Climate-action delay to cost investors more than $1tn in 15 years

Delays in tackling cli- mate change could cost companies about $1.2tn worldwide during the next 15 years, according to the UN. That’s the preliminary anal- ysis of a UN Environment Fi- nance Initiative project that brought together 20 global fund managers to measure the impact of climate change on 30,000 of the largest listed companies. The group has cre- ated a guide for investors to as- sess how their holdings would respond to different levels of global warming and policy making. “Investors have a central role to play in moving the world to a low-carbon future,” said Mau- rice Tulloch, chief executive of- fi cer of Aviva Plc, one of the par- ticipants in the project. “This collaboration shows how we can all take better decisions, for our customers and for the environ- ment.” Extreme weather events, including fl oods, tropical cy- clones, and extreme hot and cold days are already hitting business operations. Should governments install tougher policy in the push for cleaner technology, emis- sion-intensive companies will increasingly struggle to com- pete. As well as

Aviva, the investor group included companies such as Manulife Asset Management, M&G Prudential Ltd and DNB Asset Management AS. The work was guided by advisory and modelling fi rms Carbon Delta AG and Vivid Economics Ltd. Investors are playing an in- creased role to protect fi nancial stability against climate change. The research work will enable them to better understand cli- mate-related risks and oppor- tunities, in line with the recom- mendations of the Task Force on Climate-related Financial Dis- closures, a part of the Financial Stability Board global regulator, the UN said. The task force is chaired by Michael Bloomberg, the majority owner of Bloomb-erg LP. To cut investor risks, govern- ments probably need to put in place consistently rising car- bon taxes or markets that will spur a shift to cleaner technol- ogy, Christopher Hope, a policy modelling expert at the Univer- sity of Cambridge, told funds managers gathered in London on Friday.

Hungary will have to buy Russian natural gas if Exxon waits on offshore project, says minister

HOUSTON (Reuters) – Hungarian Foreign Minister Peter Szijjarto said on Wednesday his country would again turn to Russia for natural gas supplies if Exxon Mobil Corp has not decided by September whether to invest in a massive Black Sea offshore project.

Romania’s Black Sea reserves pose a potential challenge to Russian Gazprom’s dominant role supplying Central and Eastern Europe, according to consultancy Deloitte. Tapping those fields could diversify the region’s gas supplies and bring the Romanian government revenue of $26 billion by 2040.

“Exxon Mobil can be the game changer in the energy supply of Europe. But they should finally make their final investment decision,” Szijjarto told Reuters during an interview in Houston where he was opening a consulate office.

“If they don’t make that decision until September, I will have to make another long-term agreement with the Russians.”

Exxon and Austrian energy group OMV’s Romanian subsidiary, OMV Petrom SA, have put on hold a decision on tapping the natural gas field pending legal framework revisions. The field has been estimated to hold 1.5 trillion to 3 trillion cubic feet (42 billion to 84 billion cubic meters) of natural gas.

Exxon is weighing several factors while deciding whether to invest in the Neptun Deep project in Romania, spokeswoman Julie King said on Wednesday.

A decision would require “competitive and stable fiscal terms, a liberalized Romanian gas market that enables free trade, and sufficient interconnectivity with neighboring free and liquid markets, in each case, for the duration of our concession agreement,” King said.

Hungary’s landlocked location in Central Europe puts it at a disadvantage in getting access to needed imports of natural gas, which is used by 85 percent of the households in the country, Szijjarto said.

“The question of whether we will be able to diversify gas resources depends on four allies of ours: Croatia, Romania, the United States and Austria,” he said. “It’s a strange situation where we are encouraged by our friends and allies to diversify, but basically it’s up to them.”

Development of a liquified natural gas (LNG) terminal on the Croatian island of Krk, would help it diversify from the current, east-to-west logistics system established during the Cold War when the Soviet Union dominated Eastern and Central Europe, Szijjarto said.

