 that WTI had climbed above $70. Brent crude futures jumped $1.30, or 1.7 percent, to settle at $76.17 a barrel. U.S. oil major ConocoPhillips moved to take Caribbean assets of Venezuela's state-run PDVSA to enforce a $2 billion award.

"If ConocoPhillips is successful, then it will limit the revenues PDVSA will have and give them even more problems paying their bills and producing their oil," said Gene McGillian, manager of market research at Tradition in Stamford. In total, the company's actions would affect about 400,000 barrels per day (bpd) typically shipped from the three locations, about a third of its exports. In the first quarter, PDVSA exported 1.19 million bpd of crude from its terminals in Venezuela and the Caribbean, a 29-percent decline versus the same period last year, according to Thomson Reuters data.

Venezuela’s oil output has halved since the early 2000s. U.S. President Donald Trump said a decision on whether to remain in the Iran nuclear deal or to impose sanctions would be announced at 2:00 p.m. EDT (1800 GMT) on Tuesday, four days earlier than expected. “I think it’s a sign that he’s planning on reimposing sanctions, and the only question for oil markets is how soon,” said Joe McMonigle, an energy analyst at Hedgeye Research. “I think they would as quickly as possible try to implement the sanctions.” The agreement has a dispute resolution clause that provides at least 35 days to consider a claim that any party has violated its terms. That can be extended if all parties agree. If Trump restores core U.S. sanctions, under U.S. law he must wait at least 180 days before imposing their furthest-reaching measure: targeting banks of nations that fail to significantly cut their purchases of Iranian oil. Analysts at RBC Capital Markets said Iran’s exports could be cut by 200,000 to 300,000 bpd as a result. Iranian officials, however, said that the country’s oil industry would continue to develop even if the United States pulls out of the accord.

Gas dispute with Israel is in ‘no one’s interest’

Cyprus Mail, *06.05.2018*



Fresh reports this week of Greek Cyprus and Israel resorting to arbitration to resolve a dispute over future earnings from the Aphrodite gas field appear to be driven by angst on the Israeli side.

The likelihood of the two sides going for arbitration seems far-fetched, said Constantinos Hadjistassou, assistant professor at the University of Nicosia. “Nobody really wants that, so I was surprised to read these press reports. More likely, the Israelis are playing hard ball,” he said. He was alluding to the article in Israeli news outlet Globes.

It was citing sources claiming that the two neighbouring nations might be seeking international arbitration sometime over the coming months. The Aphrodite reservoir is located on the border between the economic waters of Israel and Cyprus Island, with most of the reservoir lying on the Cypriot side. According to Globes, Israel’s energy ministry estimates the quantity of gas in the Israeli section at 7-10 billion cubic metres (bcm), while the gas in the Cypriot section of the reservoir is estimated at 100 bcm. Because the gas in the Yishai prospect on the Israeli side is part of a single geological reservoir, its production depends on agreements between the two countries. Pumping gas from Aphrodite will also cause gas to be pumped from the Yishai prospect.

The two countries signed an agreement delineating their respective exclusive economic waters in 2010. At the time, this was expected to be coupled with a unitisation agreement – a deal on joint development and revenue distribution from shared reservoirs – but it never happened. It appears the concerns on the Israeli side emanate from recent reports that a deal is on the cards between Greek Cyprus and Egypt for exporting gas from Aphrodite to the Arab nation.

This prompted the concession holders in the Yishai prospect to write to Israel's Petroleum Commissioner asking him how the state of Israel planned to safeguard their rights. Hadjistassou believes these are tactical moves. The point of contention, he noted, has always been about the share of the pie in the Aphrodite reservoir. But Hadjistassou doubts matters will be drawn out, as it is in no one's interest. If a deal is struck, the Israeli 'cut' on Aphrodite's revenues will initially be relatively low. As more reliable data on the gas is accumulated during extraction, and as Noble Energy and their partners start recovering their investment costs (infrastructures, pipeline) the revenues distribution would be revised, with the Israeli percentage going up.

Conversely, an arbitration process could take several months, possibly years, meaning further delays to developing Aphrodite. Here, it is the Aphrodite partners – Noble Energy, Shell and Delek – who are under the cosh. It is they who are anxious to develop the gas play, as they will be the ones earning the lion's share of revenues. Talk of arbitration therefore appears to be a pressure lever on the 'Cypriot' side to make concessions regarding the distribution of revenues. "Distribution agreements are very common in the industry, in fact they've been used since the 1920s in the United States," Hadjistassou explains. The issue lay dormant for years but has now acquired urgency as it appears a deal may be imminent for selling the Aphrodite gas to Egypt. But although the absence of a unitisation agreement was in the background, it never completely dropped off the radar. The Aphrodite discovery in Island' Block 12 was made in late 2011. In 2012 the concession holders in Yishai drilled the Aphrodite 2 well on the Israeli side. In April 2013, Israel Opportunity Energy Resources LP announced on the Tel Aviv stock exchange that the Aphrodite 2 well held only negligible quantities of gas. According to reports at the time, drilling the well cost approximately $100 million, for which Israel Opportunity put up $10 million. Despite this, in November 2015 the Israelis took the Cypriots aback by declaring the Yishai licence a commercial discovery. Globes at the time quoted an unnamed Cypriot official expressing annoyance at the Israeli move. Energy analyst Charles Ellinas said one could understand Israeli concerns, given that potential cash revenues from Aphrodite are by no means insubstantial.

