

# TAPI gas line: Pakistan not to bear transit risk in Afghanistan



ISLAMABAD: Pakistan has told Turkmenistan in plain words that Islamabad will not bear the gas transit risk in war-ravaged Afghanistan under \$8 billion TAPI gas line.

In case of halt of gas provision to Pakistan because of any subversive activity in Afghanistan, Pakistan will never take the risk at any cost, rather Turkmenistan will have to bear the risk.

More importantly, the financial commitment on behalf of Pakistan is to start when Turkmenistan ensures the gas supply on Pakistan border, not at border of Afghanistan shared with Turkmenistan. This has been clearly conveyed to Turkmenistan top authorities, top sources close to Special Assistant to Prime Minister on Petroleum Nadeem Babar told The News. Prior to it, Pakistan has already agitated with authorities of Turkmenistan the issue of reviewing the gas prices arguing

that the gas price formula under which the gas prices of every buying countries (Afghanistan, Pakistan and India) has been worked out, is too much complicated and if new gas price is worked out while keeping in view the existing gas price formula, the gas price that we get is costlier even than the existing LNG price. 'So we want Turkmenistan to review gas price formula prior to much awaited ground breaking of the portion of TAPI pipeline in the territory of Pakistan.

A high-power delegation of Turkmen Gas Company is due in Pakistan to discuss the issues raised by Pakistan. Now Turkmenistan wants, under new scenario, Pakistan experts' delegation to come to Ashgabat and extends the date of August 11, 2019. Because of Eidul Azha the date may get changed.

"Yes, we wrote a letter to Turkmenistan authorities 7 months back seeking the dialogue for review of the gas pricing formula before embarking upon the construction of the portion of the pipeline in Pakistan's territory and to this effect Special Assistant to PM on Petroleum Nadeem Babar asked the authorities of Turkmenistan to first review the gas prices downward before initiating the project," a relevant top official confirmed to The News.

Coming to the new issue of bearing risk of gas provision because of Afghanistan highlighted by Pakistan that it will only honour its financial commitment when it gets the gas delivery on its border. Turkmenistan first asked Pakistan to discuss this issue with Afghanistan, but Islamabad responded saying that it is purchasing the gas from Turkmenistan and Pakistan wants gas delivery on its border. Since Afghanistan has been at war for many decades, so Pakistan cannot bear the risk of gas provision in Afghanistan.

During the recent visit, Afghanistan President Ashraf Ghani acknowledged the issue raised by Pakistan and assured that in this regard the authorities will soon meet counterparts of Afghanistan and Turkmenistan.

To a question, the top man in the Petroleum Division said that Turkmenistan has shown willingness to review gas prices.

The three buyer countries – Afghanistan, Pakistan and India – had inked the gas sales purchase agreement with Turkmenistan on bilateral basis. Now all the buyer countries want to unfold their prices and want the re-negotiations.

To a question, he said that the financial colure of the project is to be completed by September this year and ground breaking would be held in October 2019 for laying down the 800 kilometre portion of TAPI line in Pakistan territory. The project will be operational by 2020. The pipeline from Afghanistan that will enter from Chaman and pass through Zhob, DI Khan, Quetta, Multan and touch upon Fazilka – a city at Indian border which is 150 kilometer away from Multan. From Fazilka, the pipeline will enter India.

TAPI gas pipeline project aims to bring natural gas from the Gylkynish and adjacent gas fields in Turkmenistan to Afghanistan, Pakistan and India. The ADB is acting as the facilitator and coordinator for the project. It is proposed to lay a 56-inch diameter 1,680KM pipeline with design capacity of 3.2 billion cubic feet of natural gas per annum (Bcfd) from Turkmenistan through Afghanistan and Pakistan up to Pak-India border. There are two phases of this project, the first phase is free flow phase with estimated cost of \$5 to \$6 billion while second phase is installation of compressor stations with the cost of \$1.9 to \$2 billion. Civil works of the project have already commenced in Afghanistan after the project's ground breaking (Afghan section) was held last year.

Afghanistan will be having the gas under TAPI 500 mmcfd, Pakistan 1.325 bcfd and India 1.325bcfd too. Turkmen gas company being the consortium leader for the TAPI project is to contribute up to 85 percent of equity, and the rest of TAPI members namely Afghanistan, Pakistan and India would take 5 percent each equity share in the project company.

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# Japanese LNG buyer seeking price arbitration in possible 'bellwether'



