

U.S. petroleum stocks nearing normal after wild 2020



Total stocks of crude and products, excluding oil stored in the strategic petroleum reserve, ended the year 6% above the seasonal average for the previous five years, down from a surplus of 14% at the start of July.

Excess petroleum inventories were still in the 74th percentile for all weeks since the start of 1995, on the high side, but down from a surplus in 92nd percentile at the middle of the year.

Total inventories, including the strategic petroleum reserve, have declined in 21 out of the last 26 weeks, by a total of 136 million barrels.

Gasoline and distillate stocks have shown the fastest return to normal while commercial crude stockpiles have faced a more sluggish adjustment.

By the end of December, gasoline inventories had been reduced to almost exactly in line with the five-year average, down from a surplus to the five-year average of nearly 13% in April.

Distillate stocks, which include road diesel and heating oil, had been reduced to a surplus of 7%, down from 29% at mid-year, according to weekly statistics from the U.S. Energy Information Administration.

Commercial crude stocks were still 10% above average, down from 19% in the middle of the year, indicating slower progress ("Weekly petroleum status report", EIA, Jan. 6).

NEARING BALANCE

Oil producers and refiners have adjusted at an exceptionally fast pace following the record shock to oil consumption caused by the first wave of the coronavirus and the associated lockdowns.

On the crude side, excess inventories have been cut by lower output from domestic shale producers and a fall in imports especially from Saudi Arabia.

On the products side, stocks have been cut by slower crude processing and a decision to focus on gasoline at the expense of middle distillates such as diesel and jet fuel.

In final week of December, U.S. refineries processed 14% less crude than average for the previous five years, even though domestic consumption was down by just 7%.

Processing restrictions are likely to persist in for the next 2-3 months which should ensure stocks of products end the first quarter below average.

Lower product stocks will support higher refining margins and a sharp increase in crude processing during the second

quarter.

Based on futures prices, refining margins for gasoline and distillate delivered at the end of the second quarter have already risen by 40% and 60% from their post-crisis lows.

The principal risk to rebalancing comes from a resurgence in coronavirus and the possibility of new lockdowns to contain it, which could force fresh cuts in margins and processing.

DISTILLATE REBOUND

Consumption of petroleum products has recovered strongly, ending the year 7% below the five-year average up from a deficit over 30% at one point in April.

The strongest rebound has come in distillate, where consumption ended the year running above the five-year average.

Distillate use is closely linked to the business cycle, especially manufacturing and freight transportation, so it has bounced back in line with the surge in manufacturing.

The resurgence in diesel use is consistent with the widespread reactivation of manufacturing reported in the Institute for Supply Management's monthly surveys and the Federal Reserve's industrial production index.

Gasoline consumption has also recovered, ending the year 10% below the five-year average, but improvement has stalled and even reversed since the end of third quarter, when consumption was down 5%.

Gasoline consumption has been hit by the new wave of coronavirus infections and reimposition of travel restrictions and work from home orders.

The worst-affected segment remains jet fuel, however, where

consumption ended the year 35% below the five-year average as a result of international travel restrictions and nervousness about flying during the epidemic.

But the reduction in excess distillate inventories and the strength of diesel demand is encouraging refiners to end their focus on gasoline production and target a more normal distribution of product outputs.

U.S. refiners boosted their combined production of distillate and jet to 74% of their output of gasoline in the final week of the year, up from a recent low of just 55% in mid-October.

If manufacturing and freight transport remain strong, while private motoring is hit by renewed coronavirus controls, refiners will shift to prioritise distillate consumption by the end of the first quarter.

Nordic States Set Electric-Planes Pace After Green-Cars Push



The Nordic region's pace-setting push into green transport is set to extend from cars to the air-travel market.

Iceland this month signaled plans to move toward carbon-free domestic flights by the end of the decade, while Sweden's Heart Aerospace aims to deliver an electric plane specifically designed to ply routes linking remote Scandinavian settlements within six years.

Coordinating the region's initiatives is the Nordic Network for Electric Aviation, founded last year and tying together airport authorities and five airlines including Finnair Oyj, Icelandair Group and SAS AB, alongside Heart and other technology innovators. The emphasis on cleaner flights follows Norway's strides toward banishing the combustion engine, with more than half the cars sold there now electric.

