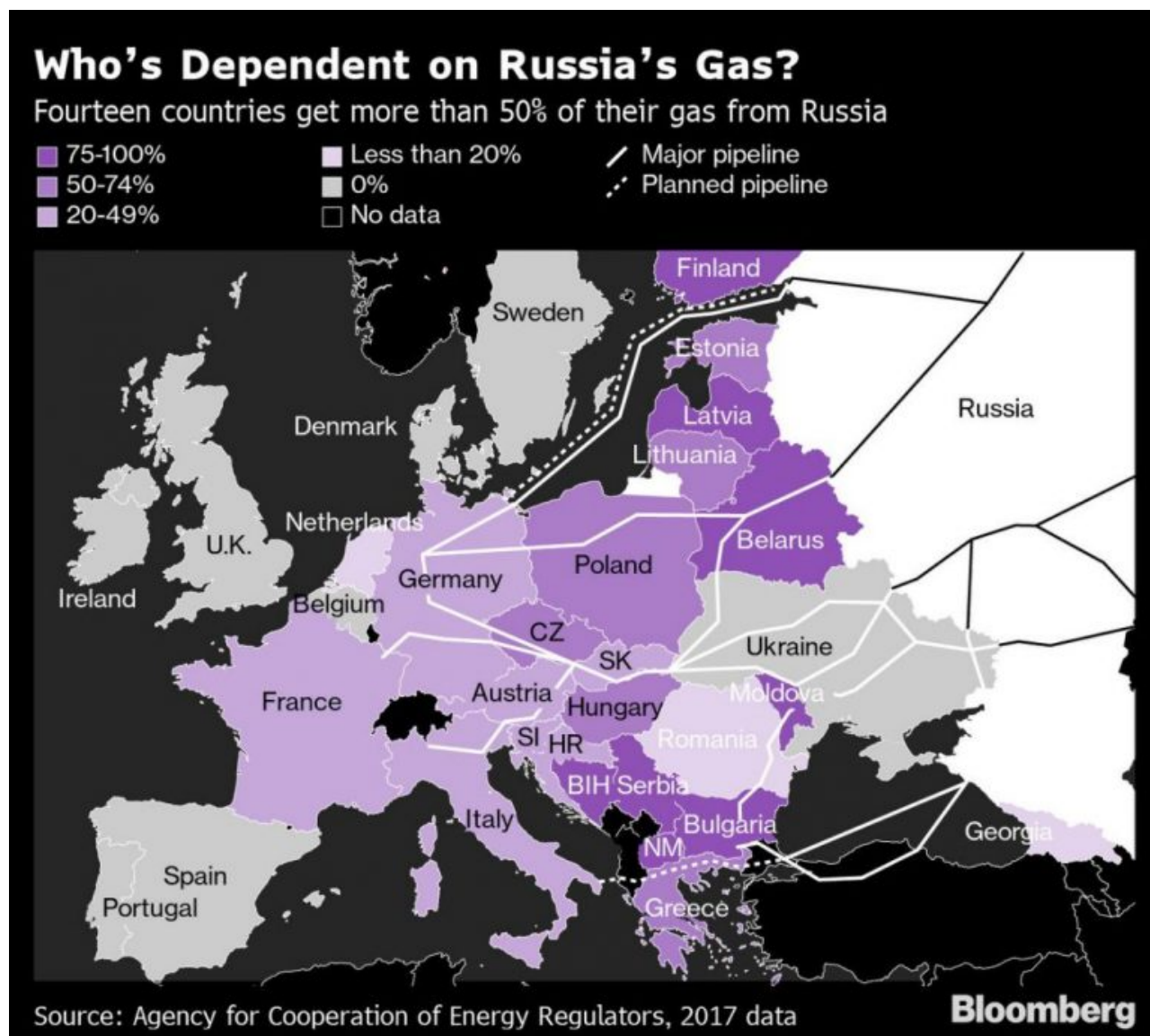


# Russia's Main Gas Route to Europe Seen at Risk After Opal Ruling



(Bloomberg) – Russia may hesitate to strike a multiyear deal with the European Union and Ukraine on natural gas supplies after an EU court ruling on a key German pipeline.

