EU observer says Zimbabwe election will be ‘critical test’

AFP/Harare

Upcoming elections in Zimbabwe will be a defining test of the country’s new era, following years of disputed votes under ousted ruler Robert Mugabe, the European Union (EU) observer mission said yesterday.

Previous elections were marred by violence, intimidation and fraud – often alleged to involve the ruling ZANU-PF party and state security forces.

Mugabe’s successor and former ally, President Emmerson Mnangagwa, has pledged to hold free and fair elections as he seeks to mend international relations and draw in foreign investment.

“These elections are a critical test of Zimbabwe’s reform process,” EU chief election observer Elmar Brok told at a press conference in Harare ahead of the July 30 vote.

“Given the context of past elections, great efforts need to be made to ensure public and political confidence.

“Necessary efforts include transparency and inclusivity, confidence in the integrity of the voter roll, emphasis on (the) secrecy of the vote and the peaceful conduct of the polls.”

The poll will be the first ballot-box test for Mnangagwa since Mugabe was forced out last November after 37 years in power.

EU observers have not attended Zimbabwean elections since 2002. The head of its mission at the time, Pierre Schori, was thrown out of the country on the eve of presidential elections widely condemned as flawed.

At Mnangagwa’s invitation, the EU is to deploy 44 observers on July 30, with 44 more observers due to deploy before polling day.

Brok said the mission’s work would include monitoring the conduct of the campaign, results transmission and resolution of disputes.

Mnangagwa, 75, is facing youthful opposition leader Nelson Chamisa in a presidential race that has a total of 23 candidates.

Chamisa, of the Movement for Democratic Change (MDC) party, has accused electoral officials and Mnangagwa of blocking essential electoral reforms.

The MDC will hold a demonstration next week to push its demands, which include observing the printing of ballot papers.

Jordan Pipeline for Israeli

Gas Set for Completion by End of 2019

A pipeline to transport $10 billion worth of natural gas over 15 years from Israel’s Leviathan field into Jordan will be completed by the end of 2019, according to the company buying the fuel.

Engineers building a 65-kilometer (40-mile) pipeline from Jordan’s border with Israel northward across Mafraq province will finish their work on time to receive first gas from Leviathan at the start of 2020, Abdel Fattah Daradkeh, director general of Jordan’s National Electric Power Co., said in a phone interview. A section of pipeline to move gas from the offshore field through Israel to the border is also under construction, he said.
After years of legal and regulatory logjams, the companies developing Leviathan are making significant progress to honor multibillion-dollar export deals. About 54 percent of the nearly $4 billion Leviathan project has been completed, the

companies said this week. Jordan, with negligible energy resources of its own, would become Israel’s first buyer for gas from the Mediterranean reservoir.

Nepco agreed in September 2016 to buy about 3 billion cubic meters of gas per year from the Leviathan partners, under a 15-year contract. That supply, coupled with renewed flows of Egyptian gas in the future, will be enough to meet domestic demand by 2020, Jordan’s Minister of State for Media Affairs and Communications Jumana Ghunaimat said Tuesday in a phone interview.

The Israeli government has pushed for gas exports as a way to strengthen economic ties with Arab neighbors. Gas from Israel’s Tamar field has been flowing to Jordan since the beginning of 2017.Jordan imported gas from Egypt until attacks by militants on the Egyptian pipeline network and rising local demand led the North African nation to halt shipments in 2013. Egypt is on track to export gas again since the discovery in 2015 of the mammoth Zohr field. Jordan will start receiving liquefied natural gas from Egypt under a seven-year deal from Jan. 1, Jordanian former Energy Minister Saleh Al-Kharabsheh said in April.

Russia’s oil production reached 16-month high before Opec+ deal

Russian oil production rose to a 16-month high in June, ahead of the country’s agreement with Opec to ease restrictions on output.

The nation’s oil companies pumped about 11.06mn bpd, 90,000 more than in May, preliminary data from the Energy Ministry show. Some of its biggest producers had pushed for a relaxation of output curbs long before Russia’s key June 23 meeting with Opec, arguing that prices had risen too far. June’s fi gures show that Rus- sia breached its output quota – set at 10.95mn bpd in the original 2016 Opec+ deal – for a fourth consecu- tive month.