An effort by a Japanese company to get lower prices on a liquefied natural gas contract signed a decade ago could be the first in a flood as buyers seek relief from legacy contracts amid cheaper spot supplies, according to an analyst at Credit Suisse Group AG. "This will prove the bellwether for more arbitrations and tougher LNG buyer negotiating stances across the market," analyst Saul Kavonic said in an e-mail. "We expect other traditional LNG buyers to quickly follow suit." The market will be awaiting what concessions Osaka Gas Co will be able to wrest from the marketing unit of the Exxon Mobil Corp's PNG LNG project. They entered into arbitration after a dispute during a price review, a spokesman for the Japanese firm said Friday, adding that the company is seeking to lower LNG costs. Exxon declined to comment. The dispute

underscores the frustrations of buyers locked in contracts linked to oil benchmarks while spot prices drop to the lowest seasonal level in a decade. Most of Japan's LNG imports are indexed to oil, which has remained a widespread practice since its inception in the 1960s. Sinking prices have put LNG producers under intense pressure to offer better terms. Even Qatar, one of the world's largest suppliers, made a "dramatic" break from tradition by offering mid-term LNG contracts at about an 11% oil slope, compared to more than 16% on some contracts signed in 2008, Fereidun Fesharaki, chairman of energy consultant FGE, said in May. The Osaka Gas contract with the PNG LNG project was agreed at a 15% slope to the Japan Crude Cocktail and runs through 2035, according to data compiled by Bloomberg NEF. Prices in the utility's current PNG LNG contract are more than double those on the spot market and about 30% more than recently signed contracts, Kavonic said. A shift to a buyers' market has emboldened consumers that historically have been concerned about security of supply to seek greater contract flexibility and lower prices. "It's unprecedented for a traditional LNG buyer to initiate arbitration in this way, presenting a new paradigm for LNG contract negotiations," said Kavonic.

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## **Turkey May Rethink Boeing Plane Orders, Erdogan Says**



Turkey's president said his government may have to "rethink" existing orders for Boeing Co. airplanes worth about \$10 billion, in comments that reflect the country's strained ties with the U.S.

Turkey's hesitation on the Boeing order adds to tension created when the country ordered a missile defense system from Russia, spurning an offer for Ankara to buy U.S. air-defense missiles.

"I've told Mr. Trump in Osaka that even if Turkey's not buying Patriots, it's buying Boeings. We're good customers," President Recep Tayyip Erdogan said Friday in Ankara, referring to Raytheon's Patriot systems. "But if it goes on like this, we'll have to rethink about this issue."

Erdogan spoke with U.S. President Donald Trump at the G-20 summit, during which he reminded him of existing orders for 100 Boeing jets by Turkish Airlines, the nation's flagship carrier where the government holds a 49% stake. Turkey has since begun receiving the S-400 missile defense systems from

Russia, which the U.S. has long said is incompatible with the its role as a NATO member and purchases of U.S. F-35 fighter jets.

Turkish Airlines in March 2018 said it'll buy 25 of Boeing's 787-9 jets, scheduled for delivery by 2023. In 2013, it had announced a decision to purchase 75 of the 737 MAX jets, the grounded airplanes involved in two fatal crashes. Five of these were delivered in the first quarter this year, with the rest set to be delivered by the end of 2023.

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## Bank of England to Hold Rates as Clouds Gather Over Outlook



Bank of England officials will probably keep policy on hold next week as they acknowledge that the economic outlook has worsened materially since May.

All but one of the 24 economists surveyed by Bloomberg predict a unanimous vote to maintain the benchmark rate at 0.75%. The

risk of a no-deal departure from the European Union under new Prime Minister Boris Johnson and an increasingly gloomy global outlook suggest that policy makers will be cautious.

Officials have scaled back their rate-hike rhetoric and investors are increasingly pricing in rate cuts as the risk of a disorderly Brexit grows.

But with a falling pound and stronger wage growth threatening to fuel inflation, officials potentially face a dilemma. Governor Mark Carney is expected to address the trade-off between growth and prices after the BOE publishes its quarterly Inflation Report, alongside the monetary-policy decision, at noon on Thursday.

Economists are virtually unanimous in predicting the BOE will cut its 2019 growth forecast, with around half predicting a downgrade to the following two years. Officials are also widely expected to hike their inflation projections.

Policy makers have softened their language about the possibility of interest-rate increases. Michael Saunders, who led the charge for the BOE's last two rate hikes, has suggested he's in no rush to begin another push, telling Bloomberg the economy right now is "clearly not overheating."

Chief Economist Andy Haldane, also considered among the more hawkish members of the Monetary Policy Committee, said in a speech this week that the case for keeping policy unchanged is strong and the group should proceed with caution on any loosening.

Carney has also warned that damage to the global economy from rising protectionism could be significant and require a major policy response.

While one economist sees a dissenter on the nine-member rate setting committee calling for an immediate cut, most recent comments point to unanimity.

Officials may try to address the discrepancy between their official forecasts and market expectations. Carney has said they will explore “how best to illustrate” the market “sensitivities.”

Source: Bloomberg

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## France aims for US digital tax deal by late August – minister



France wants to reach a deal with the US on taxing tech giants by a G7 meeting in late August, Economy Minister Bruno Le Maire said Saturday.

He was responding to US President Donald Trump, who on Friday vowed “substantial” retaliation against France for a law passed this month on taxing digital companies even if their

headquarters are elsewhere.

The law would affect US-based global giants like Google, Apple, Facebook and Amazon, among others.

### **'Foolish' Emmanuel Macron**

Trump denounced French President Emmanuel Macron's "foolishness", though they discussed the issue by phone on Friday, according to the White House.

Le Maire told a news conference Saturday: "We wish to work closely with our American friends on a universal tax on digital activities.

Inspired by "We hope between now and the end of August – the G7 heads of state meeting in Biarritz – to reach an agreement."

Leaders of the Group of Seven highly industrialised countries are to meet in the southwestern French city on August 24-26.