Reporting by Erwin Seba; Editing by Peter Cooney

A carbon dividend is better than carbon tax

By Mark Paul And Anthony Underwood/Sarasota

Climate change is the world’s most urgent problem, and in the United States, the left, at least, is taking it seriously.
Earlier this year, Representative Alexandria Ocasio-Cortez of New York and Senator Edward Markey of Massachusetts, both Democrats, introduced a Green New Deal (GND) resolution, which offers a blueprint for decarbonising the US economy. But while a growing number of Democratic presidential contenders have endorsed their proposal, centrist Democrats and Republicans continue to cling to a different climate-policy approach.
The key centrist proposal, in keeping with the prevailing neoliberal dispensation, is a carbon tax. The idea is simple: if you tax fossil fuels where they enter the economy – be it at a wellhead, mine, or port – you can fully capture the social cost of pollution. In economic parlance, this is known as a Pigovian tax, because it is meant to correct an undesirable outcome in the market, or what the British economist Arthur Pigou defined as a negative externality – in

this case, the greenhouse-gas emissions that are responsible for global warming.

As a response to climate change, a carbon tax is immensely popular among economists from across the political spectrum, and it does have an important role to play. But it is far from sufficient. Rapidly decarbonising the economy in a way that is economically equitable and politically feasible will require a comprehensive package on the order of the GND. That means combining some market-based policies with large-scale private- and public-sector investments and carefully crafted environmental regulations.

Even in this case, including a standard carbon tax involves certain risks. Just ask French President Emmanuel Macron, whose country has been roiled by months of demonstrations that were initially launched in response to a new tax on diesel fuel. The lesson from the weekly “yellow vests” protests is clear: unless environmental policies account for today’s high levels of inequality, voters will reject them.

Nonetheless, as progressives push for more green investment, they will look to the carbon tax as a source of revenue. After all, depending on the size, it could raise almost a trillion dollars per year. But rather than a straightforward levy, they should consider implementing a carbon dividend, whereby carbon would be taxed, but the proceeds would be returned to the people in equal shares. Yes, this would preclude one option for funding the GND; but it would ensure that the transition to a carbon-free economy remains on track, by protecting the incomes of low- and middle-class households.

A common objection to a carbon dividend is that it would defeat the original purpose of a carbon price, which is to encourage people to reduce emissions. But this isn’t true. To see why, suppose you are a low-income American, currently spending $75 per month on gas. Assuming that your driving behaviour does not change, a carbon tax of $230 per ton – the level needed just to put us on a path toward limiting global warming to 2.5? C above pre-industrial levels – would raise your monthly fuel expenditure by $59, to $134, or 79%. In this case, you unquestionably will feel poorer. This is what economists call an “income effect.”

Now imagine that a carbon dividend is in place: you would receive a monthly payment of $187, more than offsetting the price increase, and leaving you feeling richer. But wouldn’t this also leave you with a greater incentive to use gasoline? Economic theory suggests not.

Just because the price of gas increases does not mean that everything else in the economy will follow suit. Rather, goods and services that produce a lot of carbon dioxide emissions will become relatively more expensive than those that do not. Hence, you would have a choice between using the dividend to drive more and using it to increase your consumption of other things, from dinners with friends to new running shoes. Those social gatherings and shoes are your incentive to use less carbon. This is what economists call the “substitution effect.”

In this way, a carbon dividend would gradually nudge people, large businesses, and the government away from carbon-intensive consumption and toward activities and investments that reduce their emissions. Equally important, a carbon dividend would protect the poor. A straightforward carbon tax is inherently regressive, because it imposes the same cost on the poor as it does on the rich. But a carbon dividend inverts this effect, because every dollar that is returned will be worth more to a low-income household than it will be to a wealthy one.

Moreover, it is the rich who fly all over the world, heat and cool enormous homes, and drive inefficient sports cars. Because they lead far more carbon-intensive lifestyles than everyone else, they would contribute far more per capita to the carbon dividend. More to the point, they would pay in much more than they get back, while the poorest 60% of Americans would get back more than they put in.

In short, a carbon dividend would distribute money from predominantly wealthy high polluters to predominantly low- and middle-income low polluters, all while reducing CO2 emissions.

