

# BP 'resilient' amid boost to pre-tax profits



Energy giant BP boosted its pre-tax earnings in the first three months of 2019, which it said showed “resilience” in a “volatile period”.

Pre-tax profits were £3.6bn, more than double that of the previous quarter at £1.7bn and higher the same period last year at £3bn.

However, the firm said its underlying replacement cost profits were £1.7bn, down from £1.9bn from the same period last year reflecting weaker oil prices and margin environment at the start of the quarter.

Capital expenditure was significantly lower compared to Q4 last year, which included £1.3bn as part of an asset swap agreement for ConocoPhillips’ 16.5% stake in the Clair field in the West of Shetland in December.

Upstream production was two percent higher than the previous year at 2.6 billion barrels of oil equivalent per day, thanks to the acquisition of BHP Billiton's assets.

Revenues were £52.1bn, down slightly from £53.4bn in Q1 2018.

BP said it was hit by the weaker oil price at the start of the quarter which has since recovered to around \$70 a barrel.

The firm also made £463m in payments for the 2010 oil spill in the Gulf of Mexico this quarter.

One of the key events for the firm in the period was the final investment decision being taken on the Seagull development in the Central North Sea, as well as Atlantis Phase 3 in the Gulf of Mexico and Azeri Central East in Azerbaijan.

Chief executive Bob Dudley said: "BP's performance this quarter demonstrates the strength of our strategy.

"With solid Upstream and Downstream delivery and strong trading results, we produced resilient earnings and cash flow through a volatile period that began with weak market conditions and included significant turnarounds.

"Moving through the year, we will keep our focus on disciplined growth, with efficient project execution and safe and reliable operations."

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**Cyprus                      ponders                      gas  
monetisation options**



## **New natural gas discoveries offshore Cyprus have revived the possibility of the island hosting an LNG plant**

Cyprus is finally in a position where it can realistically start exploring a number of ways of getting natural gas to market. Seven years after the first discovery in Cyprus' offshore economic exclusion zone (EEZ) – the Aphrodite field in Block 12 (4.5tn ft<sup>3</sup> of gas in place) – the island has notched up two more finds.

Last year, an Eni-Total consortium struck gas at Calypso in Block 6 (estimated 3-5tn ft<sup>3</sup>). The most recent newcomer is Glaucus-1 (5-8tn ft<sup>3</sup>) in Block 10, discovered by ExxonMobil, partnered by Qatar Petroleum.

Energy minister Yiorgos Lakkotrypis, addressing Gulf Energy's Eastern Mediterranean Gas Conference in Nicosia in early March, said the "quality of the reservoir in Block 10 allows us to be optimistic about the very high recoverability potential" of the ExxonMobil discovery. Last year, the first well drilled on Block 10 failed to find commercial reserves.

With the Glaukos success, “we are waiting for the remodelling or re-calibrating of geological data and will look again at Block 10 targets”.

Sounding upbeat, Lakkotrypis was keen to move on to the subject of how to monetise “the discoveries we’ve had – and hopefully we’ll be having some more”. At present, the plan is for gas from Aphrodite to be exported to Egypt by pipeline. As for the other resources, “a number of parameters will determine what choice we will make, and until that moment comes we will be maturing all options together”.

## **LNG option favoured**

According to Andreas Koutsoulides, commercial manager of the state energy firm Cyprus Hydrocarbons Company (CHC), four monetisation options are under review. The first would involve the construction of an LNG plant at Vasilikos on the southern coast of Cyprus. In the aftermath of the Aphrodite discovery a plant site was prepared and a master plan drawn up. But the scheme was deemed commercially unviable, given the limited discoveries off Cyprus at the time. Koutsoulides adds the venture would require “a minimum threshold of 10-15tn ft<sup>3</sup> of resources to enable such a plant to go ahead”. The LNG proposal “is number one in terms of strategy because not only is it a solution that can bring upstream revenue to the country, but it will also have additional effects on the domestic economy in terms of employment and significant industrial activity”.

The second option is to export gas to the Egyptian market. The CHC executive sees potential demand in the domestic Egyptian market and for liquefaction, with capacity in the two existing LNG plants, Idku and Damietta. Plans for monetising Aphrodite gas “are crystallising towards Egypt because of the supply and demand structure there, the availability of infrastructure and changes in the gas market regulatory framework”.

The third option is for a floating LNG plant, which offers “tried-and-tested technology and we are looking at that very seriously. A floating facility gives lots of flexibility to move onto another field. Also, the threshold for the resources required to get a project up and running is lower than for an onshore facility.”

## Pipeline to Europe

The final option is the East Med Gas Pipeline project that envisages natural gas from Israel and Cyprus being transported for sale in the markets of northern Europe. “There has been a sharp decline in Europe’s energy supply,” Koutsoulides says, “and they have been looking for years for diversification of supply.” FEED studies for the project have started.

