

Maersk Drilling strong enough to stand on its own after listing: CEO



STAVANGER, Norway (Reuters) – Drilling rig contractor Maersk Drilling [IPO-MAER.CO] will provide strong competition for its peers when it is spun off from the A.P. Moller-Maersk (MAERSKb.CO) conglomerate next year, its chief executive said on Tuesday.

A.P. Moller-Maersk said on Aug. 17 it would spin off its offshore drilling operation and list it in Copenhagen next year, the latest move by the Danish shipping company to focus entirely on transport and logistics.

“We will be one of the strongest (players) when it comes to the balance sheet, we will be one of the strongest when it comes to the backlog (of orders),” Maersk Drilling Chief Executive Joern Madsen told Reuters on the sidelines of an energy conference in Stavanger, Norway.

"We will be able to compete with the rest of the crowd," he said.

Maersk Drilling counts BP (BP.L), Aker BP (AKERBP.OL), Equinor (EQNR.OL) and Total (TOTF.PA) among its biggest customers.

News of the listing came after the conglomerate tried to find a buyer for the unit, whose competitors include Transocean (RIGN.S), Seadrill SDRL.OL and Odjfell Drilling (ODLL.OL).

Madsen reiterated on Tuesday that Maersk had "looked at various options" but did not provide further details about the process.

"At the end of the day, it gives shareholders an opportunity to be a part of a potential (rig market) recovery... I'm very happy about the decision myself," he said.

Maersk has not publicly put a price tag on the drilling division, but analysts have previously valued it at around \$4.8 billion.

Maersk Drilling reported a 2 percent increase in second-quarter EBITDA to \$159 million, as sales grew around 5 percent in the quarter to \$366 million.

An outright sale of Maersk Drilling has been made difficult by oversupply in the drilling rig market, which has yet to recover despite a rebound in oil prices.

Maersk Drilling fleet utilisation rates stood at around 61 percent for floating rigs and 71 percent for jack-up rigs, below levels of around 85 percent which historically gave rig owners the power to increase rates.

"Our customers are talking about longer drilling programmes and that is normally an indication that something is on the rise," Madsen said, adding that the market consensus was for rates in the drilling industry to rise towards 2020.

However, he said he expected the industry's business model to change in the future, moving away from dayrates to more closer cooperation with its customers.

"I don't think we are going to see that the industry only remains with the dayrate model... We will see more and more oil companies come out and say 'We want to work closer with you as a contractor and we want you to share with us the risk and the upside'," he said.

Madsen said the company currently didn't plan to expand its fleet or change its composition, two-thirds of which are jack-up rigs which drill in shallow waters while the rest are floating rigs.

Saudi Aramco loses its 'in perpetuity' oil and gas rights



Anjli Raval, Senior Energy Correspondent AUGUST 27, 2018

Saudi Arabia has cut the length of time that its state energy company has exclusive rights to the kingdom's vast oil and gasfields, raising questions about Saudi Aramco's long-term production and revealing a power struggle between the company and the government. Saudi Aramco's concession agreement with the state has limited the amount of time in which the group can explore and develop resources to 40 years – from a previous contract that gave it access in perpetuity.

There will be an option to renew the contract. The move, three people briefed on the matter said, came as part of the kingdom's preparations for a stock market flotation of Saudi Aramco, which has been indefinitely delayed.

Energy minister Khalid al Falih, chairman of Saudi Aramco and former chief executive of the company, has insisted the kingdom is committed to a listing, despite mounting signs that the country is unable or unwilling to execute the flotation. Mr Falih said last week that a new concession contract had been agreed as part of the initial public offering process, which also included overhauling Saudi Aramco's financial reporting and undertaking an independent audit of its energy

reserves, without disclosing terms. The Saudi energy ministry told the FT that the new contract was “one of several important steps undertaken to prepare Saudi Aramco for being listed”, adding that the government was committed to “proceeding with the IPO, when conditions are optimum, at a time of its choosing”.

