

# 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” ( $34^{\circ} 16' 13.720''\text{N}$  -  $026^{\circ} 19' 11.640''\text{E}$ ) and ends at the Point B ( $34^{\circ} 09' 07.9''\text{N}$  -  $026^{\circ} 39' 06.3''\text{E}$ ).

“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.”

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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.

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## 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 لل قمة الاورو - عربية المنعقدة في اثينا الى جانب رئيس الوزراء اليوناني كيرياكوس ميتسوتاكيس والرئيس القبرصي نيكوس اناستاسياديس ورئيسي الوزراء السابقين الفرنسي فرنسوا فيون والايطالي ماسيمو داليمان.

جلسة الافتتاح لل قمة ركزت على موضوعي ازمة اللجوء ومصالح الدول المتوسطية 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 (الجيو سياسية) بين موارد الغاز تحت البحر، وأنشطة غاز الماء الطبيعي ، وتصدير النفط والغاز من شرق إلى أوروبا، وما يرتبط بها من مخاوف بشأن الآثار البيئية المتوسطة.

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 بموجبات 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- متوسطية 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، ويجاد فرص جديدة للشراكة الأورو-متوسطة 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 Emergy 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.

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## **Norway new crude a threat to rivals in prized Asia market**



Norway's new oil grade is making inroads in Asia, threatening to undermine sales of similar crudes from Africa and South America.

China's Unipet, at least one of the nation's independent refiners and South Korea's Hyundai Oilbank Co have bought Johan Sverdrup for December delivery, said traders and



refinery officials in Asia. The North Sea oil produced by Equinor ASA has been likened to Brazil's Lula and Angola's Saturno crudes.

Oil with low-sulphur content is in demand ahead of stricter ship-fuel rules that take effect January 1, while supply of medium-density crude has been tight due to the attacks on Saudi Arabia and US sanctions on Iran and Venezuela. Johan Sverdrup has both of those qualities, and it's also attractively priced, which may have lured refiners that are typically cautious about new grades.

If Johan Sverdrup continues to gain traction it may jeopardize exports of its rival grades to the world's top crude-consuming region. Angolan and Brazilian oil accounted for 10% and 8%, respectively, of Chinese imports in the first eight months of the year, according to government data. By comparison, Norwegian crude had a minuscule 0.04% share.

"I have no doubt we'll see a trend of more Norwegian flows to Asia, especially China, in the coming months," said Sengyick Tee, an oil analyst at SIA Energy in Beijing. "Given the soaring freight rates and high Chinese stockpiles, Equinor will need to price it attractively," he said, adding that the company has a strong presence among Shandong's teapots.

Shandong Qingyuan Group, a Chinese teapot, bought about 1mn barrels of Johan Sverdrup at a premium of \$6 to \$6.50 a barrel to Brent crude on a delivered basis, said traders who asked not to be identified as the information isn't public. That's around \$1 a barrel cheaper than Lula and 20 to 30 cents less than Saturno, the traders said.

Unipet – the trading arm of Chinese giant Sinopec – has bought two shipments of Johan Sverdrup for October loading, while Hyundai Oilbank took an undisclosed volume of the grade, the traders said. The prices for these deals aren't available.

Whether or not Equinor can keep offering the grade at lower prices over the longer term remains to be seen.

The Norwegian company may have hedged shipping costs in advance, said one of the traders. Equinor is also giving buyers the option to co-load with other varieties, which may

help reduce the cost of shipping to Asia.

Johan Sverdrup has an API gravity reading of 27 degrees with sulphur content of 0.8%. While that's a slightly higher sulphur reading than most sweet crudes – loosely defined as having 0.5% or less of sulphur – processors looking to produce more IMO 2020-compliant fuel may seek out the grade as part of a lower-sulphur oil feedstock blend.

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## Oil market bulls regroup, but don't bet on a rally just yet



Calgary: Oil bulls are rebuilding their positions, but it will probably take some major news to shake the market out of its current mood and trigger a sustained rally.

Money managers boosted their net-long position on West Texas

Intermediate crude for the first time since mid-September in the week ended Oct. 22, data released Friday show. Those bets are still at half the level they reached last month, though, while short-selling wagers have tripled in that period.

That signals there's still a lot of scepticism in the market, despite crude's 5.4 per cent gain this week. But it also shows there's growing support for a meaningful rally once short-sellers start unwinding their positions. It's just that they don't seem to have a reason to do that yet.

"We had some events recently that were unusual, including the unprecedented attacks on Saudi Arabia," said Stewart Glickman, an analyst at CFRA Research Inc. "The market saw a quick uptick but then shrugged it off a bit pretty quickly."

This week was marked by news of a decline in US crude stockpiles, a brief shutdown of a critical pipeline and signs of progress on US-China trade talks. The market has seen similar pieces of bullish news over the past few months that weren't enough to dispel uncertainty over demand in the face of growing supplies.