The judgment last week reduces the options Gazprom PJSC has to ship billions of dollars of gas to its biggest market without using Ukraine's pipeline network. But Russia may see the logic in the decision as flimsy and consider it to be a political rather than a valid legal move, said Katja Yafimava, a senior

research fellow at the Oxford Institute for Energy Studies who specializes in European gas regulation.

The three sides are poised to resume talks this week on a replacement transit deal via Ukraine, because the existing one ends this year. There's a lot at stake for all parties. Europe gets more than a third of its natural gas from Russia and has limited options to replace all the supplies, while Russia gets a huge chunk of its foreign income from the sales and Ukraine is heavily reliant on the payments it gets from shipping the fuel through its territory.

"The European Commission might think it's got a stronger hand in negotiations, but I think that's faulty logic," said Yafimava by phone. "It lowers the chance of a long-term transit contract across Ukraine."

How Russia supplied Europe last winter

Poland successfully challenged a 2016 European Commission decision that allowed Gazprom to use most of the capacity on the Opal pipeline, which carries Russian gas from the Nord Stream line to Germany. German regulator BNetzA followed up on the decision, enforcing its implementation, and said Gazprom's shipments through Opal must be reduced to half the capacity. Shipments began slowing along the pipeline on Saturday.

Other analysts including Rystad Energy AS and BloombergNEF have said the decision might actually spur a deal as it limits Gazprom's options. Russia will study the ruling, which "affects the overall situation with the energy supply of European countries," Energy Minister Alexander Novak said Thursday.

Gazprom could even blame the decision for increasing the risk of supply shortages this winter, Yafimava said.

"The ruling adds pressure to Europe's supply situation," said Yafimava. "It was not expected and the timing was very

bizarre, a little before the trilateral negotiations for the Russian-Ukraine agreement. Before the ruling, Gazprom would have the insurance that it would have this capacity and now it is not sure anymore.”

The U.S. and Poland are among nations seeking to hamper Nord Stream 2, a doubling of the capacity of the current link, which is meant to be finished this year but has faced issues with construction permits. Supplies from Russia via Ukraine’s gas grid may halt if an expiring transit deal isn’t replaced by the end of the year.

The latest court ruling moves Russia and Europe further away from each other and from a five-to-10 year Ukraine transit deal, because it further erodes what little goodwill was left, Yafimava said.

“It’s a big gamble. Nowhere is Gazprom obliged to book on a 10-year basis,” she said. “A long-term deal could have been done in exchange for removing obstacles for NS2, for instance, but the court decision on Opal makes it less likely.”

—With assistance from Anna Shiryayevskaya.

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# **Qatar Petroleum signs deals with Total to enter exploration blocks in Namibia**



Qatar Petroleum has entered into agreements with Total for a share of exploration and production rights in two blocks offshore the Republic of Namibia.

Under the agreements, which are subject to customary regulatory approvals by the government of Namibia and approvals by the partners in the blocks, QP will hold a 30% participating interest in Block 2913B, with Total (the Operator) holding a 40% participating interest.

The other partners in the block are Impact Oil (20%), and Namcor (10%). A first exploration well is scheduled to be drilled in the first half of next year.



Also under the agreements, QP will hold a 28.33% participating interest in Block 2912, with Total (the Operator) holding a 37.78% participating interest. The other partners in the block

are Impact Oil (18.89%) and Namcor (15%).

On the agreements, HE the Minister of State for Energy Affairs Saad bin Sherida al-Kaabi, also the president and CEO of QP, said, "We are pleased to expand our global exploration activities into Namibia, which further strengthens our presence in Africa. Working on these prospective frontier blocks with our valuable long-term partner, Total, will give another boost to our efforts towards implementing our international growth strategy."

Al-Kaabi added, "We look forward to working together with the Namibian Government and with our partners in these blocks to achieve positive results that meet the interests of all parties."

Blocks 2913B and 2912 sit adjacent to one another offshore Namibia. Block 2913B is 2,600-3,300 metres deep with an area of about 8,215 square kilometres, while Block 2912 is 3,300-3,800 metres deep with an area of about 7,813 square kilometres.

