

## Turkey's energy import bill up 16.1% in April

Anadolu Agency, 31.05.2018



Turkey's energy import bill increased by 16.1 percent to nearly \$3.11 billion in April from nearly \$2.68 billion for the same month of 2017, according to Turkstat data Thursday.

The data shows that Turkey's import bill in April reached \$20.55 billion, out of which energy accounted for 15.13 percent. Additionally, the country's crude oil imports showed a 37.9 percent decrease in April compared to the same period of 2017. Turkey imported approximately 1.47 million tonnes of crude oil in April, down from 2.38 million tonnes for the same period in 2017.

## Turkish ship to begin drilling for gas in Eastern Mediterranean

Cyprus Mail, 31.05.2018



The Turkish drillship Fatih was to set sail from the Gulf of Izmit for the eastern Mediterranean to begin exploration for oil and gas.

The state-run Turkish Petroleum company said that the first stop by the Fatih will be Antalya on the southwestern coast of Turkey, but it did not clarify where exactly it intends to start drilling. There are concerns that if Ankara begins drilling off the Coast of Cyprus Island, where Nicosia has already granted exploration licenses to foreign companies, then tensions in the region could flare up.

Turkey says it will prevent Greek Cyprus from searching for gas and oil off its coast if Turkish Cypriots are not included in the process. Tensions between the two countries reached breaking point in February after Turkish warships prevented a rig of Italian energy giant ENI from drilling in block 3 of Cyprus Island's exclusive economic zone (EEZ). According to reports, Ankara intends to begin operations before presidential and parliamentary elections on June 24. Meanwhile, the presidential candidate of the Turkish opposition Republican People's Party (CHP) Muharrem Ince visited the town of Komotini in Thrace, northeastern Greece on Thursday and spoke to leaders of the muslim community.

# Ankara, Moscow ready to support Turkish stream's extension to Bulgaria

Sputniknews, 02.06.2018



In an interview with Sputnik, Gurkan Kumbaroglu, head of the International Association for Energy Economics, said that he does not exclude that the implementation of the Turkish Stream gas pipeline projects may add to better ties between Turkey and Bulgaria.

We and our Turkish partners have always discussed the option of bringing the Turkish Stream [pipeline] to Europe, including through Bulgaria,” Putin stressed, adding that “Turkish President [Recep Tayyip] Erdogan confirmed this again in our phone conversation” earlier this week.

According to Putin, “relevant transportation capacities” will be installed on Bulgarian territory in the near future. Commenting on the matter, Gurkan Kumbaroglu, President of the International Association for Energy Economics and Professor at Bogazici Universitesi (Bosphorus University), recalled that the extension of the Turkish Stream pipe to Bulgaria has been discussed since 2015. At the time, the EU hammered out a project to invest European funds in infrastructure for the construction of a gas pipeline to Slovakia via Bulgarian territory,” Kumbaroglu said. Touching upon the Turkish Stream project, he noted that “if the second leg of Turkish Stream is laid through Bulgaria, this will not mean big changes for Turkey.”

Ultimately, the second branch, with its annual capacity of 15.75 billion cubic meters of gas will be directed to Europe. After being laid through Turkish soil, the branch can pass either via Greece or Bulgaria without affecting Turkey’s [economic interests],” Kumbaroglu pointed out. He also did not rule out that the decision on the Turkish Stream pipeline’s extension to Bulgaria “will have a positive impact on relations between Sophia and Ankara” Separately, he referred to the EU’s Projects of Common Interest Program, which specifically stipulates implementing a project to supply gas from the Eastern Mediterranean to Greece.

From the economic point of view, Turkish Stream being laid via Bulgarian territory somewhat shortens the length of the route. The gas from the Trans-Anatolian gas pipeline will be delivered to Europe through Greece. If we talk about the convenience of the route, gas supplies to southeastern Europe via Bulgaria seem more logical,” Kumbaroglu concluded. In October 2016, Moscow and Ankara signed an intergovernmental agreement on the construction of two underwater legs of the Turkish Stream gas pipeline in the Black Sea The annual capacity of each leg is estimated to reach 15.75 billion cubic meters of natural gas. 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.

# Iran calls for OPEC support against US sanctions

Anadolu Agency, 01.06.2018



Iran's Oil Minister Bijan Zangeneh has called on the head of OPEC for the inclusion of an agenda item in July's meeting to support members targeted by sanctions, Shana reported Thursday.

According to the report of the ministry's news agency, Zangeneh made the request in a letter sent to Suhail Mohammed Al Mazrouei, UAE minister of energy and industry, and the president of the OPEC to include the agenda item in the conference set for July 22 in Vienna, Austria.

Shana reported that in the letter to Al Mazrouei, the minister underlined the "imposition of unlawful, unilateral and extraterritorial sanctions by the U.S. government on the Islamic Republic of Iran which clearly violate the international agreement that had been endorsed by the U.N. Security Council." In reference to Article 2 of the OPEC Statute, which emphasizes safeguarding the interests of member countries individually and collectively, Zangeneh asked Al Mazrouei to instruct the secretariat to include a separate agenda item under the title; OPEC Ministerial Conference Support to the Member Countries That are Under Illegal, Unilateral and Extraterritorial Sanctions.

The minister stressed that in case the sanctions led to any fall in Iran's share in the oil market, Tehran reserved the right to return to its previous share in the shortest time possible, and resume its normal production level once the "illegal" restrictions were lifted. He added that Iran would not accept any further limitations in this regard. Zangeneh also underlined recent remarks by certain OPEC members, noting the organization had adopted decisions by consensus in which no single member spoke for the body. Last week, Russian Energy Minister Alexander Novak and his Saudi counterpart Khalid Al-Falih hinted that their countries could ease the production cut agreement after June. The agreement began to be implemented in January 2017. On May 8, U.S. President Donald Trump announced the U.S. withdrawal from the nuclear deal between Iran and world powers known as the JCPOA, and the re-imposition of sanctions against Iran. Iranian officials have since said the agreement would continue to remain in effect, and necessary measures would be taken to continue the country's oil and gas exports, and maintain its market share.

# Iraq, UAE join hands to develop 3 oil, gas blocks

Xinhuanet, 04.06.2018



The Iraqi Ministry of Oil signed on Sunday initial contracts with the United Arab Emirates (UAE) Crescent Petroleum company for exploration and development of three oil and gas blocks near Iraq's eastern and southern borders.

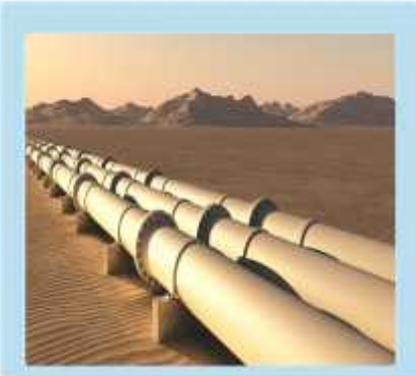
The three blocks are Kilabat-Gumar and Khashim al-Hmer-Injana in Iraq's eastern province of Diyala, and Khudhr al-Maa in the southern province of Basra, according to Abdul-Mahdi al-Amidi, director general of Contracts and Petroleum Licenses Department. The initial contracts will be sent to the Council of Ministers.