On its own, it would represent a smart step in the right direction – one that wouldn’t invite a “yellow vest” reaction. But don’t let anyone tell you it’s a silver bullet. When it comes to climate change, there isn’t one. – Project Syndicate

* Mark Paul is an assistant professor of economics at New College of Florida and a fellow at the Roosevelt Institute. Anthony Underwood is an assistant professor of economics at Dickinson College.

https://www.gulf-times.com/story/631897/A-carbon-dividend-is-better-than-carbon-tax

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Argentina is about to export first LNG cargo

Bloomberg/Singapore

Argentina is offering its first-ever liquefied natural gas cargo, putting the nation on the verge of becoming a regular exporter of the fuel.

YPF SA, the state-run oil and gas producer, is seeking to sell a partial cargo from the Tango floating liquefaction unit, or FLNG, at Bahia Blanca, according to traders with knowledge of the matter. The company is currently negotiating the sale of the 30,000-cubic-metre shipment on a free-on-board basis for loading this summer, said the traders, who asked not to be identified as the information isn’t public.

A YPF spokesman declined to comment on the cargo.

The cargo – while relatively small compared with standard shipments – will mark Argentina’s transition from one of Latin America’s biggest LNG importers into an exporter. That’s being driven by growing gas production from the Vaca Muerta shale play. Another factor is the country’s recession, which is hurting domestic demand. It’s still an importer, however: In March, it bought nine LNG cargoes in a tender.

Argentina is following the path of other nations, which recently resumed exports after domestic output surged.

Last year, YPF signed a 10-year contract with Belgium’s Exmar NV to deploy an FLNG plant to produce and export the fuel. The Tango FLNG docked at the port of Bahia Blanca in February.

Energy Secretary Gustavo Lopetegui said in April that YPF would ship its first cargo as soon as August. The plant will produce as many as eight cargoes per year from the Vaca Muerta at the Neuquen Basin, Exmar said last year.

https://www.gulf-times.com/story/631920/Argentina-is-about-to-export-first-LNG-cargo

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BP’s investors unite over fears it’s ‘falling behind’ on climate

When BP Plc meets with shareholders next week, it’ll be facing one of the clearest signals yet that the fossil-fuel business is facing an adapt-or-die reckoning.

A resolution at the company’s annual general meeting on May 21 will ask BP to prove in a series of reports how individual capital investments, and its overall business strategy, are aligned with the goals of the Paris climate accord. The proposal already has the backing of almost a tenth of the company’s shareholders, including seven of the oil major’s 20 largest stockholders, such as Legal & General Investment Management Ltd., and UBS Asset Management.

The resolution is intended to make BP address climate change sooner and is one of many examples of investors seeking to pressure companies. Shareholders have forced the issue now because at least four years of talks on the issue with management were “moving slowly,” said the director of stewardship at Hermes EOS, who took the lead on speaking to BP.

“We felt the company was falling behind other competitors in terms of its ambitions,” Bruce Duguid, at Hermes, said in an interview. Right now “there’s not a clear demonstration that the company’s strategy is consistent with the goals of the Paris agreement.”

BP said earlier this year it supports the resolution and asked all shareholders to vote for it at the meeting. If a majority do, it will be legally binding.

The company said it will begin including the information requested in its 2019 annual report, which will be released in about a year. It should show which projects are high-cost or most polluting, the riskiest sorts of investment in a world trying to wean itself off carbon.

Talks with BP became especially pointed last year as competitor Royal Dutch Shell Plc defined its long-term ambitions around climate change, which is to halve its net carbon footprint by 2050 and ultimately pivot to cleaner fuels.

BP in contrast has been focused on paying more than $60 billion in fines and legal costs associated with spilling millions of barrels of crude into the Gulf of Mexico in 2010. The company has now returned to sound financial footing and plans to rapidly expand its oil and gas output to reach near parity with its larger peers.

“The fact that the company has now come through the Gulf of Mexico litigation and is now back to a growth strategy, is a key cause of the concern,” Duguid said.

