Betting against Qatar’s Energy Sector Ignores a lot of history

By Roudi Baroudi

Some of the latest punditry has it that Qatar’s economy is teetering on the brink of disaster because of the COVID-19 crisis, which has been steadily eroding demand for the country’s most important export, natural gas. Obviously the situation is less than ideal, but much of the doom and gloom stems from a failure to appreciate just how well prepared the country is for all manner of obstacles.

Journalists and other observers have watched the market for crude oil collapse to the point where prices for some futures contracts recently went into negative territory – i.e. producers in some parts of North America actually had to pay customers to take oil off their hands. This, in turn, is causing a slew of US and Canadian oil companies, especially smaller ones, to stop extracting crude, and many are going bankrupt. Similar pressures will arise for gas producers, these folks argue, and since Qatar is the world’s leading producer and exporter of liquefied natural gas (LNG), it will face the biggest problems.

To be sure, the global crisis caused by COVID-19 has subjected the entire world to some freakish pressures, including unprecedented drop-offs in demand for certain goods and services, among them several energy products previously soaked up by (now idled) planes, trains, and automobiles (not to mention cruise ships, factories, hotels, etc.). Thus far the consequences for LNG have been less dramatic than those for crude oil, but nor can they be ignored, especially for developing countries whose economies and financial stability are heavily dependent on constant flows of gas revenues from exports.

For multiple reasons, however, Qatar has to be considered far more resilient than other major LNG producers. For one thing, it has much deeper pockets that give it considerable wherewithal to withstand even a prolonged period of lower gas revenues. For another, Qatar's energy interests go far beyond the extraction of its gas resources for export. It is now fully engaged at several points along the hydrocarbon value chain, and this in multiple countries, all of which provide diversification of revenues and therefore dilution of negative impacts. Perhaps most importantly, for almost three years now, the country has been fortifying itself against the effects of an illegal economic and transport blockade led by Saudi Arabia and followed by several other Gulf Cooperation Council (GCC) member states, plus Egypt and others. To say the least, Qatar has proved a tough nut to crack: in fact, the experience has made the whole country much more efficient, far more self-sufficient, and even more self-confident than ever before.

One of the drivers of this success has been government-owned Qatar Petroleum (QP), one of the strongest and most influential companies on the planet, and it has not got to this position by simply opening a spigot in the sand and then spending the proceeds. Instead, QP reached its current lofty status by, first, making its bet on LNG at precisely the right time in history, just as the environmental concerns associated with oil made natural gas a more palatable choice and the world’s energy mix started transitioning to a higher proportion of renewables and other alternative technologies. Second, Qatar then used its role as the world’s most important LNG exporter to become a force for stability in a burgeoning global gas market, maintaining safe and reliable supplies that have allowed customers around the world to grow their economies.

Second, QP has not remained a one-trick pony. Instead, it and its subsidiaries have diversified with gusto – and not just in the usual sense of producing petrochemicals, aluminum, and fertilizers on their home turf. Rather, the company has reached far beyond Qatar, the GCC countries, and even the broader Middle East and North Africa region to make acquisitions around the globe. Acting alone or in concert with major partners like Britain’s Shell, France’s Total, Italy’s ENI, and the USA’s Chevron and ExxonMobil, the past couple of years have seen QP take up or renew stakes in exploration, production, and/or processing assets in at least a dozen countries, including Argentina, Brazil, Cyprus, Congo Brazzaville, Guyana, Ivory Coast. Kenya, Mexico, Morocco, Mozambique, Namibia, Oman, South Africa, and even the United Arab Emirates.

Perhaps the biggest play of the past few years has been in the United States, where QP’s activities have included partnering with ExxonMobil (Qatar’s single largest foreign investor) for a $10 billion project to build a two-train LNG export facility adjacent to the existing Golden Pass import terminal in Texas. QP also added to its footprint in the USA by teaming with Chevron Phillips Chemical, a joint venture between Chevron and Phillips 66, to develop what could be the world’s largest ethane cracker and derivatives units somewhere on the US Gulf Coast. QP will have a 49% stake in the $8 billion complex, and Chevron Phillips Chemical has agreed to build virtual twin of it at Ras Laffan – hub of Qatar’s gas industry.

Alongside its solid American investments, the company also continues to consolidate its access to existing markets in Europe and Asia, and to increase its capacity to supply those markets. It has recently signed long-term processing and/or storage contracts at terminal facilities serving key LNG markets, including Montoir-de-Bretagne, France (3 million tons per annum [MTA] until 2035), and Zeebrugge, Belgium (100% of regasification capacity until 2044). In addition, QP subsidiaries hold stakes in major terminals like the United Kingdom's South Hook (67.5%) and Italy's offshore Adriatic facility (23%). In April, it signed a $3 billion contract to book a Chinese shipbuilder for the construction of new LNG carriers, some 100 of which it expects to need in the coming few years.

All the while, QP has continued to rack up agreements with both new and existing customers, including LNG sales to Kuwait and Vietnam; naphta deals with Japan's Marubeni Corporation, Shell, Thailand Chemicals, and Vietnam; condensate feedstock sales to ExxonMobil in Singapore; and liquefied petroleum gas contracts with China's Oriental Energy and Wanhua Chemicals.

And all this is not to mention QP's massive undertaking to expand LNG output from 77 MTA to more than 110 MTA. When the COVID crisis hit, far from fretting the short- and medium-term obstacles, the company's response was to double down and take advantage of lower prices for construction materials by increasing capacity to a whopping 126 MTA by 2027.