Le Maire emphasised that "there is no desire to specifically target American companies," since the three-percent tax would be levied on revenues generated from services to French consumers by all of the world's largest tech firms, including Chinese and European ones.

The law aims to plug a taxation gap that has seen some internet heavyweights paying next to nothing in European countries where they make huge profits as their legal base is in smaller EU states.

### **Raising a glass**

In a move that's rattling the industry, President Trump responded to the French plans by threatening to raise tariffs on French wine. French vintners sold 1.6 billion euros worth of wine last year to American consumers.

Trump derided French wines in a tweet, and later said he might

hit them with retaliatory tariffs to French. He made a similar threat last year.

About 20% of French wine is sold in the US, and the Federation of French Wine and Spirits Exports on Saturday expressed concern about tariffs that could hurt “French players in this market, but also their clients and American consumers.”

The federation urged French and American authorities to pursue dialogue on the tax issue, expressing hope “that they can quickly find a path to follow to prevent these threats from materialising.”

Le Maire said the US “should not mix the two issues,” and noted that European wines already face tariffs in the US as do American wines in Europe.

Trump insisted Friday that he has a good relationship with Macron and had just spoken with him.

After initially befriending the US president despite their starkly different worldviews, Macron has increasingly stood up to the impulsive, America-first Trump on trade, climate change and Iran’s nuclear program.

The tech tax is just their latest battleground, and will be a key tension point when the two men meet at a Group of Seven summit in France next month.

France failed to persuade EU partners to impose a Europe-wide tax on tech giants, but is now pushing for an international deal on it with the G7 and the 34 countries of the Organisation for Economic Cooperation and Development.

France has said it would withdraw the tax if an international agreement was reached, and Paris hopes to include all of the OECD countries by the end of 2020.

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# Chevron wins 90-day Venezuela waiver despite opposition



Bloomberg/Houston

Chevron Corp and four oil services companies won a last-minute US government reprieve to continue producing oil in Venezuela, albeit only for a 90-day period.

The US Treasury Department supported Chevron's request to extend its sanctions waiver by six months, but the majority of other government agencies involved opposed any extension at all, a senior administration official told reporters on a call on Friday. President Donald Trump backed a compromise between the two positions, resulting in the three-month time period.

The extension allows San Ramon, California-based Chevron to essentially keep the lights on and the facility running, but another extension will be harder, the official said.

The company has operated in Venezuela for almost a century, since the discovery of the Boscan field in the 1920s. It has

outlasted many other oil companies, including Exxon Mobil Corp, which left after a series of industry nationalisations during Hugo Chavez's tenure as president.

The US Treasury Department's Office of Foreign Assets Control said in a statement Friday that Chevron can continue its joint venture with state-owned Petroleos de Venezuela SA until October 25. The previous waiver was due to end yesterday.

Oilfield service companies Schlumberger Ltd, Halliburton Co, Baker Hughes and Weatherford International Plc were also allowed to continue their work in Venezuela for three months. Chevron closed 1.5% lower in New York, at \$123.72.

It's a partial victory for Chevron that leaves the Trump administration with the option of pulling the company out later this year. The impact of any eventual refusal of a Chevron waiver is rising as other production falters, giving the company a bigger and bigger size of the market in the country, the official said.

"Our advice to Chevron would be to start preparing to leave after October," Joseph McMonigle, an analyst for HedgeEye Risk Management, wrote in a note. "We are highly doubtful there will be another extension granted." While Venezuela only accounted for 1% of Chevron's global crude production last year, it remains strategically important as home to the world's largest oil reserves. As the only US major still in the country, it could be first in line for any investments under a new government.

"Our operations in Venezuela continue in compliance with all applicable laws and regulations," Chevron spokesman Ray Fohr said in an e-mailed statement.

In recent months, Chevron made the case to the Trump administration that if it were to leave, its Venezuelan assets could easily be turned over to another operator with little effect on overall production. That could mean the state, or even Russian or Chinese interests would benefit.

The ruling "does indicate Chevron has the ear of key government officials," said Muhammed Ghulam, a Houston-based analyst at Raymond James & Associates.

Venezuela has seen its oil output drop precipitously in recent years. Production is currently below 800,000 barrels a day, down from as much as 3.71mn in 1970, according to data from the oil ministry. At least half of that oil is produced by joint ventures with foreign companies.

Chevron's joint ventures with PDVSA produce more crude in Venezuela on average than those with other companies – including China National Petroleum Corp and Russia's Rosneft Oil Co. The US producer only receives a portion of that supply, however, amounting to about 40,000 barrels a day from its Venezuelan affiliate in 2018.

The US has refused to recognise Nicolas Maduro as Venezuela's president after an election last year. Sanctions have become its main tool for depriving Maduro of cash and pressuring the military to turn against him.

Earlier this week, Venezuela's opposition-led National Assembly issued a decree that guaranteed Chevron's assets in the country would be protected under a new government led by Juan Guaido.

Oil purchases from Venezuela have become complicated since the US expanded its sanctions regime to include any business done with PDVSA, as the national oil company is also known. Other companies, including Spain's Repsol SA and Italy's Eni SpA, continue to do business with Venezuela.