"We have an opportunity here to show the world what's possible, and also to give the industries in our countries the opportunity to be front-runners and build this market," said Maria Fiskerud, the NEA's project manager and former adviser to the Swedish government on aviation biofuels.

The group has received 12 million kronor (\$1.4 million) in combined funding from its members and the governments of Sweden, Denmark, Norway, Finland, Iceland and Greenland.

Iceland's plan to embrace electric planes is being led by its parliament's environment and transport committee, which has asked the government to establish a group of experts to lay the groundwork for environmentally friendly domestic services by 2030.

While Norway's success in encouraging electric autos has been driven by generous tax incentives and concern about the economy's reliance on oil production, the region's focus on greener aviation is more directly rooted in the unique nature of a market characterized by flights between sparsely populated areas with limited surface transport links.

Iceland's compact size makes it particularly well-suited to first-generation electric aircraft, which will be limited in passenger capacity by the weight of batteries needed to get even a small number of people off the ground.

Fiskerud said Icelandic domestic trips offer the perfect testbed, since "routes are all within an hour's reach." The greater size of Sweden, for example, might be too much of a stretch for early models so that a pledge to render its domestic market fossil-free by 2030 is likely to require a mix of electric planes, sustainable jet fuel and possibly hybrid technology, she said.

British Airways said Saturday that it's working with startup ZeroAvia, which has demonstrated a six-seater plane powered by a hydrogen fuel cell, as part of a push to reach net-zero emissions. ZeroAvia aims to extend its technology to longer trips and fly for more than 1,000 miles with a 100-seat-plus aircraft by 2030.

Icelandair Chief Operating Officer Jens Thordarson said he's enthusiastic about the application of electric technology, especially in light of the island's abundant geothermal and hydro-power green-energy resources. The carrier's domestic arm Air Iceland Connect currently uses three 37-seat Q200

turboprops and two 70 seat Q400s from Bombardier Inc., now De Havilland Canada.

“We’re still a long way away from being able to have electric long-distance flights,” he said in an interview. “However many projects are underway for developing aircraft for shorter distances. Being able to utilize electric planes for domestic flights would change the business.”

Thordarson said a plane carrying about 20 people using locally sourced electricity could even be cheaper to operate than kerosene-powered models, opening up the prospect of increased frequencies with fewer passengers than existing services in order to keep down takeoff weights.

Heart, based in Gothenburg, plans to win certification for its ES-19 regional plane by 2026, according to the company’s website.

The model, named for its 19-seat capacity, will have a range of about 400 kilometers (250 miles) and feature a conventional wing and propellers. It will be able to operate from a runway as short as 800 meters (2,600-foot).

Thordarson said it may take two or three years beyond certification to establish the reliability of electric planes for commercial services and for them to enter mass production. Airport infrastructure will also need to be adapted to provide adequate access to charging, and the reduced performance of batteries in cold climates must also be addressed, he said.

Government support may be required, paralleling that provided for eco-friendly vehicles. Norway, which aims to turn domestic flights all-electric by 2040, is looking at making subsidies for individual routes conditional on switching away from fossil fuels, or offering tax incentives for electric services.

The Nordic region’s combination of ready access to renewable

electricity, high relative wealth and geography favoring smaller planes will provide a litmus test for the viability of carbon-free flying more generally, Fiskerud said.

“This is a good part of the world to start working with electric aviation,” she said. “If we can’t do this here then it is difficult to see where it can be done.”

QP strives to bolster global energy lead of Qatar: Al-Kaabi



QNA/Doha

HE the Minister of State for Energy Affairs as well as president and CEO of Qatar Petroleum, Saad bin Sherida al-Kaabi, has said Qatar National Day unites Qataris and all those who love Qatar in expressing loyalty to the beloved homeland, and in renewing allegiance to the wise leadership of

His Highness the Amir Sheikh Tamim bin Hamad al-Thani, who is leading the country to greater pride and development built on the foundations laid by the late founder Sheikh Jassim bin Mohammed bin Thani.

In remarks to Qatar News Agency, al-Kaabi said that National Day is an occasion of glory and pride for the State of Qatar, which reinforces the belonging to the country.

He added such feelings are reflected every day in the manifestations of solidarity, unity and cohesion that unites all spectrums of the Qatari society, whether during the unjust blockade, or in the face of the global pandemic.

Al-Kaabi noted that just as the founder united the people of the country and strengthened their cohesion and harmony, the wise leadership has deepened the connection to the great land and created a generation with strong sense of belonging to the nation.