In the view of East Med energy consultant Charles Ellinas, the Cypriot authorities should concentrate on the first of the four options: an onshore LNG plant—“a three-train facility to keep the unit costs down.” The gas resources could come from fields offshore Cyprus, and from the Leviathan field off Israel (22tn ft<sup>3</sup> of gas in place). The Leviathan project, Ellinas says, “is having some troubles finding customers”. Future finds from fields offshore Israel operated by Energean might also find their way to Cyprus for liquefaction. A company spokesman tells *Petroleum Economist* that Energean is “examining all potential export routes for its gas fields in Israel”.

Attracting Israeli gas to Cyprus could be geopolitically advantageous for the island. Turkey, which opposes the exploitation of Cypriot gas while the island remains divided and which claims sovereignty of some of Cyprus’ EEZ, says it plans to drill off southern Cyprus—a potentially destabilising prospect for the Cypriot energy sector. But such a move could also threaten Israel’s interests, if its gas reached the island; and Turkey might think twice before risking

confrontation with Israel.

## **Imports enthusiasm wanes**

Another factor that both Cyprus and Israel have to take into account is Egypt's rising gas production and its diminishing hunger for imports. Egyptian company, Dolphinus Holdings, has signed a 10-year contract with Noble Energy and Delek Drilling for gas supply from Israel's offshore fields to Egypt. But a number of technical and security issues have yet to be resolved. Also, new discoveries, such as the one expected at Eni's offshore Nour field, will boost still further Egypt's reserves, adding to the 30tn ft<sup>3</sup> at the mega-giant Zohr field. Enthusiasm for importing gas from elsewhere is likely to fall sharply.

In the chaotic aftermath of the 2011 popular uprising, Egypt was forced to import LNG. Now it is resuming its own LNG exports. "If the minister of petroleum is allowing Egypt to export, then he must be confident Egypt will have sufficient production to do so," says Ellinas.

A question mark, therefore, hangs over the plans for the sale of the relatively small volume of Aphrodite reserves to Egypt. If there was no urgency for Egypt to access these when the country was short of gas, it is hard to see the Cairo authorities making the project a priority today.

## **Get LNG going**

Ellinas considers the Aphrodite plan a distraction. "Cyprus should start developing LNG now and not wait. If Aphrodite gas was sold to Egypt, it would delay things another two-to-three years. And the longer you leave it, the more difficult it becomes. ExxonMobil has mega-projects elsewhere. Just because they made a discovery in Cyprus, it isn't a game-changer for them."

As for the idea of a pipeline to take East Med gas to Europe, Ellinas says it simply is not commercially viable. "To produce gas in Israel costs \$4-5/mn Btu. By the time you add on pipeline costs and a profit, it is arriving in Europe at \$8-9/mn Btu. Gazprom can deliver gas to Europe at a profit at \$4.50/mn Btu. Even US LNG is finding it difficult. It is a very competitive market."

So, with geopolitics keeping the vast and hungry Turkish market next door off limits, it could well be LNG or nothing for Cyprus' offshore gas finds.

Some analysts say Cyprus could become an East Med energy hub. Others, more realistically, see Egypt taking that role, leaving Cyprus as a regional service centre. But even the more limited goal will not be met, companies say, if they are not allowed more space to operate.

The Cypriot government has approved the development of Vasilikos, the site of the proposed LNG plant on the southern coast, as a dedicated energy port. But this will not be ready until 2023. Until then, energy sector companies will share space at the island's main commercial port, Limassol. And it is proving to be a tight fit.

Alessandro Barberis, managing director of Eni Cyprus, says "currently, we as operators are forced to use the only oil and gas space available, at Limassol port. It is not enough if simultaneous drilling operations are under way. The Vasilikos port project is targeted for 2023, but we need to think of the medium term." Dalio Vitale of Halliburton agrees: "Vasiliko is important, but it's five years away. We need something in the shorter term.

Varnavas Theodossiou, head of ExxonMobil in Cyprus praises the island's stable investment climate, well-defined legal system and robust tax regime. But he, too, is frustrated by the cramped working conditions. "Maybe Cyprus can expand Limassol

port, maybe we can use Larnaca,” he says. “But the current port situation is not sustainable for operators.”

In the view of Yves Grosjean, general manager of Total, Cyprus should put aside any notion of becoming an energy hub – that would take five-to-10 years to achieve. “However,” he adds, “when we talk about an oil and gas service centre we are talking about an urgent need that won’t go away.” Space is needed without delay because “in some cases there are up to 20 different companies working with one operator for drilling one well”.

Jorgen Berg managing director of Schlumberger Cyprus, says it is “important to assess the needs of the industry, and certainly a port is one of those needs. If the issue is not addressed adequately, then “we as operators will follow our own interests elsewhere”. Other deep-water ports such as Malta could fit the bill. Cyprus’ “advantageous position will not last for ever”. As it is, the lack of space seems certain to slow down IOCs’ drilling schedules, with Eni-Total planning five wells at the end of this year, ExxonMobil two next year. It is hard not to see a queue forming at Limassol port.