It’s not the only country to raise supply: Saudi Arabia ramped up crude exports last month and is preparing to pump a record amount in July, according to people briefed on the country’s energy policy.

Rosneft, Russia’s largest oil com- pany, drove the nation’s output high- er as its Yuganskneftegaz projects in west Siberia pumped more than last year, according to the ministry data. The explorer’s assets, excluding those of Bashneft and joint ventures, produced just under 3.9mn bpd last month, 3.3% higher than a year ear- lier and up 1.6% from May. The Organization of Petroleum Exporting Countries and its allies agreed to increase production by about 1mn bpd starting July 1. Rus- sian Energy Minister Alexander No- vak said his country could add as much as 200,000 bpd, though later indicated the fi gure was preliminary and actual volumes supplied would depend on the capacity of other na- tions to raise output. Russia’s production data, e-mailed yesterday by the ministry’s CDU- TEK statistics unit, show June output rose 1.1% from a year earlier.

Katara set to buy New York’s Plaza Hotel for $600mn

By Dmitry Zhdannikov/Reuters, London

Qatar has agreed to buy one of New York’s most iconic buildings, the Plaza Hotel, for around $600mn, adding a development that was once owned by US President Donald Trump, to its luxury property portfolio.

Qatar’s state-owned Katara Holding is buying full ownership of the hotel, including a 75% stake from Indian business group Sahara India Pariwar. Katara and Sahara were not immediately available to comment.

Qatar has been buying top hotels and luxury properties in the West over the past decade as part of a drive by its $300bn-plus sovereign wealth fund to diversify the wealth it accumulates from gas and oil exports. Qatar, the world’s largest exporter of liquefied natural gas, already owns landmark hotels such as The Savoy and The Connaught in London.

Its wealth fund, the Qatar Investment Authority (QIA), has also invested in large Western companies such as carmaker Volkswagen and mining giant Glencore.

Qatar has said the impact of a year-long blockade by its neighbours has been mitigated allowing it to resume large-scale investments abroad, including buying a stake in Russian oil major Rosneft.

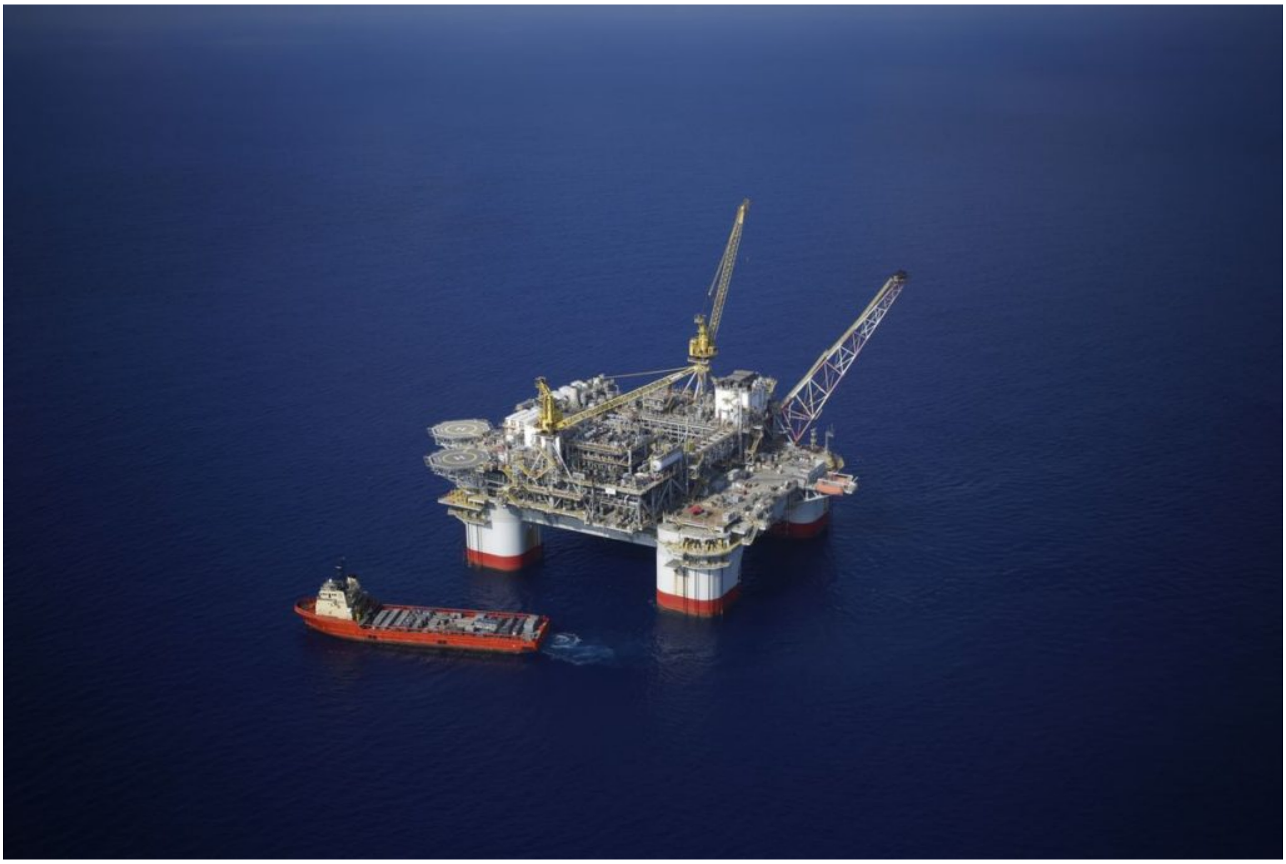
The Plaza Hotel deal is the largest investment in the Western property market by Qatar since the start of the blockade in June last year.