While BP Chief Executive Officer Bob Dudley has spoken about his support for climate change action, he has taken aim at some measures the company has been asked to adopt. He said detailed disclosures can be fodder for class action lawyers which look to profit from minor and unpreventable inconsistencies.

The company has instead supported efforts such as the Oil and Gas Climate Initiative, which invests in low-carbon technologies. It has also bought stakes in solar and other renewable energy companies and it purchased an electric car-charging company last year.

Duguid said BP still has fallen behind its competitors in defining how it will “transition” as the world cuts carbon from the energy system. He said he drafted the resolution in the autumn, with other investors, without knowing whether BP would support it. Ultimately 58 investors signed on as co-filers.

The engagement with BP was also aided by an 18-month old coalition of investors called Climate Action 100+. The group, which oversees about $33 trillion in assets, is asking more than 150 of the largest corporate greenhouse gas emitters to align their business strategy with the Paris accord. Climate Action 100+ has already persuaded Shell to adapt short-term climate targets and convinced Glencore Plc to cut coal production.

“There’s 161 companies on the focus list, so around the world we’ve got groups of investors engaging with each one of those,” said Stephanie Pfeifer, head of the Climate Action 100+ group’s European arm. “There’s plenty of time to have more dialogue, and sort of ratchet up the asks, as well.”

First Annual Eastern

Mediterranean Energy Leadership Summit

Interest in the Eastern Mediterranean has increased during the last years with the discovery of major gas fields such as Tamar, Leviathan and the giant Zohr field in Egypt. These have opened up major opportunities for new discoveries, but also for oil and gas investments in the region.

The **First Eastern Mediterranean Energy Leadership Summit** will be held at the **Divani Apollon Palace & Thalasso** in Athens, Greece, from **June 24 -25**, **2019**. The event is organized by the Transatlantic Leadership Network, the University of Piraeus – MSc in Energy: Strategy, Law & Economics of the Department of International & European Studies, and SGT S.A.

Held at the Ministerial level, the Summit will gather together senior government officials and business executives from the energy market to identify crucial opportunities and challenges for continued commercial and geopolitical cooperation. Invited countries include the United States, members of the Three Seas Initiative, and countries surrounding the Eastern Mediterranean Region. During the conference diverse thoughts, ideas and best practices will be presented on how Eastern Mediterranean countries can best take advantage of their geographical positions and exploit available energy resources to secure a more reliable, self-sufficient and environmental sustainable energy supply.

Topics of discussion:

- The Future of Oil & Gas in the Eastern Mediterranean: Alternative Scenarios and Policy Perspectives
- Security Dimensions of Transatlantic Energy Cooperation: The Effects on the Eastern Mediterranean
- Opportunities for Energy Cooperation in the Eastern Mediterranean: Project View
- Building a Framework for Regional Energy Cooperation and Integration
- Energy Developments in South East Europe. The Challenge for the Region
- Market Trends: Predicting Winners and Losers
- Regional Electricity Market Dynamics
- Investment Outlook: Required Financial Resources and Remaining Challenges
- Removing Barriers and Exploiting Opportunities

SPEAKERS

Kocho Angjushev

Deputy Prime Minister
Republic of North Macedonia

Francis R. Fannon

Assistant Secretary, Bureau of Energy Resources
U.S Department of State

Mirko Šarović

Minister of Foreign Trade and Economic Relations
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Georgios Stathakis

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Prices stable amid lack of

end-user buying

LONDON (Reuters) – Liquefied natural gas (LNG) prices in Asia held largely steady this week, taking a breather after recovering from a significant dip in March.

LNG for delivery in northeast Asia in June is estimated at $5.60 per million British thermal units (mmBtu), the same level as last week.

The July price is seen at a slight contango – a market structure in which prompt prices are below later-dated prices – and is estimated at $5.65 mmBtu.

Demand kept coming from trading and portfolio companies who are optimizing their positions in the Far East. Deals for June cargoes were done between $5.50-5.60 in the Platts market on close (MOC) window this week.

Several companies are in talks to optimize their July positions as well, an LNG trader said.

One is the trading arm of Russian producer Novatek, which is looking to buy a cargo in the Pacific basin to cover a July delivery position in Asia, two market sources said.