The legal change sought to formalise the relationship between Saudi Aramco and the state, ahead of opening up the company to potential foreign investors, the three people said. It also suggested that the ambitions for a listing were for a sale of more than 5 per cent of the company. With the listing halted, those close to the company said it had been a pointless exercise that had only served to exert ministerial control over Saudi Aramco, which had fought to keep its rare evergreen contract. The government initially pushed for an even shorter contract – more in line with international oil companies that have 20-year agreements. But this would have had ramifications for what the company could declare as its reserves, long-term development plans and its valuation. Some energy sector experts have asked if the concession agreement could prompt Saudi Aramco to produce oil at a faster rate. Others have suggested it could signal a move by the government to alter its output policy, with the industry expecting demand for crude to peak in the coming decades. Recommended Lex Saudi Aramco IPO: the Empty Quarter “Often for oil companies, the shorter the concession, the sooner you must produce the resources,” said John Lee, professor at Texas A&M University. “It has always been a huge advantage to have a concession without any expiry.” However, a 40-year concession is still longer than most energy sector contracts and, with Saudi Aramco the country’s main revenue generator, there is no sign yet it would not be renewed. People close to Saudi Arabia’s energy minister said that output policy should remain unaffected. They added that the kingdom, as the ultimate shareholder, already had the power to dictate big changes in energy strategy without the legal change, which they said was

a procedural matter.

Qatar – Germany Business and Investment Forum



The climate fight's next

turning point



(MENAFN – AzerNews) ByPatricia Espinosa and Anne Hidalgo

Next month, the Global Climate Action Summit one of the largest international gatherings on climate change the world has seen will be held in San Francisco. The event, whose theme is 'Take Ambition to the Next Level, aims to serve as a launchpad for accelerated action that will enable the world to meet the goals set by the 2015 Paris climate agreement. It is a golden opportunity to make progress in the effort to combat global warming, but it can be seized only with the involvement of all stakeholders.

With the Paris climate agreement, the international community agreed to limit the rise in average global temperature to 2° Celsius and ideally 1.5°C above pre-industrial levels. To that end, national governments were tasked with developing their own climate-action plans, called Nationally Determined Contributions (NDCs).

But national governments cannot do it alone. Everyone including those at all levels of government, as well as business leaders, investors, and civil society must contribute. This calls for a new form of inclusive

multilateralism one that can also be applied to achieving the Sustainable Development Goals, which complement the Paris agreement's commitments.

It is a tall order, but there is plenty of reason for optimism. There is unprecedented global momentum to build a low-carbon, climate-secure future, characterized by a dynamic green economy, a thriving society, and a healthy environment.

Globally, renewable power accounted for 70% of net additions to power-generating capacity in 2017, according to the Renewables 2018 Global Status Report . Moreover, as part of the Under2 Coalition, over 200 states, regions, and local authorities have committed to cut their greenhouse-gas emissions by at least 80% below 1990 levels by 2050.

Urban centers are also proving their capacity for climate innovation and leadership. New York City has mandated the retrofitting of 14,500 of the city's most polluting buildings. Shenzhen has become the first city in the world with a fully electric bus fleet. Curitiba, Brazil, has introduced a new model of urban food production. And Oslo has created a climate budget to guide financial decision-making.

At the business level, more than 700 companies with a total market capitalization of over \$16 trillion have made far-reaching climate commitments, according to the We Mean Business Coalition. And 289 investors , holding nearly \$30 trillion in assets, have signed on to Climate 100+, a five-year initiative to engage with the world's largest corporate greenhouse-gas emitters to improve governance on climate change, curb emissions, and strengthen climate-related financial disclosures. As a result, global green bond issuance could reach \$300 billion this year.

Yet we are far from being in the clear. Scientists agree that global carbon dioxide emissions must reach a turning point in 2020 if we are to achieve carbon neutrality (with emissions

low enough to be safely absorbed by forests, soils, and other natural systems) by mid-century. So far, nearly 50 countries have or may have reached their emissions peaks, and more may soon join their ranks. This is progress, but it is not enough.

In fact, greenhouse gases in the atmosphere are still accumulating at a rate that will soon take us well above the 1.5°C threshold, beyond which some of the worst effects of climate change cannot be staved off. Extreme weather already is becoming more common, as exemplified by record-high temperatures worldwide this year. On current trends, average global temperatures could well rise by 3°C, imperiling vital natural systems like coral reefs, rainforests, and the polar regions.