Meanwhile, Iraqi Oil Minister Jabbar Luaibi said Iraq has started a new phase in developing the oil fields in border areas to increase the country's oil and gas reserves. Such "contracts are optimal investment for oil and gas wealth in these fields and exploration blocks in the border areas which have been neglected for decades," Luaibi noted. Abdulla al-Qadhi, executive director of exploration and production in Crescent Petroleum company, said the blocks will begin production in three years after signing the contracts, and his company will invest in the associated and non-associated gas reserves in addition to extracting the crude oil.

On April 26, Iraq issued six licenses to foreign firms to explore and drill for oil and gas, three of which were awarded to the UAE Crescent Petroleum. China's Geo-Jade Petroleum Corporation won the rights to explore the blocks of Naft Khana in Diyala Province and Huwieza in Iraq's southeastern province of Maysan. Another Chinese company, United Energy Group (UEG), won the license to develop the al-Sindibad block in the southern province of Basra. April's energy auction was the fifth for Iraq since the country opened its oil and gas sector for foreign investment in 2009. Iraq wants to increase its crude oil production to more than 5 million barrels per day (bpd) from its current 4.35 million bpd. Iraq's economy relies heavily on oil, which generates over 90 percent of its revenues. Early in 2017, it was announced that Iraq's proven oil reserves had increased to 153 billion barrels from the previous estimate of 143 billion barrels.

# Pakistan, Russia set to sign \$10b offshore pipeline deal next week

Tribune, 03.06.2018



In a major breakthrough, Pakistan and Russia are poised to sign a \$10-billion offshore gas pipeline deal, a project planned by the latter to capture the energy market.

Sources told The Express Tribune that the cabinet had approved the signing of the gas pipeline laying deal and Pakistan ambassador to Russia had been authorised to ink a memorandum of understanding with Moscow. The envoy is likely to ink the understanding in Moscow on Monday. Final cost of the project will be assessed following a feasibility study to be conducted by Russian energy giant Gazprom.

Russia has nominated Public Joint Stock Company Gazprom for implementation of the project. Pakistan's cabinet has also permitted the company to conduct the feasibility study at its own cost and risk. Inter State Gas Systems (ISGS) – a state-owned company of Pakistan established to handle gas import projects and is already working on gas pipeline schemes like Tapi, has been nominated by Pakistan to execute the offshore pipeline project along with Gazprom.

ISGS is also working on the \$10-billion Turkmenistan, Afghanistan, Pakistan and India (Tapi) gas pipeline to connect South and Central Asia and construction work on the scheme in Pakistan will start in March next year. These projects are called a game changer for Pakistan as they will not only lead to regional connectivity, but will also meet growing energy needs of the country. Amid a long-running tussle with Europe and the United States over the annexation of Ukrainian region of Crimea, Russia is looking for alternative markets and wants to capitalise on the growing energy demand in South Asia. Russia, which controls and manages huge gas reserves in energy-rich Iran, plans to export gas by laying an offshore pipeline through Gwadar Port to Pakistan and India, which are seen as alternative markets because Moscow fears it may lose energy consumers in Europe over the Crimea stand-off. Russia has been a big gas exporter to European Union (EU) countries and Turkey since long and despite US anger the European bloc has continued to make imports to meet its energy needs.

Moscow receives gas from Turkmenistan and then exports it to EU states. Later, it has got gas deposits in Iran as well and is looking to gain a foothold in markets of Pakistan and India. OGDC finds new deposits of oil, gas in Sindh. Pakistan has been experiencing gas shortages, particularly in winter, for the past many years as domestic production has stood static with new additions being offset by depleting old deposits. In a bid to tackle the crisis, the previous government of Pakistan Muslim League-Nawaz (PML-N) kicked off liquefied natural gas (LNG) imports from Qatar under a 15-year agreement two and a half years ago and is bringing supplies through other sources as well. According to a government official, after signing the MoU for the offshore pipeline, work on the feasibility study will begin in an attempt to assess viability of the project.



Russia is even ready to finance the study. Russian gas exports touched an all-time high in 2017. According to Gazprom, gas flows to Europe and Turkey, excluding ex-Soviet states, hit a new daily record at 621.8 million cubic metres. Annual exports touched 179.3 billion cubic metres (bcm) in 2016, a significant jump from the previous high of 161.5 bcm in 2013 and well above the 2015 total of 158.6 bcm.

## Gazprom, OMV mark 50 years of collaboration

Anadolu Agency, 03.06.2018



Russia's natural gas supplies to Austria grew more than 64-fold in the last 50 years, according to Russian company Gazprom on Saturday.

Gazprom said that the first agreement for gas supplies was signed between the Soviet company Soyuznefteexport and Austria's OMV in 1968. Austria was the first country in Western Europe to sign a gas contract with the Soviet Union. According to Gazprom, Austria, a major buyer of Russian gas received 9.1 billion cubic meters in 2017 from Gazprom.

The initial amount of annual gas supplies to Austria was about 142 million cubic meters 50 years ago. "The strategic partnership of Gazprom and OMV is built on a robust foundation of the 50-year cooperation between our countries in the gas sector. We continue to work towards strengthening and advancing this relationship while meeting Europe's growing demand for natural gas. We plan to reach a new level of strategic cooperation in the near future," said Alexey Miller, Chairman of the Gazprom Management Committee. "In the past 50 years, we have received reliable gas supplies from Russia and have been able to provide our industrial and household customers with high-quality natural gas without interruption. This is a good base for expanding the partnership with Gazprom in the long term," said Rainer Seele, Chairman of the Executive Board of OMV. In 2017, Gazprom set a new record for gas exports to Austria at 9.1 billion cubic meters, a rise of 50.3 percent (3 billion cubic meters) from 2016 (6.1 billion cubic meters) and 33.8 percent (2.3 billion cubic meters) from 2005, when the previous record had been reached (6.8 billion cubic meters).

# Nord Stream 2 receives construction permit in Russia

Anadolu Agency, 08.06.2018



Nord Stream 2 AG, the developer of a pipeline to supply Russian natural gas to the EU market through the Baltic Sea received the construction permit for the Russian section of the planned pipeline, Russia's Gazprom announced late on Thursday.

The Russian company said the Russian Ministry of Construction and Utilities issued the permit in line with the established procedure. "Practical implementation of the project under the terms of the newly issued permit will begin in the nearest future"

"Taking into account environmental aspects and in line with the conclusion of the state environmental expert review," a statement from Gazprom said. "We are very pleased to have obtained this permit. This is the result of extensive and thorough teamwork that has been carried out throughout the comprehensive permitting process. This marks an important milestone for the Nord Stream 2 project," said Sergey Serdyukov, chief technical officer of Nord Stream 2 AG. In Russia, the Nord Stream 2 needs to obtain two main permits. In addition to the permit issued on Thursday, a permit to construct an underwater pipeline in the territorial sea of the Russian Federation will be obtained from the Russian Environmental Authority.