A lack of end-user demand kept prices from rising however, with some buyers offering to sell cargoes. China's PetroChina was offering a cargo in the Platts MOC window for late June delivery.

A spot cargo offered from Malaysia's Bintulu for early June loading likely didn't find a buyer, a shipping market source said.

In Europe, Spain's delivery prices are increasing on the back of higher gas demand in the country, two trade sources said.

Offers rose to above the level of the Dutch gas hub benchmark price as sellers see Spain having to compete for cargoes with other markets, one of the sources said.

There were several spot cargo offers in Europe. Novatek is selling a late May delivery cargo to northwest Europe from the Yamal plant, two sources said.

PetroChina, another offtaker from Yamal, has offered three cargoes for June delivery to Europe, one industry source said.

Front-month gas prices in the Netherlands and Britain fell by around 20 cents to around $4.63 and $4.24 per mmBtu respectively.

There were two diversions of cargoes from Europe to Mexico in the past week, indicating more attractive prices in the recent tenders of Mexican utility CFE compared to Europe.

America's LNG exports could

triple with Venture Global plan

Venture Global LNG Inc revealed a massive expansion of its plans to send super-chilled US natural gas overseas, a move that would almost triple the nation’s ability to export the fuel. The Arlington, Virginia-based company will work with Baker Hughes to develop projects that could produce as much as 60mn tonnes of liquefied natural gas a year, double the previously announced amount. The increase is “based on customer de- mand,” Venture Global said in a statement on Thursday. If Venture Global’s plans come to fruition, the company would leapfrog Cheniere Energy Inc as the top US exporter, based on capac- ity. Venture Global just won approval to build its $5bn Calcasieu Pass terminal in Louisiana and aims to break ground on another one twice the size by the end of this year. But competition in the industry is fierce. More than a dozen projects are vying to be part of the so-called second wave of US LNG exports, capitalising on the surge of gas production from shale basins. Demand for the fuel is climbing worldwide as nations including China and

India shutter or cancel coal plants in an eff ort to crack down on pollution. “This is going to be a strong year for LNG ex- pansion and that will probably continue next year and beyond, simply because China and Asian demand for LNG is so strong,” Stephen Ellis, equity strategist for Morningstar Inc in Chicago, said in a telephone interview. America’s growing clout in the global energy market, including LNG, helps advance the nation’s policy goals and contributes to security of supply across the world, Energy Secretary Rick Perry and Secretary of State Mike Pompeo said last week at the CER-AWeek by IHS Markit conference in Houston. To meet growing gas demand, the US needs to build more LNG export projects than it has planned, Perry said. For developers like Cheniere and Venture Global, signing long-term contracts is a critical part of securing financing and start- ing construction. But two projects backed by major oil companies got the green light without such agreements in place: LNG Canada, the $30bn British Columbia terminal backed by Royal Dutch Shell Plc, and the $10bn Golden Pass project being built by Qatar Petroleum and Exxon Mobil Corp in Texas.

Gas Tax for Infrastructure Sparks Fears of Political Backlash

Democrats and Republicans are quick to talk up a bipartisan infrastructure deal. Yet neither party wants to take the political risk of paying for it when all options are toxic — including the obvious choice of raising the national gas tax.

Increasing the gas tax is so politically fraught that it hasn’t been touched in 26 years and it didn’t even come up at a meeting at the White House Tuesday between President Donald Trump, House Speaker Nancy Pelosi and Senate Minority Leader Chuck Schumer to discuss an infrastructure plan.

While they agreed broadly on the need to upgrade roads, bridges and airports, they put off for three weeks the tougher conversation about coming up with ways to fund an estimated $2 trillion in public works.

Taxes on fuel in the U.S. are among the lowest in the developed world, at 18.4 cents per gallon for gasoline and 24.4 cents per gallon for diesel, and infrastructure advocates see raising the levies for the first time since 1993 as the best short-term option to generate needed revenue.