On QP's achievements this year, al-Kaabi said QP has strengthened its strategy and institutional values on the road to achieving its vision to become one of the best national oil and gas companies in the world by strengthening the position of Qatar on the global energy map and expanding its international presence in the field of exploration.

He said QP received the "New Venturer of the Year Award" as part of the Wood Mackenzie Exploration Awards 2020, in recognition of its outstanding and growing exploration presence across the globe.

QP is the first national oil company to win such award after it was won by Total in 2019 and ExxonMobil in 2018, he said, noting that the company signed a number of long-term agreements to buy and sell LNG with brotherly and friendly countries.

Al-Kaabi pointed out that QP signed agreements with three Korean companies to reserve LNG ship construction capacity in South Korea to support the ongoing expansion projects in the LNG production.

By signing these agreements, QP secured approximately 60% of the global LNG shipbuilding capacity through 2027 to cater to its future LNG fleet requirements.

QP has announced the start of operations of QP Trading as its dedicated LNG trading arm.

Wholly owned by QP and based in Doha, QP Trading is mandated

to build a globally diversified portfolio of third party and equity LNG.

To enhance its national human resources, al-Kaabi said QP has spared no effort in providing education, training and development opportunities for the widest possible segment of the promising young men and women of the country.

Al-Kaabi affirmed that QP has worked on the immediate response to manage the outbreak of Covid-19 and limit its effects on QP and the rest of the energy sector.

A crisis management team and a number of work groups and project teams were formed to lead response efforts and implement key measures to protect employees while minimising risks to the continuity of QP's operations.

Blue hydrogen, carbon capture technologies to play key role in transition to sustainable energy future, says GECF



The Gas Exporting Countries Forum (GECF) has joined a growing global consensus that blue hydrogen production from natural gas, coupled with carbon capture or CCUS technologies will play a “significant” role in the world’s transition to a sustainable energy future.

This was highlighted by GECF secretary-general Yury Sentyurin at a special virtual event ‘Blue Hydrogen Strategy’, organised by it. The event made special note of the potential for enriched natural gas, which is a blend of natural gas with hydrogen.

The hydrogen economy is the use of hydrogen as a fuel, but is subject to intensive comparison, particularly between “various colours” of hydrogen. The most popular green hydrogen is obtained from renewables but is sub-scale, while the blue is produced from natural gas after pairing with carbon capture.

“Looking at the alternative of blue hydrogen, it builds on natural gas and we already have this technology in place and the network to carry this volume is in place, for example through pipelines for natural gas,” Steinar Eikaas, Equinor’s vice president for Low Carbon Solutions.

Currently, the cost of producing blue hydrogen is 50-100%

above natural gas production; however the resultant fuel is completely carbon dioxide free. The cost of green hydrogen, meanwhile, is 2-5 times above blue hydrogen.

Energy experts believe that hydrogen is the next frontier as it can fill the same purpose as, for example, natural gas, and decarbonise many of the same sectors fuelled traditionally by hydrocarbons.

“When it comes to the type of hydrogen, blue hydrogen has advantages simply because the infrastructure already exists and the oil and gas industry has the investment muscle,” he said.

Giving a European example, he said the European Union’s new hydrogen strategy, announced this July, has set very aggressive target of 40 gigawatts of green hydrogen by 2030 but left another 40 gigawatts for imports, thereby leaving the opportunity for blue hydrogen to fill in the gap. According to the latest available figures from the GECF Global Gas Outlook 2050 (2020 edition), natural gas is projected to remain the fastest growing fossil fuel with a share of 28% in the global energy mix by 2050 against the current 23%. Along the way, it will play a vital role in decarbonisation options, such as the blue hydrogen.

Referring to the Global Gas Outlook 2050, the GECF Head of Energy Economics and Forecasting Department Sokolov, said the forum developed a dedicated scenario called the “Hydrogen Scenario”, the results of which suggest blue and green hydrogen to dominate the future of hydrogen production.

“According to the results of the scenario, almost half of the produced hydrogen will be sourced from natural gas by 2050, in the form of blue hydrogen. It is also forecasted that more than 10% of the total natural gas production in 2050 will be consumed by hydrogen,” he added.