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## **Sasol's SA plants threatened by emission standards**



Sasol said some of its South African plants are under threat from sulfur dioxide emission standards that it will need to comply with by 2025.

The company, South Africa's biggest by revenue, operates plants that convert coal into motor fuel and chemicals in Secunda, east of Johannesburg, and Sasolburg to the south. Flue-gas desulfurisation equipment needed to cut emissions of the gas, which causes acid rain and a range of health complications, is too costly and technically difficult to install, Sasol said.

Globally, as well as in South Africa, the company produces a range of chemicals.

Air pollution in the area around coal-fired plants operated by Sasol and Eskom east and south of Johannesburg rivals levels in some of the most polluted cities on earth. The government has proposed doubling the new limit, but is coming under increased pressure to act against the two companies as it's being sued by environmental activists over the breach of current emission limits.

Sasol will have to comply with new sulfur dioxide emission limits for coal boilers of 500 milligrams of the pollutant per normal cubic meter. Its 2018 emission reports show that some equipment at both Secunda and Sasolburg regularly exceeds 1 000 milligrams.

“The new plant standard for sulfur dioxide will pose a compliance risk challenge for Sasol post 2025 from both a technical and financial feasibility point of view,” the company said in an emailed response to questions. “All commercially available technologies for the abatement of sulfur dioxide to meet new plant standards have been evaluated and we continue to scan for new technologies.” A failure to comply could lead to fines and the closing of plants.

While Sasol has already won a postponement, Eskom is yet to hear whether its applications to have its compliance with the sulfur dioxide emission standards delayed from 2020 until 2025 are successful. It has argued that it would only be economic and feasible to fit the pollution abatement technology on its two newest plants.

Eskom, which operates about 15 coal-fired power stations, has said that flue-gas desulfurisation equipment can cost between R20bn and R40bn per plant. Environmental activists including Greenpeace put the cost significantly lower.

“Sasol is still saying they can’t afford flue-gas desulfurisation,” said Robyn Hugo, program head for pollution and climate change at the Cape Town-based Centre for Environmental Rights. “Sasol itself has confirmed that there are no other means to meet these minimum emission standards.”

In addition to being technically difficult and costly, flue-gas desulfurisation equipment would require that additional water and limestone are brought in from the Northern Cape province. Existing limestone mines in that province are 450 kilometers (280 miles) to 800 kilometers away from Sasol’s

plants.

“Flue-gas desulfurisation technology is proven,” Sasol said. Still, “it would be significantly challenging to retrofit” the equipment at the existing plants, it said.

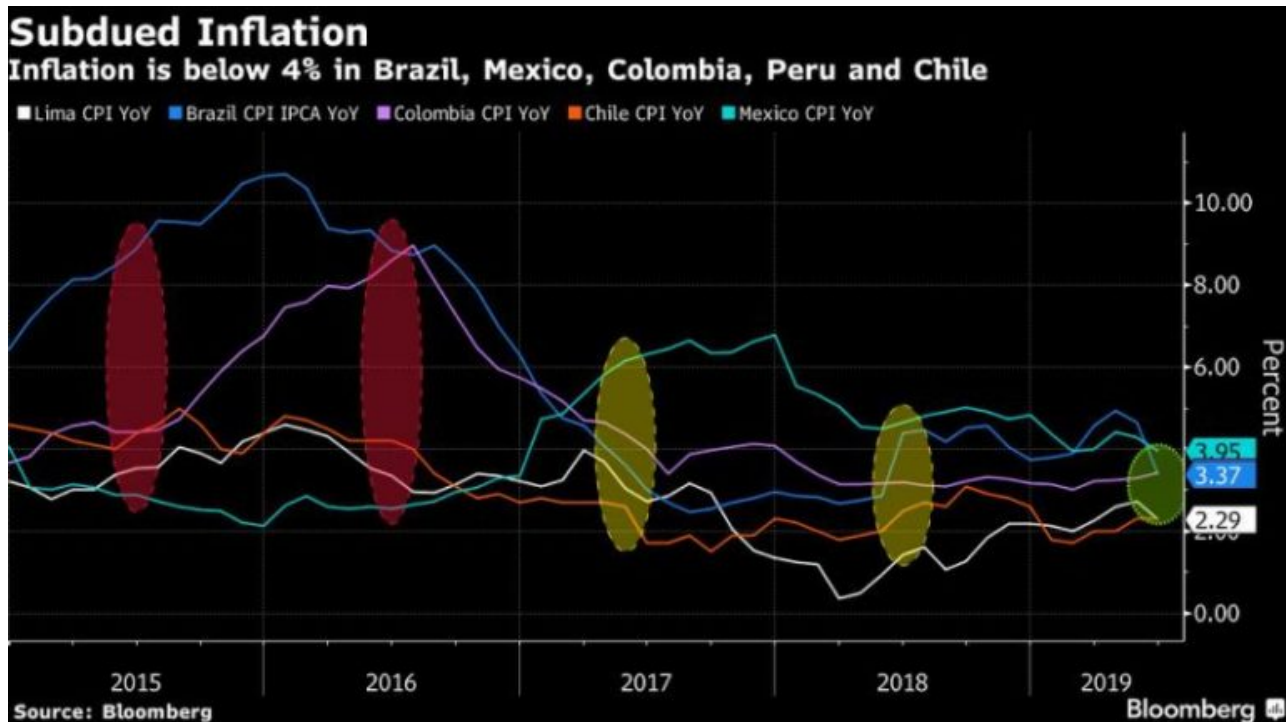
In a separate application for a delay in meeting emission limits for a range of other pollutants, Sasol has asked for permission to significantly exceed caps for nitrogen dioxide, particulate matter and carbon monoxide until 2025. By that time, it says in the application, new equipment should enable it to comply.