Still, a measure that would disproportionately affect poor and rural drivers raises opposition at all levels of the political spectrum. It's also created strange bedfellows — aligning members of the conservative House Freedom Caucus, born from the Tea Party movement, and progressives such as Senator Elizabeth Warren of Massachusetts, a Democratic presidential candidate.

"Working people who have got to get to their job, get their kid to a medical appointment, shouldn't get hit again when multinationals are enjoying their big tax breaks and causing much of the wear and tear to the road,'' said Ron Wyden of Oregon, the top Democrat on the Senate Finance Committee, who was at the meeting.

Roll-Back Cuts

Some Democrats, including Wyden and Schumer, have said they'd only consider increasing the gas tax if it's paired with a roll-back of tax cuts that benefited the rich in the 2017 tax overhaul. The 2018 Senate Democratic infrastructure plan called for raising taxes on top earners and corporations.

Even though Trump campaigned on a promise to invest at least $1 trillion in infrastructure, the plan he released last year included only $200 billion over a decade — mostly in incentives to spur investments by states, localities and the private sector.

Democrats said after their meeting with Trump on Tuesday that he offered no plan for financing infrastructure projects. They said they won't make any offers and will wait for the White House to make its proposal in three weeks. Democrats said Trump indicated he's soured on a public-private approach.

The White House statement after the meeting made no mention of an amount an amount or where the money would come from.

While Trump has said he's eager to work with Congress on infrastructure, Democrats say Republicans won't go along unless the president publicly endorses a plan — especially if it includes a tax increase.

Closed-Door Meeting

Lawmakers who attended a closed-door meeting with Trump a year ago said he told them then that he'd support a 25-cent-per-gallon increase in the gas tax and take the political heat. But Republican congressional leaders were opposed, and Trump never backed the idea publicly.

Now Trump's signaling that he's unlikely to support a gas-tax increase. In a tweet last Friday, he said the fuel tax in California "is causing big problems on pricing for that state" and "speak to your governor about reducing." California approved a 12-cent-per-gallon increase in 2017 to help pay for road and bridge projects, and voters defeated a Republican-led ballot measure to repeal it last November.

Asked by reporters on Tuesday whether Trump would raise the federal gas tax to help pay for an infrastructure package, White House adviser Kellyanne Conway said "this president is the president who lowers taxes."

Michael Ireland, the president and chief executive officer of the Portland Cement Association, said, "They're all afraid to go first."

"The truth is only the president can provide cover for his caucus," added Ireland, whose group backs a gas-tax increase. "Likewise, only the speaker and the Senate minority leader can provide cover for their members."

'D-Plus Level'

Advocacy groups as diverse as the U.S. Chamber of Commerce, the AFL-CIO, the American Trucking Associations and others are advocating raising federal fuel taxes as the only realistic way in the short term to generate the funding needed to address upgrades to public works from a “D-plus’’ level that the American Society of Engineers has estimated would cost $2 trillion.

Still, a gas tax increase wouldn’t solve the problem. The Tax Foundation estimates that even raising the gas tax to 50 cents per gallon and indexing it to inflation would only generate about $306 billion over a decade. That means lawmakers would have to agree on a whole package of tax measures — which is unlikely following the passage of Trump’s tax overhaul.

“Democrats are interested in raising income and corporate tax rates, but Republicans are not interested in unraveling their big signature achievement,” said Marc Gerson, a former House Ways and Means Committee aide who’s now at law firm Miller and Chevalier. “There is no agreement.”

Koch Campaign

Americans for Prosperity, the flagship political organization of the network led by billionaire Charles Koch, recently began a campaign targeting 20 states and 30 congressional districts with digital ads and a report with Freedom Partners Chamber of Commerce showing the impact of a 25-cent increase.

“Lawmakers in Washington must finally step up and focus on targeting transportation dollars toward critical road projects and reforming outdated and costly regulations,” the groups said.

Senate Majority leader Mitch McConnell, a Kentucky Republican, said last month that he’s willing to take up the infrastructure issue “once the president and Democrats and everybody says, ‘OK, here is how we’re going to pay for it.’”