All relevant stakeholders need to strengthen their climate commitments. To kick-start that process, the Global Climate Action Summit and its partners have issued a wide array of new challenges, including zero-waste goals in cities, a target of 500 companies adopting science-based targets, and initiatives to accelerate uptake of zero-emission vehicles.

Such efforts would not just protect our environment; they would also boost our economies. A recent report by the New Climate Economy suggests that, in transportation alone, a low-carbon transition would create 23 million jobs worldwide annually.

Perhaps more important, a show of climate-action ambition from leaders across sectors would likely inspire national governments to increase their own NDCs ahead of this December's United Nations Climate Change Conference in Poland, where governments will finalize the implementation guidelines of the Paris agreement.

Acting alone can be difficult. Acting in concert can inspire and enable all participants to do more. And if we are to leave a healthy planet to future generations, more is what we need.

Novatek starts Yamal's 2nd LNG train, sends condensate to Mideast



NOVATEK



Russia's Novatek has launched a second liquefied natural gas (LNG) production train at its plant on the Yamal peninsula ahead of schedule, as Moscow tries to become a significant

global player on the super-cooled-gas market. Novatek, which controls Yamal LNG in which France's Total along with China's CNPC and the Silk Road Fund are minority shareholders, said the launch was made six months ahead of its initial schedule. Yamal ships LNG to Asia and Europe. Along with LNG, the Yamal plant is producing gas condensate, a type of light oil, which can replace some Iranian supplies to Middle Eastern companies as the US reimposes sanctions on Tehran, trading sources said. The second LNG train's annual capacity is 5.5mn tonnes, which will double Yamal's output. Novatek is also building a third production train which is expected to be launched next year, raising annual LNG output to 16.5mn tonnes. Novatek's chairman and co-owner Leonid Mikhelson said yesterday that the two Yamal LNG trains represent around 3.5% of the global LNG market, a growing area for the world's energy producers.

"Our strategic goal is to produce between 55mn and 60mn tonnes annually by 2030," Mikhelson said in a statement. Novatek is also planning to launch its second LNG plant, Arctic LNG-2, after 2020. The launch of the second LNG train comes just days after China proposed tariffs on US liquefied natural gas, widening the trade war between the two countries. In July, Novatek delivered the first LNG cargo to China via the Northern Sea Route alongside the Arctic coast, which drastically cuts delivery time to Asia. CNPC plans to start lifting at least 3mn tonnes of LNG from Yamal from 2019. At its peak, Yamal will produce over 1mn tonnes of gas condensate a year and Novatek has ordered special vessels for these shipments. In the first six months of the year, Novatek, which is Russia's largest private gas producer, shipped 234,000 tonnes of Yamal condensate, selling the first cargo to commodities trader Vitol via a tender earlier this year. According to Reuters data and two trading sources, Emirates National Oil Company (ENOC) has bought around 37,000 tonnes of condensate via a tender from Yamal – that cargo was loaded on a tanker at Yamal's Sabetta port at the end of July.

Iran has been one of the key gas condensate suppliers to ENOC but further exports could be complicated with sanctions due to be reimposed on Iran's energy sector on November 4. One of the trading sources said he believed that ENOC was making a test purchase of the Yamal condensate ahead of the sanctions coming into force.

‘Europe serious about getting more US LNG’



An LNG carrier sits docked at the Cheniere Energy terminal in this aerial photograph taken over Sabine Pass, Texas (file). European nations are far behind Mexico and China when it comes to receiving liquefied natural gas from the US, but the region is making its biggest effort to date to change that, according to Bloomberg. European Commission trade officials will travel to Washington on August 20 to follow up on an energy agreement last month between the Commission's President

Jean-Claude Juncker and US President Donald Trump. Europe pledged to import more LNG in a bid to diversify imports, while America is seeking new markets for its expanding LNG production. Russia is currently Europe's biggest supplier. "The European Union is ready to facilitate more imports of liquefied natural gas from the US and this is already the case as we speak," Juncker said in a statement yesterday. "The growing exports of US liquefied natural gas, if priced competitively, could play an increasing and strategic role in EU gas supply." Europe received about 10% of total US exports last year, up from 5% in 2016 after the American shale gas revolution went global with the opening of the Sabine Pass export facility on the country's Gulf of Mexico coast. Since then, Europe has imported more than 40 LNG cargoes from the US, or 2.8bn cubic metres, the Commission said.