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## **Kuwait fans out to Australia and Canada in global gas push**



## Bloomberg/Kuwait

Kuwait plans to boost production from Canadian shale deposits by two thirds and increase output of natural gas in Australia as the Opec member ramps up efforts to find and develop overseas deposits of the fuel.

The international upstream arm of state-owned Kuwait Petroleum Corp sees output of almost 20,000 barrels of oil equivalent a day at its Canadian shale gas project by year-end, up from 12,000 currently, Sheikh Nawaf Saud al-Sabah, acting chief executive officer, said in a recent interview in Kuwait City.

"It will rise to about 60,000 or so once we fully develop it, which will be in the mid-2020s," he said. "We're just beginning to understand its potential."

In Australia, the company known as Kufpec won exploration rights to three new blocks in February and April. It's producing almost 40,000 barrels of oil equivalent a day in that country and aims to raise output and produce more liquefied natural gas for export, al-Sabah said, without specifying targets. Kuwait has long planned to increase its global capacity to produce gas as well as oil. The Gulf nation currently can pump as much as 3mn barrels a day of crude from its wholly owned fields, and KPC targets a daily capacity of

4mn by next year. As a member of the Organization of Petroleum Exporting Countries, however, Kuwait has pledged to cap its oil output as the group seeks to balance the market and prop up crude.

Like many energy producers, Kuwait sees gas as crucial to future growth. Gas use is seen rising faster than demand for oil and coal as policies shift toward lower carbon emissions. The amount of new gas-production capacity investments this year could set a record, according to consultant Wood Mackenzie Ltd.

In Alberta, Canada, Kufpec plans with its joint-venture partner Chevron Corp to start developing the Waskahigan and East Kaybob areas, drilling the first of more than 370 wells over 10 years. The areas are part of the Kaybob Duvernay project producing shale gas and natural gas liquids.

"We continue to look for gas prospects in Australia," al-Sabah said. Kufpec partnered with Woodside Petroleum Ltd at one of its blocks there, and al-Sabah's company is exporting gas via Woodside's Wheatstone LNG facility. Kufpec sells half its production from there under long-term agreements.

"The other half is sold with a break clause that allows us to take those molecules to Kuwait if and when we need it," he said. "Right now the LNG market is essentially a buyers' market, so it doesn't make sense for us to break a long-term contract" just to sell to KPC when it can get competitive pricing elsewhere, he said.

LNG producers have feared that a massive build-out of new export projects, which began a decade ago, will outpace consumption growth and leave cargoes looking for homes. Spot prices have already tumbled since last fall and are at a steep discount to LNG sold on long-term, oil-linked contracts.

Kufpec, known formally as Kuwait Foreign Petroleum Exploration Co, may supply KPC when the global market tightens, possibly by the mid-2020s, al-Sabah said.

The company has total assets of 3.4bn dinars (\$11.2bn) and is well-funded right now for its current plans.



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# Dutch closing Europe's biggest gas field raises concerns for hub



Vanessa Dezem| Bloomberg

A decision to close Europe's biggest natural gas field is starting to raise concerns about the impact on the region's biggest trading hub for the fuel. The Dutch Title Transfer Facility has grown into Europe's largest gas market in the past few years, surpassing the U.K., partly because of the scale of flows converging in the Netherlands. A plan to shut down production at the Groningen field in the northeast corner of the Netherlands will make the nation dependent on imported gas. That's prompting questions about how the trading hub will work in the future, according to Annie Krist, chief executive officer at GasTerra, a venture between Royal Dutch Shell Plc,



Exxon Mobil Corp. and the Dutch state that handles flows from the field. "The Netherlands has a very liquid and attractive natural gas trading hub," Krist said in a rare interview. "TTF is growing so well, that people seem to forget how we got there. If we don't have Groningen's flows, how is it going to be? Countries that are used to being dependent on imports, have other market mechanisms." After earthquakes caused by the earth settling as gas drained from the Groningen reservoir, the Dutch government has ordered the field to shut down gradually by 2030. That will remove both a source of flows and some flexibility for the market.