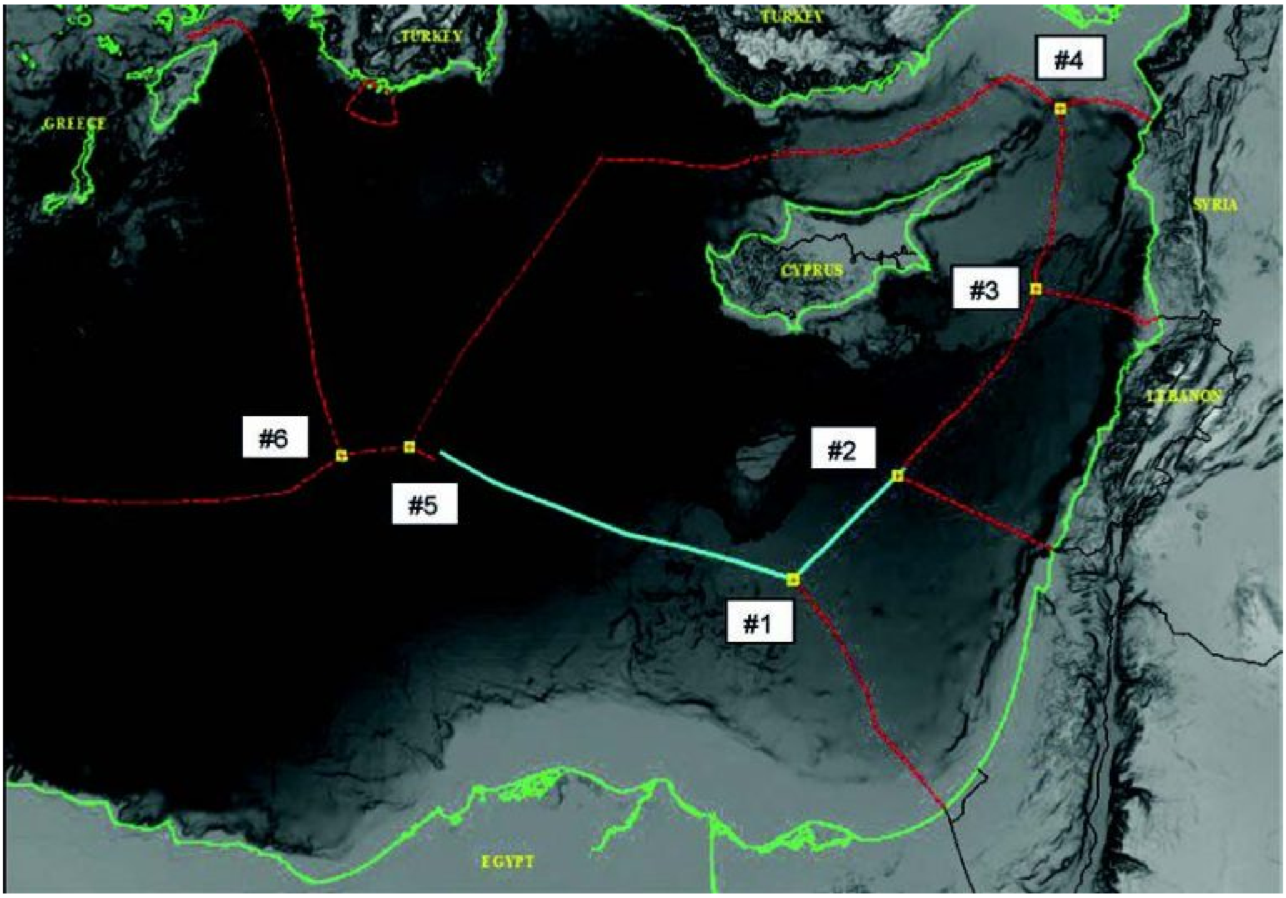
It should be recalled, too, that QP has managed all of these feats while its home country has been fending off the aforementioned Saudi-led siege. Qatar's public and private sectors alike have demonstrated world-class resilience since the blockade was imposed in 2017, so there is no reason to believe they will shrink before this new challenge. On the contrary, Qatar is – and will remain – a trusted source of stabilization in global markets.

Whatever the temporary inconveniences caused by the pandemic, both Qatar and QP remain bullish on the future – and with good reason. They did not get to where they are by accident, rather by well-timed investments and a commitment to ensuring stable markets for their customers. In fact, it could be fairly stated that Qatar and its flagship gas company created the modern global gas market, and they did so in such a way as to deliberately avoid much of the volatility associated with crude oil – for instance by eschewing the establishment of a cartel like OPEC. The current crisis could well require Qatar to make uncomfortable decisions, but its long-term trajectory – to keep expanding its role as a force for good in energy circles by providing win-win scenarios – is unlikely to be affected.

Roudi Baroudi is a four-decade veteran of the energy industry who currently serves as CEO of Energy and Environment Holding, an independent consultancy based in Doha.

بحث الجامعة الاميركية: منطقة شرق المتوسط قد تصبح المحور العالمي للطاقة شرط ان تقوم دولها الساحلية بترسيم حدودها البحرية وفقا لقواعد القانون

الدولي



فتح ابواب السلام والازدهار: كيفية حل نزاعات الحدود البحرية في“ شرق البحر الأبيض المتوسط” بحث علمي وعملي حققه رودي بارودي الخبير في صناعة الطاقة منذ أربعة عقود وقد نشر بالاشتراك مع معهد عصام فارس التابع للجامعة الأميركية في بيروت ، وهو يقدم للمهتمين تحليلا واضحا للأبعاد الحاضرة والاستنتاجات المباشرة.

بدأ بارودي بوصف احتياطيات المنطقة المؤكدة والمحتملة من النفط والغاز الموجودة في اعماق البحر، وتحديداً كيف يمكن الاستغلال الآمن والفعال لهذه الموارد أن يحول الاقتصادات الوطنية وان يؤثر على

العلاقات المضطربة في كثير من الأحيان بين الدول السبع (اليونان وتركيا وسوريا وقبرص ولبنان وفلسطين / إسرائيل ومصر). ثم يشرح كيف أدت الخلافات الحدودية العالقة إلى الحد من عمليات الاستكشاف والتطوير البحرية في معظم المنطقة – ويخلص في هذا الفصل الى شرح كيف يمكن أن تؤدي التوترات بين الدول إلى مزيد من عدم الاستقرار وحتى الى الحرب.

بعد ذلك يفصل التقرير آفاق حل النزاعات البحرية، ويوضح أنه على الرغم من ظواهر الامور المعقدة، فإن أدوات الحل بسيطة ومتاحة بسهولة. الحل الوحيد بحسب بارودي أن تتبنى الحكومات المعنية وبشكل كلي، المبدأ الأساسي للأمم المتحدة والنظام الدولي برمته الذي تم العمل عليه منذ الحرب العالمية الثانية: أي الحل السلمي للنزاعات. وبمجرد اقرار هذا المبدأ ، فان أبحاثه تؤكد أن مزيجًا منطقيا من القانون والعلوم والتكنولوجيا يجعل ترسيم الحدود البحرية عملية بسيطة وسهلة وتفيد جميع الأطراف.