State Increases

Some 30 states have raised their fuel taxes since 2003 – including Republican-led Ohio, Arkansas and and Alabama this year – according to the Institute on Taxation and Economic Policy. States tack on an average tax of nearly 29 cents per gallon, according to the U.S. Energy Information Administration.

While infrastructure advocates point out that state lawmakers haven’t lost elections as a result, the local increases have eaten away at additional taxes that the federal government could try to put on gasoline.

Representative Sam Graves of Missouri, the top Republican on the House Transportation and Infrastructure Committee, favors a system that charges a tax for every mile a vehicle travels. Even though some transportation experts say such a system poses privacy concerns and is still years away, Graves argues that a costly political battle to raise the gas tax would be a waste with greater fuel efficiency and more electric cars making it obsolete.

“I think where we’re going to go ultimately is some kind of vehicle miles traveled tax,” said Senator Tom Carper, a Delaware Democrat. “Some of the discussions this week will be what will the bridge be that gets us to that future.”

Iran oil exports to slide in May, ‘but not to zero’

LONDON (Reuters) – Iranian oil exports will slide in May as the United States tightens the screws on Tehran’s main source of income, industry sources said, deepening global supply losses caused by U.S. sanctions on Venezuela and OPEC-led cuts.

The United States reimposed sanctions on Iran in November after pulling out of a 2015 nuclear accord between Tehran and six world powers. Those sanctions have already more than halved Iranian oil exports to 1 million barrels per day (bpd) or less.

Washington, aiming to cut Iran’s sales to zero, said all sanctions waivers for those importing Iranian oil would end this week. Iran says this will not happen, although its officials are bracing for a drop in supplies.

One Iranian official familiar with oil policy said exports could drop to 700,000 bpd and as low as 500,000 bpd from May onwards. An OPEC source said Iranian exports would likely continue at about 400,000 to 600,000 bpd.

Iran would likely be able to maintain some shipments for debt repayment to China and India, and into storage in China, and smuggle a limited extra amount as it did under previous sanctions, analyst Sara Vakhshouri said.

“It’s important to note that zero oil sales in May doesn’t mean that there will not be oil deliveries to China or India in the month,” she said.

“In total, Iran could export between 200,000 to 550,000 of oil. of which not all is sold oil.”

Analysts at Energy Aspects expect a drop in Iranian shipments to around 600,000 bpd from May onwards.

Iranian exports have become more opaque since U.S. sanctions returned in November. Tehran no longer reports its production figures to the Organization of the Petroleum Exporting Countries and there is no definitive information on exports.

Some of Iran’s oil exports are already under the radar, making it harder to assess the actual volume.

The OPEC member exported between 1.02 million bpd and 1.30 million bpd of crude and condensate in April, Refinitiv Eikon and Kpler, a company that tracks oil flows, estimate.

OPEC HEADACHE

The dearth of information is a headache for other OPEC members and allies, which meet to set oil supply policy in June. OPEC canceled an April meeting, partly due to this uncertainty.

Saudi Aramco, expected to be the main source of any extra oil to replace Iranian volumes, has been asking around in the market for estimates of Iranian exports, industry sources said.

Iranian oil officials have welcomed this opacity. Tehran insists it will keep selling oil and is examining new ways of doing so, Iranian oil minister, Bijan Zanganeh, was quoted as saying on Wednesday.

Kayrros, a company that tracks oil flows, put Iranian crude exports in March at 1.40 million to 1.65 million bpd.

“The uncertainty band around the decline reflects residual uncertainty about the exact number of Iranian tankers that have been operating under the radar,” Kayrros said in a report.

The oil industry has for some years used tanker-tracking to work out actual supplies in the absence of timely official information. While easier than in the past due to satellite information, tanker tracking is still both art and science.

Tankers loading Iranian crude sometimes switch off their AIS signal, an automatic tracking system used on ships, only to switch it back on at a later stage of their journey, according to oil industry source, making it harder to see actual volumes.

Still, there is general agreement that crude shipments have dropped from at least 2.5 million bpd in April 2018, the month before President Donald Trump withdrew the United States from the nuclear deal with Iran.