Assuming the 7-10 bcm figure is correct, and assuming a $2 profit per mmbtu, that works out to around $700m overall to be shared between the state of Israel and the concession holders in Yishai. According to the expert, the problem lies in the lack of an inter-state unitisation agreement. This should have been concluded right away in 2010 when Greek Cyprus and Israel delineated their respective EEZs. A unitisation agreement essentially is a framework agreement between two states laying out how joint reservoirs are to be exploited. It is a generic agreement, applying to any and all potential shared reservoirs. Among others, it prescribes the course of action in the event of disagreement. Then, once a shared reservoir is actually discovered, the interested companies engage in negotiations between themselves to hammer out the details but using the unitisation agreement as a reference point.

“In 2011, when Aphrodite was discovered off Cyprus Island, there was still no unitisation deal, but by this time the dispute over spillage was already there. That is why the Israeli companies are now urging their government to get involved, precisely because there is no prescribed method of handling such situations. “It’s a bit of a muddle,” said Ellinas. Because of the fluid state of affairs, in the event of arbitration the parties or litigants would include the governments as well as the private oil and gas corporations on either side. They would first need to agree which body to resort to – such as the International Chamber of Commerce or the International Centre for Settlement of Investment Disputes. This alone could take months, while the entire process until resolution might drag on for years.

Meantime negotiations are ongoing between Noble Energy and Shell, the majority stakeholder in the LNG plant in Idku, Egypt. The Cypriot gas would be transported via pipeline to Egypt, liquefied there and then re-exported to European markets. Ellinas attended a workshop in Cairo two weeks ago, where Egypt’s Petroleum Minister Tareq El Molla stated clearly that an inter-governmental agreement for gas exports would be signed between his country and Greek Cyprus over the coming weeks. But at the same conference, Ellinas also heard concerns from industry people that the price of natural gas on European markets is currently too low. Shell, which operates the LNG plant at Idku, might not be able to get a reasonable profit for selling the Cypriot gas.

Netanyahu to meet with Mediterranean leaders over gas pipeline to Italy

Jewish Press, *06.05.2018*

Prime Minister Benjamin Netanyahu announced in opening remarks to Sunday’s government cabinet meeting that he will travel on Tuesday to Nicosia for a fourth meeting with the leaders of Greek Cyprus and Greece.

“I will discuss with them a series of issues, first and foremost the feasibility of laying a joint Israeli-Cypriot-Greek gas pipeline to Italy,” he said. “The export of Israeli gas to Western Europe could make a very significant contribution to the Israeli economy.” Last week Israeli Energy Minister Yuval Steinitz said Israel.

And Greek Cyprus are turning to an international negotiator to settle a disagreement over the distribution of gas in the joint Aphrodite reservoir located within the maritime boundaries of both countries. The energy ministers of Israel, Greece and Greek Cyprus are set to meet this week to discuss a unitization agreement. Also on the agenda is the construction of the undersea gas pipeline connecting Israel and Europe referenced by Netanyahu in his remarks to the cabinet.

Greece's gas company DEPA to take part in a market test for LNG terminal

Economic Times, *04.05.2018*

Greek gas company DEPA will take part in a market test for the development of a liquefied natural gas terminal in northern Greece, DEPA said on Friday.

Greece currently has one LNG terminal on an islet off Athens. Gastrade, part of Greek energy group Copelouzos, is planning a second LNG terminal near the northern city of Alexandroupolis. State-controlled DEPA last year agreed to participate in the project, while Bulgarian Energy Holding (BEH) has also expressed interest in the scheme. DEPA has agreed with BEH and Gastrade on the future capacity reservation by DEPA.

For the company's participation in the test that will carried out in the coming months, DEPA said in a statement**.** It added that the Bulgarian firm has said it would speed up discussions to finalise its participation in the project. The LNG facility, with an estimated annual capacity of 6.1 billion cubic metres (bcm), will seek to supply gas to southeastern Europe via another natural gas pipeline scheme that will cross through Greece, the Interconnector Greece-Bulgaria (IGB).

Zohr production increased to 1B cubic meters daily before Ramadan

Egypt Today, *07.05.2018*

Minister of Petroleum Tarek el Mollah said Monday Zohr gas field production will rise to 900,000 million cubic meters per day before the fasting month of Ramadan.

At a joint press conference with Cypriot Minister of Energy said two lines will be added to the production. Molla described the progress made in the field as a major achievement by companies operating in the project, which would contribute to curbing the imports of liquefied gas, supporting energy sector in Egypt, increasing the number of gas-operated vehicles and diversifying energy resources.

Sudan in talks with Saudi Arabia on five-year oil aid agreement

Reuters, *07.05.2018*

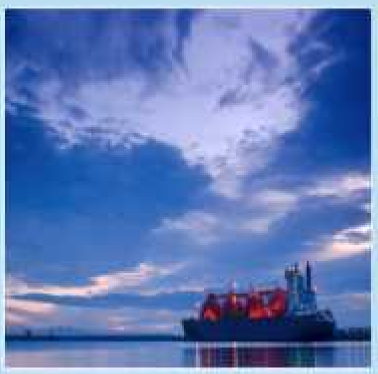
Saudi Arabia would supply Sudan's energy needs for five years on credit under an agreement being discussed by both governments, Sudan Oil Minister Abdulrahman Othman said on Monday.

Othman said the deal would provide about 1.8 million tonnes of oil a year to Sudan, which in recent months has been hit by a sharp foreign currency crisis and an acute fuel shortage that has forced people to queue at gas stations for hours. Once an oil exporter, Sudan was forced to begin importing it after the south seceded in 2011.