باختصار، يؤكد التقرير بأنه على الرغم من أن بعض المراقبين والنقاد والسياسيين فقدوا صبرهم من نظام وقواعد الحلول الذي تقوم عليه الأمم المتحدة منذ عام 1945، إلا أننا في الواقع علينا اكتشاف المدى الكامل لفائدة هذا النظام – ليس فقط في منع الصراعات المسلحة ، ولكن حتى في إزالة بعض الأسباب الأكثر شيوعًا للنزاعات في المقام الأول. من الناحية النظرية على الأقل ، اهمية هذه القواعد وهذا النظام يكمن بأن الدول الصغيرة لم تعد تحت رحمة الدول الكبيرة لأن الجميع لديهم نفس سبل الوصول إلى الوسائل القانونية لحل المشاكل العالقة فيما بينهم اضافة الى الأدوات اللازمة لممارستها.

يوضح التقرير أيضًا كيف أن التقدم التكنولوجي يجعل من الممكن رسم المعالم الجغرافية – حتى في ألاعماق البحرية- بدقة غير مسبوقة، مما يعني أن تحديد الحدود البحرية هو امر سهل ويمكن القيام به في حال توفر الارادة لدى الافرقاء. وحتى إذا لم يكن بالإمكان الاتفاق على الحدود الفعلية لسبب ما (سياسية في الاجمال) ، فإن الأدوات القانونية الحديثة لديها أيضًا آليات يمكن من خلالها للمدّعين المتنافسين مشاركة الإيرادات أو الابتعاد عن بعضهم البعض وحتى إنهاء نزاعاتهم حبيا او قانونيا. ويؤكد بارودي بان المفقود لدى القيادات الوطنية هو الحس السليم والإرادة الطيبة للتوصل إلى مثل هذه الاستنتاجات.

ويردف أنه بمجرد أن يلجؤا الى مثل هذا الاجراء، فإن الواقع الحالي – في الشرق المتوسط على الأقل – يمكن أن يعرف تغييرًا حقيقيًا في قواعد اللعبة الحالية. فالدول التي ستنتج الغاز ستخفض حكما

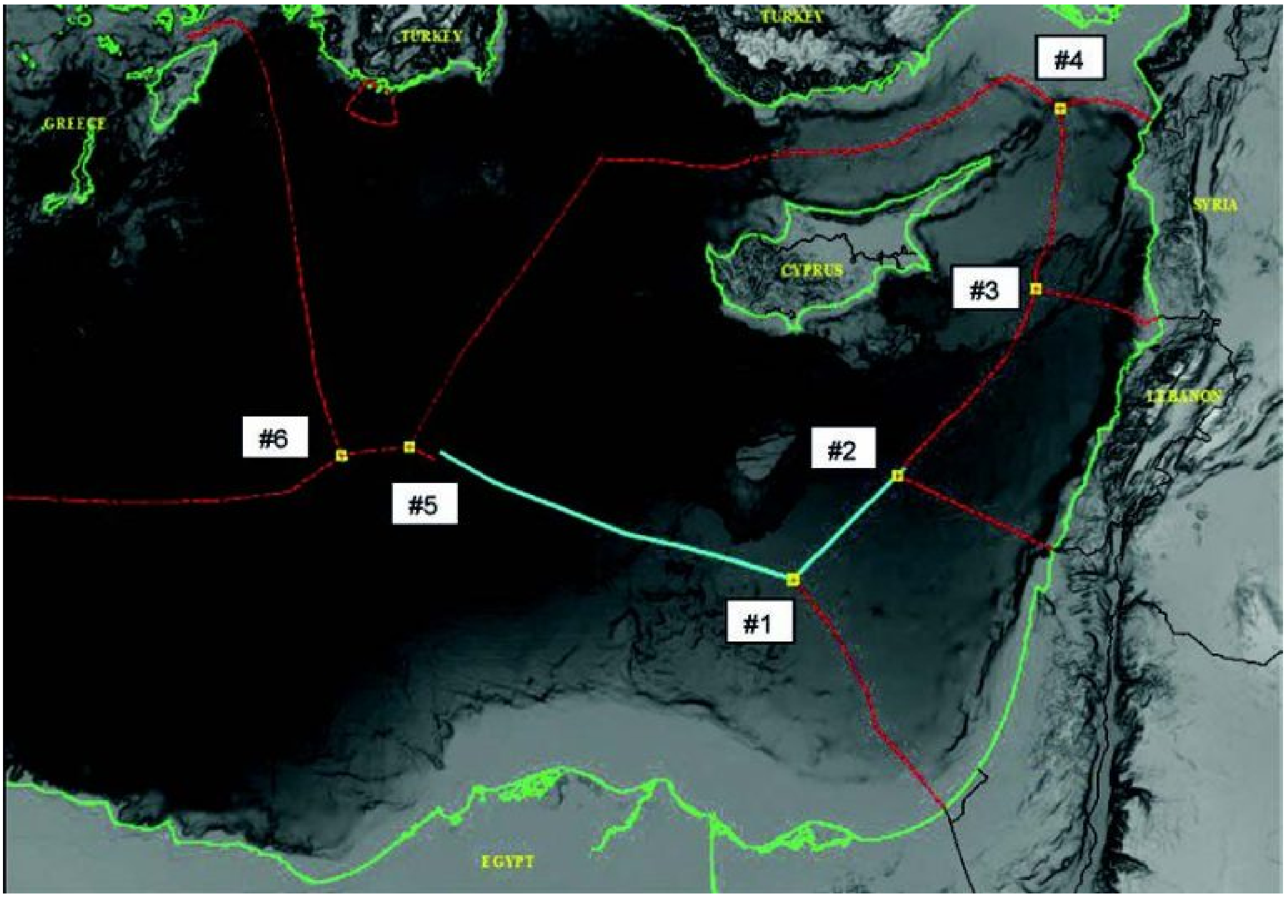
تكاليف الطاقة الوطنية الخاصة بها ما يولد عائدات كبيرة من الإنتاج و/ أو الصادرات، وحتى الدول غير المنتجة ستستفيد من استضافة مرافق المعالجة أو النقل. وفي أفضل السيناريوهات، قد تنضم البلدان الأكثر حظاً إلى خطة إقليمية لتقاسم العائدات. ستسمح هذه التحسينات المالية باستثمارات طال انتظارها في التعليم والرعاية الصحية والنقل والبيئة والمياه النظيفة والحد من الفقر. اضافة الى استقرار سياسي، اذ سيكون لكل من الخصوم المعتادين (مثل إسرائيل ضد لبنان، وتركيا مقابل قبرص، واليونان مقابل تركيا، إلخ…) حافزاً مستمراً للتقليل من الاحتكاكات التي قد تعطل ازدهار الاستفادة من الطاقة.

