

# ANALYSIS – TurkStream to strengthen Turkey's energy hub position



**With Hungary, Bulgaria and Serbia to depend on TurkStream, Turkey's importance to increase in terms of energy security**

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## **ISTANBUL**

The inauguration of the TurkStream natural gas pipeline project, which will begin carrying natural gas from Russia to Europe via Turkey on Jan. 8, 2020, is considered a further step in Turkish and Russian relations in terms of energy.

The project, which has two lines, each of which has a carrying capacity of 15.75 billion cubic meters of natural gas, is particularly important for southern European countries. It will mark the first time that Russian natural gas will reach Europe via Turkey. The TurkStream project transfers natural gas directly to Turkey, which the country takes from the West Line, and it means a new route for European countries. Thus, Turkey has strengthened its position as a country that contributes to the energy security of Europe.

### **Turkey's energy security increasing**

Turkey's claim of being an energy hub has been strengthened by the TurkStream project, which enables the country to directly take the natural gas coming from the West Line. TurkStream, which will be operated by a company established by BOTAS and Gazprom, is an important route for meeting the natural gas needs of Europe. The project, which increases the mutual dependency between Ankara and Moscow, positively contributes to the advancement of cooperation for future relations between the countries. Thus, TurkStream is significant for revealing that energy sources strengthen cooperation and ensure economic benefits rather than causing conflicts.

The West Line, one of the routes coming from Russia, reaches Turkey by passing through Ukraine and Bulgaria. Political and economic tensions between Russia and Ukraine sometimes lead to an interruption of natural gas transmission from the West Line to Turkey.

This situation poses a great risk for the Turkish economy. Transmitting the annual 14 billion cubic meters of gas from the West Line to Turkey over the first line of TurkStream, without changing terms and conditions of the existing agreements, means reducing this risk. Thus, gas will be directly transmitted from Russia to Turkey without the need for intermediate countries, and the problem of being exposed to potential interruptions caused by third parties will be

eliminated. As a result, Turkey's energy security has increased with this project.

Since the pipelines in Ukraine have reached the end of their service life, they must be repaired and replaced. Some 20,000 kilometers of a total 33,000 kilometers of transmission pipelines are more than 33 years old. A major resource is needed to further operate the pipelines which span approximately 13,000 kilometers and are 11 to 33 years old. Under these conditions, the fact that Russia acts reluctant and is willing to invest in other directions except for maintenance and repair poses another great risk to the countries that benefit from those pipelines.

Even if the TurkStream project is not carried out, it is understood that the West Line will fail to perform its former function in the future. Therefore, the problem of a lack of infrastructure that would arise in the future has been eliminated with TurkStream.

### **Impacts on dependency**

It is understood that Turkey bought an average of 26.4 billion cubic meters of natural gas per year from Russia between 2011-2018. The lowest amount was 24 billion cubic meters in 2018. It is seen that the EU countries import an average of 40% natural gas from Russia. This rate increases to 100% in some EU countries. Turkey continues to take significant steps to decrease its dependency on Russia. Benefitting more from renewable energy sources in Turkey has led to a decrease of the gas rate coming from Russia from around 60% to around 48% in 2018. Moreover, in case of full usage of the capacity of natural gas coming from TANAP allocated for Turkey in 2020, this rate is expected to fall to around 40%.

Turkey consumes an annual average of 50 billion cubic meters of natural gas and procures 99% of this amount from abroad. Not depending on one resource, it puts forward strategies

prioritizing diversifying source countries with new pipelines such as TANAP as well as routes.

Likewise, Turkey, which aims to reach a storage capacity for around 10 billion cubic meters of natural gas in 2023, has the technical capacity to procure half of the natural gas it consumes as LNG (liquefied natural gas). Turkey, which follows the policy of reducing natural gas usage rates in electricity generation, increases its standing as a regional actor by participating in international energy projects. While all these developments decrease Turkey's dependency on Russia, it increases Russia's dependency on Turkey compared to the past with the TurkStream project.

It is understood that the natural gas structure in the Balkans will change to a certain extent with the arrival of TurkStream to the region. It is stated that the West Natural Gas Pipeline will become dysfunctional due to TurkStream. As Hungary, Bulgaria and Serbia will meet their increasing natural gas demand with TurkStream, Turkey's importance will increase in terms of those countries' energy security. Also, the BOTAS and GAZPROM partnership, which will operate the second line that will reach Europe, means that Turkey will economically benefit from TurkStream.

### **US sanctions and possible results**

It is claimed that TurkStream does not align with the strategic goals of the U.S. and the EU's Third Energy Package legislation. On the other hand, the U.S. shows that it is against TurkStream with its CAATSA (Countering America's Adversaries Through Sanctions Act) sanctions. The U.S. Congress increased its pressure on TurkStream and Nord Stream 2 with the National Defense Authorization Act for Fiscal Year 2020 it passed in December 2019 and by supporting some sanctions. The implementation of items targeting ships involved in laying pipes on the seabed in these projects may be on the agenda in 2020. However, as Turkish firms do not

carry out the sea part of the project, it is not possible to directly implement U.S. sanctions on Turkey. On the other hand, since the TurkStream project was initiated earlier than CAATSA's enactment, it should not be involved in these sanctions.