"Every other day, it seems like we get a new statement from the [Trump] administration related to the trade talks," said Gene McGillian, manager of market research at Tradition Energy. "We've gone down this road too many times."

Money managers' WTI net-long position, or the difference between bullish and bearish bets, rose 8.5 per cent to 93,856 futures and options, according to US Commodity Futures Trading Commission data. That compares with more than 200,000 about a month ago.

Long-only bets rose 9.3 per cent, while short positions climbed 10 per cent. Short-selling is near a peak reached in January, before massive short covering through the end of April helped support crude's rally during the first four

months of the year.

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## **GECF, Opec in pact to strengthen co-operation in research and sharing of best practices**



Doha-headquartered Gas Exporting Countries Forum (GECF) and the Vienna-based Organisation of the Petroleum Exporting Countries (Opec) have entered into a pact to strengthen co-operation in research and the sharing of best practices.

GECF secretary-general Yuriy Sentyurin and his Opec counterpart Mohamad Sanusi Barkindo signed a memorandum of understanding (MoU) in Moscow on the sidelines of Russian Energy Week.

The purpose of the MoU is to establish and strengthen co-operation in order to carry out activities and share experiences, views, information and best practices in areas of mutual interest.

The potential areas of co-operation identified include energy market monitoring, analysis, modelling and forecasting; energy market research studies covering the short- medium- and long-term, and their methodologies; energy market data and

statistics, data and statistical operational topics (such as methodologies of data gathering, assessment and dissemination); energy initiatives and developments aimed at sustainability, along with environmental and social responsibility; and other areas and matters involving common interests and concerns.

Both the organisations have also agreed to co-operate, where possible and appropriate, on the exchange of information and data; hold expert meetings and internal bilateral workshops to promote the exchange of knowledge and experiences; and co-operate on seminars, workshops, conferences and publications.

The MoU follows discussions that took place earlier this year between the secretaries general on the sidelines of the ninth International Energy Forum-Opec symposium on Energy Outlooks.

At their meeting of February 27, 2019, the secretaries general recognised the numerous areas of mutual interest to both organisations and emphasised their desire to continue working closely together, both at a high-level, as well as on a technical level.

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## **Qatar set to host sixth Gas Summit of GECF in 2021**



Qatar will host the sixth Gas Summit of the Gas Exporting Countries Forum (GECF) in 2021, offering an opportunity for dialogue at the highest levels on the latest developments and trends related to the global gas industry.

The announcement was made during the conclusion of the 21st GECF ministerial meeting in Moscow. This will be the second summit to be held in Doha after the forum's first summit on November 15, 2011.

"We look forward to a highly successful meeting that reflects our deep belief in dialogue and co-operation in the effort to meet the world's growing demand for energy," said HE Saad bin Sherida al-Kaabi, Minister of State for Energy Affairs, the president and chief executive of Qatar Petroleum.

He said Qatar is committed to the responsibilities it carries as the world's leading liquefied natural gas producer, foremost of which is encouraging regional and international dialogue as well as promoting natural gas as the cleanest of fossil fuels and the destination fuel in the transition to low carbon economies.