رودي أ بارودي، لبناني الجنسية، يشغل حالياً منصب الرئيس التنفيذي لشركة الطاقة والبيئة القابضة، وهي شركة استشارية مستقلة مقرها في الدوحة، قطر. بعد أن قدم المشورة للشركات والحكومات والكيانات المتعددة الأطراف بشأن السياسة الفضلى في الطاقة، تركيزه الحالي يقوم على ضمان أن تبدأ صناعة الطاقة الناشئة في وطنه بداية صحية وصحيحة من خلال منع الفساد، وتجنب النزاعات الدولية، وتأمين مشاركة كبرى شركات النفط العالميةفي عمليات الاستكشاف. نتيجة ظهوره المتكرر في وسائل الإعلام والمؤتمرات، أصبح أحد أبرز المؤيدين لـ "مكاسب السلام" التي ستؤمنها تنمية الطاقة الإقليمية لجميع دول شرق البحر الأبيض المتوسط.

تم تأسيس المعهد في عام 2006، وهو يشدد على البحث المستقل في السياسة العامة والشؤون الدولية، بالإضافة إلى "سد الفجوة بين الأوساط الأكاديمية وصناع السياسات"، خاصة فيما يتعلق بالعالم العربي. تتضمن أهدافه إحداث تأثير من خلال "إعلام عمليات صنع السياسات والتأثير على النقاش العام".

رودي بارودي

East-Mediterranean, Oil and Gas, Legal and Economic Aspects by Roudi Baroudi



BEIRUT: The Eastern Mediterranean could emerge as both a global energy hub and a powerful endorsement of international law if its coastal states get smart about settling their maritime boundaries, a new research report argues.

Written by four-decade energy-industry veteran Roudi Baroudi and published in conjunction with the American University of Beirut’s Issam Fares Institute (IFI), “Unlocking Peace and Prosperity: How to Resolve Maritime Border Disputes in the Eastern Mediterranean Sea” offers both multi-dimensional analysis and straightforward conclusions.

Baroudi starts by describing the region’s proved and potential reserves of undersea oil and (mostly) gas, specifically how the safe and effective exploitation of these resources could transform both national economies and the often troubled relationships among the country’s seven states (Greece, Turkey, Syria, Cyprus, Lebanon, Palestine/Israel, and Egypt). He then explains how outstanding border disputes have severely curtailed offshore exploration and development in most of the region – and how the resulting tensions could lead to further instability and even war.

The report then details the prospects for resolving these disputes, demonstrating that despite much of what currently passes for conventional wisdom, the tools for the job are both relatively straightforward and readily available. The key, Baroudi, asserts, is that the governments in question need to embrace, once and for all, the bedrock principle of the United Nations and the entire international system built up since World War II: the peaceful resolution of disputes. Once that happens, his research indicates that a combination of law, science, and technology makes maritime boundary delineation a simple and even predictable process that benefits all parties.

In short, the report argues that although some critics have lost patience with the rules-based system fostered by the UN since 1945, we actually are on the cusp of discovering the full extent of that system’s utility – not just in preventing armed conflict, but even in removing some of the most common reasons for disputes in the first place. Theoretically at least, this system means that small nations are no longer at the mercy of larger ones because all have access to the same legal remedies and the tools to exercise these.

In the case of maritime boundaries, the primary implement is the United Nations Convention on the Law of the Sea (UNCLOS), which lays down the legal standards and scientific measurements by which offshore boundaries are to be drawn. The vast majority of the world’s countries are signatories to UNCLOS, and even those that are not remain subject to at least some of its tenets, and/or to the jurisdiction of institutions like the International Court of Justice (ICJ). Over the past couple of decades, the ICJ and other courts, as well as various treaties, negotiations, and arbitration findings, have established a large body of precedents that take the guesswork out of border delineation, giving more countries greater incentive to subject their legitimate claims to qualified scrutiny.

As if all this were not enough, the report also outlines how technological advances now make it possible for geographical features – even deep beneath the waves – to be mapped with unprecedented accuracy, meaning that setting maritime borders is virtual child’s play. And even if the actual border can’t be agreed for some reason (probably an arcane political one), the modern legal toolbox also includes mechanisms by which rival claimants can share revenues or at least stay out of each other’s way until such time as they can end their disputes. All that’s missing, Baroudi says, are the good sense and the good will for national leaderships to reach such conclusions an act accordingly.

Once they do, he contends, the results – in the Eastern Med, at least – could be genuinely game-changing. Each of the new gas producers would lower their national energy costs and generate significant revenues from production and/or exports, and even non-producing nations stand to benefit by hosting processing or transport facilities. In a best-case scenario, the luckiest countries might accede to a regional revenue-sharing plan. These financial improvements would allow long-overdue investments in education, healthcare, transport, and poverty reduction. All the while, with their respective economic interests more closely aligned and therefore similarly dependent on regional stability, each of the usual antagonists (e.g. Israel vs. Lebanon, Turkey vs. Cyprus, Greece vs. Turkey, etc.) would have an ongoing incentive to minimize frictions that might derail the energy boom.

A Lebanese national, Baroudi currently serves as CEO of Energy and Environment Holding, an independent consultancy based in Doha, Qatar. Having made a career out of advising companies, governments, and multilateral entities on a energy policy, his recent focus has been on ensuring that his homeland’s nascent energy industry gets off to a healthy start by preventing local corruption, avoiding international disputes, and securing the participation of major international oil companies. As a result of his frequent media and conference appearances, he has become one of the most prominent proponents for the “peace dividends” that regional energy development would pay to all East Mediterranean countries.

Established in 2006, the IFI emphasizes independent research into public policy and international affairs, as well as “bridging the gap between academia and policymaking”, particularly as these regard the Arab world. Its self-set objectives include making an impact by “informing policymaking processes and influencing the public debate”.

Total E&P Liban

Total has signed two **Exploration and Production Agreements (EPAs)** for Blocks 4 and 9, with the Lebanese Republic.

The EPAs were awarded as part of the 1st offshore licensing round, launched by the Lebanese government in 2017, to the **consortium led by Total acting as operator** (40%) and composed of ENI (40%) and Novatek (20%) as partners.