Taking with it three-quarters of the country's oil output and its main source of foreign currency. A source in the presidency's office in Khartoum said the final agreement is expected to be signed within days. Sudan's foreign currency crunch arose from decades of U.S. sanctions that were lifted last year, but new sources of foreign currency have failed to materialize. Khartoum has been expecting financial support from wealthy Gulf Arab allies but little has trickled into the sprawling country of 40 million people. The potential oil deal comes after Sudan's defense minister told parliament last week that the government was reconsidering its military participation in Yemen, where Sudan has sent at least 3,000 ground troops to support a Saudi-led coalition.

Why Russian gas is critical for the UK

Reuters, *07.05.2018*



Although some companies have learned to ride the waves of geopolitics quite efficiently, still in most cases political tensions only complicate the dealings of energy companies. The Skripal poisoning case has driven a massive political wedge between the United Kingdom and Russia and is on the verge of blighting their energy ties.

The UK Government's threats to ban Russian gas imports altogether would be a very short-sighted step, the harm of which would take many years to undo. As opposed to the usual rhetoric of "safeguarding energy security" and "countering Russian influence"

The Skripal case is slowly turning into a whodunnit where no one will tell you what really happened and you have to reconstruct everything by yourself – why was the allegedly lethal nerve agent not that lethal, who perpetrated the poisoning and how exactly. Usually when analyzing foreign affairs' scandals, it is imperative to look at who could benefit from such a deterioration. One thing is for sure – energy companies only stand to lose. Firstly, British companies might see their maneuvering space narrowed down, especially against the background of Brexit jeopardizing Britain's adherence to the internal energy market (IEM) of Europe. Although the May government wishes to remain in the IEM, so as not to risk the potential $700 million per year expenses it could bear in a worse-case scenario breakup.

Even if a disaster can be averted and the United Kingdom would stay, regardless if in a limited or full-fledged manner, in the IEM, infrastructure funding from EU funds will almost certainly evaporate. This could be one of the Brexit's most serious energy consequences, since 16 EU projects of common interest are UK-related, without funding from Brussels, many fall into the risk category of not being implemented. Continental Europe might turn out to be more resolute vis-à-vis UK Brexit demands than expected, for instance, it might justifiably ask whether the €9 billion invested in British electricity and gas projects in 2012-2017 under EIB auspices could have been allocated someplace else. But the risk of relinquishing on Paneuropean trade preferences and investment is not the only specter haunting the UK's energy specialists.

Concurrently with the trends above, the UK North Sea gas production entered the phase of terminal decline after a temporary rebound in 2013-2017. Thus, imports will inevitably play a more significant role in the UK gas matrix as the rate of production decline will outpace that of a forecast demand decline (expected to balance out at around 60 BCm per year). Adding insult to injury, the UK's largest gas storage facility, Rough, closed down last Summer, wiping out a hefty part of the nation's potential storage capacity (3.31 BCm). As things stand currently, UK can sustain only 2 percent of its annual consumption from its storages, which necessitates a thorough rethinking of its gas imports. In such an intricate situation, flexibility of supply should be the paramount aim of the UK political establishment.

Many self-proclaimed energy experts claim that Russia might use its gas supplies as an energy weapon, yet in the case of the United Kingdom there is virtually no risk of seeing that happening. Russia supplies 7 percent of UK crude oil imports and 13 percent of its products intake, in both cases trailing significantly to Norway (56 percent) and the Netherlands (20 percent), correspondingly. Yet crude was never really the crucial issue, gas has been boggling the minds of energy wonks ever since LNG from the recently launched Yamal LNG project hit the terminals of Isle of Grain and Milford Haven. Yet the situation with Britain's gas imports is even more clearcut as it is with crude – 75 percent of its gas imports are fed via pipeline from Norway, with an additional 13 percent supplied from Qatar in the form of LNG.

Russia's energy footprint in the United Kingdom has been anything but significant – a fitting example is Gazprom Export, which according to its statistics, supplied 16.3 BCm of gas last year to the UK (34 percent of its import volumes), without specifying the origins of the above gas or disclosing whether the volumes in question were physically delivered to Britain or were swapped elsewhere. Keeping in mind that Norway and Qatar satisfy between themselves 90 percent of UK gas imports (and in both cases Russian companies are not part of the transaction), one can easily assume that any talk of a serious energy clout is a wild overstatement. Which brings us to a key assumption – Russian oil and gas cargoes can be of massive help to the UK to keep their supplies, especially in winter months, as flexible as possible.

While it's very difficult in the current political climate to advocate free trade with Russia and not be labelled a propagandist, energy issues are best kept out of politicians' direct sphere of influence. Supervision is one thing, obstructionism is an entirely different one. For instance, when Britain needed gas on short notice late February, two 164 000 m3 LNG cargoes were delivered from the Russian Yamal LNG. Everyone was glad about it, except for the political elite. Yet Yamal LNG is just a tiny part of the whole equation – with Baltic LNG expected to come on stream mid-2020s, it would be the closest source of LNG for UK consumers if one is to exclude Norway. Let's not forget initial plans for the Nord Stream pipeline included a subsea extension to Britain – even without it, Gazprom can bring in more of that cheap pipeline gas via the Balgzand-Bacton Line (BBL), now that Groningen is being wound down. Last but not least, unilateral trade restrictions rarely lead to results that the initiator anticipates. For instance, do UK legislators promoting the Russian energy ban examine the ways Moscow might respond? Keeping in mind that BP owns 19.75 percent of Rosneft, they can potentially be very painful (and genuinely unsettling after the 2017 BP-Rosneft gas supply deal). Hence ‘‘keep your options open and talk to everyone" is a good motto, whilst ban the unsympathetic and make the customers pay for your foreign policy decisions is a slow economic suicide. Five-year term politicians might want to choose the latter, but it just demonstrates their ignorance of rules energy markets live by.

