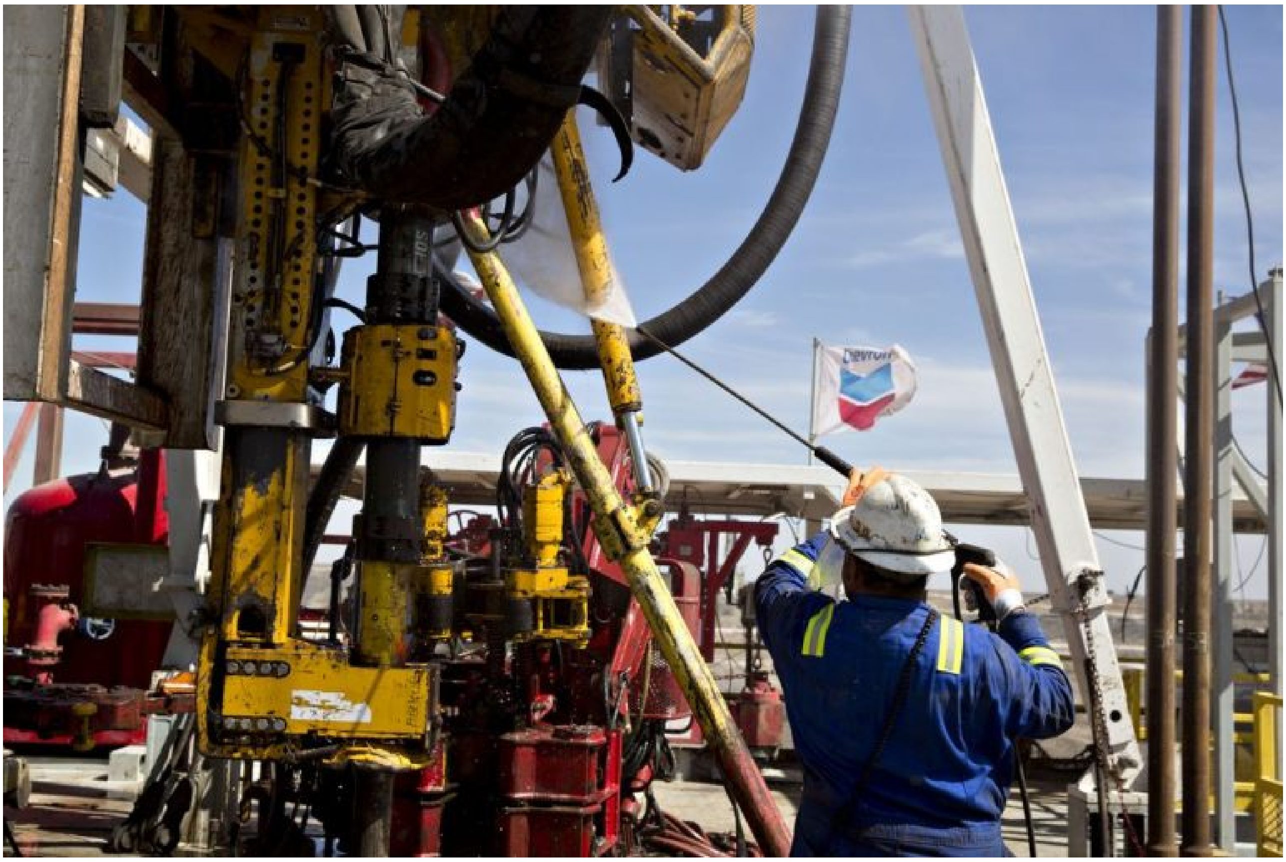
US beats Saudi to become top oil exporter on shale boom



Want the lowdown on European markets? In your inbox before the open, every day. Sign up here.

The U.S. briefly became the world’s No. 1 oil exporter as record shale production found its way to global customers, and there are prospects for more.

Surging output from shale helped America ship almost 9 million barrels a day of crude and oil products in June, surpassing Saudi Arabia, the International Energy Agency said in a report, citing gross export figures. There’s room to send even more supply overseas as companies add infrastructure to transport the burgeoning production from fields in Texas and New Mexico to the coast.

Gains in U.S. supply are undermining efforts by the Organization of Petroleum Exporting Countries and its allies, whose production cuts are in their third year in a bid to drain stockpiles. The swelling American output, as well as deepening concerns over global demand fueled by a prolonged U.S.-China trade war, have prompted a drop of almost 20% in benchmark Brent crude from an April high.

The expansion in America’s exports in June was helped by a surge in crude-oil shipments to more than 3 million barrels a day, the IEA said. At the time, Saudi Arabia was cutting its exports as part of the OPEC+ agreement, while Russian flows were constrained by the Druzhba pipeline crisis.

The Saudis reclaimed the top exporter’s spot in July and August as hurricanes disrupted U.S. production and the trade dispute “made it more difficult for shale shipments to find markets,” the IEA said.