On incinerators at its Secunda plant, it wants limits of as much as 90 times the new cap to be applied for carbon monoxide and particulate matter.

Sasol shares have declined by 27% this year as the company battles cost overruns at its Lake Charles chemicals project in Louisiana.

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## **The world economy's biggest week of 2019 as Fed prepares cut**



There will be no chance of a summer break for investors or policy makers in coming days as they brace for what might be the busiest week for the world economy this year.

The highlight is Wednesday's decision by the Federal Reserve with markets and economists virtually united in predicting Chairman Jerome Powell and colleagues will cut interest rates for the first time in more than a decade.

## What's Likely to Happen?

Some Fed watchers predict officials will cut their benchmark by half a percentage point, but the signal is that they will eschew a bigger move in favor of a quarter point reduction. They will likely also leave open the possibility of further action down the road as they seek to sustain the record-long U.S. expansion and kick start inflation.

*"While the Fed cutting rates by a quarter point will hardly be a surprise to financial market participants – as it has been well advertised and is priced in with a relatively high probability – the broader question will be how the Fed telegraphs its intentions regarding additional easing," said Carl Riccadonna, chief U.S. economist at Bloomberg Economics. "Policy makers are keen to avoid getting 'bullied' by the*

*markets into more than 50 to 75 basis points of rate reductions.”*

The Fed isn't the only event with the ability to shape the outlook for the global economy this year.

On Monday, U.S. Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin are set to travel to China for for the first high-level, face-to-face trade negotiations between the world's two biggest economies since talks broke down in May.

Then on Friday, the monthly payrolls report will shed light on whether the Fed's move was necessary. Economists surveyed by Bloomberg predict a 166,000 gain in non-farm jobs in July, slower than the 224,000 of June.

If that's not enough, Bank of Japan policy makers meet on Tuesday amid calls to reinforce their commitment to low rates and Brazil's central bank may cut rates on Wednesday. Thursday sees the release of global manufacturing data amid concerns many industries are already suffering recession.

Here's our weekly rundown of other key economic events:

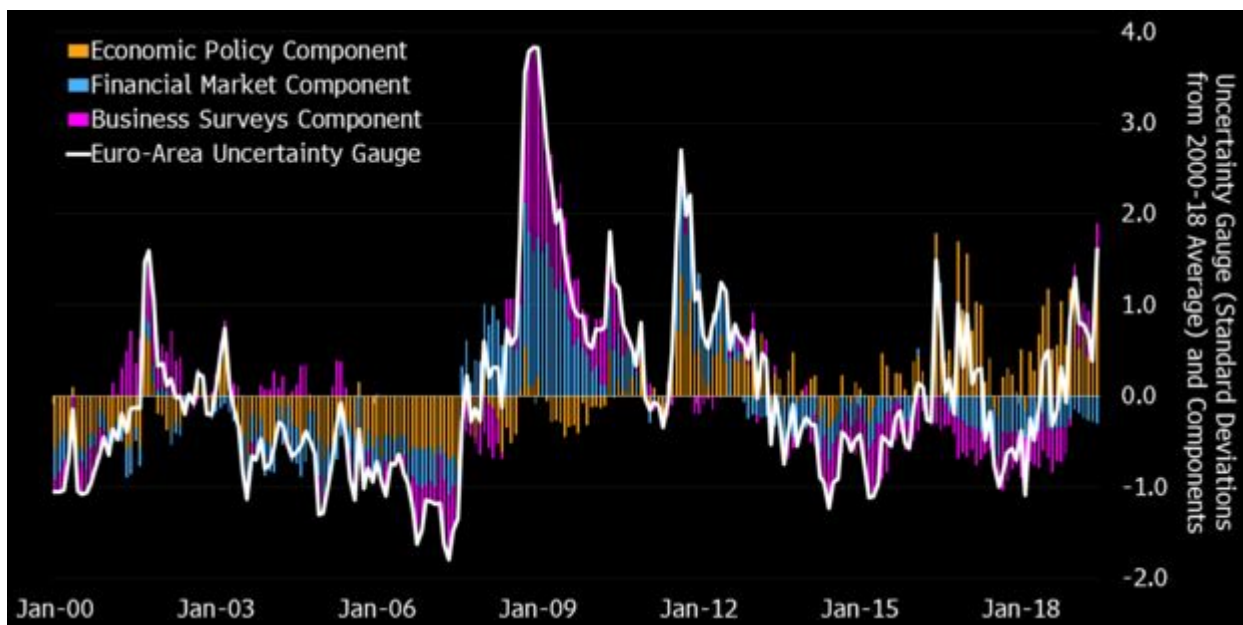
## **U.S.**

As Fed officials begin their discussions on Tuesday they will have some more data with which to assess the economy. Personal income, pending home sales and consumer confidence statistics are all due that morning. Then on Thursday, the ISM manufacturing report is expected to show industry is stabilizing and continuing to expand. Friday's trade data will be pored over for evidence that the skirmish with China is having an effect. Also next week, the Treasury will say on Wednesday how much money it needs to borrow amid rising budget deficits.