According to Gazprom, its issue is expected in the near future. To date, Germany, Finland and Sweden have granted all the necessary permits for construction and operation of the planned pipeline. The national permitting procedure in Denmark is ongoing.

## Russia's Gazprom to loan €2.14B to TurkStream operator

Anadolu Agency, 04.06.2018



Russian energy giant Gazprom will loan up to €2.14 billion (\$2.49 billion) to its subsidiary South Stream Transport B.V., the company responsible from the construction of the TurkStream natural gas pipeline, Gazprom said on Monday.

The company said the loan would carry an annual rate of interest of 3.98 percent with a maturity set for Dec. 20, 2023. The TurkStream projects consists of two lines each with 15.75 billion cubic meters of capacity. The first line of the project has been completed and will serve Turkey, while the second line will send gas to Europe via Turkey.

Gazprom is in negotiations with Bulgaria, Italy and Greece for the second line of the project. Russian President Vladimir Putin announced the TurkStream in 2014, after dropping the South Stream project. Russia sought alternative routes for gas deliveries to bypass Ukraine and out of this, the TurkStream evolved, opening up a new transit route for Russian gas and helping Turkey's increasing gas demand.

## Qatar buys 30% of Exxon's stake in Argentina

Anadolu Agency, 04.06.2018



Qatar Petroleum agreed on Sunday with ExxonMobil to buy a 30 percent stake in two ExxonMobil affiliates in Argentina.

ExxonMobil's affiliates in Argentina hold interests in hydrocarbon licenses covering unconventional exploration for seven blocks in the onshore Neuquen basin in Argentina. The Vaca Muerta shale in the Neuquen province in western Argentina is considered among the most prospective unconventional shale oil and gas plays outside North America, according to the company.

“This is an important milestone, as it marks Qatar Petroleum’s first investment in Argentina as well as its first significant international investment in unconventional oil and gas resources,” Saad Sherida Al-Kaabi, president and CEO of Qatar Petroleum was quoted as saying. “This agreement is an important milestone on the road to expanding our international footprint, which is an important part of Qatar Petroleum’s growth strategy,” Al-Kaabi added. The company plans to increase its LNG production from 77 million to 100 million tons per year, according to Al-Kaabi. “As we approach the first anniversary of the unjust blockade against the State of Qatar, I would like to stress that our oil and gas sector has not been impacted by the blockade, nor has our previously planned expansion,” he added.

## Is a natural gas pipeline between Alaska and China realistic?

Oil & Price, 31.05.2018



When Alaska’s governor Bill Walker headed with a trade delegation to China earlier this week, he must have hoped to bring back good news about an 800-mile gas pipeline project that would see the state’s gas reserves flow into an increasingly gas-hungry Chinese economy.

However, the only news the delegation brought home was that Sinopec and Bank of China were still interested in the project. This declaration of interest is hardly worth a headline, but one outtake from the meeting with Sinopec’s president, as reported by Alaska’s Energy Desk Rashah McChesney, is worth mentioning.

The president of China’s largest refiner said, “After some of the work we did, in terms of assessment and evaluation in technology, economics and in terms of the resources of Sinopec — I think there’s a lot more work for us to be done than originally imagined.” The latter part of this remark should be a cause for concern for the project’s proponents as it is a clear sign that Sinopec will be taking a cautious approach to what could be a multibillion-dollar investment. To be more precise, the pipeline will cost an estimated US\$45 billion. It would ship natural gas from Prudhoe Bay to the southern Alaska coast, in Nikiski, from where the now liquefied gas will be shipped to a booming Chinese gas market. Without it, the gas is as good as non-existent, because it cannot be brought to market without a pipeline. Given the size of the investment that would be needed to build the infrastructure, it’s no wonder that Governor Walker reached out to potential investors in the country that would benefit from the project. He inked a preliminary deal with Sinopec, China Investment Corp., and Bank of China last November. This, by the way, happened after the original companies behind the deal, including Exxon, BP, and ConocoPhillips, quit, worried about a surge in global LNG supplies that made the project “one of the least competitive” globally, according to Wood Mackenzie.

But Alaska is not giving up. With falling oil production and revenues, tapping the U.S.'s huge Arctic gas reserves, which estimates peg at as much as 200 trillion cubic feet, makes perfect economic sense, provided that Chinese demand lives up to the promise and there isn't too much competition, which is doubtful, what with all the megaprojects in Australia, and Russia joining the LNG game with its eyes set mainly on Asia. The head of the Alaska Gasline Development Corporation, Keith Meyer, said at a recent public meeting that the project will happen, despite doubts about its viability. "We've got some time; we've got some lead time, but that's going to disappear very, very quickly," Meyer said. "And so every person, every small company, every large company in the state has got to get ready." Meanwhile, in addition to the doubts in both China and the U.S. about the project's competitiveness, there is naturally environmentalist opposition to yet another pipeline.

The Environmental Investigation Agency this month called on the National Marine Fisheries Service to reject AGDC's application for approval of the pipeline project on the grounds that it will threaten a population of beluga whales in Cook Inlet, where a portion of the pipeline will pass under the seabed. The EIA has accused the company of revising its original application to reduce the extent of the threat for the endangered marine mammals. The Sierra Club is also against it, for more general reasons such as "increased natural gas drilling in the Arctic... increasing air pollution, diminishing wildlife habitat, and exacerbating climate change." The odds seem to be stacked against the Alaska gas pipeline, at least at the moment. If the Chinese investors are not yet ready to commit any actual money to the project, they might not be ready at all.

## New private Chinese refinery in talks for long-term Saudi oil supplies

Oil & Price, 01.06.2018



Hengli Petrochemical, a unit of private Chinese chemical giant Hengli Group, is in talks with Saudi Aramco for long-term crude oil supplies for its new 400,000-bpd refinery, while it is getting ready to receive a first Saudi spot cargo by July for trial runs citing a source with knowledge of the matter.

Hengli expects to begin in October this year trial runs of the new refinery, which is configured to process Saudi oil grades. The first cargo of 2 million barrels of Saudi Arab Medium will be loaded in June and imported by state-run oil firm Sinochem Corp, Reuters' source said.

In January this year, Hengli Petrochemical and a subsidiary of Sinochem Group signed a cooperation agreement for the production, supply, and marketing of oil products. Hengli's new refinery will be a major importer of Saudi crude, and if it manages to secure a long-term deal with Aramco, Saudi Arabia will have a new and large customer of its oil in China, where Russia has been the top oil supplier ahead of the Saudis for more than a year now. Recently, some large Chinese buyers are said to have cut their imports of Saudi crude oil, because Riyadh has raised the official selling prices to Asia to levels deemed "unjustified" by some Chinese customers.