While TurkStream brings Ankara and Moscow closer, it also presents gains for Turkey concerning Syria and Libya, which are important issues of foreign policy. The progress and increase in this cooperation will provide significant flexibility to Turkey in foreign policy.

On the other hand, transmission of natural gas, which the EU demands, through Turkey to the EU and the increase of the amount that is carried by time are seen as a result of this cooperation. The EU will have to import more natural gas if Norway's reserves, which are seen as an insurance due to its closeness to the EU, expire in a short time. While the U.S.' external natural gas dependence rate was 47% in 2000, this rate increased to 55% in 2017.

It is foreseen that this rate will increase to around 70% in 2030. For this reason, Turkey stands out as one of the most reliable routes at the point for meeting the EU's energy needs.

Projects such as TurkStream and TANAP have emerged to meet Europe's natural gas needs. Increasing the number of these projects contributes positively especially to security and economic issues at regional and global levels. New cooperation with countries close to this geography, such as Turkmenistan, which has the largest proven natural gas reserve in Central Asia, may be established. Turkey, which is one of the key countries that will play an active role in transmitting Turkmen gas to Europe, can display its playmaker role easier with the experience it gained through TANAP and TurkStream. Therefore, it can be said that Turkey's leadership role in energy is being strengthened in terms of the realization of

international projects.

\*Opinions expressed in this article are the author's own and do not necessarily reflect the editorial policy of Anadolu Agency.

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## **Gazprom and Ukraine agree on gas transit, settle legal issues**



Bloomberg/ Moscow

Gazprom PJSC and Ukraine reached an agreement that will allow Russian gas to flow to Europe via its neighbour through the end of 2024 and settle all of the related legal disputes.

Ukraine's gas company, Naftogaz PJSC, will organise the transit of Russian gas through the country, with a booked pipeline capacity of 65bn cubic meters for 2020 shipments,

Gazprom chief executive officer Alexey Miller said in a statement yesterday.

In 2021-2024, the booked capacities will reach 40bn cubic meters a year, he said. The companies also agreed to mull the possibility of gas transit through 2034, according to a protocol, signed late Friday evening in Minsk. An extension for the following 10 years may be on the same terms as the five-year deal, according to Ukraine's Energy Ministry.

"The transit via Ukraine will continue and the strategic nature of the transit was understood by everyone and I believe it would help us open a new chapter in this relationship," EU Commission Vice President Maros Sefcovic told Bloomberg yesterday.

The bilateral agreement paves the way for the continuation of Russian gas flows to Europe via Ukraine, which has been the key transit route for Gazprom even amid the legal spats and political tensions between the two nations.

It also supports Europe's energy security as Russia has been the European Union's dominant and often cheapest energy supplier, providing some 37% of the fuel to the region last year. The current 10-year transit deal between Russia and Ukraine expires January 1. "There are very precise deadlines until when everything should happen," Sefcovic said. "I have no doubt that everything will go smoothly as of January 1 because there was full understanding of what needs to be done."

Russia and Ukraine reached the deal as the US administration imposed sanctions on Russia's future subsea gas-export pipeline, Nord Stream 2. The \$11bn pipeline is just weeks away from completion, but it has faced criticism from the US, and it wasn't immediately clear if the pipeline work can be completed without the input of AllSeas Group SA, which said it would halt operations.

Talks to find a deal between Russia and Ukraine intensified in recent days as the deadline loomed. "To be honest we have done almost the impossible in three months," Ukraine's Energy Minister Oleksiy Orzhel told reporters in Kiev yesterday.

Under the deal, Gazprom and Ukraine have agreed not to start any new gas lawsuits against each other and to cancel all their current legal claims that haven't been subject to court rulings, according to Miller. The Russian gas giant will also pay to Naftogaz \$2.9bn awarded by the Stockholm arbitration in 2018.

The sum includes a \$2.6bn debt and fines accumulated thereafter, a spokesman for Gazprom said in a separate statement. "It is very important that these \$3bn in line with Stockholm arbitration will be paid in cash if we implement all the package of proposals before year-end," Orzhel said. At the same time Ukraine will withdraw its legal claims against the Russian company.

Last month, Naftogaz filed a lawsuit against Gazprom with a court of arbitration in Stockholm, asking to revise transit fees totalling more than \$12bn.

Gazprom and the Ukrainian government are also set to sign an "amicable agreement" on cancelling an antitrust claim that has reached about \$7.4bn, including fines. All the legal issues should be resolved by December 29, according to the protocol.

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**A major shipping fuel change is coming, and so are higher prices**





Bloomberg/ London

A defining moment in the history of the oil-refining and shipping industries is at hand.