## Europe, Middle East and Africa

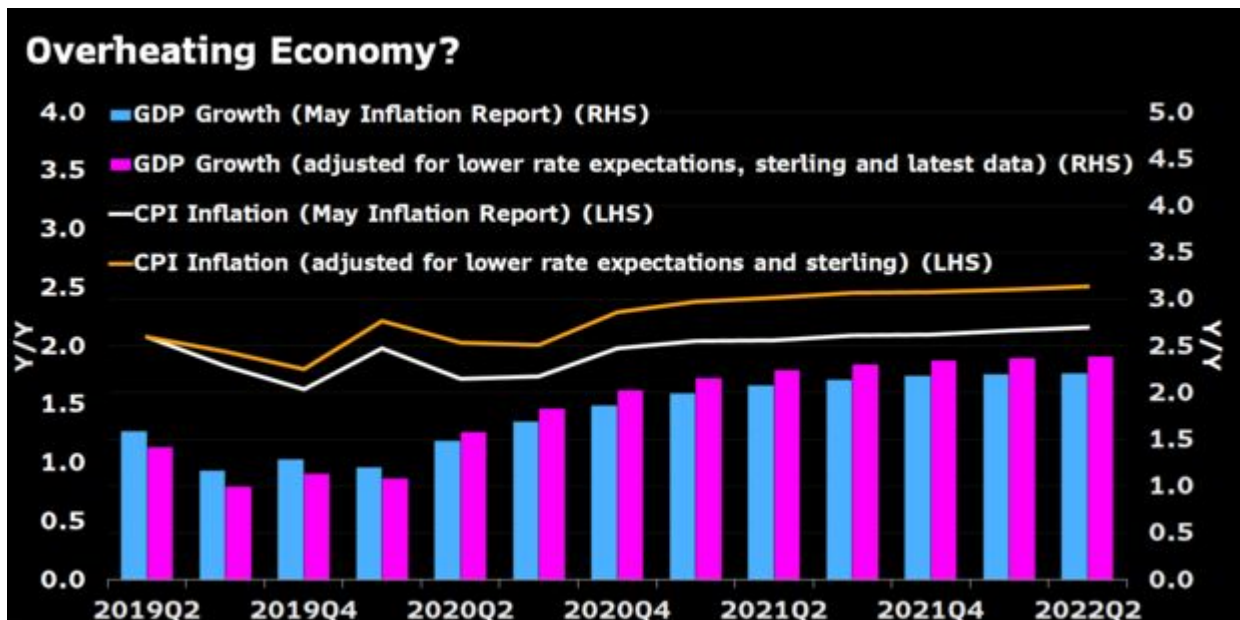
It's a big week for data after European Central Bank President Mario Draghi last week paved the way to cut interest rates in September and perhaps relaunch bond-buying. Tuesday is set to witness another decline in euro-area confidence while the following day is likely to confirm that the economy slowed in the second quarter to half the pace of the 0.4% of the prior three months. Inflation data the same day is expected to show consumer price growth languishing well below the ECB's target of just below 2%. Thursday sees the release of purchasing managers indexes.

## New Uncertainty Gauge Shows Damage to Euro-Area Economy



Source: Bloomberg Economics

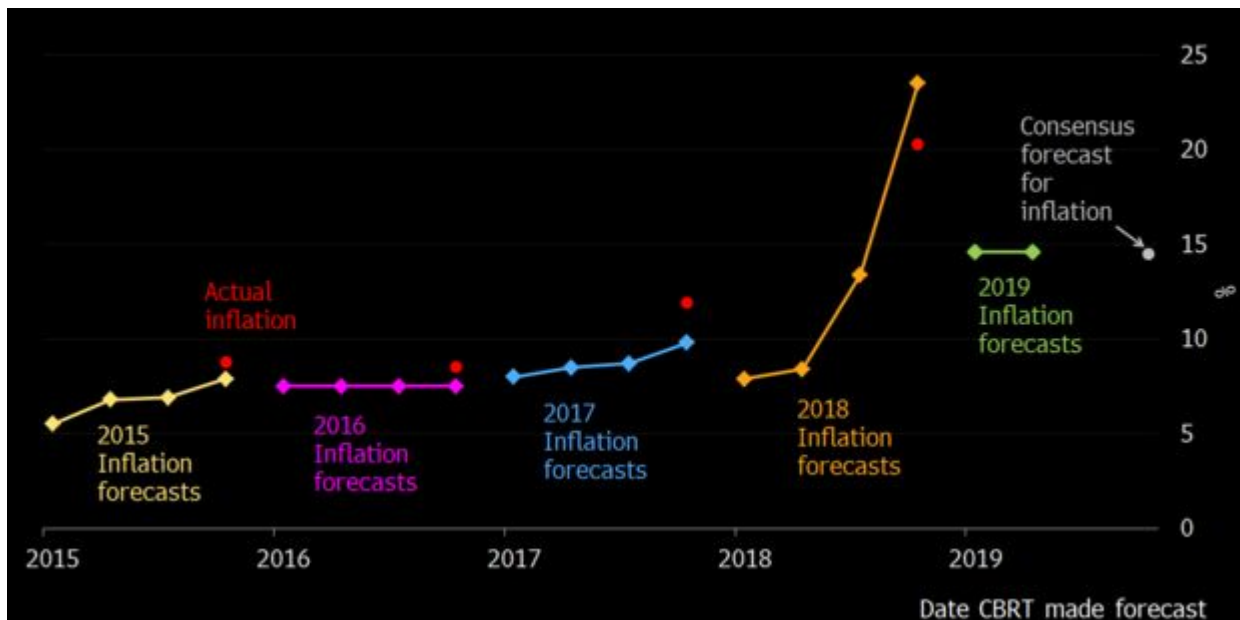
In the U.K., the Bank of England publishes its latest forecasts on Thursday with Bloomberg Economics reckoning it will turn more dovish as the Oct. 31 Brexit deadline nears. The Czech central bank is predicted to leave its benchmark unchanged at 2% on Thursday.