Both Blocks are located in water depths ranging from 1,400 to 1,800 meters knowing that Block 4 is central while Block 9 is in the southern part of the country.

As per an international tender, *Tungsten Explorer drillship*, owned by the company *Vantage Drilling*, was contracted to start the drilling activity in Block 4. The drillship reached Lebanese waters on 25 February 2020. Drilling of the first exploration well on Block 4 in the Exclusive Economic Zone of Lebanon was completed on 26 April, 2020. Traces of gas were observed confirming the presence of a hydrocarbon system, but no reservoirs were encountered. Based on the data acquired during drilling, studies will be conducted to understand the results and further evaluate the exploration potential of the Total operated consortium blocks and the Lebanese offshore.

EXPLORATION DRILLING IN BLOCK 4

The drilling aimed at evaluating the possible presence of hydrocarbons and was carried by a dynamically positioned drillship, unanchored to the sea bottom. It was competed to a depth of 4,076 meters and through approximately 1,500 meters of water depth. The drilling activity took place 30 km North of Beirut.

STEPS OF OFFSHORE EXPLORATION DRILLING

An exploration well does not allow the production of hydrocarbons however, it verifies their presence and allows the collection of many essential information such as: pressure, temperature, permeability, composition of the geological layers and nature of the fluid within the rocks. The collected data during this stage will validate or not the presence of hydrocarbons. For more info, watch the video.

Oil prices have slumped to

their lowest for two decades as doubts grew about Donald Trump's hopes of ending the US lockdown and investors braced for a week of potentially damaging figures about the impact of the coronavirus on the world economy.

The price of US crude oil plunged almost 20%, to below $15, in early trading on Monday – its lowest point since 1999 – as stockpiles continued to build owing to a crash in demand caused by the Covid-19 pandemic.

Concerns have been heightened by the growing standoff between the US president and state governors over whether the US can begin to lift restrictions on movement and businesses.

It came as the heads of all the UN's major agencies issued a graphic warning of the risk of coronavirus to the world's most vulnerable countries after disclosing that international donors had pledged only around a quarter of the $2bn the UN requested for its emergency Covid-19 response in March.

At a daily media briefing that grew increasingly tetchy, Trump said on Sunday night that 4.18 million Americans had been tested for the coronavirus and that the widespread operation was paving the way for parts of the country to reopen for business. "That's a record anywhere in the world," he claimed.

But governors accused the president of being "delusional" and said they could not embark on Trump's recommended three-phrase programme to ease stay-at-home restrictions because the testing regime was still not good enough.

Virginia's governor, Ralph Northam, a Democrat, told CNN's State of the Union he had been "fighting" for testing. "For the national level to say that we have what we need, and really to have no guidance to the state levels, is just irresponsible, because we're not there yet."

Maryland's Republican governor, Larry Hogan, agreed and said it was "absolutely false" to say that governors had enough testing capacity.

Despite the huge fall in the oil price – seen as a barometer of the prospects for the global economy – there were signs from other parts of the world that economies could soon begin getting back to normal.

In Germany, smaller shops were set to reopen on Monday for the first time in a month after politicians declared the coronavirus "under control". From florists to fashion stores, the majority of shops smaller than 800 square metres (8,600 square feet) will be allowed to welcome customers again, in a first wave of relaxations to strict curbs on public life introduced last month.

Chancellor Angela Merkel and regional state premiers announced the decision to reopen last week, though they have been careful to cast it as no more than a cautious first step.

On the other side of the world, New Zealand prime minister Jacinda Ardern said the country's stringent lockdown would be eased next Monday barring any major upsets.

She said the measures had "stopped a wave of devastation" but even under the revised regime, most New Zealanders would still be required to stay at home most of the time. Meal deliveries would be permitted and shops would be allowed to re-open providing they only sell goods online.

In Australia, some beaches in Sydney were reopened in a sign that the country was moving towards normalising daily life. The government wants at least 40% of the population to download a tracing app on their phones to help track cases of the disease before lockdown curbs are eased.

In other global developments:

- There have now been more than 2.4 million confirmed cases and 165,000 deaths from Covid-19 worldwide. The news came as US deaths passed 40,000 on Sunday – nearly a quarter of the global total – with infections at just under 760,000, or just under a third of the world's total.
- The lack of protective personal equipment for health service workers in the UK intensified after it emerged that 400,000 gowns ordered from Turkey did not arrive as planned on Sunday. The British government has been widely criticised for failing to ensure that NHS staff have enough proper equipment to protect themselves from contracting Covid-19, along with other shortcomings in

its virus response. The UK has more than 121,000 cases and 16,000 deaths.

- France reported another 395 coronavirus deaths on Sunday as hospital admissions continued to decline. The daily death toll also fell sharply in Spain and in Italy the official daily toll from coronavirus edged down to 433 on Sunday, the lowest figure in one week.
- South Korea reported fewer than 20 new cases of the virus for the third day in a row. On Monday it announced 13 new infections, bringing the nation's total infections to 10,674. For the third day running, no deaths were reported in China.
- A Japanese expert in infectious diseases, Kentaro Iwata, a professor at Kobe University Hospital, said he was pessimistic about the country's prospects of holding the Olympic Games despite their postponement until next year. Meanwhile, the country's trade surplus dropped 99% in March thanks to the impact of the virus on its large export sector.
- The world's top male tennis player, Novak Djokovic, has admitted that his opposition to vaccinations might prevent him from rejoining the tour.

SC is writing a great energy success story – and offshore oil should be part of it

There are always ear-piercing protests and plenty of hand-wringing from anti-development activists who say that the United States is doing too little on the environmental front – and who reflexively oppose any kind of energy development.

These anti-energy activists along with a few politicians are starting to get attention in South Carolina for their efforts to oppose all energy production, including what might be available far off South Carolina's shores. These anti-energy critics are hiding behind the same old rhetoric; they are ignoring America's real and tangible environmental progress.

No one is saying that drilling off our coast would happen tomorrow, but South Carolinians should at least know and understand all of our energy options before they are taken away from us by misguided policies.

It's also time for Americans and South Carolinians to hear the United States' greatest untold success story. Thanks to natural gas, offshore energy technology, conservation, efficiency and increased wind and solar power use, America is now leading the world in cutting air-polluting emissions.

Contrast that environmental victory with the opposite path being taken by China, the world's biggest greenhouse gas emitter. China hasn't even promised to make an overall reduction in emissions in the Paris agreement; it merely promised to stop increasing emissions by 2030.