Oil Rises From the Ashes as the Big Coronavirus Recovery Trade



Brent crude topped \$50 a barrel last week for the first time since March, a milestone for an oil market that's been grinding its way back out of a deep slump for months.

Things aren't back to normal yet, but the positive signals are proliferating. The enormous glut of fuel that accumulated this year on everything from tiny barges to giant supertankers is being steadily depleted.

While the coronavirus pandemic is worse than ever in the U.S., demand in Europe is bouncing back as a second wave of lockdowns eases and Asia continues to pull in huge volumes of crude.

But there's more to this than a realignment of supply and demand – huge financial flows are also driving the price

rally. In a world that's expecting to see travel recover sharply next year, crude has become a hot Covid-vaccine trade.

"Oil is the cheapest of all reflation assets," said Amrita Sen, co-founder of London-based consultant Energy Aspects Ltd. "With vaccines slowly rolling out, we expect investors to start returning to the oil sector and for prices to continue firming."

In some corners of the world, the recovery in demand is almost complete. India's largest refiner said last week its plants are processing at full capacity and it's expecting a v-shaped rebound in fuel use. Consumption of gasoline is also at or near pre-Covid levels in China and Japan, the world's second and fourth biggest oil consumers.

European motorists are hitting the roads again as governments relax national lockdowns in countries including the U.K., Spain, and France, according to an index of road usage and traffic compiled by Bloomberg News. Road freight is sharply higher as companies rebuild inventories and the Christmas shopping season gets in full swing.

As demand is recovering, the Organization of Petroleum Exporting Countries and its allies are keeping tight limits on production. The group canceled January's 1.9-million-barrel-a-day supply hike and will instead add no more than 500,000 barrels a day to the market each month in the new year. Estimates for U.S. shale oil output are still falling.

Cargoes of crude are changing hands at higher prices from the North Sea to the U.S. shale heartland of Midland, Texas as consumers trawl the globe for extra supplies. Saudi Arabia raised the cost of its oil for Asia – a benchmark for the world's refiners – by the most since August last week.

Hot Money

A more subtle shift in the market has also got traders excited. For most of December, nearby crude futures have been trading at a premium to later-dated ones, a price structure known as backwardation.

That buying of contracts at the front of the so-called price curve is evidence that managed money is flowing into the market, Eagle Commodities said in a note. The steeper the backwardation, the greater the return from holding futures from one month into the next, which encourages further buying in a “self-reinforcing cycle,” the brokerage said.

In recent weeks, cash has poured back into energy markets. Holdings of energy contracts rose by \$3.6 billion through early December, according to JPMorgan Chase & Co., driven by inflows into Brent and West Texas Intermediate. Investors pumped money into U.S. exchange-traded energy funds last week, with a swing of almost \$400 million from the prior period’s outflows.

Price Risks

“Right now, oil has priced in that promising future,” said Victor Shum, vice president of energy consulting at IHS Markit Ltd. in Singapore. “While we have to deal with the immediate dark Covid winter.”

There are reasons to think \$50 could be oil’s ceiling for now. The price could tempt producers from Baghdad to Oklahoma to increase production. There are already tensions within OPEC+, with some members chafing at the cartel’s self-imposed supply limits.

“A persistent rally could turn OPEC+ much less conservative, in turn driving a price pullback,” said Citigroup Inc. analysts including Ed Morse.

The backwardation that’s attracting speculators could also

draw real barrels into the market, because the price structure isn't profitable for any traders still storing physical crude.

On the west coast of South Africa, a supertanker loaded oil from the tanks at the Saldanha Bay storage terminal earlier this month before sailing to Asia. It's a reminder that there are still plenty of barrels left over from the spring surplus.

Relentless Asian buying may pause at some point, especially with Lunar New Year celebrations starting in early February. Higher-cost crude will start to dampen the profitability of refiners in the region. A standard refining process in Singapore is now loss-making when using five of the eight oil grades tracked by Oil Analytics Ltd.

For now, positive trends in fuel consumption are buoying traders' desire for both real and paper barrels. And there could be more hot money coming down the pipe.

At the start of 2021, billions of dollars of commodities investments will be affected by a broader rebalancing of portfolios. The move could attract \$8 billion of inflows into Brent and WTI futures, according to Citigroup.

"There's been a distinct shift in the financial oil market," said Michael Tran, an analyst at RBC Capital Markets. Speculators are buying futures and holding onto them, scared that they'll miss out on a further rally, he said.