In fewer than two weeks, thousands of ships the world over will be forced to use fuel containing less sulphur in order to comply with global rules set out by the International Maritime Organization. Those who don't could face penalties and even imprisonment. Ports are deploying drones to – literally – sniff out wrongdoers. The regulations are having a profound effect on oil refineries and the cost of seaborne trade looks set to rise.

What's the big deal?

For decades, shipping has been the oil market's dumping ground for a pollutant blamed on aggravating human health conditions including asthma and causing acid rain. That's because refineries have struggled to eradicate it when turning crude into fuels. Even so, when the regulations were mandated back in October 2016, they came as a shock to many observers who had expected a later start date. While a panic about getting ready has subsided, there's clearly still work to do – as a slump in the price of non-compliant fuel demonstrates.

“IMO 2020 is the most fundamental and dramatic product

specification change the oil industry has experienced, with an impact on both shipping and refining,” said Torbjorn Tornqvist, the chief executive officer of Gunvor Group, one of the world’s largest oil and gas traders. “It has the potential to change every product and crude differential out there.”

The cost of shipping a twenty-foot box-load of goods from Latin America to Europe could rise by \$26, according to IHS Markit, a consultancy. A week-long ship cruise could go up by \$130 per cabin, the firm estimates. Add 5 cents onto a crate of bananas.

It’s still too early to say exactly who the biggest winners and losers will be among refineries because there are thousands of variables that shape their profit – more than 600 grades of crude, and many ways of setting up the plants.

#### Safety concerns

The shipping industry has been consistent in flagging a safety concern about the rules. As yet, there’s no single global standard. The new fuel must simply have certain properties – including sulphur and other important metrics – that don’t exceed specified levels.

But the lack of a single global product means refineries can make a compliant fuel in different ways. It’s thought that some will essentially be low-sulphur crudes that are carefully mixed with other oils, for example. Another way of making the product is to mix the residues from crude that have gone through what’s known as vacuum processing in a refinery with other material. These different approaches mean the ships’ chief engineers will need to be vigilant so as to avoid mixing incompatible fuels.

Proof of the greater risks have emerged in northwest Europe, where supplies of the new fuel have been found to contain too much sediment. If such fuel found its way onto ships, it could potentially clog filters and lead to engine problems.

“We still have concerns over safety and availability of compliant fuels,” said Guy Platten, secretary general of the International Chamber of Shipping, an umbrella group for

maritime trade associations. "This is a pressing issue."

### Trade impact

There are already signs that the changeover is having an impact on maritime logistics.

In Singapore, the world's biggest refuelling centre, vessels have had to wait longer than normal to collect bunker fuel. Likewise, the government of Gibraltar said that a lack of refuelling barges has emerged.

"When you consider that 90% of global trade is carried out by seas, it is very important," said Robert Hvide Macleod, the chief executive officer for the management unit of Frontline Ltd, one of the world's biggest supertanker owners. "It will surely be disruptive and create some supply chain bottlenecks in the early goings and logistics constraints when it comes to sourcing marine fuels."

In broad terms, fuel represents shipping's single biggest expense and the new types are trading at several hundred dollars per tonne more than the old variety. So the cost of seaborne trade could creep up if owners manage to pass on the higher prices.

"I think we will see its impact on global trade in terms of waiting days and increased costs," said Sadan Kaptanoglu, president of BIMCO, the world's largest shipping association. "There could even be chaos in extreme situations, where fuel shortages could delay cargo deliveries and non-compliance by ships ending in port state punishments and court cases."

### Compliance complications

It's important to remember that oil refineries and shipping companies have spent billions getting ready.

Some ship owners installed scrubbers, units that can cost several million dollars each and allow carriers to remove sulphur from fuel as it's burnt. This enables them to keep using today's cheaper product. Likewise, refineries have invested in technology to convert sulphur-rich crude into higher-quality fuels.

For compliant companies, cheating by others is a problem. Yet there could be non-compliance, at least initially. Industry estimates are that something like 10%-15% of the fleet won't comply with the rules at the start.

Not every country in the world signed up to the regulations, including some large coastal states with significant refining capacity. Even among those that did, not all look likely to start with strict enforcement. There's also a disparity between what penalties will be imposed from one nation to the next.

South Africa, which sits on a shipping lane connecting eastern and western hemispheres, doesn't yet have the domestic laws in place to punish non-compliant vessels.

Bottom line

Nevertheless, these rules should work.

Full enforcement may happen more slowly than the IMO and some in the shipping and refining industries would like. There's a big financial incentive to cheat, and an opportunity to do so on selected trades.

Barring any obvious safety concerns though, the overriding view of analysts is that there should nonetheless be substantial compliance.

That means less airborne pollution and be a positive for those companies that invested in conforming.

"There's almost certainly never been a simultaneous global specification change in the oil industry," said Spencer Welch, oil markets and downstream director at IHS Markit. "For the whole world to change specification of a product on the same day is almost unheard of."