Earlier addressing the ministerial meet in Moscow, al-Kaabi



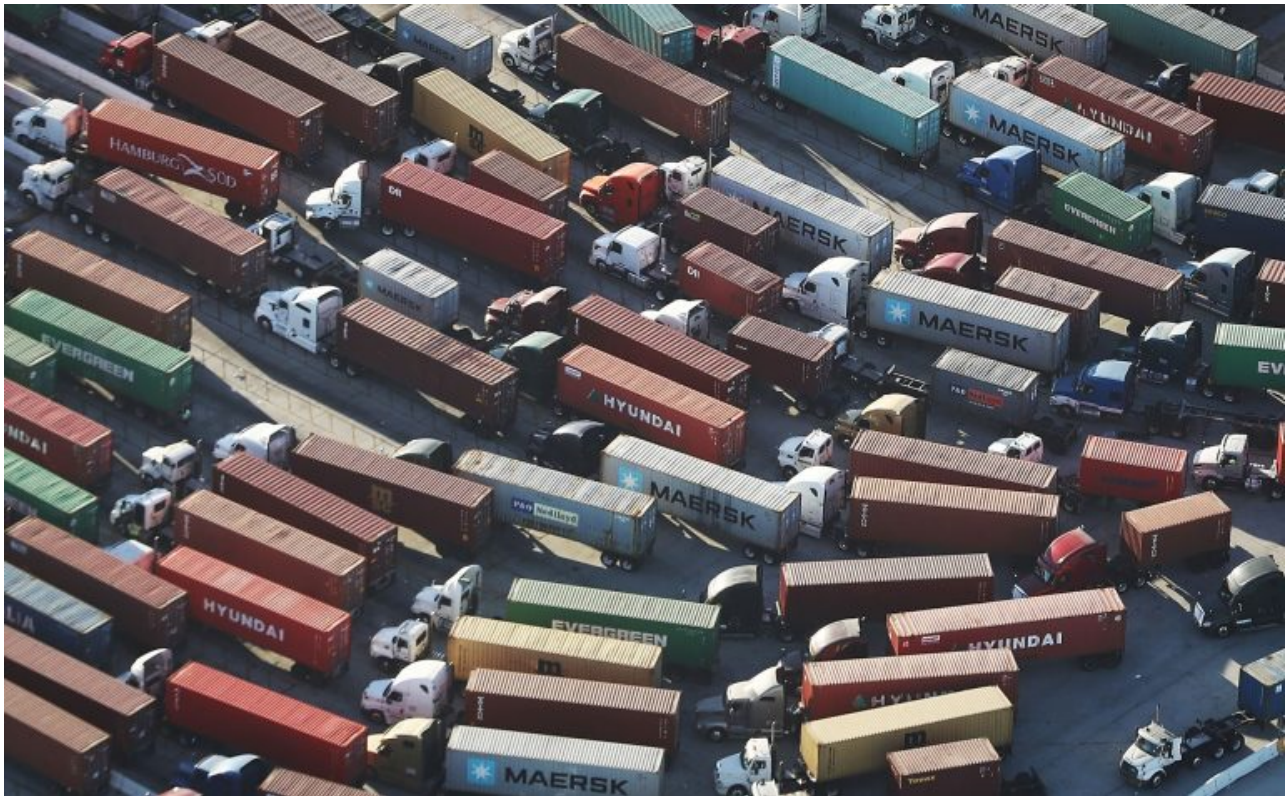
had stressed the importance of natural gas in meeting the economic and environmental challenges facing energy consumers around the world.

Drawing attention to unprecedented recurrent climatic conditions, including mean temperatures, turbulent seasonal cycles and extreme events, he had said it is time to take another look at natural gas and the number of advantages it has to make it a pivotal element in any strategy to tackle environmental challenges.

The GECF, which is headquartered in Doha, is an international governmental organisation that provides a framework for knowledge sharing among its member countries. It is made up of the world's leading gas exporting countries and was set up with the objective to increase the level of co-ordination and strengthen the collaboration among its member countries.

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## **Oil tanker rates spike is now bleeding into fuels trading**



Record-high shipping costs are spilling over into the prices for refined fuels in Europe, Asia and the US. As freight rates rocket amid US sanctions and geopolitical risks, the prices of oil products such as gasoline and diesel are being forced to adapt in order to enable trade. Europe has long made excess gasoline, giving traders a lucrative opportunity to ship it to the US. Now, the increase in tanker rates is hitting at a time when crude flows have also been disrupted by the same surge in shipping costs.

The cost of hauling freight on the route has soared to its highest since 2015, according to Baltic Exchange data. That helped make US gasoline the most expensive it's been relative to Europe, on a seasonal basis, since 2016. "This is all because the explosion in dirty freight costs creates the risk that larger clean tankers switch to dirty service," said Robert Campbell, head analyst for global oil products markets at Energy Aspects. Clean tankers refer to those carrying refined fuels; dirty tankers haul crude or fuel oil. The cost of shipping oil products such as diesel and jet fuel on a mid-sized tanker on the Middle East-to- northwest Europe route has surged as well. Earlier this week it reached \$50 a tonne, the

highest since 2008. Rates from India to northwest Europe have also increased. While the seaborne trade of refined products is only about half that of crude oil, it's still the market's main way of balancing structural surpluses and shortages that routinely emerge in different parts of the world. As such, it performs a vital role in avoiding supply scarcity. The more expensive shipping gets, the higher a buyer has to bid and/ or the lower a seller has to offer in order to make the trade viable.

Since the spike in freight rates several weeks ago, the value of diesel relative to crude in Europe – a net diesel importer – has edged up to its highest since 2018. Other factors, such as refinery maintenance and looming ship-fuel rules that are putting upward pressure on diesel prices, may also be playing into that number. At the same time, the price of diesel cargoes in the Middle East is generally falling, a trader said on Wednesday. Ripples are also being felt in the market for naphtha, a petroleum product used to make gasoline and as a feedstock for petrochemicals. Regularly shipped from Europe to East Asia, the cost of that voyage has surged to \$3.97mn, the highest it's been since at least 2016. How long the situation lasts is unclear.

The cost of hiring tankers that typically ship crude and fuel oil has retreated after spiking last week, with analysts saying the high costs weren't sustainable. Rates initially rose in the wake of the US sanctioning units of China COSCO Shipping Corp, the world's largest merchant vessel owner, as well as an attack on an Iranian ship. As shippers get their vessels ready for a sulphur cap on marine fuels, a number of tankers are also at repair yards, further tightening the freight market.