Last month, Hengli obtained state approval to import 400,000 bpd of crude oil—the largest quota ever handed to a private Chinese refiner. The company, however, is still waiting for the Chinese Ministry of Commerce to say how much of this quota can be used in 2018. In the last quarter of this year, China will be adding two more refineries apart from Hengli's. Together, the new refineries will boost the Chinese refining capacity by almost 10 percent, according to Reuters. Zhejiang Ronsheng Group, a private chemicals company, is expected to start up a new 400,000-bpd refinery in the eastern city of Zhoushan in Q4, while CNPC will expand the capacity of its Huabei refinery by 100,000 bpd.

## Japan to seek U.S. opinion on keeping oil imports from Iran

Oil & Price, 01.06.2018



Japan could seek some kind of exemption from the returning U.S. sanctions on Iranian oil exports, as its companies don't want to abruptly stop importing Iranian crude, an official at Japan's Ministry of Economy, Trade and Industry (METI) told.

Japan had an exemption from the previous round of sanctions by the U.S. and the EU earlier this decade, Daisuke Hirota, principal deputy director at METI's oil and gas division, told S&P Global Platts. "We think to continue to get the exemption from the US to keep this amount of imports from Iran," the official added.

Still, Japan needs to clarify what the U.S. position on the matter is, and is in touch with the U.S. government on this. "The situation in the US government is drastically changing every day," Hirota told Platts, and added that "now we are collecting information and keep in touch with the US government." Japanese refiners value Iran's relatively low-cost crude because of its heavier qualities, Hirota said. Iranian imports account for around 5 percent of Japan's total crude oil imports, the official noted. "We need to continue to keep imports, and to keep imports from Iran we need to get information and communication with the US government," Hirota told Platts. According to S&P Global Platts calculations based on data by Japan's METI, Japanese oil imports from Iran plunged 24.2 percent to average 172,216 bpd in 2017, down from 227,142 bpd in 2016. In January and February this year, Japanese imports declined 12.3 percent annually to 192,289 bpd.

While China and India may have more wiggle room to continue buying Iranian oil, U.S. allies South Korea and Japan may comply with the renewed sanctions, according to Ehsan Khoman, head of research for Middle East and North Africa at Mitsubishi UFJ Financial Group. "Japan and South Korea may comply with the proposed U.S. reimposition of Iranian sanctions on the concern of losing the U.S. security umbrella vis-à-vis North Korea," Khoman told Reuters on the day after the U.S. withdrew from the Iran nuclear deal.



# Philippines' Phoenix Petroleum, China's CNOOC partner for LNG terminal

Reuters, 05.06.2018



Philippine fuel retailer Phoenix Petroleum said it had agreed to partner with a subsidiary of state-owned China National Offshore Oil Corp (CNOOC) to explore building a receiving terminal for liquefied natural gas in the country.

The Philippines is seeking investors to build a storage and distribution facility for imported LNG as it moves to replace its Malampaya gas reserves, expected to be depleted by 2024. Phoenix Petroleum, owned by a local businessman who helped bankroll President Rodrigo Duterte's 2016 election campaign.

It was said it had signed a memorandum of understanding with CNOOC Gas and Power Group Co Ltd. The two companies agreed to "study, plan and develop" an LNG project in the Philippines, Phoenix told the Philippine Stock Exchange on Tuesday. It did not give financial terms of the deal. Officials of CNOOC, the largest offshore oil and gas producer in China, were not immediately available for comment. The Malampaya gas field, which lies near the disputed South China Sea waters and operated by a unit of Royal Dutch Shell Plc, fuels power plants producing about 40 percent of supply for the main Luzon island. Phoenix said the agreement with CNOOC will potentially broaden its business portfolio, which includes retailing of petroleum products, logistics services such as hauling of jet fuel for airports and airlines, and FamilyMart convenience stores. Dozens of domestic and foreign companies were looking to get a stake in the Philippines' LNG project, including investors from China, Japan, South Korea and Russia, Energy Secretary Alfonso Cusi said in December. Tokyo Gas Co Ltd has expressed interest while the Philippines' First Gen Corp, which owns four Malampaya gas-powered plants, has also disclosed plans to build an LNG terminal.

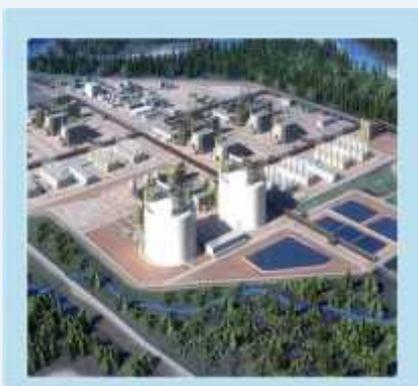
With the proliferation of flexible-destination contracts and a growing number of players, shorter contracts and spot markets have become more popular in the natural gas business over the past decade. These mechanisms allow China to hedge against potential economic and political risks associated with long-term deals. A combination of short-term and long-term contracts can expand China's accessibility to various sources of supply, contributing to its overall energy security. In that sense, importing natural gas from the U.S. suits China's economic interests and energy security. While most LNG and all pipeline gas contracting partners of China index to oil to determine the price for natural gas, the U.S. uses the Henry Hub price, which is consistently lower and less volatile. Adding Henry Hub supply to an oil-linked LNG portfolio brings about higher stability due to the inclusion of a large fixed component and the low correlation between Brent and Henry Hub. U.S. gas would be more competitive if oil price rebounds.

The abundant and stable natural gas supply from the U.S. can help to balance China's import portfolio by avoiding potential disturbances from risky and conflict areas. Moreover, LNG import terminals are closer to the demand centers along the east coast, therefore making more economic sense. China's natural gas distribution system is constructed by the trunk pipelines and the provincial and local distribution networks. While the "Three Barrels" operate the cross-country pipelines, local transmission networks are operated by various local distribution companies. The fragmented structure charges transportation tolls at every level, reducing the economic competitiveness of pipeline imports. Transportation fee for pipeline imports from Xinjiang to Guangdong could be about seven times more expensive than fuel costs. Taking into account of the transportation cost, Turkmenistan supplies are much more expensive than U.S. LNGs, especially on the east coast. Therefore, pipeline supplies can only fill the demand in western parts of China. In addition, LNG is transportable using trucks. This is especially important for replacing coal combustion in rural areas, where the local storage and distribution networks are weak.

The LNG trade between the two countries is meaningful for rebalancing trade. Increasing the U.S. share to 20 percent of the future LNG demand at the price of \$10/mmbtu, for instance, is equivalent to 21 billion U.S. dollars. At the Sino-U.S. Presidential Summit 2017, President Xi and President Trump found common ground in expanding bilateral natural gas trade. In fact, cooperation in natural gas between the two countries should not be limited merely to LNG trading. In the near future, China will have to improve domestic infrastructure, especially storage systems, to facilitate natural gas consumptions. However, Chinese SOEs lack the experience and technology for site selection, security management, and detail designs. This is where U.S. companies come in. Facility constructions, operation services for portal and distribution networks, as well as for storage systems can be important parts of the "meaningful increase".