Gazprom tops in output among national firms worldwide

Anadolu Agency, *09.05.2018*

Russia's Gazprom leads in total production outlook to 2020 among national oil companies (NOC), according to data and analytics company GlobalData on Wednesday.

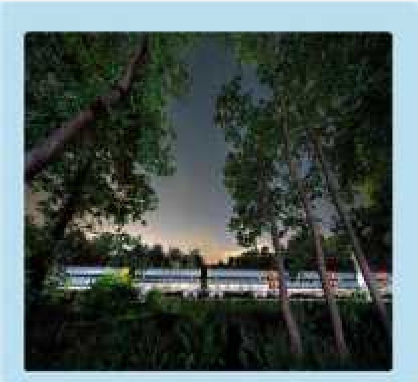
GlobalData said that among the NOCs considered, Gazprom, Rosneft, Statoil, India's ONGC, Colombia's Ecopetrol, Petrobras and Petronas, Gazprom has the largest remaining reserves with 84.5 billion barrels of oil equivalent for producing planned and announced fields. "Gazprom is followed by Rosneft with 37.3 billion barrels of oil equivalent,"

"Russian NOCs also lead in terms of oil and gas production entitlement up to 2020," it added. According to GlobalData, Gazprom has the highest production out of those listed. And this is expected to increase marginally from 3,333 million barrels of oil equivalent (mmboe) in 2018 to 3,591 mmboe by 2020. "The production of Rosneft could also increase from 2,064 mmboe in 2018 to 2,235 mmboe by 2020. Only Ecopetrol's production is expected to decrease from 194 mmboe in 2018 to 175 mmboe in 2020," the data company reported. GlobalData's oil and gas analyst Raj Shekhar said in a written statement that in terms of a break-even oil price, Petronas leads with the lowest median of $7 per barrel across all of its planned and announced projects expected to start by 2025.

"Rosneft is a distant second with a break-even price of $13," he added. Shekhar continued, "Among the NOCs considered, Rosneft reported the highest annual total revenue of US$107 billion in 2017 followed by Petrobras with $90.2 billion. In terms of operating income, Statoil is in the lead with $13.8 billion in 2017, followed by Petrobras with $12 billion." Rosneft had the highest merger and acquisitions activity in 2017 with a total deal value of $10.1 billion from seven transactions, followed by Petronas with $8.5 billion from five transactions. In terms of capital raising activity, Rosneft also leads among the NOCs considered with $14.6 billion in 2017 from three transactions followed by Petrobras with $13 billion from 12 transactions.

Germany starts to build Nord Stream 2

EuobServer *04.05.2018*



Germany has started to pour concrete on a Russian gas pipeline that risks dividing the EU and harming its energy security.

The construction began in Lubmin, on Germany's Baltic Sea coast, on Thursday (3 May), with the laying of foundations for a terminal that will receive 55bvm a year of Russian gas via the Nord Stream 2 pipeline when it goes online in 2020. "We're moving within the framework of the planning approval decision," a spokesman for Gazprom, the Russian firm behind the project, told German press agency DPA.

"We're confident that we'll receive all relevant permits," the spokesman said. The Baltic pipeline is to run from Russia via the maritime zones of Finland, Sweden, and Denmark. Finland recently granted a permit, with the other two pending. Its opponents, including Poland, the Baltic states, and Nordic EU countries, have said Nord Stream 2 would help Russia to cut gas supplies to Western allies, including Ukraine, for strategic reasons. The European Commission has said it could help Gazprom to gouge even higher prices in eastern Europe.

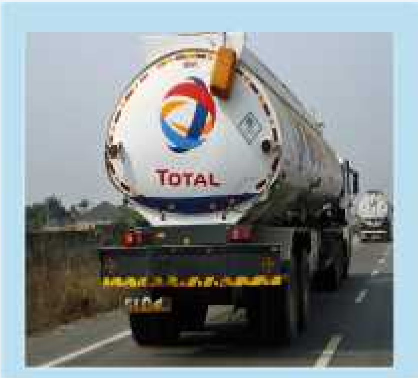
The US has also said it would make a mockery of Western sanctions on Russia, imposed over its invasion of Ukraine four years ago. Next steps for the Russian project include the laying and welding of 200,000 pipe segments, each one weighing 24 tonnes, along 1,200 km of the Baltic Sea bed. The pipes are already waiting in storage yards in Germany, Finland, and Sweden in a €9bn enterprise that includes five major EU energy firms and 200 other companies in 17 European countries, creating, Gazprom says, 1,000 jobs. News of the Lubmin construction work comes despite German chancellor Angela Merkel’s recent nod to Nord Stream 2 critics. “This is not just an economic project, but [its] … political factors must also be taken into account,” she said at a meeting with Ukrainian leader Petro Poroshenko in Berlin last month. The construction is also moving ahead amid EU commission appeals to hold talks with Russia on how to apply European energy law to the pipeline. Merkel’s comments had given hope to Nord Stream 2 opponents that she might pause for thought on a scheme that has the potential to tear a rift between Germany and its EU allies. The enterprise also risks a transatlantic rift after the US threatened to impose fines on the five EU energy firms - Engie, OMV, Shell, Uniper, and Wintershall - which are co-financing the pipeline.