The tussle for the No. 1 slot could remain tight in the months ahead. As Saudi Arabia continues to curb production, the IEA said America’s crude exports could rise by a further 33% from June levels to as much as 4 million barrels a day as new export infrastructure gets built in the fourth quarter of this year.

Oil prices down 2% on US-China trade doubts, Opec+ talks

NEW YORK (Reuters) – Oil prices fell about 1% on Thursday after a media report cast doubt on the possibility of an interim U.S.-China trade deal and as a meeting of the OPEC+ alliance yielded no decision on deepening crude supply cuts.

Oil was pressured further after the European Central Bank cut its deposit rate to a record low -0.5% from -0.4% and said it will restart bond purchases of 20 billion euros a month from November to prop up euro zone growth.

Brent crude LCOc1 futures settled at $60.38 a barrel, shedding 43 cents, or 0.71%. WTI crude CLc1 futures settled at $55.09 a barrel, losing 66 cents, or 1.18%.

Oil futures extended losses after a senior White House official denied a Bloomberg News report that the United States was considering a temporary trade agreement with China, according to CNBC.

Earlier, prices had been supported on news that the world’s two largest economies made some concessions in their protracted trade war.

“We had a lot of moving parts. We came in with the ECB, then we saw the U.S was going to reach some kind of interim agreement with China, then they ended up saying they’re not,” said Phillip Streible, senior commodities strategist at RJO Futures in Chicago. “Now we’re just back-pedaling and cautiously waiting for the next development in the market, whether it be from economic data, more verbiage from OPEC, and we’re still going to monitor inventories as a whole.”

Oil prices also stumbled after comments from Saudi Arabia’s new energy minister, Prince Abdulaziz bin Salman, said deeper cuts would not be decided upon before a meeting of the Organization of the Petroleum Exporting Countries planned for December.

A Thursday meeting of the market-monitoring committee formed by the Organization of the Petroleum Exporting Countries and its allies, whose de facto leader is Saudi Arabia, yielded a promise to keep countries within the production quotas they committed to in a global supply deal.

A statement from OPEC and its allies, a grouping known as OPEC+, said oil stocks in industrial countries remained above the five-year average. Oman’s energy minister said “the outlook is not very good for 2020.”

Prince Abdulaziz said Saudi Arabia would keep cutting by more than it pledged in the pact, which has throttled supply from OPEC+ by 1.2 million barrels per day.

Also feeding the bearish sentiment, the International Energy Agency said surging U.S. output would make balancing the market “daunting” in 2020.

“Booming shale production has allowed the U.S. to close in on, and briefly overtake, Saudi Arabia as the world’s top oil exporter … in June, after crude exports surged above 3 million bpd,” the agency, which advises industrial economies on energy policy, said in its monthly report.

The Paris-based IEA kept its oil demand growth forecasts for this and next year at 1.1 million barrels per day and 1.3 million barrels per day, respectively.

Reporting by Laila Kearney in New York; Additional reporting by Shadia Nasralla in London and Aaron Sheldrick in Tokyo; Editing by Matthew Lewis and Leslie Adler

Our Standards:The Thomson Reuters Trust Principles.

The clean-energy fast track

Kingsmill BondAngus McCrone Jules Kortenhorst| The Daily Star
The global transition from carbon-intensive fossil fuels to cleaner, more reliable renewables like wind and solar is already well underway. But the big question – for the 2020s and beyond – is how fast it will happen. A slow transition would mean that energy-sector incumbents continue to flourish,

and we would all but certainly miss the emissions-reduction targets enshrined in the 2015 Paris climate agreement. But if the transition is rapid, incumbents will experience varying degrees of disruption – the price of keeping the Paris targets well within reach. As matters stand, both scenarios are possible, representing two paths that lie before us.In a new report for the World Economic Forum's Global Future Council on Energy, we and our co-authors identify four key areas that will determine which path we take. The Speed of the Energy Transition offers compelling evidence that the transition is coming fast, and that all stakeholders in the global energy system – which is to say, everyone – must start preparing.One area where the gradual and rapid scenarios diverge is adoption of renewable energy. When will renewables start displacing incumbents? For markets, the key moment will be when renewables make up all of the growth in energy supply, as well as all the growth in electricity supply. That, most likely, will happen in the early 2020s, long before fossil fuels lose their dominant share of total energy supply. As renewables become the leading growth industries in the energy sector, financial markets will increasingly reallocate capital accordingly.

A second area concerns innovation in energy technology, and whether growth in new applications is linear (the gradual scenario) or exponential (the rapid scenario). Solar and wind are already cheaper than fossil fuels when it comes to generating electricity, and electric vehicles are close to challenging internal-combustion-engine cars on price. The evidence suggests that the barriers to growth for EVs in the foreseeable future are soluble. Moreover, new waves of innovation are forthcoming, in the form of nascent but already viable technologies such as green hydrogen energy. Prices for renewables will most likely drop far below those of incumbent energy sources – and fast – leading to exponential growth in green energy.