Trump bought the Plaza in 1988, but had to sell it to a group of investors more than two decades ago as part of a bankruptcy proceeding.

Sahara has been trying to sell its stake for several years amid financial difficulties for its chairman, Subrata Roy. The Plaza has hosted guests including the Beatles and Marlene Dietrich, who performed there. It was also the site of Trump's marriage to Marla Maples in 1993.

The hotel has featured in movies including the 1959 American thriller by Alfred Hitchcock, North by Northwest; the 1991 drama Scent of a Woman starring Al Pacino; and the 1990 gangster drama The King of New York with Christopher Walken.

Future of Big Oil Increasingly Shaped by Fate of Global Gas



- LNG demand is expected to grow fastest of all fossil fuels
- Shell's 2016 purchase of BG Group helped major catch Exxon

Majors including Royal Dutch Shell Plc and BP Plc have boosted their proportion of gas output in recent years, helping them trim Exxon Mobil Corp.'s lead as the world's most valuable oil company. Meanwhile Chevron Corp. added two giant Australian liquefied natural gas projects and Exxon is punching back with two major projects of its own, in Papua New Guineaand Mozambique.

Natural gas, seen as a clean bridge from coal to renewables, offers the best long-term demand growth among fossil fuels, particularly in its easy-to-transport liquefied form. At the same time, gas exploration comes with high upfront costs and long payback periods. How the majors handle those issues will become key drivers for success moving forward.

"We see the market growing rapidly, with gas demand growing faster than overall energy demand," said Steve Hill, executive vice president for gas trading at Shell, the world's biggest LNG producer. "We don't see renewables as being a threat to gas."

Industry heavyweights and officials from LNG trading nations — including Qatar, Japan, South Korea and Australia — will discuss global gas dynamics at the World Gas Conference in Washington D.C. starting Tuesday. The meeting is in the U.S. for the first time in 30 years, reflecting America's shale-prodded gas clout.

Emerging Gap

Liquefied natural gas demand will exceed supply without new projects

Gas emits about half as much carbon dioxide as coal. That means it's often seen as both a cleaner-burning alternative and a complement to wind and solar since it can produce electricity when the weather doesn't cooperate. While the global LNG market is likely to be well supplied until 2022, demand will grow by 4 percent to 7 percent annually from 2023 on, according to Bloomberg New Energy Finance.

Growth Path

"In the fossil fuel area, it's the one clear growth part of the business," said Brian Youngberg, an analyst at Edward Jones & Co., based in St. Louis, Missouri.