Five years ago, GasTerra handled more than a fifth of all the gas produced in Europe. It's already been forced to adapt to output constraints at Groningen when tremors damaged nearby buildings.

But shutting down completely is a bigger step, one that's left Krist concerned about the impact on the broader industry in the Netherlands.

"That was the first moment when we heard about zero. Zero really means no more gas. And that for a country that is dependent on gas."

The giant Groningen field has been fueling Europe's energy needs, and the Dutch budget, since 1963. Its importance, coupled with the development of sufficient infrastructure for gas transportation and trading, helped the TTF take the crown of Europe's biggest market from the U.K.'s National Balancing Point in 2016.

But intensive gas production has generated a series of earthquakes, affecting inhabitants in the region and damaging the image of gas as a source of energy. The insecurity has forced the government to curb production, with output in the year to October seen rising to that limit, which is just a fifth of the field's peak in 1975-76.

The Economy Ministry vowed last year to close Groningen by 2030. Following further tremors related to production, its output after October is uncertain limbo after the nation's highest court demanded the ministry better explain how it weighed safety concerns of people in the region against security of supply.

And not only production levels are unclear. The TTF's role is also in question as the Netherlands goes from an exporter to "a normal European importing country," according to Krist.

"It will be interesting to see what balance we will have in terms of physical flows and how the liquidity in the hub will evolve as we shut down Groningen," Krist said. "Whether or not players will think that the country is still interesting, is yet to be seen."

In 2018, gas imports exceeded exports for the first time in the Netherlands, with the bulk of supplies coming from Norway, according to the Dutch national statistics office. The Netherlands will account for more than 60 percent of the decline in the region's supply from 2018 to 2024, according to the International Energy Agency.

"The main question for me is how quickly the Netherlands will be able to adapt as it becomes a gas importer," said Gergely Molnar, a gas analyst in Europe at the International Energy Agency. "A trading hub is trusted by market participants if it is always able to deliver the physical volumes. So the Dutch gas infrastructure must adapt to the changing trading balance."

The country now needs to build up more import capabilities, conversion facilities and preserve seasonal storage capacity, he said.

So far, Groningen's production reductions hasn't had any effect on TTF's liquidity. The Dutch gas hub's ratio of traded volume to actual physical throughput, known as churn,

surpassed 100 for the first time in July, according to Molnar. That compares with a rate of 10 to 30 for the NBP, 50 to 90 for the U.S. Henry Hub and below 1 for the barely liquid Japan-Korea Marker.

“History doesn’t show a strong correlation between a gas production cut and the hub liquidity,” Molnar said. “TTF has become important because of a number of factors beyond production, including infrastructure, legal framework and the private sector’s willingness to invest in gas trading capabilities.”

As Groningen ramps down, the Netherlands is becoming more reliant on its so-called small fields to meet export obligations, most of which are in the final phase of their production cycle and produce gas that’s too rich to be pumped directly into the region’s networks.

“Amid restrictions, we have to decide on a day-by-day basis how much Groningen gas we need to add to other sources to guarantee security of supply,” GasTerra’s Krist said. “We have to secure the right balance, which is much harder now than it was in the past.”

And with the Netherlands losing its role as a large producer, companies are questioning their own future. GasTerra’s shareholders are discussing what to do with the whole value chain as Groningen production declines, “including the role of GasTerra in it,” Krist said.

The Dutch government last year launched fiscal benefits for investments in gas exploration in the North Sea in order to try to preserve the offshore gas sector.

“That Groningen production would reduce was foreseen, but it’s happening much sooner than originally was anticipated,” she said. “It has not been business as usual in the last couple of years, and it definitely won’t be. We need to adapt to this situation quite significantly.”

# Traders spot opportunity with LNG prices at rock bottom



LONDON (Bloomberg) – After prices plunged to their lowest on record for this time of year, traders say buyers from Japan to India have started to snap up cargoes in anticipation of a pickup in winter demand. Procurement for the colder season is only expected to intensify over what's left of the summer.

