

What oil at \$100 would mean for world economy



Bloomberg Hong Kong/Singapore

Rising oil prices are prompting forecasts of a return to \$100 a barrel for the first time since 2014, creating both winners and losers in the world economy.

Exporters of the fuel would enjoy bumper returns, giving a fillip to companies and government coffers. By contrast, consuming nations would bear the cost at the pump, potentially fanning inflation and hurting demand.

The good news is that Bloomberg Economics found that oil at \$100 would mean less for global growth in 2018 than it did after the 2011 spike. That's partly because economies are less reliant on energy and because the shale revolution cushioning the US.

Ultimately, much depends on why prices are pushing higher. A shock amid constrained supply is a negative, but one due to robust demand just reflects solid growth. Both forces are now in play, driving Brent crude up about 22% this year.

1. What does it mean for global growth?

Higher oil prices would hurt household incomes and consumer spending, but the impact would vary. Europe is vulnerable given that many of the region's countries are oil importers. China is the world's biggest importer of oil and could expect an uptick in inflation.

There are also seasonal effects to consider, with winter looming in the Northern hemisphere. Consumers can switch energy sources to keep costs down, such as biofuels or natural gas, although not quickly. Indonesia already has instituted measures to push more use of biofuels and limit the economy's reliance on imported fuel.

For a sustained hit to global growth, economists say oil would need to hold above \$100. The dollar's gain of this year doesn't help though given crude is priced in greenbacks.

2. How can the world economy absorb oil at \$100?

Bloomberg Economics found that \$100 oil will do more harm than good to global growth. Yet there are important differences in the condition of the world economy today compared with 2011.

"The shale revolution, lower energy intensity, and higher general price levels mean the impact will be smaller than it once was," economists led by Jamie Murray wrote in a recent report. "The price of a barrel will have to go much higher before global growth slips on an oil slick."

3. How will Iran and Trump impact the market?

Geopolitics remains a wild card. Renewed US sanctions on Iran are already crimping the Middle East nation's oil exports. While President Donald Trump is pressuring the Organisation of Petroleum Exporting Countries to pump more, there is limited spare production capacity. In addition, supply from nations including Venezuela, Libya and Nigeria is being buffeted by economic collapse or civil unrest. Still, Goldman Sachs analysts predict \$100 will not be passed.

4. Who wins from higher oil prices?

Most of the biggest oil-producing nations are emerging economies. Saudi Arabia leads the way with a net oil production that's almost 21% of gross domestic product as of 2016 – more than twice that of Russia, which is the next among 15 major emerging markets ranked by Bloomberg Economics. Other winners could include Nigeria and Colombia. The increase in revenues will help to repair budgets and current account deficits, allowing governments to increase spending that will spur investment.

4. Who loses?

India, China, Taiwan, Chile, Turkey, Egypt and Ukraine are among the nations who would take a hit. Paying more for oil will pressure current accounts and make economies more vulnerable to rising US interest rates. Bloomberg Economics has ranked major emerging markets based on vulnerability to shifts in oil prices, US rates and protectionism. One of the biggest winners might also find itself on the losing end: Oystein Olsen, Norway's central bank governor, warned that western Europe's biggest petroleum producer risks problems if the industry takes its eyes off controlling costs.

5. What does it mean for the world's biggest economy?

A run-up in oil prices poses a lot less of a risk to the US than it used to, thanks to the boom in shale oil production. The old rule of thumb among economists was that a sustained \$10 per barrel increase would shave about 0.3% off of US output the following year. But tallies now, including that of Moody's Analytics chief economist Mark Zandi, pencil in a hit of around 0.1%.

While the diminishing American reliance on imported oil has positive economic consequences at the industry level, poorer households would feel the weight of higher prices at the pump. They spend about 8% of their pre-tax income on gasoline, compared to about one% for the top fifth of earners.