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# هيل إلى بيروت... القديم على ! قدّمه؟



منذ ولاية جورج دبليو بوش، إقترنت السياسة الاميركية بالنفط. تهتم أميركا أوّلاً بأسعار النفط الذي تستخدمه لبسط سيطرتها على الأسواق حاميةً بذلك اقتصادها الوطني، وفي الوقت عينه، تضغط من خلاله على قوى منافسة تعتمد بشكل أساسي عليه وعلى رأسها الصين. يتكئ الاقتصاد الأميركي إذاً على "التمويل النفطي" الذي يؤمّن بدوره استقراراً في السوق، كما يؤمّن نوعاً من "التسيّد" يزخر به الدولار على حساب العملات الأخرى.

من هنا، يتخذ موضوع الغاز اللبناني - بكل ما يحمله من تفاصيل تقنية - منحى استراتيجياً بامتياز، علماً أن أبعاده السياسية في شقيها الداخلي والخارجي مرتبطة بشكل عضوي. فخارجياً يتخذ النفط اللبناني أهمية مضاعفة نظراً "للكميات الهائلة" التي بات من شبه المؤكد أنه يخترنها براً وبحراً. وان كانت هذه الكميات نظرياً لا تغيّر الميزان الاستراتيجي المتعلق بانتاج الطاقة في الشرق الاوسط والمطلوبة بغالبيتها للانتاج الصناعي، إلا أن الحقول اللبنانية متصلة جغرافياً بالحقول المصرية والاسرائيلية والسورية والأهم القبرصية. ذلك يعني انه وعدا عن الدور المباشر الذي يحظى به "غاز لبنان" فهو قد يبرز أيضاً لدى طرح إشكالية أساسية هي المتعلقة بأماكن انشاء محطات تسييل وتكرير الغاز بالإضافة الى المنشآت والبنى التحتية الضرورية لتسييله مع آليات نقله وتسويقه. وعليه، لا يمكن التنبؤ بهويّة الدولة التي ستتحكّم بما قد يستجدّ من تحالفات إقليمية ودولية؛ هذا الامر سيحتم حداً أدنى من التعاون

بين الدول المعنيّة، وهنا يكمن بيت القصيد، بما أن هذه البلدان في حالة عداوة أو في حالة تصادم ما بين المحاور السائدة في الاقليم والمرشّح للتفاقم بسبب التنافس الشرس على الثروة الجديدة . في شرق المتوسط .

اما البعد الثالث الذي يكتسبه غاز لبنان فـ"مالي" بحت والمقصود هنا ليس مالية الدولة بل الميل الى الالتفاف حول القانون لاستفادة الفريق السياسي المهيمن، وذلك من خلال السمسرات وعقود الخدمة للشركات والانشاءات المرتبطة بهذا القطاع فضلاً عن القدرة على توظيف "الازلام" تماماً كما جرى ولا يزال في شركتي الاتصالات وكازينو لبنان والكسارات والسدود وغيرها من المجالس التي قد تكون اكثر إغراء، خصوصاً اذا استغلت المراسيم كمنفذ مقونن للهيمنة على ما تبقى من موارد في البلاد، لا سيما وأن التعويل على العائدات النفطية "اليوم"، أي في ظلّ عدم وجود قانون واضح ينظّم وجهة استخدام هذه الاموال من خلال الصندوق السيادي، يعني حُكماً أننا تخلينا عن ثروتنا هذه لخدمة الدين وتحويلها من أموال استثمارية "الى أموال" منهوبة .

من هذا المنطلق، لا يجوز الإفراط في التعويل على الثروة النفطية لانتشال لبنان من مأزقه النقدي، فالجدوى الاقتصادية، بحسب الخبراء، للنفط والغاز في المنطقة ككلّ لم تُثبِت بعد لا سيما وأن كلفة استخراج هذه المواد من قعر البحر تفوق بكثير الكلفة التي تتكبدها روسيا لاستخراج غازها. وبراى الخبراء، فإنّ امكان تصدير هذا الغاز الى أوروبا على سبيل المثال قد يكون صعباً بما أن الاسعار ستكون عاجزة عن منافسة الغاز الروسي من جهة، ومن جهة ثانية بسبب العوامل الجيو - سياسية في منطقة شرقي المتوسط. أما كلّ ما أثير عن احتمال إنشاء أنابيب لربط هذه الآبار بأوروبا مروراً باليونان فقد سقط عملياً بعد دخول اسرائيل الى طاولة المباحثات اضافة الى صعوبة تأمين الاموال الاستثمارية اللازمة له .

لا تعني كلّ هذه الفرضيات أن دولة من دول العالم الثالث كـلبنان "عاجزة عن الاستفادة من ثرواتها النفطية بل يمكن استغلالها، وإن لم يكن للتصدير، فذلك في إصلاح الكهرباء وتحويل الانتاج ليرتكز على الغاز، وهكذا يتم تخفيض العجز وتالياً تقليص الخضوع لهيمنة صندوق النقد الدولي كلما وجدنا أنفسنا مضطرين الى الاقتراض بنسب وشروط تعجيزيّة"، بحسب الخبراء .

