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Mozambique has opened 15 new offshore and onshore areas for oil and gas exploration areas. Blocks on offer under the latest licensing round include three new areas of the northern Rovuma Basin, where Anadarko and Eni are developing major LNG export projects. Mozambican officials anticipate over \$30bn will be invested initially to build capacity to produce 20mn t/y of LNG, with first exports due to start in 2018.

Algeria is preparing a new auction of oil and gas blocks, having awarded only four of 31 fields in September in the first attempt to lure foreign investors since 2011. Following the first round. Italy's Enel plans to invest \$700mn on four oil and gas blocks in Algeria in the next five or six years. Spain's Repsol, in partnership with Shell, won the Boughezoul area, while Shell and Norway's Statoil secured the Timissit area.

Petrobras has completed the sale of its wholly – owned subsidiary Petrobras Energia Peru (PEP) to the China National Petroleum Corporation (CNPC) for \$2.6bn. The deal includes 100% of Lot X, a mature field that produced some 13,000 boe/d in 2013; a 46.16% stake in Lot 57, an operational field producing natural gas and condensate, operated by the partner, Repsol; and 100% of Lot 58, an exploration block close to Lot 57, where significant discoveries of natural gas and condensate have recently been made.

Pemex is planning to build what is claimed will be Mexico's first LNG export plant as part of its Trans – Oceanic belt project. The country currently imports LNG at three terminals. The Trans – Oceanic project is designed to move product from the Pajarits complex in Veracruz to the Salina Cruz refinery on the Pacific coast. Pemex also reports that it is open to partners for the LNG project, currently slated for 2020 start – up.

Majors resilient to oil price fall

Majors oil firms report that the 25% fall in crude prices since the middle of June will not jeopardize new upstream projects under construction, according to Argus Global Markets. Many mega – projects that the majors plan to bring onstream in the next couple of years, such as oil sands projects in western Canada and deepwater fields off western Africa, have been expensive. But they have been tested under a range of economic parameters, including price. 'We have sanctioned at \$80/b for the best part of five to six years,' BP Chief Financial Officer Brian Gilvary says. 'We do stress tests down to \$60/b and we do cases up to \$100/b.'

Shell has been testing its projects at \$70 - \$110/b before making investment decisions. 'Our portfolio needs to be attractive and resilient in a wide range of circumstances,' Chief Financial Officer Simon Henry comments. 'We need to be resilient at the bottom end and we need to have attractive exposure to the higher end.' Meanwhile, Total states that the projects it plans to bring onstream in 2015 – 2017 are 'resilient' at \$80/b. Chevron says current prices fall within the low – prices scenario that it uses, while ExxonMobil says it always carries out stress tests to ensure that it generates a 'favourable return' regardless of price fluctuations.

The long haul

However, a prolonged period of prices at present levels could force the majors to shelve projects in the pre – development stage and cut back on exploration. 'In the event that oil prices remain lower for longer, we will have to adapt,' Total's new Chief Executive Patrick Pouyanne says. 'Where we

have flexibility, we will consider using it, mainly in terms of delaying or deferring activity. We will also use it as an opportunity to negotiate better terms with suppliers and service companies.'

'Exploration would be one to the first areas that you would look to trim back,' Chevron Chief Financial Officer Pat Yarrington says. But fields under development will not be affected. 'Even low prices, we plan to continue funding these projects,' Yarrington says. 'The worst thing we can do is stop a project in mid - flow,' Shell's Henry comments. 'We try not to overreact to short - term price movements.'

The major oil firms do not take a view on the direction of prices in the near term, at least not one they disclose publicly. However, their long - term outlooks are unchanged. 'We take a long - term view of prices because our investments last for decades,' Chevron's Yarrington says. 'We continue to believe global demand for oil will grow while existing sources of supply will inevitably decline. The world is still going to need out product and costs are going to rise to get access to more challenged resources.'

Kurdistan ploughs ahead despite IS threat

The Kurdistan Regional Government (KRG) in Iraq has approved a major new oilfield development which is majority - owned by Hungary's MOL. The green light was given for development of the Akri - Bijeel block, located adjacent to the region's largest oil field - Shaikan - a year after MOL discovered sufficient oil to make the project commercially viable.

A number of oilfield operators in Iraqi Kurdistan were forced to curb production temporarily this year as the advance of Islamic State (IS) militants threatened worker's security. However, Alexander Dobbs, MOL Upstream, told Reuters: 'MOL Group is committed to maintain its presence and increase investments in the region.'