6. Will it lead to higher

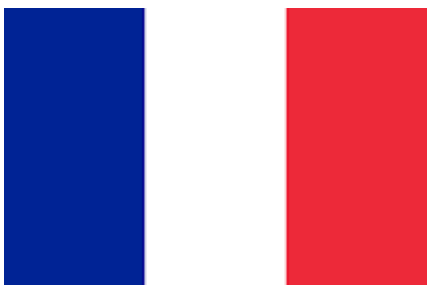
inflation around the world?

Energy prices often carry a heavy weight in consumer price gauges, prompting policy makers including those at the Federal Reserve to focus simultaneously on core indexes that remove volatile energy costs. But a substantial run-up in oil prices could provide a more durable uptick for overall inflation if the costs filter through to transportation and utilities.

7. What does it mean for central banks?

If stronger oil prices boost inflation, central bankers on balance will have one less reason to keep monetary policy loose. Among the most-exposed economies, central bankers in India already are warning about the impact as the nation's biggest import item gets more expensive. Greater overall price pressures also could prompt faster monetary policy tightening in economies such as Thailand, Indonesia, the Philippines and South Africa.

Nations face tough choices on climate



By Marlowe Hood/ AFP Paris

The world's nations will gather at a UN conference in South Korea today to review and approve a 20-page bombshell – distilled from more than 6,000 scientific studies – laying out

narrowing options for staving off climate catastrophe.

When the 195 countries who signed off on the Paris Agreement in 2015 requested a report from UN-led scientists on the feasibility of capping global warming at 1.5 degrees Celsius, the gesture seemed to many unnecessary.

The treaty, after all, enjoined the world to block the rise in Earth's surface temperature at "well below" 2C (3.6 degrees Fahrenheit) compared to preindustrial levels, adding a safety buffer to the two degree threshold long seen as the guardrail for a climate-safe world.

Since then, however, a crescendo of deadly heatwaves, floods, wildfires and superstorms engorged by rising seas – with less than 1C warming so far – has convinced scientists that the danger cursor needed to be reset.

"There is increasing and very robust evidence of truly severe and catastrophic risks even at the lower bounds of these temperature targets," said Peter Frumhoff, director of science and policy at the Union of Concerned Scientists, a Washington-based research and advocacy group.

The promise of "pursuing efforts" to limit warming to 1.5C – added to the Paris treaty at the last minute, in part to assuage poor nations who felt short-changed on other fronts – caught scientists off-guard.

"There wasn't very much literature on 1.5C warming three years ago," said Jim Skea, a professor of at Imperial College London's Centre for Environmental Policy, and a co-chair of the Intergovernmental Panel for Climate Change (IPCC), the UN science body charged with writing the "Special Report" on 1.5C.

Of hundreds of climate models in 2015 projecting a low-carbon future, only two or three aimed for a 1.5C global warming cap. The 20-page Summary Policy Makers – which will be collectively scrutinised, line-by-line, by hundreds of diplomats through Friday – contains several benchmark findings, according to a draft obtained by AFP.

At current levels of greenhouse gas emissions, for example, the Earth's surface will heat up beyond the 1.5C threshold by

2040, the report concludes with “high confidence”.

To have a fighting chance of staying under the 1.5C cap, the global economy must, by 2050, become “carbon neutral”, meaning no additional CO₂ can be allowed to leach into the atmosphere. In addition, the report suggests that carbon dioxide emissions from human activity will need to peak in 2020 and curve sharply downward from there.

So far, we are still moving in the wrong direction: after remaining stable for three years – raising hopes the peak had come – emissions rose in 2017 to historic levels.

For many scientists, these targets are technically feasible but politically or socially unrealistic, along with the broader 1.5C goal.

“The feasibility is probably going to remain an open question, even after the report comes out,” said Michael Oppenheimer, a professor of geosciences and international affairs at Princeton University.

A main focus of the underlying, 400-page report – written by a team of 86 authors, supported by another 150 scientists – is the difference a half-degree Celsius can make in terms of impacts.