## الطروحات الاميركية

من جهة ثانية، تُضاف معضلة ترسيم الحدود التي لا تزال تتخذ حيّزاً من المفاوضات والتي يوليها الجانب الاميركي أهمية كبيرة خصوصاً في ظلّ التواجد الصيني والروسي في المنطقة. ولا شكّ أنّ مساعد وزير الخارجية الأميركي للشؤون السياسية ديفيد هيل سيتطرق الى هذا الملف خلال زيارته إلى بيروت في الايام القليلة المقبلة.

طروحات ثلاثة، هي ما قدّمه الطرف الاميركي في ما خصّ مسألة ترسيم الحدود مع الكيان الإسرائيلي في المنطقة المتنازع عليها: الاول هو تقسيم رضائي بنسبة ثلث للكيان وثلثين للبنان. الثاني هو تصنيفها كمنطقة عدم أنشطة وبالتالي اعتبارها محظورة للطرفين؛ أما الطرح الثالث فيتمثّل باعتبارها منطقة أنشطة مشتركة، وهو ما يرفضه الجانب اللبناني حتى الساعة متسلحاً بالقوانين التي ترعى حقوقه في المياه الاقليمية إضافة الى الطلب الذي كان تقدّم به الى الامم المتحدة لحلّ النزاع في هذه القضية" يقول الخبير في قوانين وسياسات الطاقة المحامي علي برّو.

ويضيف برّو في اتصال مع "نداء الوطن" أنّ "قبرص تتحمّل مسؤولية مخالفة أحكام الاتفاقية مع لبنان سندا لاتفاقية 2007 حيث لم يكن ينبغي عليها ترسيم الحدود مع الكيان الاسرائيلي من دون موافقة الدولة اللبنانية. من جهتها، أودعت الدولة اللبنانية الامم المتحدة احداثيات منطقتها الاقتصادية الخالصة، إلا أنها قصرت في مطالبتها قبرص لخرقها احكام الاتفاقية معه. من الناحية القانونية، لبنان جاهز لعملية إعادة الترسيم وفقاً للوسائل العلمية التابعة لقانون البحار. ومن خلال لجوئنا الى القانون الدولي، سنتمكن من "استعادة حقوقنا السيادية في المياه البحرية".

في الاطار عينه، يوضح الخبير النفطي رودي بارودي أنه "من المتوقع أن يأتي ديفيد هيل وفي جعبته ملف ترسيم الحدود البحرية. هذا الموضوع بحاجة الى حلّ جذريّ لا سيّما مع بدء لبنان بحفر أول بئر استكشافي مطلع العام المقبل. وبحسب قانون الامم المتحدة للبحار لا شكّ أنّ لبنان سيحظى بالحصة الاكبر من المنطقة (UNCLOS) الاقتصادية الخالصة المتنازع عليها، فصحيح أن الكيان الاسرائيلي ليس طرفاً في المعاهدة مع الامم المتحدة، الا أنه طبق قواعدها من خلال تقييده بنود الاتفاقية بينه وبين قبرص. بالتالي أصبح من الممكن اللجوء الى إتفاقية تنمية مشتركة تماماً كما هي الحال بين الكويت والسعودية في ما يُعرف بالمنطقة المحايدة. بهذه الطريقة، تقوم شركة محايدة بعمليات الاستخراج وتوزّع لكلّ دولة حصّتها وفق "المعايير الدولية".



كثيرة تصبح التأويلات عندما يتعلّق الأمر بغاز لبنان وليس هناك من حقيقة مطلقة عندما تكون المسألة جيو - سياسية. وحدها الايام المقبلة ستُظهر نوايا الولايات المتحدة تجاه لبنان إلا أن معيار ترسيم الحدود البحرية يجب أن يبقى القانون الدولي منفرداً. ولعلّه من الافضل لهذه الثروة أن تبقى نائمة في قعر البحر لحين ايجاد حلول آنية تُعيد خلق اقتصاد منتج بدلاً من اقتصاد ريعي وترك هذا الملف يأخذ مساره الطبيعي لئلا تصبح عوائده... "أموالاً" منهوبة.

## Russia says new crude-only Opec+ target isn't a loophole



Bloomberg/ Vienna

The exclusion of a light oil called condensate from Russia's output target under the Opec+ deal is not a loophole, but a way to bring the country in line with the rest of group, said Energy Minister Alexander Novak.

At Friday's meeting of the Organization of Petroleum Exporting



Countries and its allies in Vienna, Russia was given permission to exclude the liquid hydrocarbon that condenses out of natural gas from its production target. The change brings Russia's November oil output in line with its pledged cut, where previously it had fallen short.

Novak denied the decision was a loophole that would give Russia an opportunity to pump more oil and still claim compliance with the Opec+ deal because the oil nation's statistics don't publish separate crude and condensate volumes.

"We have a very precise way to calculate our crude oil and condensate output field by field, crude variety by crude variety," Novak said in an interview with Bloomberg TV in the Austrian capital. "It is impossible to create a loophole."