With that growth, there's a "potential shortage" looming in the mid-2020s that can only be overcome by decisions on new export projects over the next two years, BNEF said in a March report.

Shell's purchase of BG Group for more than $50 billion in 2016, around the time when oil and gas prices bottomed, was primarily a purchase of gas assets. Shell's LNG capability is now twice as big as its nearest competitor, according to Edward Jones. It may have helped boost the Anglo-Dutch company's market value, which is now about $53 billion less than Exxon, compared with about $150 billion before the deal.

Gas Boom

Shell's integrated gas sales regularly wallop upstream sales

BP is also undergoing a gas expansion. By 2020, the British major expects to produce about 60 percent gas and 40 percent oil, a reversal from 2014 when it was the opposite. Last year, six of BP's seven major projects brought on stream were gas, Chief Financial Officer Brian Gilvary said in an interview.

Chevron shares have returned 40 percentage points more than Exxon over the past three years, mostly because Chevron's giant Gorgon and Wheatstone LNG facilities in Australia came on stream, moving from a period of building and overspending to cash generation.

"Those assets were being risked quite heavily by the financial markets," said Tom Ellacott, senior researcher at Wood Mackenzie Ltd. "Now they're sunk costs and a lot of that risk has been unwound. They're massive cash generators for the company."

Also see: LNG's dormant mega-projects roused by surging Asia demand

Exxon is not standing still. Big Oil's worst performer over the last five years has made LNG a core part of its strategy to rebuild its upstream portfolio of assets, which is suffering from production declines.

The major sources of new LNG exports are likely to be from the U.S., Qatar, Mozambique and Papua New Guinea, BNEF said. Exxon has substantial gas operations in all of these countries, and the latter two are part of the company's five key global projects for the next decade.

Changing Mix

Gas accounts for a larger share of global primary energy consumption

Exxon is less worried about competition and more about having the lowest cost assets that will survive the price-swings that affect the market over time, Chief Executive Officer Darren Woods said in an interview last month.

Exxon currently produces about 55 percent oil and 45 percent gas. Woods doesn't expect that to "dramatically shift" but it may change slightly as major projects come on stream.

Challenged Model

With the growth of renewable energy and the success of independents in shale oil production, Big Oil's business model is being challenged. The major producers' weighting in global equity indices is now at a 50-year low, Goldman Sachs Group Inc. said in a March report.

As such, LNG, with its high up-front costs, huge technical difficulty, and good growth rates, has become something of a safe place for the industry.

"The returns tend to be lower but once they're on stream, the cash margins are generally very high," said Wood Mackenzie's Ellacott. "It's increasingly becoming the domain of the majors."

Total eyes brownfield portfolio expansion

Total is leaning towards brownfield expansion projects as the French supermajor aims to significantly bolster its liquefied natural gas portfolio, *writes Eoin O'Cinneide.*

Schemes in the US, Nigeria, Russia and in particular Qatar are to take precedence, as the French supermajor looks to add to its position as the second-largest LNG player out of the international oil companies.

Speaking at a media briefing ahead of the World Gas Conference (WGC) in Washington this week, chief executive Patrick Pouyanne called Qatar's North Field gas field, where the company has a 24% stake, "one of the jewels in the world of LNG".

State giant Qatar Petroleum aims to boost production capacity at the field from a current 77 million tonnes per annum to 100 million tpa, through the addition of three new trains, with Total hoping to be chosen as a participant in the expansion project.

“We are working in order to be a participant in the next wave of expansion… It is up to us to make an appealing offer, but I am confident we can participate,” Pouyanne said.

In the US, Total holds a stake in Sempra Energy’s Cameron LNG development in Louisiana, where the possible expansion from three to five trains is being considered, while it is also invested in Tellurian’s envisaged Driftwood LNG project in Texas – the latter of which would be a greenfield development.

“Obviously, the expansion of Cameron LNG will be more competitive, but we are looking at both options,” Pouyanne said.

“With Cameron LNG we are integrating the value chain. We are more fully integrated between our gas production, what we will liquefy and what we will offtake.”