The reality is that if we want to continue our environmental progress, we need to continue to utilize all our energy resources – including natural gas and offshore and onshore oil.

So what about the Palmetto State, where more than 65 percent of energy needs are met by oil and gas? From 1990 to 2017 emissions across South Carolina fell 89%, according to a recent analysis by the Consumer Energy Alliance. And these trends occurred while low-cost natural gas deliveries to fuel South Carolina electricity plants quadrupled over the last 10 years – and while manufacturing growth has surged 46% to the current $38.7 billion annually.

Meanwhile, a recent Consumer Energy Alliance report found that South Carolina families and commercial and industrial businesses saved more than $6.4 billion in natural gas costs between 2006 and 2017.

Energy options

We could go on and on, but the truth is clear: we are diversifying our energy portfolio while producing the cleanest energy on the planet during a time of record production – and this plainly demonstrates how energy production that fuels economic growth can and should happen alongside sound environmental stewardship.

When people start talking about offshore energy exploration bans in the name of environmental protection, let's tell them how we're already making the environmental progress we need hand-in-hand with energy production.

Let's keep our energy options available, South Carolina, and let's not fall for the factually questionable rhetoric of anti-energy activists. At a time like this we need low-cost and environmentally responsible energy to keep prices low for our families and small businesses all across America.

It's how we can keep writing our greatest untold story.

Katon Dawson is the South Carolina director of the Consumer Energy Alliance, which is based in Columbia.

The Oil Industry's Recovery Lacks One Important Ingredient

The growing global oil and gas glut, partly caused by the coronavirus global lockdown but also due to mismanagement of the US shale sector and the OPEC+ price war fall-out, is causing mayhem in all energy sectors.

Most of the media's attention goes to upstream oil and gas operators and financial institutions. As US shale companies drown in debt, bankruptcies are expected to pile up within the next months. US shale, offshore oil and gas operators and most non-OPEC producers are going to be struggling to keep some air in the balloon that was filled the last years.

In the next couple of months, due to OPEC++ production cuts and bankruptcies, a vast part of the overproduction will be removed, shrinking the glut to a much more acceptable level. Some analysts are even expecting growth before the end of 2020, based on misconceptions that oil prices could be even hovering around $40 per barrel at that time. Optimism based on simple Excel equations or mathematics are most probably going to be proven wrong.

As long as the impact of the extended Covid-19 crisis on energy and on the global economy is not fully visible, and storage volumes are still building up, oil prices will probably stay low. At the same time, even if all goes back to a ‘pre-corona normal’, the normal will be different if nothing will have been learned from history.

A demand collapse such as we are witnessing at present has never been seen before. Demand destruction to the tune of 20-25 million bpd is a giant shock to the total energy system. Market watchers, however, are focusing too much on E&Ps. The current financial situation of most NOCs, IOCs and large independent producers is not yet dire, while smaller drillers are already on life-support. The industry will, in the end, find the right balance again as much production from smaller producers will be shut in or disappear for good.

The main objective for many producers is to be able to produce significant volumes at the end of the crisis. This is partly misunderstood in the media, as most operators are not the ones directly responsible for the production of hydrocarbons. The main players here are the oilfield services, the companies with the technical know-how and tools to produce a barrel of oil.

Premium: Oil Storage Nears Its Limit

Oilfield service companies offer technologies and equipment to oil and natural gas drillers and are crucial in the exploration and completion process, but are also responsible for the manufacturing and mending of equipment. Overall, the fate of all oil service firms is positively correlated to crude prices and also to the capital investment decisions of E&P operators.

The current correlation however is very negative, as low oil prices hit oilfield services exponentially harder. It’s strange to see that non-oil and gas analysts are understanding the threat better for other sectors, than oil and gas does. The threat to the survival and revamp of the automotive sector worldwide is not the cash-flow and debt levels of VW, Mercedes, Toyota or GM, but the survivability of the automotive part suppliers. Without automotive suppliers, no car or vehicle will leave the factory in Stuttgart or Detroit.

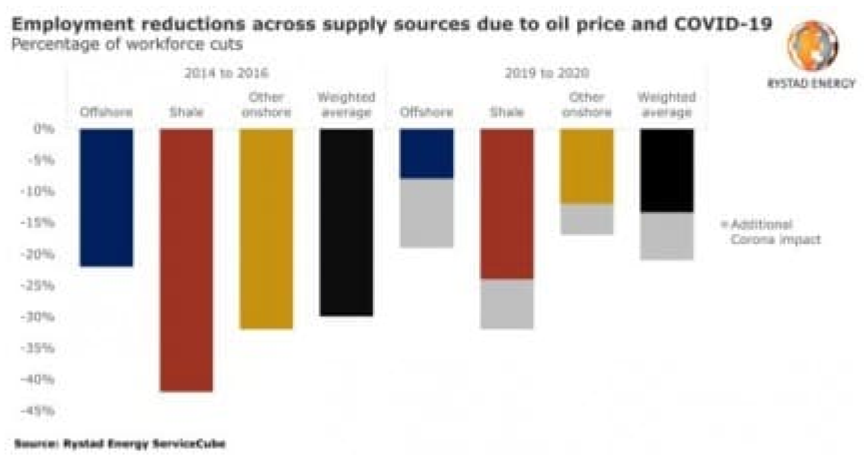
The situation is no different for the oil, gas and energy sector. Without oilfield services, production will stall and decline within months. The situation is dire for mainstream independent oilfield services companies, not only in US shale, where giants like Schlumberger, Halliburton or National Oilwell Varco are cutting their investments and workforce, but also in other non-OPEC and OPEC regions.

One Oil & Gas UK (OGUK) report already stated that the financial contagion triggered by historically low oil prices will threaten North Sea jobs, shrink its economic contribution and undermine energy security.

According to Energy and Restructuring law firm Hayes and Boone’s, last year already a grand total of 50 energy companies filed for bankruptcy, including 33 oil and gas producers, 15 oilfield services companies and two midstream companies. The law firm warns that as the crisis in 2020 continues, they fear that the ax could now fall on debt-ridden oilfield services companies. Just in North America, oilfield services companies debt is said to reach $32 billion which is coming due between 2020 and 2024.