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## **Why The IMF Is Wrong About Saudi Arabia Needing \$85 Oil**





Once again, the International Monetary Fund (IMF) has made outlandish and inaccurate claims that Saudi Arabia needs—absolutely NEEDS—to push the price of oil higher to fund its government. This time, the IMF claims Saudi Arabia needs the price of Brent to be at least \$85 per barrel. The problem with this claim is that it inaccurately implies that Saudi Arabia must work to achieve higher oil prices. However, this isn't true and Saudi Arabia does not base its oil policy on the budgetary break-even price per barrel of oil.

In September, the IMF forecast that Saudi Arabia needed \$73 per barrel. Back in the fall of 2017, I explained the faults in IMF logic when it claimed that Saudi Arabia needed \$70 per barrel oil to balance its budget. Among the misunderstandings underlying the IMF calculations, I highlighted that:

1. Aramco oil revenue and Saudi revenue from Saudi Aramco are not interchangeable
2. The 2017 IMF forecast seemed to ignore the tax rate on Aramco
3. Aramco has the lowest cost of production
4. Saudi Arabia had—and still has—significant cash reserves
5. The Saudi government is trying to spend less on welfare expenses
6. Saudi Arabia has easy access to cheap debt

7. There is nothing wrong with Saudi Arabia running a deficit, especially while interest rates are relatively low
8. Historically, Saudi Arabia has sought to maintain reasonable oil prices instead of prioritizing only high prices, because high oil prices lead to global recessions which depress oil demand

Now, we know even more about Saudi oil revenue and how it is determined. When Aramco released a bond prospectus at the start of April, we learned many of the company and the kingdom's financial secrets. Among them, we learned that the government funds about 63% of its budget from Aramco through a mixture of income tax (at a 50% rate), royalties (a marginal rate) and dividend. The royalties depend on the amount of oil produced and the price of Brent. The income tax is largely impacted by the price of oil as well. However, the dividend is adjusted quarterly.

Essentially, the dividend is used as a quarterly check to the government to cover whatever the government needs after Aramco's income taxes and royalties and after the government's other sources of revenue. In the first quarter of 2019, the government miscalculated how much it needed in dividend and took too much from Aramco. This led to a \$7.41 billion surplus for the government in Q1 2019, despite oil prices that ranged from \$54 to \$69. Clearly, in Q1 the Saudi government did not NEED \$85 oil.

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**Climate change issue may**

# influence European Parliament election



Climate change may be a key issue influencing the outcome of the four-day European Parliament election, which begins on May 23.

A recent opinion poll showed that up to 77% of potential voters identified global warming as an “important criterion” when deciding who to vote for at the election.

The survey by ‘Ipsos MORI’ revealed how much climate change has climbed up on the priority list of European voters. The aim of the survey was to understand the importance of environmental issues in election.

Millions of youngsters marched across European cities over the last months to demand stronger action from politicians on climate change, part of a movement which mobilised millions more worldwide.

“Many young people are going to vote in the elections for the first time and are likely to choose MEPs who support more climate action,” said Wendel Trio, director of Climate Action Network Europe, an environmental organisation.

“This could bring about real change in the future European

institutions," he predicted.

But the violent protests against the carbon tax in France are also a reminder that climate policies can bite back on policymakers if they are not accompanied by social measures to lessen the impact on the poorest.

The survey revealed some common trends among countries. The impact of high electricity and gas prices, for instance, was identified as the top environmental priority in Poland (86%), Spain (88%), and Belgium (82%).

But the single most important environmental issue for voters is to produce food in a healthy, sustainable way. This was rated as the top issue in Slovakia (87%), Austria (86%), Italy (85%) and France (81%) – with an average rating of 82% across the 11 countries surveyed.

There are national divergences too. In Spain for example, voters consider solar energy as an important election topic, while Slovaks also mention wind power.

Meanwhile, French respondents tended to identify organic farming and pesticides as their top environmental concern.

A total of 751 Members of the European Parliament (MEPs) currently represent more than 512mn people from some 28 EU member states.

In February 2018, the European Parliament voted to decrease the number of MEPs from 751 to 705, if the United Kingdom were to withdraw from the European Union on March 29 this year.

However after an extension of the Article 50 process, the United Kingdom is now due to participate alongside other EU member states.

The UK is due to leave the EU on October 31, after Brexit was delayed, amid continuing parliamentary deadlock.

It means the UK must now hold European elections on May 23, or leave on June 1 without a deal.

Every five years, EU countries go to the polls to elect members of the European Parliament. The European Parliament is directly elected by EU voters.

Each country is allocated a set number of seats, roughly depending on the size of its population. The smallest, Malta

(population: around half a million) has six members sitting in the European Parliament while the largest, Germany (population: 82mn) has 96.