A third key area is public policy. Will policymaking remain cautious, or will it become more dynamic and ambitious as new technologies create opportunities to improve the design and functioning of markets? Inertia being a powerful force, existing policies have been limited in scope. But history teaches us that there are tipping points: Once genuine change comes, it tends to be adopted rapidly across the board – as in the case of laws prohibiting smoking indoors.

Given that new technologies are already providing better solutions for consumers' energy needs, policymakers inevitably will respond to their constituents' demands. Once enough politicians recognize that the energy transition is not expensive, and will actually boost competitiveness (thereby reducing prices), they will update the rules governing energy markets to make way for the change that is already underway.

The last key area is emerging markets, which could either follow the fossil-fueled path of developed countries, or leapfrog to newer energy technologies. Countries like China and India undoubtedly need to generate far more energy for their citizens, and there are almost 1 billion people worldwide who still lack access to electricity. But that doesn't mean emerging and developing countries have to opt for high-emission fossil fuels.

Just as mobile phones made landline telephony irrelevant in much of the developing world, increasingly affordable renewables can become the obvious first choice for generating energy.

From our perspective, the evidence clearly points to a rapid energy transition in the years ahead. The danger is that key stakeholders – whether policymakers or investors – will mistake which path we are on, and make poor decisions. If so, we will all have to bear the costs of stranded high-carbon assets and bad investments in obsolete technologies. Worse, we will have missed an early opportunity to achieve sustainability and minimize the risk of catastrophic climate.

Everyone – from innovative technology startups to energy incumbents and government policymakers – has a role to play in determining which path we take. If stakeholders recognize the rapid pace of the global energy transition already underway and embrace the change, we can still hit the Paris targets and have a planet that allows everyone to thrive.

Kingsmill Bond is the new energy strategist for Carbon Tracker. Angus McCrone is chief editor of Bloomberg NEF. Jules Kortenhorst is CEO of the Rocky Mountain Institute. THE DAILY STAR publishes this commentary in collaboration with Project Syndicate © (www.project-syndicate.org).

Europe looks on with dismay as Brexit disarray deepens

By Laura King /London

Friday، 13 September 2019 12:19 AM

Watching the growing disarray unfolding in Britain, the rest of Europe is worried.
With British Prime Minister Boris Johnson battling his own party and parliament over Brexit, smashing political norms as he goes, the prospect of Britain “crashing out” of the

European Union on October 31 is still seen by many as a real possibility — even though British lawmakers have passed a bill meant to preclude that scenario.

Britain’s parliament — suspended early Tuesday by Johnson amid a raucous outcry from the opposition — is now in a five-week hiatus that ends just two weeks before the Brexit deadline.

The prime minister says he still wants to make a deal with the EU, but there’s been no sign of significant progress on the major points of contention, including how to deal with what will be a new EU-UK land border on the island of Ireland.

Economists generally agree that if Britain departs the 28-nation bloc with no withdrawal accord, the British economy will suffer a far greater shock than will its European counterparts.

But repercussions will be felt across Europe and beyond, with fears in several EU states that Brexit could help nudge a prospective economic slowdown towards full-blown recession.

The EU, which never wanted Britain to leave, is still likely to grant an extension of the October 31 deadline, although Johnson swears he won’t seek one, and the bloc is increasingly pessimistic that Britain can find a way out of its conundrum.

The EU is also unsettled over continuing uncertainty about the fate of its 3.6mn nationals living in Britain, many of whom are discovering, to their dismay, that decades of working and paying taxes in the UK are no guarantee they will be allowed to stay.

And while Brussels is accustomed to worrying about anti-democratic tendencies in member states like Hungary and Poland, and about far-right inroads being made there and elsewhere, EU officials have been alarmed by the spectacle of emerging constitutional stresses and strains in Britain, one of the traditional pillars of the postwar order.

Here’s a look at some of the major EU players and how they view the latest developments:

* IRELAND

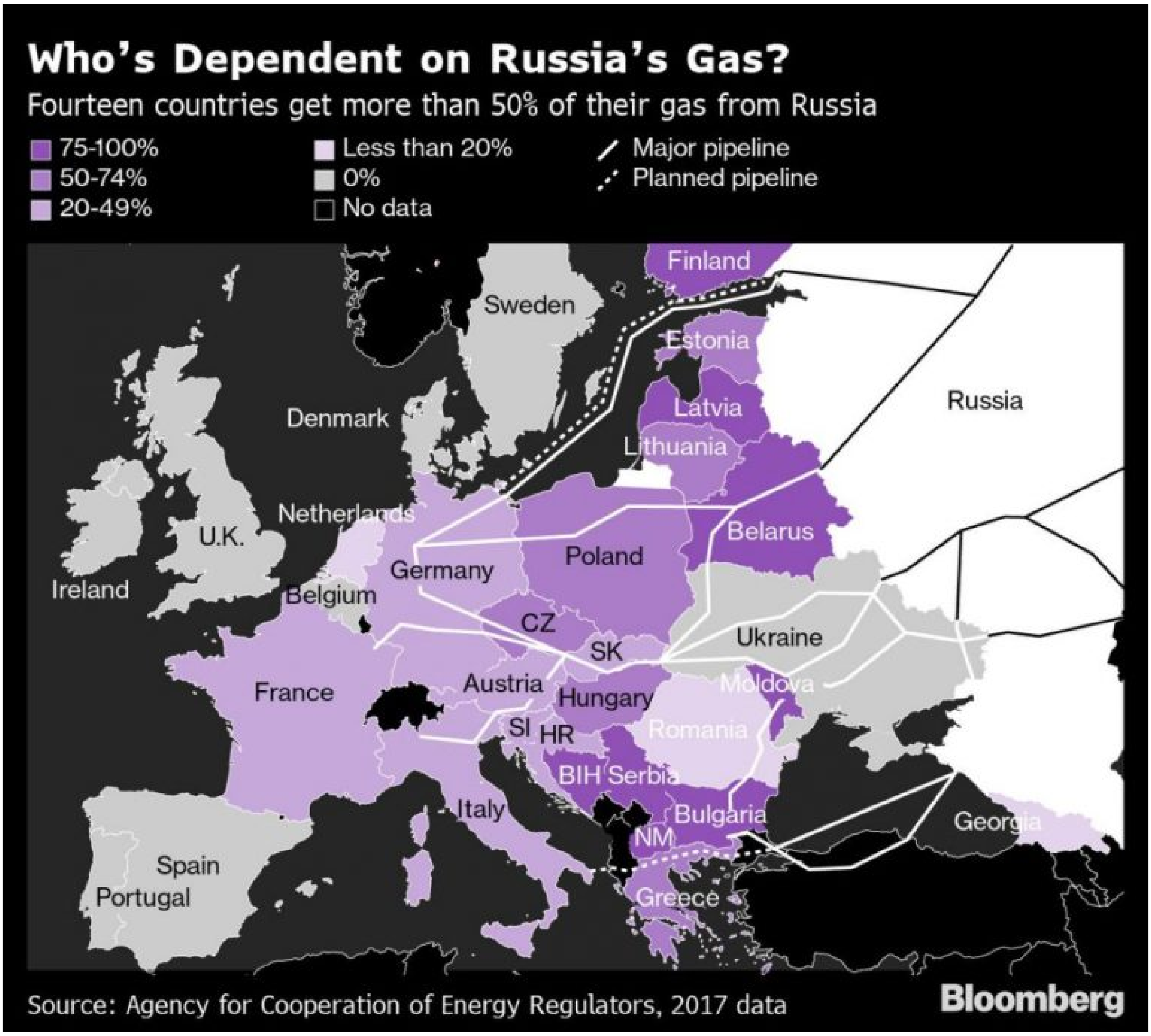
Ireland might have the most to lose. It views Brexit — especially a no-deal departure — as a threat to both peace and

prosperity.
For nearly two decades, the border with Northern Ireland has been open, and that invisibility is considered a crucial element in reversing decades of sectarian strife that killed thousands in the three decades leading up to 1998’s Good Friday accord.
With the looming prospect of a “hard” frontier between EU member Ireland and Northern Ireland, which is part of the UK, there are worries that barriers and checkpoints would become a magnet for extremist attacks.
The EU has been adamant in its insistence that the border stay open; Johnson has demanded the scrapping of a withdrawal-accord provision meant to ensure that.
The prime minister travelled to Dublin on Monday, where his Irish counterpart, Leo Varadkar, said he hasn’t yet seen any concrete British proposals to address the border quandary — and added pointedly that a no-deal departure would only be the beginning of tortuous new negotiations over the Irish frontier.
“There is no such thing as a clean break,” he told Johnson.
* GERMANY
As the continent’s economic powerhouse — but one seeing fiscal storm clouds on the horizon — Germany wants to help ease Britain’s path out of the EU, if it insists on going.
Chancellor Angela Merkel last month appeared to try to throw Johnson a lifeline when she suggested during a Berlin meeting with him that Britain try in the next 30 days to come up with some concrete new proposals for an accord that the EU previously said was not open to renegotiation.
But three weeks have already elapsed, with no new Johnson talking points disclosed.
Germany’s Foreign Minister Heiko Maas said this week that “we remain in principle ready to talk” about Brexit terms, but that that “ultimately requires clear decisions and proposals from London.”
Brexit is already depressing German economic projections.
The Federation of German Industries, the main umbrella group