Russia has every means to reflect the breakdown in its data and will be transparent about the oil production levels with Opec, analysts and media, Novak said. The country reached an agreement with Opec on feeding data from its computerised oil-tracking system to the agencies monitoring the group's output, he said.

Russia, one of the architects of the Opec+ deal, has consistently failed to comply with its pledged output cut this year. Last month, Novak said one of the key hindrances was rising production of condensate from new natural gas fields. The nation includes condensate in the total oil production volumes, while its Opec partners do not.

At the Vienna meeting, Opec+ agreed to reduce its output target by 500,000 barrels a day in the first quarter.

Russia's cuts target will be deepened by about 70,000 barrels a day, bringing its total obligation for crude-only supply curbs to some 300,000 barrels a day.

The new rules on condensate will help Russia achieve full compliance with its pledges, Novak said. Already in November, if condensate had been excluded, Russia's crude-only daily cuts reached some 232,000 barrels, more than required under the Opec+ deal, Novak said.

The nation is determined to deliver the pledged cuts in full

in the first quarter, even as low winter temperatures in Siberia, Russia's main oil region, make supply reductions difficult, Novak said.

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## **OPEC gearing up for deeper oil cuts, Russia yet to agree**



- \* Iraq says key members support deeper cuts
- \* Riyadh needs higher prices to support Aramco IPO
- \* Oil glut looming without cuts as U.S., Brazil, Norway pump more

By Bozorgmehr Sharafedin, Alex Lawler and Olesya Astakhova

VIENNA, Dec 4 (Reuters) – OPEC is gearing up to deepen production cuts later this week but still needs to agree with allies such as Russia over details of a deal to support oil prices and head off a looming oil glut next year.

The Organization of the Petroleum Exporting Countries (OPEC) meets on Thursday in Vienna followed by a meeting with Russia and others, a grouping known as OPEC+, on Friday.

OPEC+ has been curbing output since 2017 to counter oversupply as a result of booming output in the United States, which has become the world's biggest producer and is not taking part in cuts.

Next year, rising production in non-OPEC countries such as Brazil and Norway threaten to add to the glut.

OPEC's actions have repeatedly angered U.S. President Donald Trump, who demanded OPEC's de facto leader Saudi Arabia bring oil prices down if it wants Washington's to provide Riyadh with military support against arch-rival Iran.

In the past few months Trump has remained silent on OPEC but he faces re-election in November next year when the issue of gasoline prices is likely to become a hot political topic again.

Washington's ongoing trade dispute with China has also clouded the economic and therefore oil demand outlook for 2020.

OPEC's second largest oil producer Iraq said on Tuesday key members supported deepening cuts for OPEC+ from the current level of 1.2 million barrels per day, or 1.2% of global demand.

"My understanding is that they (Saudis) do (prefer it)," Iraqi Oil Minister Thamer Ghadhban told reporters in Vienna.

## DEEPER CUTS AND COMPLIANCE

Saudi Arabia needs higher oil prices to support its budget revenue and the pending share sale of state-owned oil giant Saudi Aramco with pricing expected on Thursday.

OPEC's actions have supported oil prices at around \$50-\$75 per barrel over the past year and on Wednesday they traded at \$61 per barrel.

Iraq's Ghadhban said new cuts could be expanded to 1.6 million bpd while OPEC sources have also said Riyadh was pressing fellow members Iraq and Nigeria to improve their compliance with quotas, which could provide an additional reduction of up to 400,000 bpd.

Non-OPEC Russia has yet to agree to extend or deepen cuts from its current pledge of 228,000 bpd as its companies are arguing they are finding it tough to reduce output during winter months due to very low temperatures.

Russian Energy Minister Alexander Novak said on Tuesday that Moscow had yet to finalise its position: "Let's wait ...But I think the meeting, as usual, will be of a constructive nature."

A source familiar with the Russian thinking told Reuters that Moscow would "most likely" reach a consensus with OPEC this week and just needed to iron out a few outstanding issues.

One sticking point for Russia this time is how its output is measured – it includes gas condensate in its figures, while other producers do not.

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# Full text of Turkey-Libya maritime agreement revealed



Nordic Monitor has obtained a copy of a recent maritime agreement between Turkey and Libya that determines the Turkish-Libyan continental shelf and exclusive economic zone coordinates.

The agreement, officially titled “Memorandum of Understanding Between Turkey and Libya on Delimitation of the Maritime Jurisdiction Areas in the Mediterranean,” has been the subject of criticism, especially by countries such as Egypt, Greece and Cyprus in the Mediterranean region.

The agreement states that both Turkey and Libya have determined a precise and equitable delimitation of their respective maritime areas in the Mediterranean in which the parties exercise sovereignty and sovereign rights and/or jurisdiction in accordance with the applicable rules of

international law, taking into account all relevant circumstances.

It refers to achieving equitable and mutually acceptable solutions to the above-mentioned issues through constructive negotiations and in the spirit of good and friendly relations and says that the memorandum of understanding will contribute to the strengthening of relations and encourage further cooperation between the parties in the interest of the two brotherly countries.