– *With assistance by Sarah Chen, and Sharon Cho*

IGU stresses key role of

natural gas in world's sustainable energy future



The International Gas Union (IGU) has welcomed analysis in the International Energy Agency's latest World Energy Outlook (WEO), demonstrating the vital economic and environmental role natural gas will play in a sustainable energy future.

In this year's Stated Policies Scenario (STEPS), the share of natural gas in global primary energy demand expands to about 25% by 2040. Gas will also retain a critical role in the Sustainable Development Scenario (SDS), retaining the 23% share in energy in two decades' time that it held last year. The WEO also states that "There is a robust long-term case for gases in the energy system. In the SDS, there are services that gases provide that it would be difficult to provide cost effectively using other sources. These include high temperature heat for industry, winter heat for buildings and seasonal flexibility for power systems."

Furthermore, "gas infrastructure is a valuable asset that can be repurposed over time to deliver large volumes of bio-methane or, with modifications, low-carbon hydrogen."

IGU President, Professor Dr Joe M Kang, said the report again confirms the critical role gas will play in the global energy transition.

"Natural gas is a clean and versatile energy source that unlocks an opportunity for the planet to reliably meet the globally growing energy demand, reducing GHG emissions and urban pollution and allowing economies to grow," Kang said.

"Gas demand has fared better than oil and coal amid the

continuing fallout from the Covid-19 pandemic. The WEO recognises that without structural changes in the way energy is produced and consumed and prudent policy choices, the emissions reductions seen this year will be short-lived. The gas industry has a critical role to play.

“Switching to gas from dirtier fuels, like coal, oil, or conventional biomass is possible now and can be achieved quickly, with immediate benefits of cleaner air, safer environment, cut emissions, and solid path to the integration of clean technologies for continued reductions in emissions.”

Further findings and projections relating to the natural gas market in the WEO include:

- n Natural gas demand will decline by only 3% in 2020 as a result of the Covid-19 pandemic, proving more resilient than oil and coal, which will see annual falls in consumption of 8% and 7% respectively. Less gas use in commercial and public buildings has been offset by increased residential consumption, while the decline in industrial demand was mitigated by fuel switching.

- n In STEPS, global gas demand will expand by 15% by 2030 from the 2019 level, and by 30% by 2040. This growth will be driven by gains in south and east Asia, supported by competitive prices, a push to improve air quality and manufacturing growth.

- n Even in a ‘delayed recovery scenario’, gas demand recovers to the pre-pandemic level in 2024, and climbs 24% by 2040.

- n Significant investment in new gas infrastructure will also be key, with the IEA predicting that \$70bn will be needed annually.

- n While China and India will account for around 45% of the demand increase over the next decade, growth will also be robust in Southeast Asia and the Middle East.

- n In carbon-intensive economies, gas use can reduce emissions by replacing coal. In countries planning a pathway to net-zero emissions, the gas industry will need to demonstrate progress in methane abatement, via alternative gases such as bio-methane and low-carbon hydrogen, and technologies like carbon

capture, utilisation and storage.

Gas is natural partner of the world in recovery: GECF



The Peninsula

Doha: Natural gas embodies all the attributes required to achieve the multidimensional challenges of environmental protection, energy access, and affordability in a world stepping onto the road of recovery, the Secretary-General of the Doha-based Gas Exporting Countries Forum (GECF) Yury Sentyurin has said at the 7th IEF-IGU Ministerial Gas Forum, which was hosted virtually by the Malaysian government recently.

“As the world reaches the end of the pandemic tunnel, it will need an energy partner that can help prevent environmental degradation, ensure a stable and uninterrupted supply of energy, and bring affordable and reliable energy for all.

Natural gas is that partner,” said Sentyurin.

He added: “The GECF member countries are amongst the lowest cost producers globally and are able to weather the current storm, or any other. We understand our duty to the world and are committed to strengthen global energy security as reliable suppliers of this important energy source. Natural gas will become the leading source in the global energy mix by mid-century, increasing its share from currently 23 percent to 28 percent”.

During the event, the Minister of State for Energy Affairs and President and CEO of Qatar Petroleum, H E Saad Sherida Al Kaabi also struck a positive chord by maintaining that the gas industry, particularly LNG, has several milestones yet to achieve.