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## Turkey gives banks \$3.7bn lending boost to spur growth



Bloomberg/Istanbul

Turkey's sovereign wealth fund bolstered the capital ratios of five state-owned banks by €3.3bn (\$3.7bn) in a bid to keep credit flowing in the economy.

A market stability fund within the government-controlled investor bought debt issued by the lenders under a recapitalisation programme announced on Monday, which will see a further €400mn flow to Islamic banks.

The Turkish administration is seeking to rekindle growth with

cheap loans, while tasking the firms with salvaging industries and helping consumers in the hopes that private firms will follow.

State-owned lenders rushed to extend loans before municipal elections at the end of March as their commercial and international peers pulled back. That helped increase their market share by 3 percentage points to 43% between August and the end of February, according to data compiled by Bloomberg.

TC Ziraat Bankasi AS, the country's biggest lender, received the most, selling €1.4bn of bonds.

Turkiye Halk Bankasi AS signed an agreement with the fund for a five-year loan of €900mn, the first interest payment of which will be made at maturity. That will improve Halkbank's Tier 1 ratio by 210 basis points, which is "more than sufficient" to keep it above minimum thresholds, Ates Buldur, a banking analyst at Credit Suisse Group AG's Istanbul unit, said.

The fund invested in Turkiye Vakiflar Bankasi TAO's issuance of €700mn of five-year subordinated bonds. Vakifbank bonds have 5.076% coupon rate, although the Treasury earlier said they would have a zero-coupon.

Development bank Turkiye Kalkinma ve Yatirim Bankasi AS, which is being restructured, and Turkiye Ihracat Kredi Bankasi AS, also known as Eximbank, signed agreements for five-year subordinated loans of €150mn each.

Under the plan, the Treasury issues special-purpose government bonds to the stability fund, which then sells the notes to state lenders in exchange for subordinated debt. Islamic lenders Ziraat Katilim, Vakif Katilim and Emlak Katilim will also get funding.

Capital ratios have fallen as the country's lenders have undertaken nearly \$28bns in debt-restructuring requests.

They're also facing a growing pile of bad loans in the wake of the currency's plunge last year, which has spurred inflation and increased funding costs. The government last year recapitalized three of its banks by selling bonds to its unemployment fund.

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## Putin Says Countries in OPEC+ Deal Are Abiding by Agreement



OPEC+ states including Saudi Arabia are complying with the terms of the agreement to limit oil output, Russian President Vladimir Putin said.

"We have agreements within the OPEC+. We fulfill our agreements and we don't have any news, any information, from our Saudi partners and any other OPEC member, that they are

ready to exit these agreements,” Putin told reporters in Beijing on Saturday, where he participated in the Belt and Road forum.

On Friday, U.S. President Donald Trump tweeted that he “spoke to Saudi Arabia and others about increasing oil flow” and said that “all are in agreement” after the administration announced on Monday that it wouldn’t extend waivers for buyers of Iranian crude that had allowed them to continue purchases despite American sanctions.

Asked about Saudi Arabia possibly compensating for shortfalls of Iranian oil on the global market, Putin said he hoped that wouldn’t happen and reiterated that countries should abide by the OPEC+ agreement.

The waivers expire on May 2 and China, India, Japan, South Korea, Italy, Greece, Turkey and Taiwan now face the prospect of having to find alternative supplies.

It’s hard to forecast what will happen with the oil market in May when the waivers expire, Putin said. He said he didn’t discuss the issue with Chinese President Xi Jinping, though added that Russia is willing to meet China’s demands for oil.

## **‘Colossal Potential’**

“We can produce even more,” Putin said. “We have colossal potential, but it’s not about potential, it’s about the fact that we have agreements with OPEC that we keep to a certain level of output.”

It’s unlikely that Saudi Arabia will abandon the OPEC+ pact that was reached in December and runs to the end of June, since it initiated the deal, Putin said. Russia joined the OPEC+ cooperation because a “coordinated price policy” was needed on the market, he said.

The Russian leader said he discussed the issue



of contaminated oil in the Druzhba pipeline to Europe with Belarusian President Alexander Lukashenko. Transneft is investigating how the crude came to be contaminated and law enforcement may become involved if necessary, Putin said.

He told reporters that Russia's Arctic LNG 2 project won't affect pipeline gas supplies to China, which wants Russia to increase deliveries via the Power of Siberia link. Russia wants to increase LNG supplies to the world market to 100 million tons, he said.

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## **Exclusive: Mitsui, Saudi Aramco, Russia's RDIF in talks to buy Arctic LNG 2 stakes – sources**



**mitsui & co.**

MOSCOW/DUBAI (Reuters) – Japan's Mitsui & Co Ltd (8031.T),

Russian sovereign wealth fund RDIF and Saudi Aramco are in talks to buy stakes in Novatek's (NVTK.MM) Arctic LNG 2 project, with the size of the investments still to be decided, sources familiar with the talks told Reuters.