The agreement, which was signed in Istanbul on November 27, 2019, includes the following provisions:

According to Article 1, the parties have agreed on these boundaries:

“The boundaries of the Continental Shelf and the Exclusive Economic Zone in the Mediterranean between the Republic of Turkey and the Government of National Accord-State of Libya begins at “Point A” ( $34^{\circ} 16' 13.720''N -026^{\circ} 19' 11.640''E$ ) and ends at the Point B ( $34^{\circ} 09' 07.9''N -026^{\circ} 39' 06.3''E$ ).

“The boundaries of the Continental Shelf and the Exclusive Economic Zone determined in ARTICLE I, paragraph 1 of this Memorandum of Understanding are shown on the Maritime Chart INT 308 (Data Source: BA Chart Edition 1992), scale 1: 1 102 000 (Annex 1 ). The coordinates are shown in the chart at Annex 1 in its coordinate system. The geographical coordinates referred to in ARTICLE I of this Memorandum of Understanding are expressed in terms of the World Geodetic System 1984 (WGS'84).

“Base points coordinates that are used to determine the equidistance line are shown in Annex.”

libya\_MOU



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# IEA sees calm global oil market in 2020 as new supplies soar



Bloomberg/ London

Global oil markets are likely to remain “calm” next year as soaring production outside Opec and high inventories keep consumers comfortably supplied, the International Energy Agency said.

Supplies outside Opec – driven by the US, Brazil, Norway and Guyana – will increase by 2.3mn barrels a day in 2020, almost



twice the expansion in world oil demand, the agency said in its monthly report. The growth estimate is about 100,000 barrels a day higher than last month.

Oil prices have remained steady near \$60 a barrel in London for several months. US sanctions on Iran's exports and political unrest in Venezuela and Iraq have also had limited impact.

"The calmness is supported by a well-supplied market and high inventories," said the Paris-based agency, which advises most major economies on energy policy. "This may continue into 2020 because non-Opec countries will grow their production" significantly.

As a result, the Organization of Petroleum Exporting Countries – which has cut production this year to prevent a surplus – is currently pumping about 1.7mn barrels a day more than will be needed in the first half of next year, the report showed.

Opec and its partners will meet on December 5 to 6 to consider next year's output levels, though they've so far indicated little desire to make the deeper cuts that would be needed to avert a new oversupply. The outlook for global economic growth remains precarious, pressured by the ongoing trade dispute between the US and China.

"The hefty supply cushion that is likely to build up during the first half of next year will offer cold comfort to Opec+ ministers gathering in Vienna at the start of next month," the IEA said. "However, a continuously well-supplied market will lend support to a fragile global economy."

Oil inventories in developed nations accumulated by about 9mn barrels during the third quarter, even as Opec deliberately restrained output.

Another reason for the market's torpor has been "sluggish" processing of crude oil by refiners, whose intake will drop this year for the first time since the financial crisis of 2009, according to the report. However, the decline is a very modest 90,000 barrels a day.

In the short term, the market ought to pick up as global oil demand growth accelerates. Low oil prices and robust US demand



for petrochemicals will spur worldwide consumption to expand by 1.9mn barrels a day year-on-year in the fourth quarter, more than four times the rate observed in the second, the agency said.

The calmness the IEA sees resuming next year fits with its expectations for the long term, outlined in its annual World Energy Outlook earlier this week. That report anticipates that increasingly efficient car engines and the adoption of electric vehicles will cause world oil demand to plateau around 2030.

## اعتماد الاقتصاد "الازرق" للدول الاورومتوسطية





رأى الرئيس التنفيذي لشركة Energy and Environment Holding رودي بارودي والذي وصفته وسائل الاعلام اليونانية بأحد كبار خبراء النفط، ان حكم القانون هو الذي يجب ان يطبع التعاون العابر للحدود.

بارودي تحدث في الجلسة الافتتاحية للقمّة الاورو - عربية المنعقدة في اثينا الى جانب رئيس الوزراء اليوناني كيرياكوس ميتسوتاكيس والرئيس القبرصي نيكوس اناستاسياديس ورئيسي الوزراء السابقين الفرنسي فرنسوا فيون والاطالي ماسيمو داليمبا.

جلسة الافتتاح للقمّة ركزت على موضوعي ازمة اللجوء ومصالح الدول المتوسطة في فورة استخراج النفط والغاز، وتعمقت الجلسات في اليوم التالي في شرح العنوان الابرز الا وهو اقتصاد الغاز والنفط، اذ شدد نائب وزير الطاقة والبيئة في اليونان، جيراسيموس توماس على العلاقات (الجيوسياسية) بين موارد الغاز تحت البحر، وأنشطة غاز الماء الطبيعي، وتصدير النفط والغاز من شرق إلى أوروبا، وما يرتبط بها من مخاوف بشأن الآثار المتوسطة البيئية.