Genel Energy has also signed an agreement with the KRG to develop two huge gas fields that could supply Turkey with gas from the winter 2017/2018. The Miran and Bina Bawi gas fields estimated to have combined resources of some 11.4tn cf and are valued by analysts as being worth around \$2.6bn. The London - listed company is one of the main oil producers in Iraqi Kurdistan, and owns the Miran gas field. Early November it agreed to buy the remaining 36% stake in Bina Bawi from Austria's OMV for \$150mn.

Genel is led by ex - BP Chief Executive Tony Hayward. The company expects a steady stream of income from its Iraqi Kurdistan operations from 1Q2015 as it is still owed \$150mn by KRG for oil exports at the end of September.

OPEC production falls as supply from Saudi, Iraq and Nigeria drops back

Oil production from OPEC fell by 300,000 b/d to 30.3mn b/d in October 2014, down from some 30.6mn b/d in September as supply from Saudi Arabia, Iraq and Nigeria dropped back, according to the latest Platts survey of OPEC and oil industry officials and analysts.

Kingpin producer Saudi Arabia accounted for 150,000 b/d of a total 380,000 b/d decline that was partly offset by an 80,000 b/d increase in Libyan supply. Iraqi and Nigerian volumes fell by 90,000 b/d and 70,000 b/d respectively.

Libya's average production of 860,000 b/d was the highest monthly volume since July 2013, when output averaged 1mn b/d. However, the month - over - month increase, although marking the latest increment in a steady monthly climb from as little as 200,000 b/d in May, comes amid the

North African country's increasing political strife, which is feeding into the oil sector. In early November 2014, a source with close ties to the National Oil Corporation said production was currently running at around 540,000 b/d after falling back from 1mn b/d at the end of October.

'Just as Platts reports a drop in OPEC production, easing up on what looked to be significant oversupply relative to world demand, there were new reports of a sharp slowdown in Libyan output,' said John Kingston, Platts Global Director of News. 'That sort of volatility creates a significant wild card as OPEC heads to its meeting at the end of November. With one country in position to be responsible for short - term increases or decreases measured in the thousands of barrels per day, planning in that atmosphere becomes almost impossible.'

The October total, which leaves OPEC overproducing its 30mn b/d output ceiling by just 300,000 b/d, is some 900,000 b/d above OPEC's most recent forecast of demand for its crude in 1Q2015. In its most recent monthly oil market report, OPEC forecast that the call on its crude would fall from 30.15mn b/d in the 4Q204 to just 28.4mn b/d in the first three months of 2015. For as a whole, OPEC expects demand for its crude to average 29.5mn b/d.

US crude exports at record levels

US crude exports are running at record levels. According to the US Census Bureau, 389,000 b/d of crude oil were exported in August 2014. This was almost the highest level of exports in 57 years when 401,000 b/d was exported in July 2014 - and the second highest monthly export volume since 1920, when US Energy Information Administration (EIA) published data starts.

There has also been a significant change in origins and destinations of crude oil in the past year. Typically, crude exports are sourced domestically and are sent only to Canada. However, since April, crude exports included modest amounts of Canadian - produced barrels that were moved through the US and re - exported to Switzerland, Spain, Italy and Singapore. In July 373,000 b/d were exported to Canada, 14,000 b/d to Italy, some 3,000 b/d to Singapore and 12,000 b/d to Switzerland. In August, 378,000 b/d were exported to Canada and 11,000 b/d to Switzerland.

To export crude oil from the US, a company must obtain a licence from the Bureau of Industry and Security (BIS) of the US Department of Commerce. Separate legislation passed in 1996 permits the export of Alaska North Slope (ANS) crude oil. The recent shipments to Switzerland, Spain, Singapore and Italy included small volumes of Canadian crude oil that were not commingled with US - produced barrels..

As in the US, some of the growth in Canada's crude oil production is taking place in areas with limited infrastructure to bring the crude to refineries for processing. With limited pipeline and rail takeaway capacity, some Canadian producers are testing the economic viability of moving crude oil to the Gulf Coast for re - export to other markets. However, it is unclear if Canadian re - exports from the Gulf Coast will continue.

Several proposed Canadian pipeline projects may provide alternative exports routes for delivering crude to markets beyond North America, but the timing is uncertain.

Enbridge's Line 9 reversal project is in its second phase and is expected to be in service next month. The first phase, which began eastward flows earlier this year, enables shipment of crude from Sarnia, Ontario, to North Westover, Ontario. The second phase will expand capacity to 300,000 b/d and continue on from North Westover to Montreal, Quebec, where the crude could access refineries in Montreal or global markets via the St Lawrence Seaway.