Qatar to invest \$15 billion in Turkey; source says banks the focus



ANKARA (Reuters) – Qatar pledged \$15 billion (£11.8 billion) of investment in Turkey on Wednesday

that a government source in Ankara said would be channelled into its banks and financial markets.

The investment package was announced after Qatar's Emir Tamim bin Hamad Al-Thani met President Tayyip Erdogan in the capital, as Turkey grapples with a collapsing lira and a worsening commercial and political standoff with NATO ally the United States.

The currency has lost nearly 40 percent against the dollar this year, driven by worries over Erdogan's growing influence on the economy and his repeated calls for lower interest rates despite high inflation.

Its precipitous decline has raised concerns about the resilience of Turkey's banking sector and caused ructions on global markets.

Qatar-Glencore venture values its Rosneft stake at 7.4 billion euros



MOSCOW (Reuters) – QHG Oil Ventures, a joint venture between Qatar Investment Authority and Glencore, has valued a 14.2 percent stake in Rosneft, which it is selling, at 7.4 billion euros (\$8.4 billion), a QHG financial statement showed on Wednesday.

QHG was set up by QIA and Glencore in 2016 to invest in Rosneft and it bought a 19.5 percent stake in the Russian company for 10.2 billion euros. In its statement on Wednesday, QHG said that stake was now valued at 10.4 billion euros, meaning it has changed little in value in two years.

QHG also said in the financial statement, which covered the period between Dec. 8 2016 and May 31 2018, that it made a profit of more than 672 million euros during that period, mostly from Rosneft dividends.

The 2016 sale of the stake in Rosneft was trumpeted by the Kremlin at the time as a landmark deal and vote of confidence in the Russian economy, despite Western sanctions.

But the deal, from the outset, was mired in unanswered questions about how it was structured.

After the transaction was announced in 2016, it transpired that it was only an interim deal, and that a long-term buyer for the stake had yet to be found.

Rosneft came close to concluding a deal with China's CEFC last year, but that deal ran into trouble after CEFC founder and chairman Ye Jianming was put under investigation by Chinese authorities over suspected economic crimes, Reuters reported in March.

Eventually Qatar's investment fund agreed to become the permanent owner, resulting in the sale agreement in May.

In its financial results, QHG said it expected that deal to complete by the end of this year.

QIA would eventually control an equity stake of 18.93 percent in Rosneft and Glencore would hold 0.57 percent.

On Dec. 7 2016, when the deal to sell 19.5 percent in Rosneft to Glencore and QIA was announced, Rosneft's shares were trading at around 356.3 roubles (4.7 euros) per share compared to 427.1 roubles on Wednesday.

China tariff s could mean

bleak winter ahead for US LNG traders



This winter could be a bleak one for America's natural gas exporters as the fastest-growing buyer of the fuel threatens to halt purchases amid an escalating trade war. PetroChina, a unit of the state-owned China National Petroleum Corp, may suspend its buying of US liquefied natural gas cargoes during the colder months, just as new American LNG terminals start up. The move could force gas suppliers like Cheniere Energy Inc to cut prices as they seek to lure other buyers during the heating season, when demand peaks. While US LNG companies make the bulk of their money from long-term contracts, Cheniere last winter reaped big earnings from the spot market, which saw Asian prices climb to three-year highs amid booming consumption in China. But with China eyeing a 25% tariff on US LNG, Cheniere and other US LNG traders may have no choice but to sell spot volumes at a discount, Jason Gabelman, vice president at Cowen and Company LLC, said by telephone on Monday. Cheniere didn't immediately respond to a request for comment. The "US is probably going to have more

spot LNG available than it would have had otherwise if it had been selling into the Chinese market,” Gabelman said. Other buyers in Asia may look to take advantage of low-cost US gas. Cheniere announced August 10 a binding 25-year contract with Taiwan’s state-owned CPC Corp beginning in 2021. “If you’re selling gas in the spot market, you need to find a new place” for cargoes that would have gone to China, said Nikos Tsafos, a senior fellow at the energy and national security programme at the Center for Strategic and International Studies in Washington.

Hardcore hedge fund bulls say Iran sanctions may see oil at \$150



LONDON (Reuters) – Clouds are gathering over the outlook for the oil market, as trade tensions and rising crude supply threaten to swamp demand growth, but some of the world’s most

prominent energy investors are convinced the price will return to record highs.