“I believe the economic and environmental realities of the post-COVID-19 era will help to increase the competitiveness of LNG and I have no doubt that the best for the LNG industry is yet to come,” said Al Kaabi.

The high-level gathering embraced the exponential growth of natural gas since the first edition in 2008 and highlighted the role of natural gas as it pertains to strengthening energy security and facilitating an orderly energy transition in an increasingly carbon constrained world.

Most of the energy ministers who spoke during the day-long conference – from India to Qatar to Malaysia – pinpointed Asia as the main demand node for natural gas on the back of rising populations, environmental pledges, and phasing out of coal. Currently coal meets 47 percent of Asia’s energy consumption, while natural gas provides just 12 percent of primary energy consumption in the world’s largest region.

According to the GECF Global Gas Model, ASEAN and East Asia countries’ energy needs will account for around 60 percent of global energy demand increase between today and 2050. This

growth will account for 42 percent of the global gas increments within the outlook period, driven by China, India, emerging markets such as Bangladesh, Pakistan, and a few others in South East Asian countries.

“Increasing Asia’s share of gas energy consumption to 20 percent would add the equivalent of more than 400 million tonnes of liquified natural gas (LNG) to annual gas demand, almost doubling the size of the LNG market,” said H E Tan Sri Muhyiddin Yassin, Prime Minister of Malaysia, in his inaugural address. Malaysia – a member of the GECF coalition – is the fifth largest exporter of LNG in the world, delivering over 11,000 cargoes since 1983. But now the country is reimagining the role of natural gas.

According to India’s Minister of Petroleum & Natural Gas and Steel, H E Shri Dharmendra Pradhan, the demand for natural gas and other energies in the world’s second populous nation has already returned to pre-COVID-19 levels.

“I’m happy to mention that the energy demand in India, particularly of the petroleum products and natural gas, has returned to pre-Covid-19 level. As the third largest global energy consumer, I am confident that India will continue to remain a key global energy demand centre, particularly for natural gas,” added Pradhan.

Meanwhile, ministers from Nigeria, Egypt, Azerbaijan and Iraq further discussed the opportunities that exist in growing gas markets and various policy pathways to achieve net-zero emissions in two sessions of the meeting.

Announcing that major oil exporter Iraq will increasingly switch to natural gas to generate power for its citizens, Minister of Oil H E Ihsaan Abdul Jabbar, said: “Our target is to utilise more and more gas, from associated gas fields and from free fields, to use it as a fuel for power generation for all of Iraq. This is our priority.”

Other ministers at the Ministerial Gas Forum joined from Bangladesh and Bahrain, including the Secretary of Energy from the United States of America, and ministers' representatives from Brunei Darussalam, Canada, Morocco, Turkey and Kingdom of Saudi Arabia. Amongst the private sector were Total, Tellurian, Royal Dutch Shell, Dana Gas, Eni, to name a few.

China set to bail out Iraq with multibillion-dollar oil deal



Baghdad: Iraq is poised to sign a multibillion-dollar contract with China ZhenHua Oil Co., a bailout from Beijing for the

cash-strapped government which will receive money upfront in exchange for long-term oil supplies.

The deal is the latest example of China, via state-controlled trading companies and banks, lending to struggling oil producers such as Angola, Venezuela and Ecuador, with repayment in the form of oil barrels rather than cash. This year's crash in oil prices has hammered Iraq's budget and the government has failed to pay teachers and civil servants on time.

The Iraqi agency in charge of petroleum exports, SOMO, picked ZhenHua after asking oil traders for bids, according to people familiar with the matter. Cabinet spokesman Hassan Nadhim said on Tuesday there had been "several offers" and they were being studied before Prime Minister Mustafa Al-Kadhimi makes the final decision.

Upfront payment

Under the terms of a letter SOMO sent last month, the winning bidder will buy 4 million barrels a month, or about 130,000 a day. They will pay upfront for one year of supply, which at current prices would bring in more than \$2 billion, according to Bloomberg calculations. The deal runs for five years – but the upfront payment is only for one year.

The deal attracted widespread interest among major oil traders, according to the people. The deadline for the tender was extended from late November to allow companies more time to bid.

ZhenHua Oil didn't reply to an email seeking comment that was sent to its headquarters in Beijing after normal business hours on Tuesday.

All major producers have taken a hit from oil's coronavirus-triggered plunge. But Iraq, where crude accounts for almost

all government revenue, is in a worse position than most. Its economy will contract 12% this year, more than that of any other OPEC member under a production quota, according to International Monetary Fund forecasts.