Novatek plans to start producing LNG at Arctic LNG 2 in 2022-2023. The plant, which is expected to cost around \$25.5 billion, will have an annual production capacity of 19.8 million tonnes and will be Novatek's second LNG plant after Yamal LNG.

Novatek owns a 90 percent stake in the project, with France's Total (TOTF.PA) holding the other 10 percent. Novatek intends to keep a 60 percent stake in Arctic LNG 2, offering 30 percent to other investors.

However, under certain conditions Novatek may cut its stake further, although not to below 50 percent in order to keep control over the project.

Two sources familiar with the talks said that Mitsui, Saudi Aramco and the Russian Direct Investment Fund are in talks with Novatek over taking stakes in the project, which should bring the Russian gas company closer to its goal of producing as much LNG as Qatar, one of the world's top LNG suppliers.

"Mitsui, Saudi Aramco and RDIF are interested to buy a stake in Arctic LNG 2 but there is also an interest from South Asia," one of the sources said.

Japan is the world's top LNG consumer, with Russia among its key LNG suppliers. There are currently two LNG plants operating in Russia: Novatek's Yamal LNG and Gazprom's Sakhalin 2 and Moscow has ambitions for more.

A third source confirmed Mitsui's interest in the project. Three other sources familiar with the talks confirmed the interest from Saudi Aramco and RDIF.

“Saudi Aramco is currently holding technical due-diligence. When the commercial talks approach, RDIF will join(in),” one of the three sources familiar with the talks said.

While RDIF will invest in the project, its contribution is likely to be less than Aramco’s, the second of the three sources familiar with the talks told Reuters.

Talks between Mitsui and Novatek are separate from talks with Saudi Aramco and RDIF, sources said. Each would have a stake in Arctic LNG 2 if their talks succeed, according to the sources.

Saudi Aramco declined to comment and Novatek could not immediately respond to a Reuters request for a comment on Friday. RDIF declined to comment.

“We have a general interest in the project and we are exchanging our opinions with parties involved,” a Mitsui spokesman said when asked whether the company planned to invest in the project.

This week, Novatek awarded a 2.2 billion euro (\$2.51 billion) contract to Italian energy contractor Saipem (SPMI.MI) and Turkish oil and gas services firm Renaissance for the construction of gravity-based structure platforms that will stand on the seabed to support the LNG processing units.

(\$1 = 0.8749 euros)

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## **How US ending Iran waivers**

# could affect oil markets and beyond



Six months after the U.S. rocked oil markets by letting Iranian exports continue, its decision to end sanctions waivers that allowed shipments is also set to reverberate across the globe.

The U.S. is said to announce Monday morning in Washington that it won't renew exemptions from its sanctions to buyers of Iranian crude after they expire on May 2. It marks a change in direction from November last year, when the Donald Trump administration granted waivers to eight importers as it sought to temper fuel prices ahead of American mid-term elections.

The move threatens to squeeze supplies further in a market that's already facing supply disruptions from Venezuela to Libya and Nigeria, and extend this year's rally in global benchmark Brent crude above \$70 a barrel. Prices are still below the four-year highs of over \$86 they hit in October before the U.S. issued its waivers.

What the waivers allowed: China – oil imports of as much as 360,000 barrels a day India – as much as 300,000 b/d of crude purchases South Korea – 200,000 b/d of condensate, an ultra-light oil Japan – exempted volume unknown; shipping data shows it bought 108,000 b/d that loaded in March Turkey – about 60,000 b/d Taiwan – volume unknown; nation's refiners said previously they don't plan to buy anything even with waivers

Here are some of the potential implications of the Trump administration's latest decision, which is aimed at piling economic pressure on Iran over the Persian Gulf state's nuclear program by cutting off a key source of the OPEC member's revenue.

## **Fate of OPEC+ Deal**

The U.S. government will also announce that it got commitments from suppliers such as Saudi Arabia and the United Arab Emirates to offset the loss of Iranian crude, according to people with knowledge of the matter.

That could jeopardize the output deal between the Organization of Petroleum Exporting Countries and its allies, which have been curbing supplies since the start of the year to avert a glut. Russia, one of the partners in the pact, has already signaled that the cuts may not need to be extended. A decision is expected when the producer group known as OPEC+ meets in June.

The pact was driven by Saudi Arabia after it was blindsided last year by the U.S. decision to grant waivers, which sparked a collapse in crude into a bear market in the fourth quarter. Now, the American pledge to eliminate oil exports from Iran may provide an incentive for Crown Prince Mohammed Bin Salman – a Trump ally – to ease the kingdom's policy.

## **Price Relief?**

While crude has jumped more than 3 percent on the news that the U.S. won't renew exemptions, the future direction of prices may be determined by how much the likes of Saudi Arabia and the U.A.E. are able to cushion the blow amid other supply disruptions.