"We have likely reached bottom," Sanford C. Bernstein & Co analysts including Neil Beveridge said in a report.

The rout can be traced back to last winter, when mild weather dented demand for heating in large parts of the northern hemisphere. To make matters worse for producers, which are adding supply at a record pace, consumption for cooling in the past few months wasn't very strong either. A market in contango is also pushing some traders to consider storing gas on tankers to sell later at a higher price, a practice that

last year began later in autumn.

Another sign that demand is picking up can be spotted in the shipping market. The cost of hiring a tanker on a spot basis East of Suez is at the highest since January. Øystein M Kalleklev, chief executive officer of vessel owner Flex LNG Ltd., expects the LNG market to become “increasingly tight” in the second half of the year, he said Tuesday on an earnings call.

Cargoes for early September delivery to North Asia were bought between high-\$3 to low-\$4/MMbtu, while October shipments are currently priced around the mid-\$4 level, according to traders.

In Europe, where inventories are already above last year's high point, traders see the gap of as much as \$1.50/MMbtu between September and the fourth-quarter contract as an opportunity to sell the fuel later.

One tanker, Marshal Vasilevskiy, which loaded at Rotterdam last weekend, doesn't appear to have a destination yet and is idling off the port, ship-tracking data on Bloomberg show. Also, at least three BP Plc vessels appear to be idling for longer than usual, according to the data.

S&P Global Platts defines floating storage as any laden trip that takes 1.75 times the standard length of time to reach its destination. The company, which provides commodity price assessments and market analysis, said traders will probably float cargoes for delivery in November and December, boosting prices during autumn in the European market.

“Even if charter rates triple from current levels, marginal LNG spot supply is still profitable selling into November or December,” Platts said in a report. “We expect this dynamic to limit European regasification rates and push LNG storage to its limits in October.”

While an uptick in prices at this time of year is normal, new supply from plants in the U.S. to Australia will likely curb any bigger gains.

A record 35 million tons of LNG capacity will be added globally next year, according to Bernstein. The U.S. alone will add about 17 million tons of capacity between the fourth quarter of this year and the first quarter of 2020, said Leslie Palti-Guzman, president and co-founder of GasVista LLC, an energy consultant in New York. All the new supply, coupled with demand at the mercy of deteriorating U.S.-China trade relations, is sending a bearish signal.

“The market should question the forward winter LNG curve price,” she said.

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## **New US LNG export plans threatened as trade war drags on**





(Bloomberg) – Terms of Trade is a daily newsletter that untangles a world embroiled in trade wars. Sign up [here](#).

Liquefied natural gas may have dodged the latest round of Chinese tariffs on U.S. goods, but plans for new American terminals to ship the fuel abroad are under threat as the trade war escalates.

Tellurian Inc. and other developers will probably delay final investment decisions on multibillion-dollar U.S. LNG export projects to 2020 from this year as the tensions complicate negotiations with potential Chinese gas buyers, according to Bank of America Corp. While LNG isn't among the goods Beijing will target in retaliatory levies that take effect next month, a 25% duty imposed in June still stands, raised from 10% previously.

The trade dispute is intensifying as roughly a dozen companies look to become part of the so-called second wave of U.S. LNG

export terminals expected to start up in the next few years. Smaller developers face intense competition from deep-pocketed oil giants like Exxon Mobil Corp., Qatar Petroleum and Royal Dutch Shell Plc, which didn't need to sign long-term contracts before greenlighting their projects. A collapse in global gas prices amid a glut of supply from the U.S. to Australia is also pressuring the industry.

For an investment decision on Tellurian's \$28 billion Driftwood project in Louisiana, "we see delays as likely given current pricing headwinds, no resolution yet on the U.S.-China trade war, and minimal contract announcements in recent months," Bank of America analysts led by Julien Dumoulin-Smith wrote Friday in a note to clients. Joi Lecznar, a spokeswoman for Tellurian, said the company is still targeting a final investment decision this year.