At Nigeria LNG (NLNG), Total and its partners – Nigerian National Petroleum Corporation and Italian major Eni – have revived a plan to add production capacity, after years ago shelving plans for the addition of huge, new trains. The so-called Train 7 expansion will see an additional 7.1 million tpa to take total capacity to 30 million tpa, by adding two new small trains.

“NLNG is one of the projects where we want to expand – one of the best projects in the world,” Pouyanne said.

In Russia, Total is looking to follow up on its participation in Yamal LNG – with local independent Novatek – with the Arctic LNG 2 project, where it has set its sights on a more cost-competitive scheme.

Pouyanne said Total is aiming to lower capital expenditure on Arctic LNG 2 by around 30% compared to Yamal LNG, “because we have taken some lessons from the first one with some gravity-based structures”.

At the Papua LNG project in Papua New Guinea, Total is targeting three new trains, having decided on a brownfield over a greenfield project.

“If it is just adding trains and you can capitalise on your existing joint partnerships or existing gas storage facilities, it is favourable,” Pouyanne said.

Royal Dutch Shell sets sights on Fram field’s gas and oil

Royal Dutch Shell is investing further in the North Sea and is pressing ahead with the development of the Fram field.

The oil company approved a deal in January to overhaul its Penguins field and unlock about 80 billion barrels of oil held there. While the investment at Fram, which lies 137 miles east of Aberdeen, is understood not to be as large as that of Penguins, it is another mark of the returning confidence across the UK continental shelf.

Shell is one of the largest oil companies. Its interests also include renewable energy, retail and technology. It has been reshaping its portfolio to focus on lower cost or newer assets.

The company said that a mixture of gas and oil would be extracted from Fram. At its peak the field is forecast to produce the equivalent of 12,400 barrels of oil a day.

Steve Phimister, the vice-president for upstream for Britain and Ireland, said that the company was still looking to invest in further projects as it tried to grow its North Sea business.

Shell will be the operator of the Fram field with Esso Exploration and Production UK, a subsidiary of Exxonmobil, the partner in the development.

President meets Total chief in Paris

Total’s energy programme was discussed during a meeting in Paris between President Nicos Anastasiades and the general director of the company Patrick Pouyanne, during which he reiterated Total’s interest in increasing its presence in Cyprus.

Government Spokesman Prodromos Prodromou said during the meeting on Saturday evening “the company’s commitment to Cyprus was repeated”.

At the same time, the company “reconfirmed its increased interest in the EEZ of our country”.

Prodromou was in the meeting, as was Energy Minister Yiorgos Lakkotrypis.

In a tweet, Lakkotrypis said the company had expressed “intense interest in expanding its interests in Cyprus’ EEZ”.

Total and Italian company ENI are partners in blocks 11 and 6. An exploratory drilling carried out in early 2017 in Calypso target revealed a “promising discovery” but no data have been disclosed yet concerning the size of the reservoir size.

Cyprus says France’s Total seeks to broaden gas search work

NICOSIA, Cyprus (AP) — Cyprus says French energy company Total is seeking to broaden the scope of its work in an ongoing search for hydrocarbons off the east Mediterranean island nation.

Energy Minister Minister Yiorgos Lakkotrypis says Total is looking to expand its activities in Cypriot waters “in a variety of ways.”

He didn’t specify what those ways could be because talks are still in progress. Lakkotrypis was speaking Tuesday after senior Total executive Stephane Michel met with Cypriot President Nicos Anastasiades.

Anastasiades said talks with Michel focused on ways to meet the common goal of “exploiting as many energy-producing sources as possible.”

In April, Michel said Total had applied to carry out exploratory drilling in an area south of Cyprus where Italian company Eni is already licensed to search for gas.

Exclusive: Exxon Mobil breaks with past, bulks up energy trading to boost profit

HOUSTON/LONDON (Reuters) — Exxon Mobil Corp (XOM.N) is pushing deeper into energy trading, building a global cadre of experienced traders and beefing up risk-management systems to lift profit, according to executive recruiters and people familiar with the business.

The development is a sea change for a company that has stood out from rivals by limiting its past activity out of concern it would be accused of market manipulation. Exxon now aims to trade around more of its growing energy assets to get the best prices for its products and increase earnings, according to an employee familiar with the matter.