Last year, prices jumped to over \$86 a barrel even though Saudi Arabia was pumping at record levels. Now, it's not just Iranian shipments that are disrupted. Separate U.S. sanctions on Venezuela have squeezed supplies from that OPEC producer too, while fellow group member Libya is roiled by violence. Just on Sunday, a key oil pipeline in Nigeria was halted after a fire.

Iran's exports in March totaled about 1.3 million barrels a day, tanker-tracking data compiled by Bloomberg show. Shipments were as high as 2.5 million barrels daily in April last year, before the U.S. announced plans to reimpose sanctions on the Islamic Republic.

## **Pain for Buyers**

The current set of waivers expiring on May 2 allowed China, India, Japan, South Korea, Italy, Greece, Turkey and Taiwan to continue importing Iranian crude without being subjected to retaliatory U.S. sanctions. With the end of the waivers, the buyers face being cut off from the American financial system if they continue purchases.

Of the buyers, Asian nations India, South Korea, China and Japan are likely to be the hardest hit. If crude prices go higher, the budget deficit in import-dependent nations may also worsen and inflation could accelerate. The biggest importers had already put purchases from the Persian Gulf state on hold as they waited for the U.S. decision.

South Korea's Hanwha Total Petrochemical Co. has already been buying and testing alternative cargoes from areas such as Africa and Australia. While it's not impossible to find other options, that would raise costs and could affect the company's profits, according to a spokesman.

## **Alternative American**

Some buyers may find relief in the shape of rising U.S. shale exports. South Korea, for example, buys a form of ultralight oil known as condensate from Iran, which can potentially be replaced with an alternative from America – though it would mean higher freight costs owing to a longer shipping journey.

But for others, U.S. shipments may not be the best option. That's because American shale supply is typically made of "light-sweet" varieties that have a relatively low sulfur content and density. The type of crude that's being squeezed in the market – from Venezuela for instance – are "heavy to medium sour" grades that are more sulfurous and denser.

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**! اليونان ولبنان... والإفلاس**



بدا كلام رئيس الحكومة اللبناني سعد الحريري عن تشبيه أزمة لبنان باليونان، وكأنه بمثابة الإنذار الأخير قبل السقوط. كثر تلقفوا التحذير وباشروا البحث عن عدو الإنقاذ، فيما بقي آخرون على مشاعر "قلة الثقة" بالأداء السياسي وبقدرته على إخراج البلاد من محنتها، فنشطوا مع مجموعة طارئة على الملف الإقتصادي، في بث أخبار "وشائعات وتحليلات لا يمكن وصفها إلا بالـ"مضللة".

من المستفيد من إفلاس لبنان؟

لا يعقل أن يفكر المقيمون لحظة بأنهم قد ينتمون إلى هذه الخانة. فهم مَن سيتحمّل كلفة السقوط أو أقله ثقل التقشف الآتي في موازنة 2019، إن أُنجزت متى حُلّت الخلافات السياسية التي فجرها إقرار قانون الكهرباء قبل أسبوعين.

ولا يعقل ان يفكر المغتربون لحظات بأنهم قد يفيدون من سقوط الوطن الأم الذي لم يقطعوا صلاتهم به يوماً، ودأبوا على تغذية ميزان المدفوعات بما يحتاجه من مليارات لتوازن أخل فيه عجز الميزان التجاري المزمن...

بقيت شلّة قد ترى أن لها مصالح في السقطة. وهي أما مأجورة وإما ضالعة. وهي ليست حكما من "أهل البلد"، بل هي من فئة "العدو" الذي لم يكل عن إطلاق بوق التشاؤم في عز النهوض. هذا العدو الذي عاد اليوم إلى بث الشائعات على مواقع التواصل، ليبشّر بأن "لبنان



على شفا الإفلاس" لأن "الوضع المالي في بلاد الأرز أسوأ من اليونان!"، أو يندّر بقرب تعرضه لحرب إسرائيلية عبر نقل كلام عن لسان الأمين العام لـ"حزب الله" السيد حسن نصرالله (!)، فيما تعدّ وزارة السياحة لإستقبال موسم سياحي واعد مع رفع الحظر الخليجي (السعودي) على زيارة لبنان.

كلام كثير تتناقله وسائل التواصل، فيه الصحّ كما الخطأ، وفيه التضليل كما الإرشاد، وفيه التفاؤل كما التشاؤم، وفيه التهذئة كما التجيش... حتى بدا أن العارفين بتفاصيل الأزمة ودقائق الملفات والأرقام هم أكثر من الحكام وأصحاب الإختصاصات والخبراء. فكيف يلحق المتتبعون "وعظات" فارغة إلا مما تستهدفه بخلفياتها؟ الواعظ مجهول، وكذلك التكهنات التي تتحوّل وقائع دامغة حين توضع في إطار... تعبيري فصيح، يفضي إلى إثارة الشكوك والهواجس مجانا

ثمة دول عانت فعلا من إفلاسها حين تخلّفت عن سداد ديونها. وربما آخرها، كانت اليونان التي عجزت عن تسديد دين خارجي بقيمة 16 مليار دولار عام 2010، وهو جزء من دين عام يقارب الـ350 مليار يورو. طلبت معونة صندوق النقد والإتحاد الأوروبي، ونالت ثلاث جرعات دعم مالية بلغت قيمتها نحو 285 مليار يورو... ولا تزال حتى اليوم تعاني آثار حزمات التقشف التي إنعكست على الحياة الاقتصادية والاجتماعية على السواء.