Liquefied Natural Gas Ltd. will also likely push back a final investment decision on its Magnolia terminal in Louisiana to 2020 because of growing competition, and NextDecade Corp. may delay a decision on its Rio Grande project in Texas to next year, according to Cowen Inc. Toni Beck, a spokeswoman for NextDecade, said the company is still planning a final investment decision in 2019. LNG Ltd. declined to comment.

Shares of Tellurian fell as much as 19% Friday, the most since March, after surging earlier in the month. NextDecade dropped as much as 13%, while LNG Ltd. slipped 2.6%.

While China is a fast-growing market for gas, it hasn't imported any U.S. LNG since February, according to vessel tracking data compiled by Bloomberg. The Asian nation has received 62 American cargoes since 2016, putting it behind South Korea, Mexico and Japan.

Exports of U.S. shale gas have surged since 2016, when Cheniere Energy Inc. started up the Sabine Pass terminal in Louisiana, the first to ship LNG from the lower 48 states. The

nation is now the world's third-largest supplier of the fuel, after Australia and Qatar. Though two new U.S. terminals are about to begin exporting and more are under construction, failure to resolve the trade tensions could slow the industry's rapid growth.

"There's increased competition from players that don't really need third-party financing. China definitely didn't make it easier," Cowen analyst Jason Gabelman said in a telephone interview on Thursday.

With cargoes to China effectively halted and deliveries to Europe easing as low prices there reduce the incentive to ship U.S. gas farther afield, South America is soaking up much of the excess supply. So far this year, Argentina, Brazil, Chile and Colombia are snapping up the most U.S. LNG on record.

LNG developers may not be the only gas players hurt by the trade rift. It's also threatening U.S. gas producers relying on exports to ease the shale glut, particularly in the Permian Basin, where prices for the fuel dipped below zero earlier this year as pipeline bottlenecks forced drillers to pay others to take their supply.

For beleaguered U.S. gas drillers, "it's another negative," said John Kilduff, partner at Again Capital LLC, a New York-based hedge fund.

—With assistance from Kevin Varley.

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<https://finance.yahoo.com/news/u-lng-export-plans-threatened-090000072.html>

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# Humbled Noble Group seeks to rebuild LNG, energy businesses: sources



SINGAPORE (Reuters) – Noble Group Holdings (Noble Holdings) plans to rebuild its liquefied natural gas (LNG) and core energy businesses and develop rare earths as it seeks new life as a niche, Asia-focused commodity trader, sources aware of the matter said.

“We have enough credit lines to expand the LNG business. In our restructuring, we made sure we had ample credit facilities, so we could build the business that we lost,” said one senior executive with the company, which took over assets of the under-liquidation Noble Group Ltd (NOBG.SI).

Noble Holdings has now set up a Singapore desk for LNG by hiring a former trader from Australia's Origin Energy (ORG.AX), expanding its four-person LNG team in London, industry sources told Reuters.

"The company has always had an LNG team but activities were wound down for a while and are now starting back up," one of the sources said, declining to be named as the person was not authorized to speak with the media.

Three LNG traders including two co-heads of the team had left Noble in 2016 to join rival Glencore (GLEN.L). It also sold its U.S. gas and power business to another rival, Mercuria.

The new Singapore LNG desk will focus on trading, the source said. The restart of the desk has not been previously reported.

"We've been in a process to prove to the market that Noble is a viable enterprise and can continue to fulfill contracts," the company executive said, using a 3-year trade finance facility of \$700 million secured as part of its restructure.

Noble, once Asia's biggest commodity trader, saw its market value all but wiped out from \$6 billion in February 2015 after Iceberg Research issued reports accusing it of inflating its assets.

To rescue itself, Noble sold billions of dollars of assets, took hefty writedowns and cut hundreds of jobs over the last few years, although it defended its accounting practices.

As Noble faced insolvency protection, shareholders approved a \$3.5 billion debt restructuring deal that completed in December and left them owning just 20 percent, with creditors taking majority control.

Noble Holdings, whose portfolio comprises a trading division dealing in energy coal, LNG, base metals and other products,

declined comment. Another division houses its investments in alumina company Jamalco and U.S. based oil and gas producer Harbour Energy and other businesses.