for industrial trade associations, says a no-deal departure by Britain would bring already weak growth forecasts for the year down to zero.
But business uncertainty brought on by a new delay would also dampen economic prospects, said the head of the German Institute for Economic Research, an independent research group. Meanwhile, powerful German companies are already preparing for the possibility of a no-deal break with plans to reduce their footprint in the UK.
BMW, the automaking giant, said it would curtail production at its plant in Oxford as the deadline approaches.
* FRANCE
French President Emmanuel Macron has shown some willingness to play the EU’s disciplinarian in dealings with Britain, while remaining supportive of an orderly departure if one must take place.
This week, Foreign Minister Jean-Yves Le Drian signalled impatience with Britain’s inability to either move towards a definitive break with the EU, strike a deal with the bloc or call the whole thing off.
“The British must tell us what they want,” Le Drian said exasperatedly in a weekend radio interview, referring to the polarisation and deadlock that have prevailed since the 2016 Brexit referendum, which won narrow approval.
“For three years, the UK… has found no way forward.”
Any Brexit extension requires unanimous approval by EU members, and France is unlikely to use its veto power. But the country is preparing for no-deal contingencies, getting ready for a weeks-long “rehearsal” by customs authorities at airports, train terminus points and ports, especially Calais, the gateway to the tunnel under the English Channel.
France, like Germany, has been taken aback by Johnson’s take-no-prisoners style on Brexit, but has stressed that Britain, not France or the EU, would bear the economic brunt of a no-deal departure.
However, Macron has already seen his popularity dented by months of “yellow vest” populist protests, and can ill afford

bad economic news.
* THE NETHERLANDS
Holland is a relatively small player among European economies, but Britain looms large in its financial relationships as a main trading partner and its biggest international investor.
The Dutch port of Rotterdam, Europe’s largest, now enjoys seamless intra-EU trade with Britain, but will be burdened by the need for customs checks and goods inspections if Brexit goes ahead as scheduled.
Still, the Dutch position on Brexit is hardening.
Holland is working to woo companies that are abandoning Britain to relocate operations within the EU.
Dutch Minister for Trade Sigrid Kaag told the financial newspaper Het Financieele Dagblad last week that there would need to be a “good reason” for granting a new Brexit delay.
The Netherlands, like Britain, once bestrode a far-flung empire.
As the Brexit crisis intensified earlier this year, Dutch Prime Minister Mark Rutte offered some succinct advice about the global standing of former colonial powers.
Britain, he told the Guardian newspaper, “is going to become an economy of middling size in the Atlantic Ocean. It is neither the US nor the EU. It is too small to appear on the world stage on its own.”
Policymaking in the Netherlands tends to be influenced by a strong pragmatic streak, but Johnson’s seeming loss of control over the Brexit process has dumbfounded some influential Dutch politicians.
“We thought the Brits were rational pragmatists,” said Anne Mulder, a Dutch lawmaker who leads the country’s Brexit planning in parliament, told the Financial Times.
“Well, they aren’t.” — Tribune News Service

Russia’s Main Gas Route to Europe Seen at Risk After Opal Ruling



(Bloomberg) — Russia may hesitate to strike a multiyear deal with the European Union and Ukraine on natural gas supplies after an EU court ruling on a key German pipeline.

The judgment last week reduces the options Gazprom PJSC has to ship billions of dollars of gas to its biggest market without using Ukraine’s pipeline network. But Russia may see the logic in the decision as flimsy and consider it to be a political rather than a valid legal move, said Katja Yafimava, a senior research fellow at the Oxford Institute for Energy Studies who specializes in European gas regulation.

The three sides are poised to resume talks this week on a replacement transit deal via Ukraine, because the existing one ends this year. There’s a lot at stake for all parties. Europe gets more than a third of its natural gas from Russia and has limited options to replace all the supplies, while Russia gets a huge chunk of its foreign income from the sales and Ukraine is heavily reliant on the payments it gets from shipping the fuel through its territory.

“The European Commission might think it’s got a stronger hand in negotiations, but I think that’s faulty logic,” said Yafimava by phone. “It lowers the chance of a long-term transit contract across Ukraine.”

How Russia supplied Europe last winter

Poland successfully challenged a 2016 European Commission decision that allowed Gazprom to use most of the capacity on the Opal pipeline, which carries Russian gas from the Nord Stream line to Germany. German regulator Bnetza followed up on the decision, enforcing its implementation, and said Gazprom’s shipments through Opal must be reduced to half the capacity. Shipments began slowing along the pipeline on Saturday.

Other analysts including Rystad Energy AS and BloombergNEF have said the decision might actually spur a deal as it limits Gazprom’s options. Russia will study the ruling, which “affects the overall situation with the energy supply of European countries,” Energy Minister Alexander Novak said Thursday.