## Petronas to acquire 25% share in Canadian LNG Project

Anadolu Agency, 01.06.2018



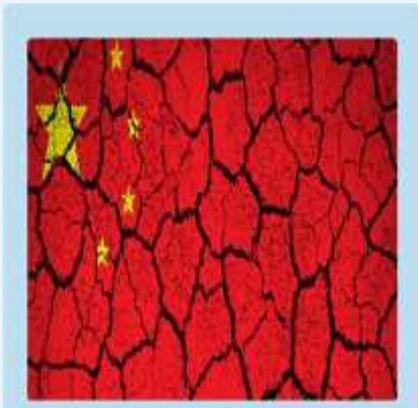
Malaysia's Petronas entered into an agreement to acquire a 25 percent stake in the LNG Canada project in British Columbia, the company announced on Thursday.

The proposed project includes the design, construction and operation of a gas liquefaction plant and facilities for the storage and export of LNG, including marine facilities. The plant will initially consist of two world-scale LNG processing units referred to as "trains", with an option to expand the project in the future to four trains. According to Petronas, the transaction is scheduled for completion in the few months.

Petronas said that on transaction completion, the project ownership composition will be Petronas with 25 percent, Shell Canada with 40 percent, PetroChina Canada with 15 percent, Diamond Canada, a subsidiary of Mitsubishi with 15 percent and Kogas Canada with 5 percent. “Petronas is pleased to be part of the LNG Canada project. As one of the world’s largest LNG producers, Petronas looks forward to adding value to this venture through our long-term expertise and experience across the LNG value chain. We are committed to deliver LNG and natural gas, the cleanest fossil fuel in the world, to the growing global energy market,” said Petronas President and Group Chief Executive Officer Tan Sri Wan Zulkiflee Wan Ariffin. He explained that Petronas, with its long presence in Canada, is currently exploring a number of business opportunities. Canada is Petronas’ second largest resource holder after Malaysia, with vast unconventional gas and oil resources in North Montney in British Columbia.

## China’s growing debt could be bearish for oil prices

Oil & Price, 07.06.2018



Much has been made over China bypassing the U.S. recently to become the world’s largest crude oil importer and even more media attention has been given to the ongoing trade dispute between Washington and Beijing.

Yet amid all of the geopolitical posturing and associated media coverage, there is another development in China that could be just as important for global oil markets China’s corporate debt quandary. In an effort to continue spurring China’s decades-long run of stellar economic growth, banks opened the flood gates with loans worth trillions of dollars to the country’s corporate giants.

It is prompting Chinese President Xi Jinping to tighten the screws on both legitimate banks and the so-called murky world of shadow banking. This belt tightening has now entered its third year. The ratio of Chinese corporate debt to GDP is already very high by international standards - at 168 percent in 2017, Fitch Ratings service said recently. Moreover, it is expected to start rising again as nominal GDP growth declines towards 8 percent from the unusually high rate of more than 11 per cent in 2017. Amid this trend, household debt in the country has also spiked over the past decade (2008-2018), a rare phenomenon for a culture that until recently prided itself on its financial thriftiness. In April, Bloomberg said that household debt in China is growing at a pace that rivals any increases in major economies. At \$6.7 trillion, and a record 50 percent of GDP, private debt is now approaching developed-world levels and crimping consumer spending power, the report said.



Now with government efforts underway to rein these excessive debt levels, Fitch said yesterday that this debt crackdown is a key risk to the country's economic growth and will have significant knock-on effects for the global economy, particularly emerging markets with high commodity dependence or close Chinese trade links. This could also lead to a sharp slowdown in business investment, Fitch added, forecasting that growth in China would slow to around 4.5 percent over the medium term. The ratings agency added that the implications of this scenario for the global economy would be significant but not dramatic, unlike a full-scale hard landing. However, though not a dramatic hit, the anticipated economic slowdown in China will still impact commodities, including global oil markets, with Fitch projecting oil prices to drop 5 to 10 percent from its base scenario. Any drop in Chinese oil demand will also have a direct impact on oil producing countries that have carved out market share in the country, notably Russia, Saudi Arabia, with Iran and Iraq also jockeying to gain more market share in the world's second largest economy. The list of impacted oil exporting countries will also include the U.S., which has seen its oil market share in China grow recently. More demand for U.S. crude is anticipated in China as the spread between global traded Brent crude and other blends based on the benchmark widens with NYMEX-traded West Texas Intermediate (WTI) crude and other crude types linked to WTI. Last week that spread hit around \$11, a level not seen in three years.

However, any decreases in U.S. oil imports to China would have a negative impact on Beijing's recent pledge to increase American energy imports to help offset the massive trade deficit between China and the U.S. On the other hand, as trade barbs between the world's two largest economies follow an up and down, even see-saw trajectory, Beijing could use American energy imports as a retaliatory tool against fresh U.S. tariffs. "Just as newfound U.S. resource wealth can serve as a tool for rebalancing trade, it (energy imports) can also become a target for retaliation in trade disputes," analysts with ClearView Energy Partners said in a recent note. However, despite Fitch's recent forecast and the on-going trade tug of war between Washington and Beijing, China's gas demand should suffer less of an impact from any slowdown in Chinese economic growth in the next few years. The government mandate to have natural gas make up at least 10 percent of the country's energy mix needed for power generation by 2020, with more earmarks by 2030, will offer piped gas exporters (predominantly Russia) and LNG exporters, Australia, Qatar, Malaysia and others as well as the U.S. vast opportunities to capture more Chinese gas market share.

## China goes for gas in Iran

Petroleum Economist, 27.05.2018



By the beginning of August, Total will know whether or not it has a future in Iran. The Iranian authorities have given it two months to seek an exemption from US sanctions on their country.

Total is involved in the Phase 11 development of the huge offshore South Pars gasfield, which is shared with Qatar—with the Qataris calling it the North Field. As recently as April, the French firm issued tenders for sub-contracts for South Pars, still hoping for a miracle. The chances of the Trump administration allowing Total to ignore sanctions are remote.

Furthermore, the likelihood is that France's loss will be China's gain. For Iran's oil minister Bijan Zanganeh said recently that "if the US administration does not agree with Total staying in Iran, China will replace this company". China National Petroleum Corporation, expecting that Trump would target Iran over the nuclear issue, has been making preparations for several months to step into Total's shoes. Chinese state firms are also bidding for four onshore blocks in Iran. If CNPC does indeed enter South Pars, then it will be a further and important step along the path of China deepening its energy ties with the Middle East. China badly needs new and secure hydrocarbon sources beyond its borders, and the Middle East is one of its key target regions. When it comes to oil, the figures demonstrate clearly why this is the case. China's domestic crude oil production is in decline, while demand is increasing. In 2017, it produced 3.8m barrels a day, a fall of 150,000 b/d on 2016—and the third annual decline in succession. The overall picture is even worse—according to the US Energy Information Administration, imports rose from 2m b/d in 2004 to 8.4m b/d in 2017. China has now overtaken the US as the world's biggest crude importer.