Thousands of Iraqis have taken to the streets in recent months to protest about worsening living conditions. The government has struggled to fulfil its commitments to the Organization of Petroleum Exporting Countries, which agreed at the height of the pandemic in April to cut output. Baghdad has pumped above its cap on several occasions, angering OPEC's de facto leader Saudi Arabia.

Rare deal

Energy-rich nations short on revenue have often relied on pre-payment deals to raise money, but Baghdad hasn't done so until now. The semi-autonomous Kurdistan Regional Government in northern Iraq has used similar contracts in the past, as have Chad and the Republic of Congo.

In a pre-payment deal, the oil buyer effectively becomes a lender to the country. The barrels are security for the loan.

Iraq's woes make it harder for the government to raise money more conventionally, such as through the bond market. The country's dollar yields average 7.5%, one of the highest levels for any sovereign. Goldman Sachs Group Inc. said this week that Iraq was among the most vulnerable bond issuers heading into 2021.

The pre-payment part of Iraq's contract is one of the largest in recent history, although less than the record \$10 billion that Russia's state-run Rosneft raised in 2013 from trading houses Vitol Group and Glencore Plc.

Besides its size, the Iraqi deal is rare because it allows the winner to ship crude to wherever it wishes for a year.

Normally, Middle Eastern crude is sold with strict clauses preventing traders and refiners from re-selling the barrels to different regions.

The exclusion of that clause was probably seen as advantageous enough to compensate for the fact the pre-payment money is effectively interest-free for Iraq. A country usually pays a yield for the cash it receives upfront.

Revitalize China

ZhenHua produces and trades oil. The company has played a large role in Beijing's so-called "going global" policy for energy. It has invested in oil concessions in the United Arab Emirates, Kazakhstan and Myanmar, and trades crude originating from the likes of Kuwait, Brazil and the Republic of Congo.

The company was founded in 2003 as a subsidiary of the largest Chinese state-owned defense contractor, known as Norinco. According to its website, ZhenHua trades about 1.3 million barrels a day of oil and finished products.

Other major Chinese traders include Unipet, Chinaoil and Sinochem. Shrouded in relative secrecy in the past, these state companies are gaining prominence as China's oil consumption rises. It's set to soon overtake the U.S. as the world's largest crude importer.

ZhenHua, meaning "Revitalize China" in Mandarin, started a joint-venture with SOMO to market barrels into China in 2018, though it was later scrapped.

OPEC+ panel discusses weaker oil demand outlook, Libya supply rise, sources say



LONDON (Reuters) – An OPEC+ technical committee discussed on Thursday higher oil supply as production resumes in Libya amid a weaker demand outlook due to a second wave of coronavirus infections, two OPEC+ sources said.

The Joint Technical Committee (JTC), which includes representatives from key OPEC+ producers such as Saudi Arabia and Russia, was meeting to review compliance with global oil output cuts and to review the oil market.

The group had 102% compliance with its production cuts in September, two OPEC+ sources told Reuters.

On Thursday, OPEC Secretary General Mohammad Barkindo told a conference that demand was recovering at a slower pace than expected.

“We have to be realistic that this recovery is not picking up pace at the rate that we expected earlier in the year,” he said. “Demand itself is still looking anaemic.”

OPEC+ delegates discussed the slow demand recovery in the fourth quarter of this year, when seasonally it was expected to rise, one of the sources said.

The resumption of oil production from Libya and the lack of a vaccine for COVID-19, as several countries face a rise in cases and renewed restrictions to try to contain the pandemic, could mean a downward revision for oil demand, creating a bearish outlook for the market in the coming months, he added. The panel also discussed OPEC data showing a stocks overhang throughout 2021, with OECD inventories at 301 million barrels above the latest five-year average in the last quarter, compared with 245, 181 and 173 in the first three, the source said.

OPEC+ – producers from the Organization of the Petroleum Exporting Countries (OPEC) and others including Russia – have been reducing output since January 2017 in a bid to balance the market, support prices and reduce inventories.

They are currently curbing production by 7.7 million barrels per day (bpd), down from 9.7 million bpd, and are due to taper their production cuts by 2 million bpd in January.

But Thursday’s bearish demand outlook and rising supply from Libya mean OPEC+ could roll over existing cuts into next year and delay easing the reductions, OPEC+ sources say.