The poor financial state of the industry is well represented by the sector’s favorite benchmark, the VanEck Vectors Oil Services ETF (NYSEARCA:OIH), which is down more than 70% YTD, considerably lower than the 30% plunge by the S&P 500. Rystad’s report last month that 20 percent of global oilfield services workers could be laid off this year has been undervalued as a real threat for the future. The firing of 1 million or more experts, drillers, engineers and workers means a possible productivity loss at the end of the year that will constrain a possible upsurge in demand and supply.

Premium: The Oil Sector That Will Suffer The Most

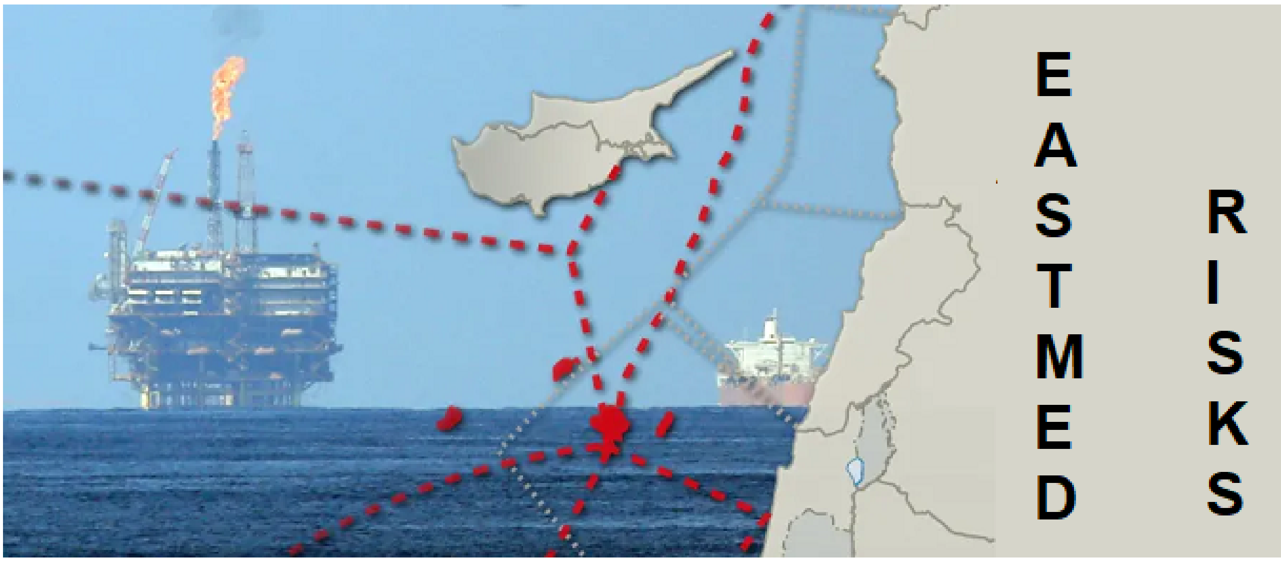


Former oil and gas crises in the 1980s or 2010s have shown that knowledge destruction because of layoffs can significantly slow down a recovery in the sector. Taking into account that the average oil and gas worker is above 45 years of age, a large part of those becoming unemployed will never come back again. Additionally, the possible bankruptcy of small specialized oilfield services also will destroy specific knowledge not easy to be regained if demand is growing again. Former oil price collapses have led to a strategy change at IOCs, removing part of their inside capabilities in engineering and operations, cutting costs meant handing over project implementation to independent oilfield services. IOCs and NOCs are now doing the same again, putting most of the current crisis fall-out on oilfield services companies that will have no other option than to cut their workforce. Oilfield servicing margins, even in good times, have been under pressure.

Oil & gas' future faces several threats and lack of human capital is a very underestimated one that threatens profitability of the sector going forward. Without human capital, which in most cases is being provided by oilfield services, less oil and gas will be able to be produced, refined, stored or processed.

By Cyril Widdershoven for Oilprice.com

In Eastern Mediterranean, Resolving Maritime Boundary Disputes Becomes Key



The Eastern Mediterranean currently sits atop a veritable sea of potential. Energy discoveries in the past decade have transformed both economic and geopolitical perspectives of the region. With some experts making comparisons of the proven reserves ranging from the North Sea to Iraq, the region is widely regarded as a ‘next big thing.’ Large-scale projects and infrastructure agreements are already underway that will bring outside investment, needed financial windfalls, and rapid development.

Politically, partnerships have been established that foster needed intra-regional cooperation. Both Brussels and Capitol Hill have turned their eyes toward the Eastern Mediterranean. States from outside the region such as Quai d’Orsay and the U.S. State Department have sought to elevate engagement in the region. All this brings hope for the possibility of a bright and cooperative future for the Eastern Mediterranean.

However, the onset of hydrocarbon diplomacy in the Eastern Mediterranean is accompanied by a counterpart gunboat diplomacy. Firebrand rhetoric and tense foreign policy threatens to negate opportunities at hand. The region experiences increasing militarization as warships accompany drillships on exploration, or are sent from other countries, and alarming arms procurements and military exercises are conducted. Rivalry threatens to take away hard-won progress toward cooperation and instead manifest deadlock and contests in which there is no winner.

At the heart of these tensions is the ongoing dispute over regional maritime boundaries. Of the 13 maritime boundaries in the Eastern Mediterranean, 11 of them remain unresolved or disputed. Inclusive and equitable resolution of such disputes is of urgent importance if the Eastern Mediterranean is to successfully realize its projects, attract further investment, and formulate lasting ties that bind among neighbors.

Disagreements over maritime boundaries occur precisely because of the economic opportunities within the waters. Rather than using the potential windfalls as a launching point for closer ties, the region's neighbors have felt undercut in the full extent of their Exclusive Economic Zone (EEZ) or excluded from consultation. This isn't necessarily always due to coercive action from another state; the most internationally agreed-upon method for defining maritime boundaries and a country's EEZ is in and of itself undefined, and always situational.

At the same time, one can only imagine the immense achievements that could follow boundary resolution in the Eastern Mediterranean. Delimitation would build upon the commendable efforts of actors inside and outside the region to use hydrocarbon discoveries as a launching point for reconciling political differences, and working together on deals that benefit all associated. Resolution would remove obstacles to windfalls so desperately needed in the region. It would empower the countries of the Eastern Mediterranean to take ownership in building a concrete framework for intra-regional development.