لكن، هل من تشابه بين لبنان واليونان؟ بالأرقام، بلغ الدين العام اليوناني نحو 355.6 مليار يورو، ونسبة الدين الى الناتج المحلي الإجمالي نحو 165.3%، والتضخم 3.1%، والنمو الحقيقي -6.9% وعجز الموازنة -9.1%. أما في لبنان، فالدين العام لم يتجاوز سقف الـ90 مليار دولار، فيما نسبة الدين إلى الناتج هي بحدود الـ150%، والتضخم 7%، والنمو الحقيقي 1.2% وعجز الموازنة 11.2%.

وفق المنطق الاقتصادي، لا أوجه شبه بين الأزميتين. فاليونان، الدولة العضو في الإتحاد الأوروبي، كانت تهدّد بإفلاسها إستقرار منطقة اليورو. لذا، طُرحت فكرة إخراجها من المنطقة الإقتصادية، إلا أن أوروبا قررت في نهاية المطاف مدّها بالمساعدة مقابل تنفيذ إصلاحات اقتصادية واجراءات تقشف تهدف إلى خفض العجز في الموازنة.

أما لبنان، فلا ينتمي إلا إلى جامعة الدول العربية التي تمثل منطقة

تشهد أسوأ أحوالها. فهو لا يهدّد إستقرار أي دولة، ولا يُطرح إخراجها من أي تكتل إقتصادي. صحيح ان العجز في الموازنة هو القاسم المشترك، لكن بقدرة الإصلاحات وسياسات التقشف (نفذتها اليونان أيضا)، يستطيع وقف التدهور والخروج من الأزمة بمساعدة "سيدر"، إن تحرّكت مندرجاته بدءا بإقرار موازنة التقشف غير المسبوق في تاريخ البلاد.

الإصلاحات وقطع دابر الفساد يكفلان خفض العجز دون الحاجة إلى إقتطاعات من أي نوع كانت، لأنها تكفل خفض "رواتب خيالية" تُمنح لمديرين في مؤسسات عامة من دون ما يوازيها من "إنتاجية". فمزاريب الهدر والسمسرات والسرقات لا تزال مفتوحة على جشع بعض مسؤولين وطمع آخرين، وتراخي السلطة وتنازلها عن قوة الحكم لقطع دابر كل ما يثير الشبهات والشبهات، فيتسللون الى الصفقات وينقضون بالتالي على ما بقي من ثقة لتتوسّع الهوة ما بين اللبنانيين والسلطة الحاكمة.

مضى الخميس الأول ولم ينعقد اللقاء المالي في بعثا بسبب غياب رئيس الحكومة عن البلاد (إجازة عائلية في السعودية)، علما أن البحث مخصص لبحث ما يجب إتخاذه من إجراءات إنقاذية. تحليلات كثيرة علّلت هجوم رئيس الجمهورية على "مَن تنقصهم الخبرة" لأنهم تسببوا بعدم إنعقاد اللقاء. قيل إن موعدا جديدا حُدّد هذا الخميس. لكن هل يلغيه "خميس الغسل" عند المسيحيين الشرقيين، أو أقله يخفّف من مفاعيله، فيُرجئ مجددا إلى خميس آخر؟ الوقت يمرّ ولبنان لا يملك "ترف الوقت"... لكنه قادر حتما، إن وُجدت الإرادة السياسية والقرار الواضح والموحّد، على إبعاد شبح الإفلاس ووقف سيل الهواجس والشائعات. ما على السياسيين سوى مواجهة المسؤولين بجرأة

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**Global energy outlook:**

# implications for the East Med



BP published its Global Energy Outlook earlier in the year. The key message is that renewables are growing faster than any fuel in history, but carbon emissions keep rising. In addition, energy demand is set to increase by a third by 2040 driven by increases in prosperity in the developing world.

Introducing the Outlook, BP CEO Bob Dudley said “One of the biggest challenges of our time is a dual one: the need to meet rising energy demand while at the same time reducing carbon emissions.” The world needs both – doing one without the other will not work.

The key findings in BP’s latest Energy Outlook are:

Even though global GDP will double by 2040, primary energy demand will increase only by a third, due to energy efficiency

The power sector will use around 75% of the increase in

primary energy

85% of the growth in energy supply will be generated through renewable energy and natural gas, with renewables becoming the largest source of global power generation by 2040

Global carbon emissions continue to rise, signaling the need for a comprehensive set of policy measures, including decarbonisation, to achieve a substantial reduction in carbon emissions.