UNESCO and GECF sign landmark cooperation agreement



Marking a victory for science and education, United Nations Educational, Scientific and Cultural Organisation (UNESCO) and the Gas Exporting Countries Forum (GECF) today signed a Memorandum of Understanding (MoU) to bring the benefits of collaboration to the world at large.

The agreement, taking stock of two years of cooperation, was signed by HE Shamila Nair-Bedouelle, the Assistant Director-General for Natural Sciences at UNESCO and HE Yury Sentyurin, the Secretary General of the 20-member coalition of the leading gas exporting countries of the world. The MoU will serve as a gateway of opportunities between the two entities in the areas of struggle against climate change, natural resources management, and positive developments across the globe, particularly in the Africa region. The partnership will further allow the sides to focus on capacity building, technical support, and shared expertise.

Both signatories commended the UNESCO Cluster Office for the

GCC and Yemen (accredited to Doha) for facilitating the agreement.

“The mobilisation of science for the benefit of society and the planet is now more urgent than ever. We need science and technology, we need access to science and technology, we need to be able to reduce the knowledge gap between different countries across the world, and therefore this partnership with the GECF is really a beacon of hope and light,” said HE Nair-Bedouelle following the virtual signing ceremony.

“The GECF serves as a platform for the science policy interface, underpinning the importance of the exchange of scientific knowledge, experience, and dissemination of information through research and production of global outlooks and statistical bulletins. We at UNESCO are therefore confident that this partnership will further harness the potential of science and technological cooperation to address global challenges, through advocacy and awareness raising at all levels of society and economic sectors towards achieving the sustainable goals of the 2030 Agenda and beyond,” she added.

Scientifically-grounded data and insights are championed at the GECF, whose Secretary General emphasised that technology is key to the envisaged energy transition and climate action such as greenhouse gasses (GHGs) emissions mitigation. The Forum’s speaker added, that “education and science-oriented exercises play a great role in environmental protection with a view to raise awareness and cultivate a “culture of energy responsible behaviour” or “energy scholarship.”

“The GECF is developing technologies, including ones in relation to reduction of GHGs emissions through the GECF Gas Research Institute, recently established in Algeria, and fully dedicated to discovering new technologies and innovations to achieve the ambitious sustainable development goals in front of us,” said HE Sentyurin.

“The GECF’s ambition to steward the gas industry into playing a greater role in environmental protection manifests in our Environmental Knowledge and Solutions initiative. This 12-point agenda focuses on many aspects of our activities,” he added, while referring to the 2019 Malabo Declaration adopted by the GECF Heads of State and Government, which calls on the Forum to use natural gas as the core source of energy in the development programmes and climate change policies of developing countries, such as in Africa, to overcome energy poverty and to mitigate CO2 emissions.

The MoU has been signed against a unique backdrop. The world’s overall energy demand is assumed to grow along with the global economy and population growth. The GECF experts forecast that in order to fulfil this increased demand, the world will likely see a symbiosis of conventional and renewable energies to solve climate issues and to meet the needs of nations for affordable energy. Natural gas is expected to shoulder the bulk of this demand on the back of its attributes of being the most environmentally friendly, affordable, flexible, and abundant fossil fuel.

According to the latest available figures from the GECF Global Gas Outlook 2050, natural gas is projected to become the largest source of primary energy by 2050, from currently 23% to 28%. Along the way, natural gas is expected to play a vital role in decarbonisation options including natural gas-based hydrogen, also known as the blue hydrogen, with carbon capture, utilisation and storage (CCUS) technologies.

The Forum’s Secretary General termed the GECF’s sustainability-related efforts as a “duty to the world”, given that its members collectively represent 71% of the world’s proven natural gas reserves and nearly half of its marketed production.

As an observer organisation to the UNFCCC (UN Framework Convention on Climate Change), the GECF actively participates

in the conference of parties, with the most recent statements made at COP24 and COP25. The Forum is also a regular contributor to the discussions of the UN Economic Commission for Europe (UNECE) Group of Experts on Gas, where it analyses natural gas' leading role in attaining the 2030 Agenda for Sustainable Development.

"This is complemented by our rapidly growing relationships with the G20, BRICS, and others in the spirit of joint action as regards to humanity's shared mission of sustainable development," concluded HE Sentyurin.