Expanded trading could add hundreds of millions of dollars to annual earnings from its own buying and selling of crude and fuels, but also comes with problems, including higher risk. Exxon (XOM.N) expects to add 1 million barrels per day of output over the next several years as new oilfields and refinery expansions kick in, giving it more assets to trade.

Exxon last year retained John Masek, a former trader at Swiss-based Glencore (GLEN.L), the world's second largest buyer and seller of petroleum, to consult on gasoline trading. Earlier this year, it poached four gasoline market specialists from refiner Phillips 66 (PSX.N).

This month, Exxon hired former BHP Billiton Plc (BLT.L) trader Nelson Lee as an international crude trader, the people familiar with the matter said. In 2014, Lee orchestrated BHP's first-ever crude exports by maintaining the lightly refined oil met criteria for an exportable product. The deals helped usher in the end to a U.S. prohibition on crude exports more than a year later.

The company has also added crude, products and liquefied natural gas specialists to London and Singapore offices. It recently hired Paul Butcher, a trader who has worked at BP Plc (BP.L), Glencore and Vitol, to advise on North Sea markets and accounting for trading transactions.

"Paul is known for being a very aggressive, old school crude trader. Exxon would have never hired a risk taker of that scale in the old days. The fact that he is consulting them shows they are considering changes in trading very seriously," said a trading house executive who knows Butcher.

Phillips 66 declined to comment on the employee departures.

Exxon spokesman Scott Silvestri referred questions about its trading business and recent hiring to regulatory filings, which note the historical use of financial derivatives and geographic scale to manage commodity price risks.

LIMITED RISK

Chief Executive Darren Woods wants to increase Exxon's profit and appetite for risk at a measured pace, according to people who deal with Exxon. The U.S. operation runs from a trading floor at its Spring, Texas campus that has expanded to as many as 70 workers who will handle everything from Canadian crude to gasoline, jet fuel and diesel.

“Trading has been a virtual four-letter word at Exxon,” said Ehud Ronn, a University of Texas finance professor who studies energy and financial risk management. Exxon has drawn most top managers from engineering backgrounds, not financial services. “A change in their trading policy would indeed be transformational.”

Exxon has long lagged behind rivals BP Plc (BP.L), Chevron Corp (CVX.N) and Royal Dutch Shell Plc (RDSa.L), which have created trading units that occasionally generate more profit than their refining businesses.

During the oil price downturn of 2015-2016, companies like Shell (RDSa.L) often made more profit in refining than in oil production, also known as upstream, and often cited trading as contributing to the success of the refining division.

Shell for example trades more than 8 million barrels per day or 8 percent of global production, twice the size of its own or Exxon’s output. The huge figures come partially thanks to trading barrels of third parties, which Exxon currently does on a very limited scale.

Exxon would also normally hedge only cargoes going from one region to another and where crude is priced according to different benchmarks. BP and Shell would normally hedge all cargoes as well as taking sometimes a pure speculative position on the paper market to make profit, according to traders working for the firms.

“Exxon still doesn’t plan to begin speculative paper trading,” said one source familiar with Exxon’s thinking.

Woods faces pressure from Exxon investors to lift shares that trade at the same price as 10 years ago. He promised shareholders this year that he can double profit and increase its oil and gas output by 25 percent by 2025.

The company’s expanded focus on trading brings challenges including added risk from options, swaps and other derivatives, and developing risk-management and compensation systems for the larger business.

Exxon has held talks with at least two developers of risk-management software, Enuit LLC and Allegro Development Corp, people familiar with the discussions said. Both offer packages that manage logistics and measure financial exposure. The companies declined to comment on their discussions with Exxon, according to spokespeople.

Exxon has also put company veteran managers in charge of overall trading and risk controls at its Spring, Texas, floor, one person familiar with its operations said, to avoid potential losses as it expands trading.

“We’ve heard whispers in the market about this for a few years, so it’s great to see them finally hiring commercial talent externally,” said an executive recruiter familiar with some of the recent hires but who was not directly involved.

Additional reporting by Ron Bousso in London and Henning Gloystein in Singapore; Writing by Gary McWilliams; Editing by Richard Pullin/Adrian Croft