At present, Russia is China's largest single supplier of crude oil, with exports soaring from 665,000 b/d in 2014 to 1.2 million b/d last year. Russia and China are also doubling the capacity of the East Siberia-Pacific Ocean oil pipeline to 600,000 b/d, raising the prospect of increasing volumes of Russian crude entering the Chinese market. Despite growing competition for market share, three countries of the Gulf Cooperation Council—Kuwait, Saudi Arabia and the United Arab Emirates—remain key suppliers; along with Iran and Iraq.

Kuwait's exports to China rose from 208,000 b/d in 2012 to 363,000 b/d in 2017, while the export rates from Saudi Arabia and the UAE fluctuated slightly over the same period. Outside the GCC, Iran's sales to Chinese buyers rose from 438,000 b/d in 2012 to 621,000 b/d last year, while Iraq's more than doubled from 313,000 b/d to 738,000 b/d. Total exports to China from these five Middle East oil states rose from 2.2 million b/d to nearly 3 million b/d in the 2012-17 period—accounting for about one-third of Chinese crude oil imports. Among the small Gulf producers, Oman's crude oil exports to China rose from 598,000 b/d in 2014 to 624,000 b/d in 2017. China is Oman's biggest market for crude oil, accounting for close to 80% of total exports. Qatar tripled its crude exports to China between 2014 and 2017, recording 21,000 b/d in the latter. Chinese companies are also active in Iraq, the Kurdish region of northern Iraq and the UAE, as well as Egypt, South Sudan and Algeria. Whenever IOCs bow out of potentially rich hydrocarbon regions in the Middle East, or are forced to leave, expect China to be ready and willing to take over. Its hunger for oil and gas doesn't look like diminishing soon.

## Golar's Cameroon FLNG project starts commercial operations

Reuters, 04.05.2018



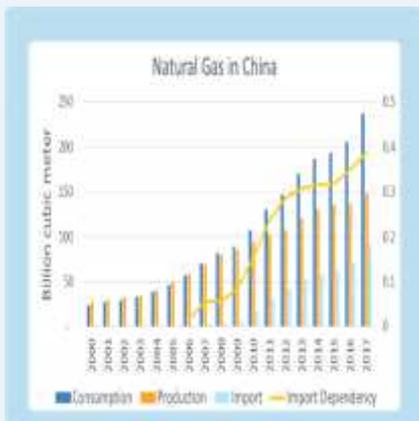
**Golar LNG said it had started commercial operations at a pioneering floating liquefied natural gas (FLNG) production platform in Cameroon, \$70 million under budget.**

**It is the first FLNG vessel of its kind and is likely to boost demand for Golar's technology in Africa and beyond. The Hilli Episeyo FLNG vessel, converted from an ageing tanker for \$1.2 billion, produced the first LNG on March 12 but only exported its first cargo in May, to China, after technical issues delayed a ramp up in production. After continuously producing LNG over 16 days at an average of 7,500mcm.**

Golar's project clients have contractually accepted the facility, marking its commercial start, Golar said in a statement. Golar is in talks to develop similar projects in Senegal-Mauritania with BP and with Ophir Energy in Equatorial Guinea. The successful start-up removes uncertainty about the risks associated with squeezing a liquefaction plant typically spanning hundreds of acres on land into a single, 1970s-built ship with four liquefaction units bolted onto its sides. Trading companies and oil majors are keen on the technology for its relatively low cost and ability to unlock stranded reserves beyond the reach of pipelines. Developer Golar provides the liquefaction facility and services under a production tolling agreement with oil firm Perenco and Cameroon's state-run Societe Nationale Des Hydrocarbures (SNH). All of the plant's 1.2 million tonne annual output was sold, via a competitive tender, by Perenco to Gazprom Marketing & Trading for eight years. In a statement, Golar LNG said commercial tolling fees will add about \$164 million to its earnings before interest, tax, depreciation and amortization annually, plus an estimated \$45 million in operating cash flow based on current oil prices. All told, the Hilli Episeyo came in \$70 million under budget, Golar said, a rarity in the LNG industry where project costs routinely balloon billions of dollars over budget.

# U.S. gas to China: Positive energy for bilateral relations

Brookings, 01.06.2018



With the Shale Gas Revolution, the United States has increased its natural gas production by 35 percent over the last decade.

The technology has had huge impact. In 2015, the United States finally lifted its four-decade-old ban on oil and gas export. In 2016, the first cargo of LNG from the U.S. arrived at China. President Trump deems the U.S. “a big gas producer”, and plans to expand both domestic and overseas markets. In 2017, U.S. LNG export capacity reached 20 billion cubic meter (bcm), 2.9 bcm exported to China, accounting for 6 percent of China’s total LNG imports.

By the end of 2019, the annual U.S. LNG export capacity is expected to reach 99 bcm, with additional projects totaling 53 bcm capacity being in the process of FERC approval. During the Unleashing American Energy Summit 2017, Trump announced that the Department of Energy would accelerate the process for approving more LNG export facilities in Louisiana. Many of these exporters are targeting the Asian market for its great growth-potential. China is the fastest growing natural gas consumer in the world. The Chinese government has initiated projects and campaigns to promote natural gas in replacing coal for factories and residential heating for addressing the main sources of air pollution. In 2017, China’s natural gas consumption increased by 15 percent, and its import grew by 28 percent; import dependency raised from zero in 2005 to 39 percent in 2017. In spite of its high cost and seasonal shortages, natural gas creates tremendous social benefits.

Air quality in metropolitan areas improved between 21 percent to 42 percent during the first phase of the National Air Quality Action Plan (2014-2017), having yielded significant social and health gains. The Chinese government is expected to wage the second phase of the anti-air pollution campaign in 2018, expanding the effort of cleaner fuel replacement. In addition, the government has also acknowledged the crucial role of natural gas in the climate and air quality battle as a “bridge fuel” to deepen renewable energy penetration. Disclosed in its National Energy Strategy, China plans to increase the share of natural gas to 15 percent of the energy mix by 2030. If China’s primary energy consumption reaches 5.5 billion tons coal-equivalent by 2030, natural gas consumption would reach about 650 bcm accordingly, increasing by 2.7 times from the 2017 level.