ولفت بارودي على هامش القمة الى انه من أجل انجاز التنقيب بشكل آمن عن الثروات البحرية واستغلالها، لا يمكن أن يكون هناك بديل عن القواعد والمعايير المشتركة. "هذا الاقتصاد الأزرق يمكن أن يكون عامل تغيير بالنسبة للبلدان في جميع أنحاء البحر الأبيض المتوسط وحتى أبعد من ذلك، معتبرا ان أفضل وأرخص وأسهل طريقة لضمان التنمية المستدامة في الوقت المناسب لجميع اللاعبين هو الالتزام بموجبيات القانون الدولي و ميثاق الأمم المتحدة، لذا فإن السعي الى حل النزاعات بالطرق السلمية، هو بمثابة اجتياز نصف الطريق. واذا ما تم الارتكاز الى مبادئ الشراكة الأورو- متوسطة في

”تقرير السياسات فسيربح الجميع

واشار الى مصلحة الاتحاد الاوروبي في تعزيز الترسيم البحري الكامل ،وهذا من شأنه تبديد الشكوك لدى الدول الأعضاء في الجنوب، وايجاد فرص جديدة للشراكة الأورو-متوسطية من خلال مواصلة الحوار وتقليل التوترات وتعزيز العلاقات التجارية

تستحق الازدهار الاقتصادي الذي ورأى ان شعوب البحر المتوسط ستوفره عائدات النفط والغاز الجديدة. إنهم يستحقون المدارس الحديثة والمستشفيات والطرق وغيرها من البنى التحتية الأساسية التي من شأنها تنشيط اقتصاداتها والقضاء على الفقر والحد من عدم المساواة “، وخلص بارودي إلى أنه من الأهمية بمكان زيادة الوعي العام لدى دول البحر المتوسط حول الاقتصاد الأزرق

## Blue Economy is Essential for All of the Euro-Mediterranean Nations



ATHENS: (Agencies) No single factor is more important to cross-border cooperation than the rule of law, a leading energy policy expert told this week’s EU-Arab World Summit in Athens.



*Greek Prime Minister H.E. Mr. Kyriakos Mitsotakis greeting Energy expert Mr. Roudi Baroudi at the 4th EU Arab-World Summit in Athens, October 2019*

Several high-profile speakers addressed opening-day sessions on Tuesday, including Greek Prime Minister Kyriakos Mitsotakis, Cypriot President Nicos Anastasiades, former French Prime Minister Francois Fillon, and former Italian Prime Minister Massimo D'Alema. Most of these dealt in broad strokes with topics of mutual EU/Arab interest such as economic challenges, the immigration crisis, and shared interests in the Mediterranean's rapidly expanding oil and gas industry.

On Wednesday, speakers delved more deeply into specific issues, among them Greece's Deputy Minister for Energy and the Environment, Gerassimos Thomas, who focused on the geopolitical relationship(s) among undersea gas resources, liquified natural gas (LNG) activities, the delivery of East Med resources to Europe, and associated concerns about



environmental impacts.

This and other in-depth talks prompted Roudi Baroudi, CEO of Doha-based independent consultancy Energy and Environment Holding, to remark that with such a complex web of factors at play among so many countries, the only logical approach was to ensure that any and all stakeholders willingly submit to the same rules.



*Mr. Roudi Baroudi with H.E. Mr. Massimo D'Alema, former Prime Minister of Italy*

“In order to fully appreciate and safely exploit all of the advantages offered by well-managed maritime resource, there can be no substitute for common rules and standards,” Baroudi told attendees and journalists on the sidelines of the summit. “This blue economy could be a game-changer for countries all around the Mediterranean and even further afield.”

Baroudi, a 40-year veteran of the energy business who has helped shape both public and private policies on several continents, said that “the best, the cheapest, and the easiest way” to ensure timely and sustainable development for all

players to honor their obligations under international law.

“If these countries just do their basic duty under the United Nations Charter, which is to seek the peaceful resolution of disputes, we’ll already be halfway there,” Baroudi said. “If they also make policy decisions based on the principles of Euro-Med partnership, then everyone wins.”

Baroudi also mentioned that the EU, for instance, has a clear interest in promoting full Maritime demarcation, not just because it would remove uncertainties affecting its southern members, but also because it would open up new opportunities for the Euro-Mediterranean Partnership by continuing dialogue, reducing frictions and strengthening business ties.



*Former Prime Minister of France, Francois Fillon and Energy expert Roudi Baroudi in discussions during the 4th EU-Arab World Summit in Athens, October 2019*

“The peoples of the Mediterranean deserve the chance at affluence that new oil and gas revenues would provide. They

deserve the modern schools, hospitals, roads, and other infrastructure that would reinvigorate their economies, eliminate poverty, and reduce inequality .”

Baroudi concluded that it is very important to increase public awareness of the Maritime domain for the blue economy to really take hold all of the Euro Mediterranean Nations enjoy and to integrate fair, diplomatic, political, legal and scientific dimensions/approaches.