The company is also recruiting for roles including analysts for base metals and coke, and a sales trader to market energy products in Japan, sources said.

Technology metals or rare earths are expected to be a focus area for Noble Holdings, which through its subsidiary took a small stake in ambitious Australian rare earths developer Arafura Resources (ARU.AX) this year. The executive said Noble Holdings is eyeing other opportunities in the sector.

In the first half of 2019, Noble Holdings reported a net profit of \$46.4 million. Employing about 280 staff, it has been gradually building up its trading teams by hiring in Singapore and Hong Kong.

In December, Singapore authorities blocked the listing of the restructured company amid a regulatory probe.

<https://www.reuters.com/article/us-noble-group-strategy-exclusive/exclusive-humbled-noble-group-seeks-to-rebuild-lng-energy-businesses-sources-idUSKCN1VB0VF>

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## **Turkish navtex sparks fresh tension with Cyprus**





Tensions are expected to heighten again in the Eastern Mediterranean after Turkey issued another navigational telex (Navtex) Wednesday reserving areas within Cyprus' exclusive economic zone (EEZ) for renewed exploratory activities by its Barbaros seismic vessel.

Ankara reserved an area spanning blocks 2, 9 and 13 of Cyprus' EEZ which it claims belong to the Turkish Cypriots in the occupied north of the island.

Cyprus has already licensed blocks 2 and 9 to South Korean energy company Kogas and Italy's Eni while France's Total was recently also given rights to these blocks.

Moreover, Paris has signaled its willingness to send frigates to the region to safeguard its interests. As yet no license has been awarded for Block 13.

Cyprus reacted to Ankara's move by issuing its own navtex calling on the Barbaros to refrain from illegal activity within its territorial waters.

Meanwhile, Turkish F-16 jets conducted two overflights

Wednesday over the Aegean islet of Agathonisi and one over Farmakonisi.

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## **US Exim Bank seeks vote on \$5bn loan to Mozambique LNG project**



The US Export-Import (Exim) Bank said on Thursday its board intends to vote on a \$5-billion direct loan for the development of a liquefied natural gas (LNG) project in Mozambique, the bank's biggest export financing deal in years.

The government export lender said it has notified the US Congress of the transaction, which will be ready for a final board vote in 35 days.

If approved, the transaction would support US exports of goods and services for the engineering, procurement and construction of the onshore LNG plant and related facilities on the Afungi Peninsula in northern Mozambique.

Exim said over the five-year construction period the financing could support 16 400 American jobs among suppliers in Texas, Pennsylvania, Georgia, New York, Tennessee, Florida and the District of Columbia.

It estimated interest and fee income from the transaction of more than \$600-million from a consortium led by Occidental Petroleum Corp.'s recently acquired Anadarko Petroleum Co.

US exports to supply the project, however, face competition from financing offered by foreign export credit agencies.

The project would be the single biggest financing deal since Exim's full lending powers were restored in May with the confirmation of three new board members. That ended a drought of nearly four years in which the bank could not approve loans and guarantees of more than \$10-million due to a protracted fight in Congress over its future.

The bank, seen by some conservatives as providing taxpayer-backed "corporate welfare" and "crony capitalism," was unable to finance major infrastructure projects like the Mozambique LNG plant and commercial aircraft built by Boeing. It needs Congress to renew its charter before September 30 to keep operating.

US President **Donald Trump**'s administration views the bank as a tool to boost US exports in an increasingly competitive trade environment.

"This critical project is not only a win for American companies and workers, supporting over 10 000 jobs in the US, but also for the people of Mozambique as well," US Commerce Secretary **Wilbur Ross** said in a statement.

Exim said the Mozambique LNG project would begin to develop the Rovuma Basin, one of the world's most extensive untapped reserves of natural gas, with a major impact on Mozambique's economy.