“When we’re talking about 1.5C it’s not just to protect a few dozen small island nations,” said Henri Waisman, a senior researcher at the Institute for Sustainable Development and International Relations, and a co-ordinating author of the report.

“It’s to avoid dramatic impacts that become exponentially more dramatic when we go from 1.5C to 2C.”

What used to be once-a-century heatwaves in southern and central Europe, for example, are projected to occur four out of 10 summers in a 1.5C world, and six out of ten in a 2C world.

Many tropical fisheries are likely to collapse somewhere between the 1.5C and 2C benchmark, as fish seek cooler waters; staple food crops will decline in yield and nutrition an extra 10 to 15%; coral reefs that may have a chance of surviving if air temperatures remain below 1.5C will very likely perish

with an additional half-degree of warming.

Most worrying of all, perhaps, are temperature “tipping points” that could push methane-laden permafrost and the icesheets of Greenland and West Antarctica – which hold enough frozen water to lift global oceans by a dozen metres (nearly 40ft) – beyond the point of no return.

Some experts, however, worry that focusing on the contrast between a 1.5C and 2C world obscures the fact we are currently on a trajectory that will crash through both these thresholds.

“I don’t think 2C is safe, and I would never want to argue it,” said Frumhoff. “By many measures, 1.5C is not enough.”

“But while we might call 2C an upper bound, let’s not pretend that we’re on a 2C path – we are way above that,” he told AFP.

Even taking into account voluntary national pledges to cut greenhouse gas emissions, submitted in annex to the Paris treaty, the Earth is on track to heat up by an unliveable 3.5C or more by century’s end.

“If we want to save ourselves from the disasters that are looming, we only have unrealistic options left,” said Kaisa Kosonen, Greenpeace IPPC campaign lead.

“We have to try to make the impossible possible.”

QP wins exploration rights for offshore block in Brazil with ExxonMobil



Qatar Petroleum (QP), the country's hydrocarbon bellwether, has won exploration rights for an offshore block in Brazil, in partnership with ExxonMobil.

The Qatari entity won the exploration rights for the Tita block as part of a consortium with its long-term partner ExxonMobil, who will be the operator with a 64% participating interest, while QP will hold the remaining 36% interest.

The winning bid was announced by Brazil's National Agency of Petroleum, Natural Gas, and Biofuels (ANP) at a public bidding session held yesterday in Rio de Janeiro. Competing bids were submitted to the ANP and the winners were announced at the public session.

The exploration blocks were offered as part of the Brazil Exploration PSC5 Bid Round, which covered four blocks in the prolific Santos/Campos basins.

The relevant legal agreements, including the concession agreements, are expected to be signed between the Brazilian authorities and the consortium members by the end of this year.

"This is QP's third success in Brazil in less than a year, which expands our footprint in one of the most prospective basins in the world. This winning bid constitutes another

milestone on the road of achieving our strategy of creating a large scale, value-adding international portfolio, while pursuing Latin America as an important core area for QP,” its president and chief executive Saad Sheirda al-Kaabi said.

This is the third winning bid by QP in Brazil. In October 2017, and as part of Brazil’s PSC3round, QP was part of a winning consortium with Shell and China National Offshore Oil Corporation for exploration in the Alto de Cabo Frio-Oeste block in the Santos basin.

Again in March this year, QP was part of two consortia winning four blocks in the 15th concession bidding round in Brazil; two blocks with Petrobras and ExxonMobil in the Campos Basin and two blocks with ExxonMobil in the Santos basin.

**Led by Texas, North Dakota,
US crude output hits record
10.96mn bpd in July**



Reuters/New York

US crude oil production rose 269,000 bpd to a record 10.964mn bpd in July, led by record output from Texas and North Dakota, the US Energy Information Administration said in a monthly report on Friday.

The agency revised its June production figure slightly higher to 10.695mn bpd in June.

US crude production has surged thanks to a shale boom and now rivals top producers Russia and Saudi Arabia.

Oil production in Russia averaged 11.347mn bpd between September 1 and September 27 and was on track to reach another post-Soviet high, an energy sector source told Reuters on Friday. Saudi Arabia meanwhile, produced about 10.4mn bpd in August.