Gazprom could even blame the decision for increasing the risk of supply shortages this winter, Yafimava said.

“The ruling adds pressure to Europe’s supply situation,” said Yafimava. “It was not expected and the timing was very bizarre, a little before the trilateral negotiations for the Russian-Ukraine agreement. Before the ruling, Gazprom would have the insurance that it would have this capacity and now it is not sure anymore."

The U.S. and Poland are among nations seeking to hamper Nord Stream 2, a doubling of the capacity of the current link, which is meant to be finished this year but has faced issues with construction permits. Supplies from Russia via Ukraine's gas grid may halt if an expiring transit deal isn't replaced by the end of the year.

The latest court ruling moves Russia and Europe further away from each other and from a five-to-10 year Ukraine transit deal, because it further erodes what little goodwill was left, Yafimava said.

"It's a big gamble. Nowhere is Gazprom obliged to book on a 10-year basis," she said. "A long-term deal could have been done in exchange for removing obstacles for NS2, for instance, but the court decision on Opal makes it less likely."

–With assistance from Anna Shiryaevskaya.

To contact the reporters on this story: Mathew Carr in London at m.carr@bloomberg.net;Vanessa Dezem in Frankfurt at vdezem@bloomberg.net

To contact the editors responsible for this story: Reed Landberg at landberg@bloomberg.net, Stephen Treloar, Andrew Blackman

China aims to rev up shale gas drive; wean itself off imports amid US trade row

SINGAPORE/BEIJING (Reuters) – China aims to slash its growing dependence on gas imports by boosting domestic projects like shale fields as the security of its energy supply comes under the spotlight amid a festering trade war with the United States.

The row with Washington has overshadowed China's economy, likely slowing gas demand growth considerably this year, a new government research report shows. But Beijing is funding new efforts to boost domestic production, particularly from so-called unconventional sources like shale gas, as weaning China off its import reliance takes on new importance.

The report, released on Saturday by the oil and gas department at the National Energy Administration (NEA) and a State

Council research arm, calls for boosting natural gas production in key resource basins in the southwestern province of Sichuan, the Erdos basin in the north and offshore China.

According to the report, China’s gas consumption will rise by about 10% this year to 310 billion cubic meters (bcm), and to continue growing until 2050. Though slowing from last year’s 17.5%, 2019’s growth still represents an annual addition of 28 bcm, faster than the annual average growth of 19 bcm during 2007-2018, the report said.

While China imposed tariffs on imports of liquefied natural gas (LNG) from the United States starting last year, it remains the world’s second-largest buyer of the super-chilled fuel.

“China’s reliance oil and gas imports is growing too rapidly, with oil topping 70% and gas moving toward 50%,” said Lin Boqiang, Director of the Energy Economics Institute at Xiamen University.

The NEA report calls for building the Sichuan basin into the country’s top gas hub due to its rich resource base in both conventional gas fields and unconventional resources, such as shale gas and ‘tight gas’, a low-permeability gas derived from reservoir rocks and costly to develop.

“Through expanding development of deep-reservoir gas, tight gas and shale gas, Sichuan is likely to account for about a third of the country’s total natural gas output,” the report said, up from 20% currently.

Shale gas in Sichuan, the key region for China’s still fledgling shale gas development, could overtake conventional gas in output, the report added.

SHALE GAS

In a separate report carried by official news agency Xinhua on

Saturday, Zhao Wenzhi, an influential researcher at China’s Academy of Engineering forecast that China’s shale gas output could reach 280 bcm, or 23% of the country’s total gas output, by 2035. Zhao also serves as president of Exploration and Production Institute at state giant PetroChina.

China last year produced about 10.9 bcm shale gas, less than 7% of the nation’s total gas output at 161 bcm.

The leap in projected shale gas output would require companies drilling over 500 wells a year between 2019 and 2035, double the 2018 level, Zhao was cited as saying.

Dominant state oil and gas firms have already ramped up drilling activities with near-record spending, in response to a call by President Xi Jinping in August last year to boost domestic energy security.

To expedite the growth, Beijing should consider offering tax sweeteners such as waiving resource tax on the shale gas, Zhao said.

China recently also announced a policy to extend subsidies for another three years on domestic production of unconventional gas, to include also tight gas for the first time.

In a research note last week, Wang Xueke, a consultant at Wood Mackenzie, raised China’s tight gas outlook to 85 bcm by 2040, up from an earlier forecast at 68 bcm.

Despite the lofty forecast and state subsidies, China faces complex geology and a lack of technological breakthroughs to make shale gas a profitable enough business to lure private money.

“The investment is still too small as only a handful state-run companies are exploring it … Technology progress is not fast enough,” said Xiamen University’s Lin.

Reporting by Muyu Xu and Chen Aizhu; Editing by Kenneth

Maxwell

Our Standards:The Thomson Reuters Trust Principles.