Source: Bank of England, Bloomberg Economics

Turkey's new Central Bank Governor Murat Uysal will face public questioning for the first time on Wednesday when he presents the quarterly inflation report. The lira was relatively unscathed after a 425-basis-point interest-rate cut at his first meeting, the largest in recent Turkish history, investors will be curious as to whether he shares President Recep Tayyip Erdogan's unconventional belief that high interest rates cause inflation. Banks across the Persian Gulf region will probably move to ease if the Fed cuts as expected.

## Turkish Central Bank's Inflation Forecast in Line With Consensus



Source: CBRT, Bloomberg

## Asia

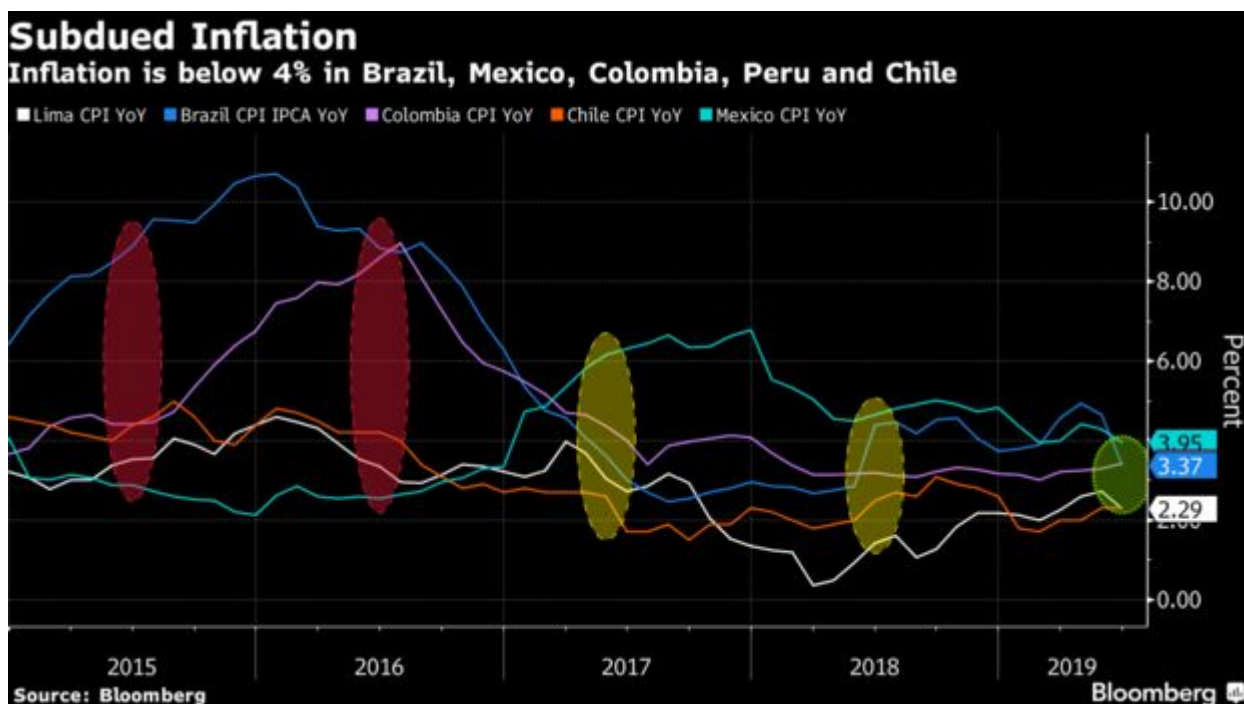
Bank of Japan policy makers finish a meeting on July 30. About a third of economists in a survey published last week said they expect policy makers to strengthen their pledge to maintain rock-bottom interest rates rather than do nothing and risk a sharp appreciation of the yen should the Fed cut rates. Still, some officials see little to be gained from such a tweak, according to people familiar with the matter. Data released on Tuesday is forecast to show industrial production shrank again in June amid weak external demand.