The Lubmin news was welcomed in some quarters, with Eduard Stavytsky, Ukraine’s former energy minister, saying the EU needed Nord Stream 2 due to the depletion of its North Sea gas fields. “Europe consumes about 425 bcm of gas per year. Russia set a record last year and delivered about 150 bcm,” he said on Thursday, according to Kremlin media agency Sputnik. Stavytsky used to work for the former, notoriously corrupt, Ukrainian regime, and fled to Israel after 42kg of gold and $5m in cash were found in his house in Ukraine’s 2014 revolution. Nord Stream 2 also has friends in higher places, such as former German chancellor Gerhard Schroeder, who went to work for Gazprom after he left office. The CEOs of three of the EU firms backing the project - Austria’s OMV and Germany’s Uniper and Wintershall - joined them in lobbying for the pipeline this week.

“Debates should be guided by facts, not fearmongering, which seems to be the preferred tool of the project’s opponents,” Rainer Seele, Klaus Schaefer, and Mario Mehren said in a joint op-ed in US journal The National Interest on Wednesday. “The notion that Russia could use gas as a weapon - even if it wanted to - is simply a hoax,” they said. They pledged that Nord Stream 2 would not be used to cut off Ukraine, after Merkel told Poroshenko in Berlin that the pipeline could not go ahead if that were to happen. But they hinted that Ukraine, which transited over half of Russia’s gas exports to the EU last year, might suffer disruptions all the same. “Germany and the EU are committed to ensuring Ukraine’s place as a European gas partner. But placing all the proverbial eggs in the basket of Ukrainian transit is beyond foolhardy,” the CEOs said.

Total at risk of losing gas field stake to CNPC if it quits Iran

Bloomberg, *06.05.2018*



Total SA, the only Western energy major investing in Iran, will lose its stake in the South Pars natural gas field to its Chinese partner if the Paris-based company withdraws from the country, the head of National Iranian Oil Co. said.

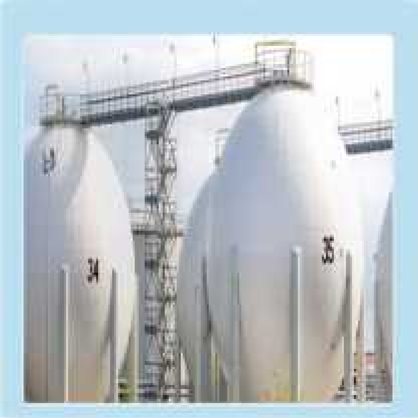
Total has spent $90 million to help develop the offshore field and won't be compensated before production begins, Ali Kardor, managing director of state-run NIOC, said Sunday at a news conference in Tehran. Kardor didn't specify whether Total would receive any compensation if it pulled out of the project in Iran's section of the world's biggest gas deposit.

There was no immediate reply to phone calls and an email made outside of normal business hours to the media office at Total's headquarters. Total has signed Iran's biggest international energy deal since world powers agreed in 2015 to ease economic sanctions on the Persian Gulf country in exchange for limits on its nuclear program. The company committed in July to develop phase 11 of the giant South Pars field, pledging $1 billion in investment. U.S. President Donald Trump, who has pilloried the accord as "insane," must decide by May 12 whether to re-impose sanctions.

Such a step would put pressure on companies like Total that do business in Iran and which also have interests in the U.S. Total has a 50.1 percent stake in the 20-year South Pars project, with China National Petroleum Corp. holding 30 percent and Iran's Petropars, 19.9 percent. If Total withdraws, Iran will transfer the company's full stake to CNPC, based on the contract, Kardor said. Iran has the world's largest gas reserves, estimated by BP Plc at 1,183 trillion cubic feet (33 trillion cubic meters), and is the third-biggest oil producer in the Organization of Petroleum Exporting Countries. Total had been working at South Pars until international sanctions forced it to withdraw in 2009. Production from the project would be 2 billion cubic feet a day of gas, Kardor said in July.

Europe buys more Russian gas despite strained relations

Oil &Price, *08.05.2018*



The West-Russia relations have reached a new low since the Cold War amid the spy poisoning scandal in the UK, allegations of Russian meddling in elections, and fresh U.S. sanctions on Russia.

Yet European countries continue to buy increased amounts of Russian gas, and Russia's state-held gas giant Gazprom is boosting production and exports, and is obtaining approvals in individual countries for its Nord Stream 2 gas pipeline that has divided the EU over fears of a tightening Russian grip on gas supplies. In recent months and weeks, Gazprom has taken advantage of high demand in Europe.

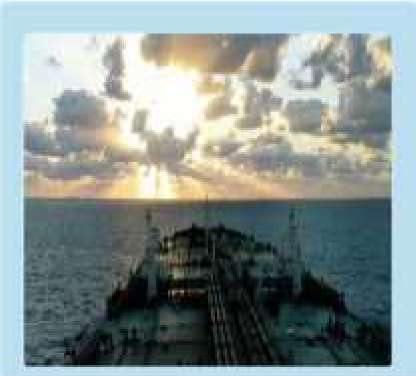
And its of decreased gas supplies to Europe from Russia's competitors, Maxim Rubchenko writes for Russian news agency RIA Novosti. Russia—which already supplies around one-third of Europe's gas—boosted deliveries in the winter, one of the coldest winters in Europe in the past decade, and continues to ship higher volumes even after the winter, as gas importing countries replenish gas storage supplies that had been drained amid the cold snaps. Alexander Medvedev, Deputy Chairman of Gazprom's Management Committee, said at the end of April that the Russian company was currently shipping as much gas to Europe as it typically does in winter months, and expects demand this summer to be close to winter levels. Gazprom gas deliveries to Europe reached an all-time high in March, beating a previous record from January 2017, the Russian company says. In the first quarter of this year, Gazprom's gas supply to Europe increased by 6.6 percent compared to the same quarter last year. Gazprom's gas deliveries to European countries continued to grow in April, even after the winter heating season ended.