However, the domestic supply has been less promising, especially due to unfortunate geology and poor institutional setting. While the Energy Information Administration (EIA) of the US Department of Energy estimates China to have the world's largest shale gas deposit at up-to 361 trillion cubic meters (tcm), only 218 tcm is technologically extractable according to the Chinese National Energy Administration (NEA). The economical availability is even lower due to geological complexities, especially concerning depths of more than 3,500 meters below ground. As of 2017, shale gas production represents only 6 percent of the total domestic production. Although China has been implementing reforms in the sector, serious political and economic challenges lies ahead. The National Development and Reform Committee (NDRC) concludes that significant boost in domestic supply is unlikely in the near future because of low investment in exploration, technology barriers, regulatory constraints and inadequate infrastructure. The International Energy Agency (IEA) predicts that China's natural gas production would only reach 255 bcm by 2030, which means at least 395 bcm, or 61 percent of the total projected demand, will have to be met by imports. To continue expanding natural gas import is the only way to meet the demand under the policy goal.

China has been actively ramping up natural gas imports via pipelines through bilateral and multilateral arrangements over the last decade. Today, the Central Asian Gas Pipeline (CAGP) and China-Myanmar Oil and Gas Pipeline are the only two entrances for international pipeline gas, representing 46 percent of overall imports in 2017, with more than three quarters of those coming from Turkmenistan. Two more projects are scheduled to come online within the next two years: Power of Siberia in 2019 and Line D of CAGP in 2020. Line D will connect another gas field in Turkmenistan with China's cross-country West-East Gas Pipelines, adding another 30 bcm capacity to the CAGP. Power of Siberia, a.k.a Eastern Line of China-Russia natural gas pipeline, with a designed capacity of 38 bcm per year, is set to be fully operational in 2020, after a significant delay. Although the China-Russia Western Line is still within prospects, no meaningful steps have been made. As of 2017, China imports 21 percent of its natural gas in the form of LNG.

Australia has the greatest market share (47 percent), followed by Qatar (21 percent), Malaysia (11 percent), Indonesia (8 percent), New Guinea (6 percent) and the United States (6 percent). Melanie Hart of Center for American Progress, who is a leading expert in the field of China's energy issues, argues that LNG from the U.S. is more expensive than many other sources, lacking competitiveness against other suppliers, especially when compared to pipeline imports from Central Asia. Although the authors make very good points, a couple of other factors should also be taken into account.

As of 2017, China imports 21 percent of its natural gas in the form of LNG. Australia has the greatest market share (47 percent), followed by Qatar (21 percent), Malaysia (11 percent), Indonesia (8 percent), New Guinea (6 percent) and the United States (6 percent). Melanie Hart of Center for American Progress, who is a leading expert in the field of China's energy issues, argues that LNG from the U.S. is more expensive than many other sources, lacking competitiveness against other suppliers, especially when compared to pipeline imports from Central Asia. Although the authors make very good points, a couple of other factors should also be taken into account. First, existing cheap LNG suppliers do not have enough potential to fill the growing market. Hart points out that U.S. LNG are more expensive than those from Australia, Malaysia and Indonesia. However, these three countries cannot provide enough supply in the future.



According to the Department of Industry of Australia, the projected LNG exports will reach 120 bcm in 2030, representing only roughly 40 percent of the projected LNG demand in China. Malaysia will likely to experience progressive decline in LNG export in the 2020s due to the limits of its gas reserve. Similarly, for Indonesia, in the absence of meaningful new gas reserve discovery, the IEA expects Indonesia will become a net-importer of LNG in 2023 because of strong increases in consumption, especially in the industrial sector. In addition, Malaysian and Indonesian sources will likely to grow in the next decade due to tightened demand and supply, making American LNG more competitive in the market.

Second, international pipeline supply is also not enough to fill the gap. Even if all the listed projects become operational in full-capacity by 2030, pipeline gas can only support 165 bcm at max, representing 42 percent of the projected import. In reality, pipelines are usually under-utilized due to various seasonal, economic, technological, and political constraints. In 2017, China imported 43 bcm of natural gas via four lines that had a combined designed-capacity of 78 bcm. In other words, only 55 percent of the existing pipelines were utilized; the utilization rate for China-Myanmar pipeline was only 33 percent. Although China's Belt and Road Initiative places energy cooperation at the top of the list, considering these issues, we believe the feasible import through pipeline would be around 95 bcm/year by 2030, leaving a gap of 300 bcm, or 46 percent of the overall projected demand for LNG.

Third, international pipeline gas supply depends as much on bilateral relations and geo-politics as on the market. As China's largest supplier, Turkmenistan has been worrying about the export dependency with China and is seeking to reach out to the European market to hedge the political and economic risks. In the wave of shortages in last December, the CNPC sent its former head manager in Turkmenistan to arrange for an increase of supply by around 30 percent. However, by the end of January 2018, supply from Central Asia was cut by more than 40 percent, causing an immediate shortage in Northern China. Instability and risk such as these urge China to seek supply diversification. Unlike pipelines based on bi-lateral contracts, there is a more mature global LNG market with a set of market mechanisms in place to secure the stability of supply.

# US terminals could be boon for China's gas sect

Interfax, 28.05.2018



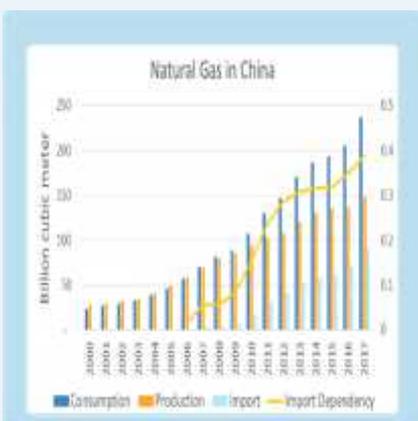
China's gas sector stands to benefit if Beijing permits US companies to build LNG terminals in the country, but interested developers would have to accept significant risk.

A tentative offer by Beijing to allow US companies to build LNG terminals in China could provide a new source of investment for much-needed supply infrastructure in the booming Chinese gas market, while helping to open up existing domestic terminals to third-party importers. The Chinese government reportedly raised the possibility of US companies.

These mentioned companies are building LNG terminals and processing facilities in China during trade and economic negotiations between Beijing and Washington earlier this month.

# U.S. gas to China: Positive energy for bilateral relations

Brookings, 01.06.2018



With the Shale Gas Revolution, the United States has increased its natural gas production by 35 percent over the last decade.

The technology has had huge impact. In 2015, the United States finally lifted its four-decade-old ban on oil and gas export. In 2016, the first cargo of LNG from the U.S. arrived at China. President Trump deems the U.S. "a big gas producer", and plans to expand both domestic and overseas markets. In 2017, U.S. LNG export capacity reached 20 billion cubic meter (bcm), 2.9 bcm exported to China, accounting for 6 percent of China's total LNG imports.



By the end of 2019, the annual U.S. LNG export capacity is expected to reach 99 bcm, with additional projects totaling 53 bcm capacity being in the process of FERC approval. During the Unleashing American Energy Summit 2017, Trump announced that the Department of Energy would accelerate the process for approving more LNG export facilities in Louisiana. Many of these exporters are targeting the Asian market for its great growth-potential. China is the fastest growing natural gas consumer in the world. The Chinese government has initiated projects and campaigns to promote natural gas in replacing coal for factories and residential heating for addressing the main sources of air pollution. In 2017, China's natural gas consumption increased by 15 percent, and its import grew by 28 percent; import dependency raised from zero in 2005 to 39 percent in 2017. In spite of its high cost and seasonal shortages, natural gas creates tremendous social benefits.