TransCanada has a proposed project called Energy East, that would move 1.1mn b/d from Alberta and Saskatchewan to refineries in eastern Canada. The plan includes conversion of an existing natural gas line to crude service and construction of new pipe on both the gathering and terminal ends. A project description was submitted to Canada's National Energy Board in March, but the company has yet to file an official application, so this project is several years away from being operational.

TransCanada and Kinder Morgan are also seeking approval for projects that would carry barrels from Alberta west to the Pacific Coast in British Columbia. But both of those projects face resistance along the pipeline siting routes, so the outcome of these options remains to be seen.

Recent shipment of Alaska North Slope (ANS) crude to South Korea was the first export of ANS in more than 10 years. Although Alaskan crude production has been declining, the recent retirement of the remaining 79,000 b/d of crude distillation unit capacity at the Flint Hills refinery in Alaska, means ANS producers may consider sending additional volumes to exports markets.

Russia and China unveil new gas supply framework agreement

Russia has been trying to turn away from Europe and towards China in the past few months as a result of that sanctions imposed by the US and Europe in the wake of the crisis in Ukraine. The latest manifestation of this policy is the framework agreement between Russia's Gazprom and China National Petroleum Corporation (CNPC) relating to the supply of gas to China from Western Siberia, signed on 9 November 2014, which heralds a contract for the supply of 30bn cm /y of natural gas for 30 years. The deal, which is reportedly valued to be worth some \$400bn, would nearly double current proposed shipments.

Signing of the framework agreement comes just a matter of months after Gazprom and CNPC signed an agreement in May 2014 covering the supply of up to 38bn cm/y of gas from East Siberia to China via the proposed Power of Siberia pipeline project.

Talking to Petroleum Review, Michael Wachtel, Head of the upstream oil and gas practice at Clyde & Co, said: 'Although Russia has clearly taken steps away from its European trading partners with this framework agreement, the effect on energy markets will not be immediate, and the deal may not materialize at all. The framework agreement relates to the supply of gas through a new "western route" from Western Siberia to China, but this will require the construction of a 2,800km pipeline, at a massive cost to Russia.'

'There may be a political will for Russia and China to grow closer, but the infrastructure on the ground does not always allow for the easy connection of their energy markets, and this is not made easier by the clear tendency for Chinese banks to favour the provision of financing to foreign companies in relation to the acquisition of goods produced in China.'

'The framework agreement does not provide for funding from China for the construction of a new pipeline, and Russian companies, whether in the banking or the energy sector, seem to be finding it harder and harder to source financing as a result of the sanctions imposed by the US and Europe. The sanctions have not only affected the few companies on the sanctions lists – Western banks have refrained from lending to Russian banks and companies, in particular in the energy sector, to insulate themselves from the risk of future sanctions.'

'From China's point of view, obtaining this further supply of gas from Russia would allow diversification of its energy sources and would put downward pressure on LNG prices for suppliers

from Australia, North America and East Africa. However, it remains to be seen whether the funding and infrastructure challenges can be overcome in order for the supply agreement to come to fruition.'

Russian gas deal struck for Ukraine, and for EU

A \$4.6bn winter package for gas supplies has been agreed between Russia and Ukraine, following seven rounds of negotiations. The deal, struck at the end of October, was moderated by the then Vice President of the European Commission Gunther H Oettinger. The European Commission said that the deal secures gas for Ukraine; and an addendum to the existing gas supply contract signed by Gazprom of Russia and Naftogaz of Ukraine.

It covers the period till March 2015, and sees Ukraine settle its gas debts with Russia in two payments before the end of the year, based on a price of \$268.50 / 1,000 cm of gas, totaling \$3.1bn.

For new gas, Russia is to deliver the fuel following advanced, monthly payments by Ukraine, says the European Commission, at a price somewhere below \$385 / 1,000 cm. Ukraine is free to order as much gas as it needs and is not subject to take - or - pay obligations foreseen in the current contract. It is expected that Ukraine will purchase 4bn cm of gas until the end of 2014, costing around \$1.5bn.

The European Commission has been working with the International Financial Institutions and Ukraine to help Ukraine prepay for deliveries of gas. Ukraine will make use of EU aid, and the International Monetary Fund has reassured Ukraine that it can use all financial means at its disposal to pay for gas, according to the European Commission.