Demand in Europe has stayed high after the winter ended. First, because gas storage levels were low, and second—because some of the other traditional gas-supplying countries have decreased supplies over issues or maintenance at facilities. Norway, Russia's closest competitor, had to cope with an unplanned outage at the Skarv gas field and Kollsnes processing plant in April. Flows to Europe were reduced after a compressor at the Skarv field in the Norwegian Sea failed. In the south, Libyan gas flow from the Greenstream pipeline to Italy was stopped on April 2 due to maintenance to integrate gas from a new phase of development at the offshore gas field Bahr Essalam. The maintenance was initially expected to be completed in two weeks, on April 18, but the resumption of gas supplies has been postponed several times, so Italy received no gas from Greenstream for the whole month of April. Total African pipeline exports to Europe dropped in the last week of April on a continued Libyan outage and reduced Algerian gas deliveries.

While Gazprom is boosting supplies to Europe even after the winter, it has received permits from Germany to build the Nord Stream 2 pipeline and a first permit for the project in Finland. Gazprom has also completed the deepwater pipelay for Line 1 of the TurkStream offshore gas pipeline planned to connect Russia to Turkey across the Black Sea. Meanwhile, Gazprom's seven-year-old dispute with the EU on antitrust issues may soon be coming to an end. According to Bloomberg sources, the EU could announce as early as in May a settlement with the Russian company under which Gazprom could agree to binding pledges to allay antitrust concerns, which could put an end to the antitrust investigation that started in 2011. Despite high political tensions, Russia continues to boost gas supplies to Europe, and Europe continues to buy.

Qatar petroleum to boost production despite blockade

Anadolu Agency, *08.05.2018*



Despite an ongoing blockade by the neighbors of Qatar, its state oil and gas company plans to increase its daily production capacity to 6.5 million barrels per day of oil equivalent in eight years from the current 4.8 million barrels per day of oil equivalent, its chief executive told Reuters.

The United States will be the focus of this expansion, Saad al-Kaabi said un an interview, adding that "We are in Mexico, we are in Brazil, we are contemplating investing in the U.S. in many areas, in shale gas, in conventional oil. We are looking at many things."

QP's investments in the United States will likely be in liquefied natural gas: the company is a world leader in LNG exports and the majority stakeholder in the Golden Pass LNG terminal in Texas, where it partners with Exxon and ConocoPhillips. The Golden Pass terminal is one of the largest globally, with a capacity to process 2 billion cu ft of natural gas daily, or 15.6 million metric tons of LNG annually. There are now plans to expand the terminal, and Al-Kaabi told Reuters that the final investment decision on the expansion will be made by the end of this year.

A group of six Middle Eastern countries led by Saudi Arabia cut off diplomatic relations with Qatar last June on allegations of support for terrorists and too-close relations with Iran. Qatar, however, has managed to weather the crisis, and now even the United States is trying to convince Riyadh to lift the blockade. Qatar shares the biggest offshore gas field in the world with Iran. It has been instrumental in helping it to achieve its dominant position on the international LNG market. Last year, amid the blockade, Qatar decided to start expanding production from the North Field on the Qatari side, despite a previous moratorium and despite projections that the global LNG market will be marked by oversupply until about the mid-2020s.

Libya targets oil production capacity above 2 mln bpd by 2022

Reuters, *08.05.2018*

Libya aims to raise its oil production capacity to more than 2 million barrels per day (bpd) by 2022, the head of state-owned National Oil Corp told a conference in Aberdeen on Tuesday.

"To support this strategy Libya will be targeting all investment markets," Mustafa Sanalla said in a speech seen by Reuters. Sanalla was heading a high-level Libyan delegation to Aberdeen, Scotland, at a forum with British companies and in association with the Libyan-British Business Council and Oil and Gas UK. The OPEC member's current oil production stands at about 1 million bpd.

Japan leads in LNG imports in 2017

Anadolu Agency, *07.05.2018*

Japan imported the most LNG globally in 2017 with 83.5 million tonnes, according to the latest report of the International Gas Union (IGU) in late April.

In 2016, Japan again was the leader of global LNG imports with 83.3 million tonnes annually. The report noted that global LNG imports in 2017 recorded their highest annual growth rate since 2010, an increase of 9.9 percent to reach 289.8 million tonnes. The biggest demand for LNG in the global market came from Asia. China followed Japan with 39 million tonnes of LNG imports and South Korea ranked third with 38.

In 2016, China was the third biggest importer, but owing to the Chinese government's policies and new LNG capacities, China surpassed South Korea and ranked second in the global market. Turkey ranked eight globally with 7.33 million tonnes of LNG imports. The country that exported the largest amount of LNG worldwide last year was Qatar with 77.5 million tonnes. Australia followed with 55.5 million tonnes and Malaysia with 26.9 million tonnes. Nigeria was the fourth biggest LNG exporting country on the list, while Indonesia was the fifth and Algeria the sixth. The report noted that Turkey's second floating storage re-gasification unit (FSRU) had arrived at a port in the Dortyol district, located in the Hatay province in 2017. Turkey began operations of its second FSRU with 20 million cubic meters of send-out capacity per day in February 2018.