## Easy Does It

In China, Bloomberg Economics says purchasing managers' indexes will probably remain in contractionary territory as pressure on exporters persist. Elsewhere, a report on Thursday is set to show South Korean exports slid for an eighth straight month which will unnerve those already worried about global trade. Inflation data for Australia, Indonesia, South Korea and Thailand will help inform central bankers.

## Latin America

Brazil's central bank is widely expected to cut borrowing costs on Wednesday with economists and traders debating how deep it will go. The following day, July industry output data may shed light on whether Latin America's largest economy slipped into technical recession in the first half of the year. Mexico will learn if it was able to avoid a technical recession on Wednesday, when the national statistics bureau releases preliminary output data for the second quarter.



**First Annual  
Mediterranean  
Leadership Summit**

**Eastern  
Energy**



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

The **First Eastern Mediterranean Energy Leadership Summit** will be held at the **Divani Apollon Palace & Thalasso** in Athens, Greece, from **October 1 – 2, 2019**. The event is organized by the Transatlantic Leadership Network, the University of Piraeus – MSc in Energy: Strategy, Law & Economics of the Department of International & European Studies, and SGT S.A.

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



Download Summit Details

### Topics of discussion:

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

## SPEAKERS



### Kocho Angjushev

Deputy Prime Minister  
Republic of North Macedonia



# Enver Hoxhaj

Deputy Prime Minister  
Republic of Kosovo



# Francis R. Fannon

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



# Mirko Šarović

Minister of Foreign Trade and Economic Relations  
Bosnia and Herzegovina



# Roudi Baroudi

CEO  
Energy & Environment Holding, Qatar



# Yannis Bassias

President & CEO  
Hellenic Hydrocarbon Resources Management



# Dr. Stephen Blank

Senior Fellow for Russia  
American Foreign Policy Council



# Ambassador John B. Craig

Senior Partner  
Manaar Energy Group, Abu Dhabi



# Ioannis Desypris

Director, Regulatory Affairs  
Mytilineos S.A., Greece



# Prof. Nikolaos Farantouris

Chair, Legal Affairs, EUROGAS, Brussels & General Counsel,  
DEPA, Greece



# Michael Haltzel

Chairman of the Board  
Transatlantic Leadership Network



# Dr. Symeon Kassianides

Chairman  
Natural Gas Public Company (DEFA)



# Athanasios G. Platias

Professor of Strategy  
University of Piraeus



# H.E. Geoffrey Pyatt

U.S. Ambassador to the Hellenic Republic



# Megan Richards

fmr. Director, Energy Policy in Directorate General for Energy  
European Commission



# Jean-Luc Saquet

General Manager  
GreenPower 2020, France



# Dr. Ali Abu Sedra

Law expert in Petrochemicals, Former Legal Advisor to the  
Ministry of Oil, Libya



# Piotr Sprzączak

Head of Infrastructure Unit  
Naczelnik Wydziału Infrastruktury



# Sasha Toperich

Senior Executive Vice President  
Transatlantic Leadership Network



# Dr. Aristotle Tziampiris

Professor of International Relations, Chair of the Department  
of International and European Studies  
University of Piraeus



# Joseph F. Uddo III

Deputy Assistant Secretary for Energy Innovation and Market  
Development  
United States Department of Energy

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# IEA ready to act quickly to keep global oil market supplied



PARIS (Reuters) – The International Energy Agency (IEA) is closely monitoring developments in the Strait of Hormuz and ready to take swift action if needed to keep the global oil market supplied, it said on Monday.

The Paris-based agency said the right of free energy transit through the strait was critical to the global economy and must be maintained.

Iranian Revolutionary Guards seized British-flagged oil tanker Stena Impero at the Strait of Hormuz on Friday in apparent retaliation for the British capture of an Iranian tanker two weeks earlier.

Oil prices rose on Monday on concerns that Iran's seizure the tanker could lead to supply disruptions in the energy-rich Gulf. [O/R]

The Strait of Hormuz is a vital maritime transit route for world energy trade. About 20 million barrels of oil, or about 20% of global supply, are transported through the strait each day, the IEA said.

“The IEA is ready to act quickly and decisively in the event of a disruption to ensure that global markets remain

adequately supplied," it said, adding that executive director Fatih Birol has been in talks with IEA member and associate governments as well as other nations that are major oil consumers or producers.

"Consumers can be reassured that the oil market is currently well supplied, with oil production exceeding demand in the first half of 2019, pushing up global stocks by 900,000 barrels per day," the IEA said in a statement.

countries hold 1.55 billion barrels of public emergency oil stocks. In addition, 650 million barrels are held by industry under government obligations and can be released as needed, it said.

The stocks are enough to cover any supply disruptions from the strait for an extended period, it added without saying how long that might be.

Reporting by Bate Felix; Editing by David Evans and David Goodman

Our Standards: The Thomson Reuters Trust Principles.

<https://www.reuters.com/article/us-mideast-iran-ia/iea-ready-to-act-quickly-to-keep-oil-market-supplied-idUSKCN1UH1SN>