Saudi Arabia is concerned that rising US shale production over the next year could create another glut, especially if a stronger dollar and weaker emerging market economies reduce global demand for oil.

Production in Texas inched higher to a record 4.47mn bpd and output from North Dakota also hit a peak, rising by 41,000 bpd to 1.26mn bp, EIA data showed.

Still, the rate of production growth in the Permian basin, the

biggest US oilpatch which spans Texas and New Mexico, is slowing amid transportation bottlenecks as pipelines have filled.

Drilling companies cut oil rigs for a second consecutive week as new drilling stalled in the third quarter with the fewest additions in a quarter since 2017, data showed on Friday.

Total US oil demand was up 3% in July compared with last year, driven by strong demand for distillates, EIA data shows.

Distillate demand jumped 6.8%, or 251,000 bpd, in July year-on-year, while gasoline demand was up 0.7%, or 67,000 bpd, in July compared with last year, EIA data showed.

Meanwhile, natural gas production in the lower 48 US states rose to an all-time high of 92.7bn cubic feet per day (bcfd) in July, up from the prior record of 90.9 bcfd in June, according to the EIA's 914 production report.

Output in Texas, the nation's largest gas producer, increased to 24.6 bcfd in July, up 1.5% from June. That was the most since April 2016.

In Pennsylvania, the second biggest gas producing state, production rose to a record high 17.0 bcfd in July, up 3.0% from June.

That compares with output of 14.7 bcfd in July 2017.

America's off shore gulf wells pumping the most crude in decades



Shale oil can't take all the credit for America's rise to energy superpower, according to Bloomberg. Rigs in the green-blue waters of the US Gulf of Mexico pumped over 1.85mn bpd of crude in July, the largest volume in nearly 4 decades, according to government data. That helped push the nationwide oil supply to a record-high of 11mn barrels a day during the month

The startup of new wells and the return of some platforms from maintenance contributed to the output rise in the Gulf of Mexico, according to Danya Murali, a mathematical statistician for the EIA's Office of Petroleum, Natural Gas, and Biofuels Analysis. "It was one platform down after another in the Gulf for the last several months," she said in an e-mail, adding that these have all since resumed service. Offshore gulf production rose 11% in July. By contrast, output from Texas, the largest driver of shale production, rose 1% to reach a fresh record of 4.469mn bpd.

Oil on biggest tear in decade as global supply cushion vanishes



Oil posted the longest string of quarterly gains in more than a decade as impending supply disruptions threaten to fracture a global market with little margin for error.

Futures rose 1.6 percent in New York on Friday while London-traded crude racked up its fifth quarterly advance, a streak not seen since the first half of 2008. This historical echo comes as consumers once again eye supply disruptions and worry about the availability of backup supplies, just as they were a decade ago when the benchmark hit an all-time high above \$147.

“The market is getting more nervous about Iranian sanctions especially on reports that Sinopec is cutting back” on purchases from the Persian Gulf nation, said Phil Flynn, senior market analyst at Price Futures Group.

Oil has risen to the highest in almost four years in London after OPEC showed little enthusiasm for raising output despite

President Donald Trump's demand for lower prices. The world will need additional supplies as U.S. sanctions dissuade major importers including India and South Korea from purchasing Iranian oil. Chinese refiner Sinopec is slashing crude loadings from the nation this month, Reuters reported.

"There is concern in the market that the loss of barrels from Iran and Venezuela is not going to be made up for through extra supplies from particularly Saudi Arabia and Russia," said Gene McGillian, manager of market research at Tradition Energy. "Worries about trade relations affecting economic growth have fallen away."

Trading houses such as Trafigura Group Pte Ltd and Mercuria Energy Group Ltd have predicted prices will exceed \$100 a barrel. Banks including Bank of America Corp. and JPMorgan Chase & Co. aren't quite that bullish, but are lifting their forecasts. Meanwhile, BP Plc and Total SA cautioned that such a rally would hurt demand, especially as U.S.-China trade tensions escalate.