Turkey's first FSRU was launched in Aliaga, Izmir in December 2016 at a time when the country needed extra gas capacity to meet increasing consumption due to the very cold weather conditions at that time. The first unit, which Turkish companies Kolin and Kalyon operate, also had 20 million cubic meters of send-out capacity per day. Turkey has already increased its daily send-out capacity from 190 million cubic meters in 2015 to 288 million cubic meters by the end of 2017. The report also highlighted that Turkey is planning to build a FSRU terminal in Saros Bay on the Gallipoli peninsula.

Number of oil rigs in US rises by nine this week

Anadolu Agency, *05.05.2018*

The number of oil rigs in the U.S. increased by nine this week, according to oilfield services company Baker Hughes data.

The oil rig count in the country rose to 834 for last week, from 825 in the previous week, the data showed. This marked the 13th weekly increase in the number of oil rigs in the past 15 weeks. Despite the rise in the number of oil rigs, crude oil prices maintained their daily gains. International benchmark Brent crude was trading at $74.82 per barrel at 1315 EST with a daily gain of 1.6 percent, while American benchmark was at $69.72 a barrel at that time with a daily gain of 1.9 percent.

The U.S.' Energy Information Administration (EIA) data showed on Wednesday that crude oil production in the country rose by 33,000 barrels per day (bpd) to reach a new record high of 10.62 million bpd for the week ending April 27. This was the 15th time that the crude oil output showed an increase over the span of the past 16 weeks.

Brent oil over $75 level at week beginning May 7

Anadolu Agency, *07.05.2018*

International Benchmark Brent crude traded at $75.57 per barrel at 09.42 GMT+2 while American benchmark WTI saw prices of $70.45 per barrel on Monday.

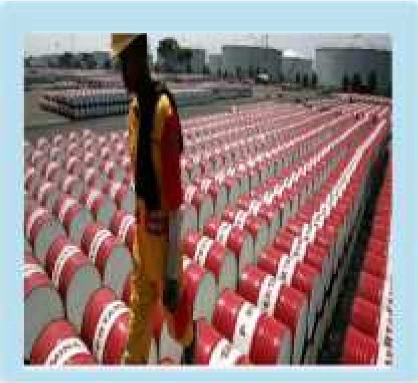
On Friday afternoon, Brent oil traded at $73.87 per barrel while WTI saw prices of $68.69 per barrel. Brent reached over $75 per barrel last Monday over uncertainty on whether the U.S. would pull out of the Iranian nuclear deal. Under a deal signed in 2015, the U.S. and other world powers agreed to lift some of the economic sanctions imposed against Iran in return for the latter agreeing to rein in its nuclear program.

U.S. President Donald Trump has repeatedly called the pact "one of the worst negotiated agreements" he has ever seen. He has threatened to pull the U.S. out of the deal and has to make a decision on whether he will do so by the May 12 deadline. In addition, according to Iran's Shana News Agency, Iran's Minister of Petroleum, Bijan Namdar Zangeneh said that Tehran prefers "reasonable" oil prices to help crude prices avoid market instability. He explained that "reasonable crude prices" would likely encourage producers to keep supplies in the market while preventing global markets from plunging into instability.

In the meanwhile, the number of oil rigs in the U.S. increased by nine this week with the likelihood of ramping up production, according to oilfield services company Baker Hughes data released on Friday, counteracting the rising oil price trend. The oil rig count in the country rose to 834 for the week ending May 4, from 825 in the previous week, the data showed. This marked the 13th weekly increase in the number of oil rigs in the past 15 weeks.

Why oil prices are likely to go higher

Oil & Price, *07.05.2018*



WTI just hit $70 per barrel for the first time since late 2014. Prices continue to edge higher, pushed along by strong demand and falling inventories. But it is the geopolitical narrative that has really taken hold as of late, with the danger of supply outages looming in the next few weeks.

This is the fateful week in which the Trump administration has to decide on what to do with the Iran nuclear deal. All signs point to him attempting to terminate the agreement. The return of sanctions could knock off as much as 400,000 to 500,000 bpd from Iranian supply, a huge volume.

There is still a chance that the Trump administration takes a more nuanced approach – not killing the deal in its entirety but taking a harder line with Iran. It's unclear what that might look like in practice, but with the oil market already pricing in some sort of re-implementation of sanctions, anything that stops short of that could be met with a selloff. “In our view President Trump's decision on the waiver looks likely to be both the largest upside and downside risk to oil prices over the next 11 days,” Standard Chartered wrote in a note last week. However, a softer line seems unlikely at this point. The oil market is already in a bit of a supply/demand deficit. According to the IEA, oil inventories fell by 26 million barrels in February, a larger-than-expected decline. That put total stocks just 30 million barrels above the five-year average, which means that we are close to arriving at OPEC's long-sought goal of achieving “balance” in the market.

“Our balances show that if OPEC production were constant this year, and if our outlooks for non-OPEC production and oil demand remain unchanged, in 2Q18-4Q18 global stocks could draw by about 0.6 mb/d,” the IEA wrote in its April Oil Market Report. “With markets expected to tighten, it is possible that when we publish OECD stocks data in the next month or two they will have reached or even fallen below the five-year average target.” In the context of the potential outages from Iran, it is worth emphasizing that April conclusion from the IEA. The agency expects inventories to decline at a rate of 0.6 million barrels per day, which is to say, the market is already in a supply deficit, which will continue to drain stocks. And that calculation comes before any potential outage from Iran. The loss of a few hundred thousand barrels per day from Iran would make that deficit larger, leading to an even faster rate of decline from global inventories.