The escalating trade war between the United States and China threatens global growth. The physical markets are already showing signs of strain as unwanted crude builds on ships and crushes prices for cargoes of oil. [CRU/E] [CRU/WAF] [CRU/MED]

Aside from that, interest rates around the world are rising and the dollar is strengthening, which means emerging market oil buyers are seeing their import bill growing almost daily.

Both OPEC and the International Energy Agency have warned about the risk of trade disputes to global demand growth in their most recent monthly market outlooks. [IEA/M] [OPEC/M]

Funds have cut their bullish bets on Brent and U.S. crude futures and options to their lowest in almost a year. [CFTC/] [O/ICE]

Despite all this, prominent hedge funds such as Andurand Capital and Westbeck Capital are betting oil could skyrocket to \$150 a barrel from around \$75 now LC0c1.

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The main driver is expected to be upcoming U.S. sanctions on Iran's energy sector, which kick in November.

"Our view is that by November 4, we will have lost between 1.3 and 1.4 million barrels (of output) a day. It is a very big number. That's based on the view that the U.S. will allow a few temporary exception waivers ... Ultimately, we could see losses from Iran exceed 2 million barrels a day," Jean-Louis Le Mee, chief executive officer of London-based Westbeck, said.

(GRAPHIC: Major forecasters' estimates of oil demand growth in 2018 – reut.rs/2vIs2Xp)



U.S. President Donald Trump in May walked away from a 2015 nuclear deal between world powers and Tehran that he said was one-sided in Iran's favour.

Trump has also blamed OPEC for the 45-percent rise in oil prices over the last 12 months and, in June, exchanged sharp words with Iran on the subject.

Pierre Andurand, who runs the \$1.2-billion Andurand Commodities Fund and predicted the rise and subsequent crash in the oil price in 2008, responded on Twitter by pointing out OPEC's spare capacity was at its lowest ever. "There is going to be a real issue," he wrote, predicting prices above \$150 per barrel within two years.

"We don't sense a great deal of engagement yet from generalist investors. A few of them are starting to look at it now," Will Smith, Westbeck chief investment officer said.

"This is going to catch everybody by surprise. Some of the specialists are bullish – including Pierre (Andurand), ourselves and Energy Aspects," he said.

Aside from the risk to Iranian supply, Venezuela's crude production, which has already collapsed as a result of economic crisis, could fall below 1 million barrels per day (bpd) by the end of the year, compared with 2 million bpd in mid-2017, Smith said.

Andurand Capital declined to comment.

Taking a contrarian view can be costly. Even Andurand took a hit in 2017 when he expected the oil price to rally sharply and, instead, it wallowed around the \$50 mark.

And he wasn't alone. A number of long-time oil investors such as U.S. commodity fund manager Andy Hall were reportedly so badly burned they shut up shop and bowed out.

Westbeck's Energy Opportunity Fund is up 4.1 percent in the year to July 13, showed an investor presentation shared with Reuters. Andurand's commodities fund is up 12 percent in the first six months of 2018, according to data compiled by HSBC.

The oil options market shows that, for contracts from October 2018 to December 2020, traders and investors are holding more contracts to buy crude futures – or calls – at \$100 a barrel than any other.

However, in line with Westbeck's view that \$150 oil is not one that is widely shared in the investment community, that position has barely changed in the last month, having dropped by a mere 1,500 lots to just over 107,000 lots, equivalent to 100 million barrels of oil.

(GRAPHIC: Brent crude oil investors bulk up on bearish sell options – reut.rs/2P9dAQA)



By contrast, in the last month, the largest change in holdings, or open interest, has materialised in contracts to sell oil – or puts – at \$60 to \$65 a barrel between October 2018 and December 2020. This position has grown by nearly 45,000 lots to 140,000 lots, or 140 million barrels of oil.

A month ago, the amount of open interest in calls maturing in this time period outnumbered that of puts by nearly three to one. This ratio is now down to two to one.

“If we are right about oil going from \$75 to \$150 over the next 12 to 18 months, out-of-the-money oil options, further down the curve ... look very exciting. The pay back there is just fantastic if we are right,” Westbeck's Smith said.