See Also: After Three Years of Talking, Mexico May Finally Buy U.S. Crude

Brent for November delivery advanced \$1 to settle at \$82.72 a barrel on the ICE Futures Europe exchange in London. The November contract expires on Friday.

West Texas Intermediate for November delivery rose \$1.13 to close at \$73.25 on the New York Mercantile Exchange. It's trading at an \$9.47 discount to Brent. Total volume traded was about 15 percent below the 100-day average.

Investors are now watching to see what Trump will do next after U.S. Energy Secretary Rick Perry ruled out the release of oil from the Strategic Petroleum Reserve, saying the move would have "a fairly minor and short-term impact." Earlier this week, the president accused the Organization of Petroleum Exporting Countries of "ripping off the rest of the world."

Oil leap towards \$100 softens blow of Russia sanctions



Bloomberg/London

When former US President Barack Obama first imposed sanctions on Russia in 2014, a plunge in global crude prices turned the penalties into a crushing blow. This time round, oil markets are doing the opposite.

As US lawmakers mull a new round of “crippling” sanctions, some traders are predicting the price of Russia’s main export will hit \$100 a barrel for the first time since 2014. The windfall from higher oil revenue could end up mitigating the effect of even the harshest measures under discussion in Washington and investors are picking up Russian government bonds on the back of crude’s gains.

“The surge in oil prices should outweigh the sanction fear,” said Viktor Szabo, a portfolio manager at Aberdeen Standard Investments in London. “Russia is one of the strongest among

emerging markets in terms of fundamentals.”

The renewed threat of US penalties lumped Russian assets in with the worst performers amid the summer’s broader emerging-markets slump, but the subsequent crude-oil rally and central bank rouble support have sparked a rebound.

In Washington meanwhile, US lawmakers continue to brandish sanctions that could see a ban on new sovereign debt sales and even shut Russian banks out of the international financial system.

Paul McNamara, a London-based fund manager at GAM UK Ltd with an overweight position in Russian rouble bonds, says he added to his holdings after the Russian central bank paused its policy of topping up reserves with hard-currency purchases to avoid exacerbating rouble weakness.

While he concedes that the tougher version of the penalties would mean “more downside” for Russian markets, “major macro issues” can be avoided with oil trading where it is. And if sanctions don’t materialize in their harshest form, current oil prices “put Russia in a very strong position,” he said.

The rouble trimmed its third weekly advance on Friday, the longest winning run since January. Yields on 10-year local debt have fallen 14 basis points this week to 8.55%, the lowest level since August 16.

Daleep Singh, a former Treasury official who helped pen the sanctions against Russia in 2014, admitted in a recent testimony that most of the economic contraction in the country was caused by the decline in oil, not by limiting some Russian companies’ access to capital markets. “Most credible estimates” are that 10% to 40% was caused by US sanctions, Daleep said.

After skipping four local bond sales in a row, the longest stretch since the 2014 crisis, Russian officials say they have no need to rush back into the market and meet investors’ demand for a yield premium.

The recent rouble weakness and elevated oil prices mean that the value of a barrel of Brent in rouble terms is close to a record, bolstering the budget and helping the government meet

its local-currency spending goals.

“The higher price of oil helps because it insulates the economy from needing access to the debt markets, if that were touched in a worse-case scenario,” said James Barrineau at Schroders, who has also been picking up local OFZ debt. “It will help sovereign savings to grow and thus make market access less important in the short term,” as well as giving the government funds to support banks should the US curtail their market access, he said.

Oil producers in Norway's Arctic seek new options for gas export



Bloomberg/Oslo

A group of oil companies led by Equinor ASA is taking a new look at options for exporting natural gas from the isolated

Barents Sea in Norway's Arctic.

The nine companies in the group have asked Gassco AS, operator of Norway's gas-export infrastructure, to assess options, including increasing existing capacity for liquefying gas and building a new pipeline, spokeswoman Lisbet Kallevik said by email. The study will include cost estimates for different capacity levels, she said.