Sanctions choke Iran crude sales, but oil product exports booming

LONDON (Reuters) — While U.S. sanctions on Iran’s oil industry have slashed the OPEC member’s crude exports by more than 80%, oil product sales from the Islamic Republic remain strong at nearly $500 million a month, shipping data and Reuters calculations show.

Sanctions have barely affected Iran’s exports of oil products, primarily fuel oil used for power generation and shipping as well as liquefied petroleum gas (LPG) used as cooking gas and petrochemical feed.

Iran’s product exports reached their highest level in August, oil minister Bijan Zanganeh was quoted as saying by a lawmaker after a parliamentary meeting on Aug. 27. “In exports of products we have no problem,” Zanganeh was cited as saying.

Consultancy FGE estimates Iran’s product exports at 400,000-500,000 barrels per day, exceeding the top end of crude export estimates by other analysts of some 400,000 bpd for July.

Refinitiv Eikon data shows Iran exported more than 230,000 bpd of fuel oil in August, all to the United Arab Emirates, slightly above July’s figure of 220,000 bpd. At current prices, and assuming Iran is not selling at a big discount, such sales generate over $300 million a month.

Data intelligence firm Kpler says Iran exported 514,000 tonnes of LPG in July, or nearly 200,000 bpd, worth over $180 million at market prices. This compares with 579,000 tonnes in June. China accounted for more than 95% of Iranian LPG exports in June, according to Kpler.

Samantha Hartke, head of natural gas liquids and LPG at consultancy Energy Aspects, said her firm did not expect Chinese imports of Iranian LPG to abate given China’s new petrochemical capacity is creating significant demand for the feedstock.

“The irony is: if not for the U.S.-China trade war, the U.S. would have greatly benefited from this uptick in Chinese demand as a means of mopping up its overabundance of LPG supplies, thanks to shale,” she added.

Unlike crude oil, where the ultimate buyer is a refinery, fuel oil and LPG can find their way to potentially thousands of small-scale industrial or residential buyers, Iman Nasseri, managing director for the Middle East with FGE, told Reuters.

“The market for these two products is so vast that finding and targeting those individuals is not easy,” he said.

In July, Grace 1, a jumbo tanker laden with Iranian crude, became the most-watched ship in the world after the British navy seized it off the coast of Gibraltar on suspicion of carrying oil to Syria.

The tanker has changed its name to the Adrian Daria since being released by Gibraltar and is in the eastern Mediterranean.

Oil products, like crude, fall under U.S. sanctions.

“Non-U.S. persons engaged in this sanctionable conduct could be sanctioned themselves and be subject to blocking by the U.S.,” Erich Ferrari, a Washington-based attorney who specializes in sanctions law, told Reuters.

Iran’s oil ministry did not immediately respond to a Reuters request for comment.

SELF-SUFFICIENCY

Iran has a refining capacity of around 2.23 million bpd, putting it behind regional leader Saudi Arabia. But years of sanctions and underinvestment mean the country’s refining sector lags its Gulf neighbors, who have invested billions of dollars to create some of the world’s most complex refineries.

Despite the challenges, Iran declared self-sufficiency in gasoline after the inauguration of the third phase of its 350,000-bpd Persian Gulf Star refinery in February. Shipping data shows Iran has imported barely any oil product recently.

Iranian gasoline production stands at 105 million liters per day, according to Zanganeh, or around 660,000 bpd, while consumption is around 100,000 bpd below production. It even exported gasoline this year for the first time. Its gasoil production stands at around 720,000 bpd.

Additional reporting by Dmitry Zhdannikov; Editing by Dale Hudson

Our Standards:The Thomson Reuters Trust Principles.

Russia's compliance with Opec+ deal slips as Druzhba crisis ends

Russia's average daily oil output in August exceeded its Opec+ cap for the first time since April as the impact of the Druzhba contamination crisis faded. The country pumped 47.8mn tonnes of crude and condensate last month, according to preliminary data from the Energy Minis- try's CDU-TEK unit. That implies a daily average of 11.294mn barrels – based on the standard 7.33 barrels-per-tonne conversion ratio – and is 104,000 barrels a day above its Opec+ target, Bloomberg calculations show. Russia's compliance with pledged production cuts has retreated just weeks before Opec+ ministers meet in Abu Dhabi to discuss the implementation of their accord to curb output. The Organisation of Petroleum Exporting Countries and its allies agreed in July to extend their pact into 2020. Under the deal, Russia committed to cut output by 228,000 barrels a day from October levels. The nation reduced oil production more steeply than required in the three months through July, after the discovery of contaminated crude in the Druzhba pipeline forced parts of the link to shut down. Energy Minister Alexander Novak signaled last week that August compliance would be lower, given the deep cuts made previously, Interfax reported. Opec and its partners, a 24-nation coalition known as Opec+, agreed to reduce output by 1.2mn barrels a day at the beginning of 2019 as a faltering global economy and booming US shale-oil production threatened to leave world markets with a glut.