Adding to those worries are the supply disruptions in Venezuela. The oil market is likely already pricing in large supply losses from the South American OPEC member, with most analysts forecasting declines on the order of several hundred thousand barrels per day by the end of this year. Production is already down to about 1.4-1.5 million barrels per day, or about 600,000-700,000 bpd lower than 2016 levels. Output could dip close to 1 mb/d by the end of the year, although the risk to that estimate is on the downside. There are a series of potential disasters facing Venezuela that could accelerate declines. A full-blown debt default, U.S. sanctions, and asset seizures from creditors are three dire scenarios, that at this point, actually look pretty likely.

U.S. Vice President Mike Pence unveiled new sanctions on Venezuela on Monday, ahead of the May 20 presidential election. Most analysts expect the Trump administration to hold off on the more draconian measures until after the sham vote in two weeks. On Monday, Reuters reported that ConocoPhillips is moving in to seize some assets from PDVSA located in the Caribbean. Conoco won an international arbitration ruling two weeks ago and is now laying claim to PDVSA facilities on the islands of Curacao, Bonaire and St. Eustatius – facilities that made up about one quarter of Venezuela's oil exports last year. At the time of this writing, the implications of the potential asset seizures are unknown, but the facilities are vital for Venezuela as they play key roles in processing, storing and blending PDVSA's heavy oil. "This is terrible (for PDVSA)," a source familiar with the court order of attachment told Reuters. PDVSA "cannot comply with all the committed volume for exports," the source said, noting that a significant chunk of exports could be in jeopardy.

The more missed debt payments pile up, the more likely that creditors will begin scrambling to seize assets. Venezuela's oil production and exports are already falling at a rapid rate, but the losses could accelerate because of creditor actions. This week is shaping up to be a pivotal one for the oil market, with the potential for renewed sanctions on Iran. Meanwhile, Venezuela's oil production was already declining and fragile, but a darker reality is beginning to unfold. These events, occurring against a backdrop of a tighter oil market, point to higher prices over the next few weeks.

EIA revises up oil price forecast for 2018, 2019

Anadolu Agency, *09.05.2018*

The U.S.' Energy Information Administration (EIA) revised up its forecast for crude oil prices for this year and the next, according to its Short-Term Energy Outlook (STEO) report for May released on Tuesday.

In 2018, international benchmark Brent crude is now expected to average $71 per barrel, while American benchmark West Texas Intermediate (WTI) is projected to average $66 a barrel -- both up $7 per barrel compared to last month's report. In 2019, Brent crude is forecast to average $66 per barrel, while WTI is estimated to average $61 a barrel -- both up $3 per barrel from last month's STEO.

"Since January 2017, the beginning of the crude oil production cut agreement among certain countries within and outside the OPEC, global petroleum inventories have declined at an average rate of more than 0.5 million barrels per day (bpd)," the EIA said in its STEO for May. "Oil prices may have also risen in anticipation of the potential reinstitution of sanctions on Iran, which could contribute to declines in the country's crude oil production," it added. The EIA also said strong growth in global oil demand has contributed to upward pressures on oil prices. "EIA estimates that global oil consumption in the first quarter of 2018 was 1.9 million bpd (2 percent) higher than it was in the first quarter of 2017," the report said.

The administration kept its projection for the U.S.' crude oil production unchanged for this year, but revised it up for next year. For 2019, the U.S.' crude oil output was revised up 400,000 bpd from last month's report and is now expected to average 11.9 million bpd. For 2018, the EIA estimates crude oil production in the U.S. to average 10.7 million bpd.

Announcements & Reports

► *Ukrainian Gas Transit: Still Vital for Russian Gas Supplies to Europe as Other Routes Reach Full Capacity*

Source : OIES
Weblink : https://www.oxfordenergy.org/wpcms/wp-content/uploads/2018/05/Ukrainian-gas-transit-Still-vital-for-Russian-gas-supplies-to-Europe-as-other-routes-reach-full-capacity-Comment.pdf

► *Decarbonisation of heat and the role of 'green gas' in the United Kingdom*

Source : OIES
Weblink :https://www.oxfordenergy.org/wpcms/wp-content/uploads/2018/05/Decarbonisation-of-heat-and-the-role-of-green-gas%E2%80%99-in-the-United-Kingdom-NG-128.pdf

Upcoming Events

► *FLNG Global 2018*

Date : 14 – 15 May 2018
Place : Amsterdam, The Netherlands
Website : https://www.clocate.com/conference/FLNG-Global-2018/49265/

Supported by PETFORM

► *Flame Conference 2018*

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

► *4th International LNG Congress*

Date : 04 – 05 June 2018
Place : Berlin, Germany
Website : http://lngcongress.com/

► Bucharest International Energy Charter Forum

Date : 06 – 07 June
Place : Bucharest
Website : Bucharest International Energy Charter Forum

Supported by PETFORM

► Energy Trading for Central and South Eastern Europe 2018

Date : 13 – 14 June 2018
Place : Budapest, Hungary
Website : http://www.energytradingcsee.com/

ETCSEE 2018
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13 - 14 June 2018

► 14th Russian Petroleum & Gas Congress (RPGC2018)

Date : 18 – 19 June 2018
Place : Moscow, Russia
Website : https://www.clocate.com/conference/14th-Russian-Petroleum-and-Gas-Congress-RPGC-2018/27847/

► 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/

► Gastech

Date : 17 – 20 September 2018
Place : Barcelona, Spain
Website : http://www.gastechevent.com/

► The European Autumn Gas Conference

Date : 07 – 09 November 2018
Place : Berlin, Germany
Website : http://www.theeagc.com/