Finding solutions to export gas from the Barents has engaged the industry for years. The region is considered Norway's most prospective with potentially more than half of the nation's undiscovered oil and gas resources, but a lack of transport infrastructure poses challenges. It isn't connected to the rest of Norway's pipeline network, and the only existing gas project liquefies the fuel from the giant Snohvit field, which is then exported by ships.

A 2014 study by an industry group, published by Gassco, concluded that known gas resources in the Barents Sea weren't sufficient to justify investments in new transport infrastructure. No significant discoveries have been made since then. But oil fields like Eni SpA's Goliath has started, Equinor's Johan Castberg will do so by 2022 and Lundin Petroleum AB's Alta is nearing development. These also have gas resources, but no infrastructure to export it. Besides Equinor, the other companies in the group are Total SA, Aker BP ASA, Deutsche Erdoel AG, Eni, Lundin, Neptune Energy Group Holdings Ltd, OMV AG and the Norwegian government's wholly owned Petoro AS, Kallevik said. She was confirming an earlier report by weekly newspaper Upstream.

Equinor declined to comment on the study.

The group's initiative comes after Equinor, the dominant company in Norway's oil industry, said it's exploration efforts would specifically start targeting new gas deposits. European demand for the cleaner-burning fuel has grown in the past years, and Norway's exports, which cover about a quarter of the continent's needs, hit a record in 2017.

SEC chairman says Tesla settlement in 'best interests' of shareholders



WASHINGTON (Reuters) – U.S. Securities and Exchange Commission chairman Jay Clayton said in a statement on Saturday that the agency's settlement with carmaker Tesla was in the best interests of the U.S. markets and company shareholders.

Earlier on Saturday, the agency said it had fined Musk and Tesla \$20 million each and required Musk to step down as chairman to settle securities fraud charges over Aug. 7 tweets in which Musk said he was taking the company private.

"I...fully support the settlements agreed today and believe that the prompt resolution of this matter...is in the best interests of our markets and our investors, including the shareholders of Tesla," Clayton said.

Chevron receives offer for its Rosebank field stake in North Sea



Chevron Corp has received an offer for its stake in the Rosebank project in the North Sea, months after the company said it plans to exit some fields in the UK. The oil major has a 40% stake and is the operator of the Rosebank field, located west of Shetlands in one of the harshest and most expensive areas of the North Sea. Chevron has struggled to reach a final investment decision for the project since at least 2013, right before an oil-price collapse caused companies to slash spending. Chevron and other big oil companies including ConocoPhillips are reducing their interests in the ageing North Sea as they focus on growth regions like US shale. The UK is likely to have the fewest new wells this year since 1973, according to a trade group. The government, keen to keep production going in the region, has encouraged private

equity companies to fill the gap left by the oil majors. "Chevron has been weighing up development options for a number of years," Ross Cassidy, a senior research manager at consultant Wood Mackenzie Ltd, said in a statement.

"The asset may be struggling to compete for capital within Chevron's low-breakeven tight-oil portfolio, focused on the US Permian basin." News of the talks for Rosebank was first reported by industry trade publications, which didn't name the potential buyer. A spokeswoman for Chevron confirmed the offer, without giving more details. The San Ramon, California-based company is still working on engineering and design for the project, she said. Chevron said in July it intends to dispose its assets in the central North Sea after an internal strategic review. That didn't include Rosebank. The field is the largest undeveloped asset in the North Sea, according to Wood Mackenzie. Suncor Energy Inc holds 40% in the project and Siccac Point Energy 20%. Rosebank will probably need about \$6bn to develop, according to Cassidy. If it gets the green light in 2019, oil production could start in 2024, with output rising to about 100,000 barrels of oil equivalent a day at a peak rate, he said. Development would probably include a new-build, harsh environment floating production, storage and offloading vessel and up to 20 production wells, Cassidy said.