Air quality in metropolitan areas improved between 21 percent to 42 percent during the first phase of the National Air Quality Action Plan (2014-2017), having yielded significant social and health gains. The Chinese government is expected to wage the second phase of the anti-air pollution campaign in 2018, expanding the effort of cleaner fuel replacement. In addition, the government has also acknowledged the crucial role of natural gas in the climate and air quality battle as a "bridge fuel" to deepen renewable energy penetration. Disclosed in its National Energy Strategy, China plans to increase the share of natural gas to 15 percent of the energy mix by 2030. If China's primary energy consumption reaches 5.5 billion tons coal-equivalent by 2030, natural gas consumption would reach about 650 bcm accordingly, increasing by 2.7 times from the 2017 level.

However, the domestic supply has been less promising, especially due to unfortunate geology and poor institutional setting. While the Energy Information Administration (EIA) of the US Department of Energy estimates China to have the world's largest shale gas deposit at up-to 361 trillion cubic meters (tcm), only 218 tcm is technologically extractable according to the Chinese National Energy Administration (NEA). The economical availability is even lower due to geological complexities, especially concerning depths of more than 3,500 meters below ground. As of 2017, shale gas production represents only 6 percent of the total domestic production. Although China has been implementing reforms in the sector, serious political and economic challenges lies ahead. The National Development and Reform Committee (NDRC) concludes that significant boost in domestic supply is unlikely in the near future because of low investment in exploration, technology barriers, regulatory constraints and inadequate infrastructure. The International Energy Agency (IEA) predicts that China's natural gas production would only reach 255 bcm by 2030, which means at least 395 bcm, or 61 percent of the total projected demand, will have to be met by imports. To continue expanding natural gas import is the only way to meet the demand under the policy goal.

China has been actively ramping up natural gas imports via pipelines through bilateral and multilateral arrangements over the last decade. Today, the Central Asian Gas Pipeline (CAGP) and China-Myanmar Oil and Gas Pipeline are the only two entrances for international pipeline gas, representing 46 percent of overall imports in 2017, with more than three quarters of those coming from Turkmenistan. Two more projects are scheduled to come online within the next two years: Power of Siberia in 2019 and Line D of CAGP in 2020. Line D will connect another gas field in Turkmenistan with China's cross-country West-East Gas Pipelines, adding another 30 bcm capacity to the CAGP. Power of Siberia, a.k.a Eastern Line of China-Russia natural gas pipeline, with a designed capacity of 38 bcm per year, is set to be fully operational in 2020, after a significant delay. Although the China-Russia Western Line is still within prospects, no meaningful steps have been made. As of 2017, China imports 21 percent of its natural gas in the form of LNG.



Australia has the greatest market share (47 percent), followed by Qatar (21 percent), Malaysia (11 percent), Indonesia (8 percent), New Guinea (6 percent) and the United States (6 percent). Melanie Hart of Center for American Progress, who is a leading expert in the field of China's energy issues, argues that LNG from the U.S. is more expensive than many other sources, lacking competitiveness against other suppliers, especially when compared to pipeline imports from Central Asia. Although the authors make very good points, a couple of other factors should also be taken into account.

As of 2017, China imports 21 percent of its natural gas in the form of LNG. Australia has the greatest market share (47 percent), followed by Qatar (21 percent), Malaysia (11 percent), Indonesia (8 percent), New Guinea (6 percent) and the United States (6 percent). Melanie Hart of Center for American Progress, who is a leading expert in the field of China's energy issues, argues that LNG from the U.S. is more expensive than many other sources, lacking competitiveness against other suppliers, especially when compared to pipeline imports from Central Asia. Although the authors make very good points, a couple of other factors should also be taken into account. First, existing cheap LNG suppliers do not have enough potential to fill the growing market. Hart points out that U.S. LNG are more expensive than those from Australia, Malaysia and Indonesia. However, these three countries cannot provide enough supply in the future. According to the Department of Industry of Australia, the projected LNG exports will reach 120 bcm in 2030, representing only roughly 40 percent of the projected LNG demand in China. Malaysia will likely to experience progressive decline in LNG export in the 2020s due to the limits of its gas reserve. Similarly, for Indonesia, in the absence of meaningful new gas reserve discovery, the IEA expects Indonesia will become a net-importer of LNG in 2023 because of strong increases in consumption, especially in the industrial sector. In addition, Malaysian and Indonesian sources will likely to grow in the next decade due to tightened demand and supply, making American LNG more competitive in the market.

Second, international pipeline supply is also not enough to fill the gap. Even if all the listed projects become operational in full-capacity by 2030, pipeline gas can only support 165 bcm at max, representing 42 percent of the projected import. In reality, pipelines are usually under-utilized due to various seasonal, economic, technological, and political constraints. In 2017, China imported 43 bcm of natural gas via four lines that had a combined designed-capacity of 78 bcm. In other words, only 55 percent of the existing pipelines were utilized; the utilization rate for China-Myanmar pipeline was only 33 percent. Although China's Belt and Road Initiative places energy cooperation at the top of the list, considering these issues, we believe the feasible import through pipeline would be around 95 bcm/year by 2030, leaving a gap of 300 bcm, or 46 percent of the overall projected demand for LNG.

Third, international pipeline gas supply depends as much on bilateral relations and geo-politics as on the market. As China's largest supplier, Turkmenistan has been worrying about the export dependency with China and is seeking to reach out to the European market to hedge the political and economic risks. In the wave of shortages in last December, the CNPC sent its former head manager in Turkmenistan to arrange for an increase of supply by around 30 percent. However, by the end of January 2018, supply from Central Asia was cut by more than 40 percent, causing an immediate shortage in Northern China. Instability and risk such as these urge China to seek supply diversification. Unlike pipelines based on bi-lateral contracts, there is a more mature global LNG market with a set of market mechanisms in place to secure the stability of supply.



# Announcements & Reports

## *The US Exit from the JCPOA: What Consequences for Iranian Energy?*

**Source** : OIES  
**Weblink** : <https://www.oxfordenergy.org/publications/us-exit-jcpoa-consequences-iranian-energy/>

## *Decarbonization and liberalization in the power sector:*

**Source** : OIES  
**Weblink** : <https://www.oxfordenergy.org/publications/oxford-energy-forum-decarbonization-liberalization-power-sector-international-perspectives-issue-114/>

# Upcoming Events

*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  
ENERGY | CENTRAL & SOUTH  
TRADING | EASTERN EUROPE

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/>

## *27<sup>th</sup> World Gas Conference*

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



## *Eastern Unconventional Oil & Gas Symposium 2018*

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

## *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/](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/>