Opec output rises for fi rst time since start of ’19 cuts

Bloomberg /London

Opec’s crude production rose last month, the first increase since the group and its allies started a new round of output cutbacks at the start of the year to shore up a weak global market.
Nigeria and Saudi Arabia led the boost by the Organisation of Petroleum Exporting Countries, which collectively increased by 200,000 barrels a day to 29.99mn a day, according to a Bloomberg survey. The survey is based on estimates from officials, ship-tracking data and consultants including Rystad Energy and JBC Energy GmbH.
Opec and its partners, a 24-nation coalition known as Opec+, agreed to reduce output by 1.2mn barrels a day at the beginning of 2019 as a faltering global economy and booming US shale-oil production threatened to leave world markets with a glut. That deal replaced a previous round of curbs that began in January 2017.
The strategy has struggled to shore up prices against a deteriorating outlook for global growth and a seemingly intractable trade war between the US and China. Brent futures have subsided more than 20% from a peak reached in April and traded near $59 a barrel yesterday.
Riyadh boosted output by 50,000 barrels a day to 9.83mn a day in August, a time when domestic consumption typically climbs amid soaring use of air conditioning.
Nigeria hasn’t made any of the cuts it pledged, and increased output again in August, by 60,000 barrels a day to 1.95mn, the highest level since early 2016. The West African producer has ramped up production to maximum levels at its new Egina offshore oil field operated by Total SA, according to the International Energy Agency.
Russia, the biggest producer outside Opec in the coalition, has also shown signs of backsliding on its commitments.
The country pumped 11.294mn barrels a day in August, or 104,000 a day more than its limit under the Opec accord. Energy Minister Alexander Novak had signalled compliance would

slide as Russia cut more than required earlier this year following the discovery of contaminated crude in its Druzhba pipeline.
A committee made up of key members in the Opec+ alliance will meet in Abu Dhabi on September 12 to review their progress in stabilising world crude markets. The full coalition will then gather in December in Vienna to consider any action required in 2020.

Turkish economy shrinks only 1.5% in Q2 as recovery beckons

By Behiye Selin Taner and Ezgi Erkoyun

ISTANBUL, Sept 2 (Reuters) – The Turkish economy contracted less than expected in the second quarter, 1.5% year-on-year, as it looks to shake off the effects of a recession brought on by last year’s currency crisis.

Compared with the first quarter, gross domestic product grew at a seasonally and calendar-adjusted 1.2%, its second positive reading in a row, the Turkish Statistical Institute data showed.

Turkey’s economy has a track record of more than 5% growth, but inflation and interest rates soared tmsnrt.rs/2k8VNhL after the Turkish lira lost some 30% of its value last year and domestic demand fell sharply as it tipped into recession.

Measured annually, Turkey’s economy has contracted for the past three quarters. A Reuters poll forecast a 2% year-over-year contraction in the second quarter, leading to zero growth in 2019.

Consumption in the latest quarter was stronger than economists predicted and net exports, helped by the weak lira, also limited the annual contraction, suggesting a recovery may have taken hold.

“We think the rise from the bottom started as of Q2,” wrote Muammer Komurcuoglu, economist at Is Yatirim. “But the recovery is fragile for now and the extent of it will be determined by the course of central bank interest rate cuts and global risk appetite.”

The lira strengthened beyond 5.80 to the U.S. dollar after the data, from 5.8175 immediately before. It stood at 5.8130 at 0832 GMT.

Last year’s currency crisis, brought on by a diplomatic row with Washington and doubts about the independence of the central bank, ended years of a construction-fuelled boom driven by cheap foreign capital.

The lira is down another 9.6% so far this year, but a dip in inflation in recent months opened the door for the bank to slash rates below 20% in July and begin a monetary easing cycle. Business investment, held down by high borrowing costs and currency uncertainty, fell in the second quarter to help keep overall year-over-year GDP negative. Industrial production weakened significantly in June.

But other data suggest a turnaround in the Middle East’s largest economy despite risks ahead, including a trade war that could lead to a global slump.

A PMI business survey published separately on Monday showed that after 17 months of contraction Turkish manufacturing activity declined only modestly in August, suggesting firms may be readying for a return to growth.

The government also made revisions to GDP data going back to early 2017 — including a slightly smaller annual contraction of 2.4% in the first quarter of 2019 — which generally showed a bit stronger past performance.

Jon Harrison, head of emerging markets macro strategy at TS Lombard, said he still expects the economy to contract this year.

The GDP data “confirms that growth is not doing very well and although it is moderately better than expected … concerns are still there about whether there will be an overshoot of monetary policy, and a renewed depreciation in the currency,” he said.

Additional reporting by Birsen Altayli and Tom Arnold; writing by Jonathan Spicer; editing by Larry King