Without the stronger ties built by cooperation, the countries of the Eastern Mediterranean become sitting ducks to exogenous shocks, particularly given the ongoing COVID-19 crisis. Following the pandemic and its immense health concerns is a grim economic outlook that has world markets entering a recession and oil dropping to an 18-year low. Amid this, many members of the international community have drawn together to prevent the spread of the virus, provide medical assistance, and to persevere. The countries of the Eastern Mediterranean can learn their lesson from this exemplary leadership; the time to stop goofy behavior in the Eastern Mediterranean is now, before halted investment or receding prices cripple the markets.

Understanding the need in the region and the potential that awaits the precise resolution of equitable delimitations, how is that best achieved? Energy executive **Roudi Baroudi** offers up the United Nations Convention on the Law of the Seas (UNCLOS) as a pathway to this achievement in his expert commentary and seminal work, soon to be published by the Transatlantic Leadership Network and distributed by Brookings Institution Press.

Using precise satellite imagery produced by the maritime boundary software used by the UN and by international courts and tribunals, Baroudi makes the following contention: when followed with a by-the-book approach, inclusive of all associated actors, and gaining precedent from successfully-resolved maritime issues, UNCLOS can be an effective tool in reaching legal certainty and mutual agreement of boundary conflicts in the Eastern Mediterranean.

Whatever the solution may be, the independent international legal experts on maritime borders must be engaged through an equally independent and preferably US-based platform to address best ways to link the methods of delimiting contentious areas to achieve equitable outcomes that UNCLOS has not fully addressed, allowing judicial decisions on best methods available.

Exclusion, unilateral decision-making, and aggression will only maintain, if not intensify, the status quo.

Characterization of the Eastern Mediterranean must go beyond the dispute and conflict to include the opportunities awaiting it. Many actors are already beginning to do their part and must be celebrated for it. Coming to inclusive agreements on energy exploration holds immense potential for the region.

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In Eastern Mediterranean, resolving maritime boundary disputes becomes key

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https://thehill.com/opinion/international/492341-as-eyes-turn-to-the-eastern-mediterranean-resolving-maritime-boundary

Billion-Barrel Oil Flood From OPEC Fight to Strain World's Tanks

(Bloomberg) — The oil-price war between Saudi Arabia and Russia is set to unleash the biggest flood of crude ever seen, perhaps more than the world can even store.

As producers ramp up shipments in a battle for dominance of global markets, and the coronavirus crushes demand, more than a billion extra barrels could flow into storage tanks. That could strain the available space and send oil prices crashing further, with brutal consequences for the petroleum industry and producing nations.

"I don't see how you don't exhaust global storage capacity, if this goes on until summer at the production numbers being talked about," said Jeffrey Currie, global head of commodities research at Goldman Sachs Group Inc.

The feud between Riyadh and Moscow has already inflicted a heavy toll.

Oil prices have slumped 32%, to about $34 a barrel, since the two exporters fell out over how to deal with the virus, severing the global alliance of producers they'd led for three years and launching a competition to offer customers the steepest discounts. The rout has driven American shale drillers such as Occidental Petroleum Corp. and Apache Corp. to cut dividends and spending.

The looming glut may still be held in check: President Donald Trump promised to take oil off the market on Friday by filling up the U.S. strategic reserve. Producers could take months to fully activate the idle assets they need to flood the market. And as low crude prices batter the two belligerents' economies, a "truce" will probably be reached, according to Ed Morse, head of commodities research at Citigroup Inc.

But if hostilities continue, the tide of oil is likely to become a tsunami.

Saudi Arabia announced it will supply record volumes, of more than 12 million barrels a day next month, and the United Arab Emirates will push oil fields beyond their normal capacity to bolster output by about a third. Russia will add 500,000 barrels a day, while others in the fractured OPEC+ coalition, such as Iraq and Nigeria, also plan production increases.

If storage is maxed out, oil prices will likely fall until producers with the highest operating costs, most probably American shale drillers, are forced to halt output. Or the loss of revenues could strain one of the more politically-fragile producing nations — such as Venezuela or Iran — to breaking point.

U.S. shale production "won't really start dropping until the end of the year," said Paola Rodriguez-Masiu, an analyst at consultant Rystad Energy AS in Oslo. "So the market will be completely saturated."

Global supply is already exceeding demand at an unprecedented rate of 3.5 million barrels a day, due to the impact of the coronavirus, according to the International Energy Agency, which advises major economies.

Surplus Supply

Once the OPEC+ nations increase supply, the surplus will balloon in the second quarter, to more than 6 million a day, Bloomberg calculations show. Goldman Sachs anticipates stock builds of a similar magnitude. By the end of the year, more than 1 billion extra barrels will have been dumped onto world markets.

In total, global crude inventories stand to expand by 1.7 billion barrels this year, according to Bloomberg's calculations, about three times as much as during the biggest-ever surplus recorded by the IEA. That was in 1998, when Brent fell to an all-time low of less than $10 a barrel.

About 65% of the world's total 5.7 billion barrels of oil-storage is currently in use, according to energy data provider Kayrros SAS. At current rates the theoretical limits, which are somewhat below the full figure, could be approached in just over a year, the company estimates.

"The fill rate that we are experiencing now is totally unprecedented," said Antoine Halff, Kayrros' chief analyst. "But even at this staggering pace, we are not running out of storage altogether. On paper, we still have some runway."

For oil traders, there are opportunities to earn massive profits by hoarding barrels and then exploiting the difference between low short-term and higher long-term prices. Vitol Group, the largest independent trading house, has leased tanks in South Korea that could be used to take advantage of the price spread.

As tanks on land are exhausted, companies will increasingly use supertankers at sea to accommodate the excess, said Rodriguez-Masiu. The cost for storing crude on such vessels has doubled in the past three months, E.A. Gibson ship brokers estimates.

But when there's no longer anywhere to put unwanted barrels, oil producers will have no choice but to reduce operations.

"At some point the oil price will have to drop in such a way that makes it uneconomical for producers in the U.S. to keep pumping oil," she said.

As many of these companies have locked in revenues by selling futures contracts as a hedge, the production slowdown probably won't occur until the end of year, Rodriguez-Masiu said. For some of the countries that rely on high oil prices to fund government spending, that may be too late.

Even before the latest crisis, prices were challenging for the "fragile five" OPEC members of Algeria, Iraq, Libya, Nigeria and Venezuela, said Helima Croft, head of commodity strategy at RBC Capital Markets LLC. Iran, facing the twin onslaught of American sanctions and depressed oil prices, is now high on the list of the vulnerable.

"This is a catastrophe for the fragile five," she said. "It's now become the shaky six."

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