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## Gas companies ask Pakistan govt to rescue network



Pakistan's gas network has raised the 'red flag' owing to high-pressure levels, compelling the authorities to drastically scale down supplies, particularly from domestic gas fields amid lower electricity demand and better hydropower generation. Pakistan State Oil (PSO), the country's premier importer of liquefied natural gas and largest company by revenue, and Sui Northern Gas Pipelines Limited (SNGPL) have sought intervention of the energy ministry and the Prime Minister Office to resolve an issue involving safety of the

gas network, financial costs to the exchequer and international penalties. In two simultaneous communications to the federal government, the PSO and SNGPL have complained about lower than committed gas quantities by the power sector and warned of serious consequences. As an interim arrangement, the government has reduced supply from some of the domestic gas fields to avert accidents caused by high pressures, a senior official at the petroleum division said. He said that in its latest letter to the federal government on the weekend, the SNGPL had complained that since July 14, average RLNG (regasified liquefied natural gas) consumption by the power sector remained 714mmcf (million cubic feet per day) against a confirmed demand of 828mmcf as conveyed by the power division.

This reduced consumption has resulted in an increase in system pack which has reached 4,925mmcf. It remained so on August 2 as well. The company said RLNG off-take by the power sector had dropped further to 550mmcf on August 1 and in case of continued reduced consumption, further packing would be a catastrophe for its system and might jeopardise the entire RLNG supply chain, adding that the "current level of system pack has resulted in increase in line pressures and red flags have risen across the network". A petroleum division official said the supply from Hassan, Koonj and Sui fields and even from the SSGCL (Sui Southern Gas Company Limited) swap system had been curtailed by a total of 400mmcf to ensure safety. The supply from Hassan and Koonj fields has been completely stopped, while that from the Sui field curtailed by 75% to just 45mmcf against its normal flow of 180mmcf, he said. After including RLNG swap from the SSGCL, the total supply to the SNGPL network has been reduced by more than 30pc to 945mmcf from over 1340mmcf. "It is, therefore, imperative that RLNG-based power plants should be given priority while allocating dispatch requirements for sustainability of the RLNG supply chain," the SNGPL said. On the other hand, the PSO complained that it was being exposed to financial and

credibility risks. "It is rather unfortunate that instead of improvement in re-gasification rates, the situation is getting out of control now in terms of delays in cargo unloading, resulting in huge expected demurrages on all incoming cargoes," the PSO said. As of now, Engro's terminal-1 is running at around 540mmcf/d and will further go down against the planned 600mmcf/d or maybe more to recuperate the earlier lost capacity. As a result of continuous default by the SNGPL against committed off takes, the PSO said, the cargo berthing would incur heavy demurrages as the expected discharge rate owing to lesser available ullage with the Engro terminal will be maintained at one-fourth of the normal discharge rate. "The delays in cargo unloading will have cascading effect on future deliveries as well and now all cargos in the month of August 2019 are expected to incur heavy demurrages which are estimated to be well above \$150,000 as of now if the regasification rates are not increased immediately," it added. On top of that, the PSO warned that if immediate actions were not taken, the cargo arriving on August 15-16 "might attract 'take or pay' charges as well, which means the whole cargo value of around \$30mn will be to the buyer's (Pakistan) account without even receiving the product". The PSO said the situation warranted immediate remedial measures to be taken in coordination with the power division and SNGPL as the situation had developed due to lesser off take by the power sector. In the meantime, the SNGPL should take all possible measures on a war footing, including diversion of gas to other sectors or reduction or temporary suspension of local supplies, so that huge cost implications could be averted. Zargham Eshaq Khan, the power division's joint secretary, declined to comment on the issue, but another official said the power division had committed 850mmcf/d gas for August and mostly utilised up to 90% of those quantities during peak hours. He said oil and gas companies should also have the flexibility to absorb 10%- 15% gap in case of fluctuation in the electricity demand. The problem, he added, was that the petroleum division had erroneously been assuming 1,130mmcf/d



allocation for the power sector against a firm written demand for 850mmcfd. Moreover, the official said, power plants were hired on the basis of economic order. The hydropower generation is now touching 7,500-8,000MW, which was the cheapest and its utilisation could not be reduced because of rainy spell. The SNGPL said the weather forecast suggested rains over four major consumption hubs on the SNGPL network and it would result in continued less consumption of RLNG by the power sector.