The majority of the increase in global primary energy will come as a result of the increase of income per head in the developing world, demanding more energy. Without an increase in energy becoming available this rising prosperity will be suppressed.

This will lead to growing competition between different energy sources driven by abundant energy supplies, and continued improvements in energy efficiency, keeping energy prices low.

Factors underpinning global energy changes and trends

There is a clear correlation between human progress and energy use. Around 80 per cent of the world's population today live in countries where average energy consumption per head is less than that the European average. As a comparison, the average energy use per head in 2016 in China and Brazil was half that in Europe and in India about a fifth. Conversely, the US average was twice that in Europe.

Increasing prosperity means that the world will consume a third more primary energy by 2040 compared to now, but that will still leave about two thirds of the world's population living below the European threshold.

Trade disputes and threats increase energy security concerns. This leads countries to increase domestically produced energy

and reduce dependence on imports.

The greatest impact is on countries and regions most exposed to foreign trade and energy imports. Notable examples are China, Japan, India and Turkey. This results in less imports of oil and gas, and a shift in the fuel mix towards domestically-produced sources of energy, such as coal, nuclear and renewables, leading to a sharp reduction in global energy trade.

Trade disputes also impact oil and gas exporting countries. The US and Russia are notably vulnerable to this.

The message from history is that concerns about energy security can lead to permanent changes in global energy use, as did the 1973 Arab oil embargo.

## Outlook for natural gas

The outlook for natural gas is good, with global demand expected to increase and be resilient over the next 20 or so years. But this is being increasingly impacted by the accelerated adoption of renewables combined with electricity storage, the unit costs of which are coming down fast.

Based on current trends, gas demand is expected to grow at a rate of about 1.7 per cent per year. To meet this, new investment will be needed into oil and gas production, with preference given to low-cost supplies.

The pattern of natural gas supply is changing, with the shale revolution making the US the world's largest producer of gas. Also the rapid growth of LNG is transforming how natural gas is transported and traded globally, with a global reach.

LNG exports will increase significantly, led by the US and Qatar, fostering a more competitive and globally-integrated market. LNG trade is expected to double, with Asia remaining

the dominant market. But this is highly dependent on the effects of prices, energy security, trade wars and sanctions.

The abundance of gas supplies and competition with increasingly cheaper renewables and coal mean that price matters. Lower prices will support future increases in demand and conversely high prices could limit future gas demand growth. Only projects with low development costs will succeed.

## Challenges

The abundance of global oil and gas resources means that global energy markets are becoming more competitive. In addition, new technologies are revolutionising the way in which energy is produced, transported and consumed.

The greatest challenge will be to reconcile the need for more energy to support continued global economic growth and rising prosperity, together with the need for a more rapid transition to a lower-carbon future. As Dudley said, this is one of the biggest challenges of our time: "We know the desired outcome of energy transition, but we still do not know the path to get there."

Environmental campaigners are urging oil and gas companies to reduce emissions and spending on fossil fuels. However, the challenge is: what are the alternatives to provide the additional energy the world will need in future? And when and how is this additional energy going to be provided in a reliable and dependable way, and on demand?

Nevertheless, emissions are going in the wrong direction. The world needs a comprehensive set of policies to meet the dual challenge of more energy, less emissions. Dudley summed this up when he said "we can do this even faster and more efficiently with clearer, smarter policy signals from governments."

But, as BP said, it is important to remember that it is not a

race to renewables – it is a race to reduce emissions. With increasing global energy demand, most fuels will still be needed to 2040. The road to Paris is long and challenging.

### Implications for the East Med

Clearly there is a future for natural gas. But the world has plentiful supplies and only low-cost projects will succeed. East Med gas is expensive to develop and unless ways are found to keep costs down – for example through the development of large-scale, integrated, projects – it will struggle to secure export markets.

The possibility of ExxonMobil developing a large-scale LNG plant at Vasilikos, together with Total and Eni, offers the best hope. But time is not on our side. This needs to be given priority over all other options and brought forward. Waiting for another ten years to get there may be too late.

Cyprus also needs to prioritise adoption of renewables. The continuous delays in liberalising the electricity market, now to December 2021 at the earliest, are inexcusable. These delays give credence to the suspicion that they are linked to the plan to import LNG. This was aired in earlier articles in the Cyprus Mail, including one in September last year, stating “After years of delays, and with full knowledge of what should happen and by when, Cyprus is not yet ready to liberalise the energy market! Only one word can describe this – incredible!... The earliest possible this can now be achieved is 2020... Let us hope that this will continue as planned, given the incredible number of postponements to date!”

Sadly, like many other past promised deadlines, 2020 has also gone. And I predict that 2021 will have the same fate. What we need is clear, firm, plans and transparency!