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

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

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Cyprus runs the risk of being

trapped into an expensive undertaking with gas deal

DEFA announced on 23 August its decision to award the tender for the construction of an LNG import terminal at Vasilikos. This will comprise a floating storage regasification unit (FSRU), a jetty for the mooring of the FSRU, pipelines, port and other facilities.

The winner is a consortium comprising China Petroleum Pipeline Engineering Co Ltd (CPPE), Aktor SA and Metron SA, Hudong-Zhonghua Shipbuilding Co. Ltd and Wilhelmsen Ship Management Ltd.

Announcing its decision DEFA said “we believe that the future of the country is aligned with natural gas and we expect it to play a major role in the economic development of the country in years to come.

“The establishment of the natural gas market will boost the development of the whole energy and industry sectors of the Republic.”

Indeed, natural gas can help bring carbon emissions down. In order to produce the same energy output gas emits about 27 per cent less carbon dioxide in comparison to diesel oil. As a result, replacing diesel by gas in power generation will be helpful, at least initially. I say initially, because the EU’s target is to reduce emissions by 40 per cent by 2030 in comparison to 1990 levels.

The challenge for Cyprus is that so far it has been promising small reductions to its CO2 emissions in comparison to 2005, when these were close to their peak – about 60 per cent higher in comparison to 1990 according to Eurostat data. By the end of 2017 Cyprus’ emissions were only marginally lower than in 2005.

In fact the incoming European Commission (EC) President, Ursula von der Layen, promised to increase EU’s 2030 CO2 reduction target to 50 per cent. In addition, the EC has already sent back Cyprus’ Energy Plan to 2030 for not being ambitious enough and requested it to be revised nearer EU targets.

With no other change, and with power generation being only 20 per cent of Cyprus’ total energy consumption, introduction of LNG will reduce carbon emissions only by 8 per cent in comparison to 2005 and close to 50 per cent higher than in 1990. A modest but useful reduction, but it will not get close to EU expectations for 2030. Cyprus will need to do a lot more to achieve that – by substantially increasing use of renewables and biofuels.

Impact on electricity costs

When asked about cost implications, DEFA said that state ownership of the project will allow the cost of importing and regasifying LNG to be kept sufficiently low to keep the cost of gas offered to EAC below $10/mmBTU (per about 1000 cubic feet) – the equivalent cost of oil at current prices.

DEFA was also asked how can Cyprus commit itself to expensive infrastructure when it does not yet know whether it can secure gas at an affordable price. The response was that that even if the ongoing process – in response to the request for expressions of interest for the long-term supply of LNG for 10-20 years – does not produce favourable prices, DEFA’s needs can be met in the short-term by the spot market, which with today’s prices can provide LNG at $3-$4/mmBTU.

Indeed, as a result of excessive supplies of LNG, spot gas prices in Europe are currently at a low, at about $4/mmbtu. However, in October 2018 they were about $10/mmbtu. But by 2022 – the time at which Cyprus will be ready to import LNG – demand is expected to exceed supply, with prices rising again. Available forecasts estimate the price of gas in Europe to average about $6.50/mmbtu in the ten-year period to 2030.

Given the small quantities required by Cyprus – initially about 0.5 million tonnes LNG per year – the spot price for LNG to be delivered to Cyprus is expected to be higher. Adding to this the recovery of the cost of constructing the facilities (allowing for the EU grant), operation and maintenance – and other related costs and costs incurred by EAC – is likely to bring the total cost above the $10/mmbtu level. Long-term supply contracts would cost even more.

What is amazing is that the decision to proceed with award of the construction contract appears to have been taken without first securing LNG at reasonable prices and without a commercial viability study based on expected, reliable, LNG costs.

Other issues

DEFA expects to finalise award of the construction contract by mid-October, with the facilities becoming operational by the end of 2021.

But there may be complications. First, its decision to award the tender to the CPPE consortium, taken after a short evaluation period of six weeks, may be disputed by other bidders, which may cause delays.

It should be noted that the unsuccessful consortia are well known, experienced companies, in the global LNG industry. In contrast, CPPE, the leader of the winning consortium, has no real LNG experience.

There are also questions about members of the winning consortium. Aktor SA is the sister company of Helector, facing corruption charges related to HYTY Paphos. Aktor SA had accusations leveled against it for fraud related to projects in the Balkans. Both companies are fully-owned by Greece’s Ellaktor Group. These and other questions will hopefully be cleared during the period before final award, but could, nevertheless, cause months of delays.

Will gas boost Cyprus economy?

Given the above, this is not certain. Gas could boost industry and benefit the economy if its introduction leads to substantial cost reductions in comparison to diesel. But this may not be the case. In fact it could be the opposite.

Import of gas by pipeline, either directly from Aphrodite or by accepting Energean’s offer to supply gas from its gas-fields in Israel, could do exactly that, with gas prices to EAC less than $7/mmbtu. Sadly these options have not been taken on.

Moreover, gas alone will not reduce carbon emissions to the levels required by the EU. This would require a substantial increase in the share of renewables and biofuels in Cyprus energy mix.

Without properly and transparently demonstrating the commercial viability of the project – based on reliable data – Cyprus runs the risk of being trapped into an expensive undertaking for at least the next ten years. Not only this may not boost industry, but may also become a long-term burden to Cyprus' economy.

Dr Charles Ellinas (@CharlesEllinas) is a senior fellow at Global Energy Centre of the Atlantic Council

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Britain's Brexit breakdown

British democracy was once widely seen as a model for others to follow. But it has now sunk into its deepest crisis in living memory. At stake is not only whether the United Kingdom crashes out of the European Union without an exit deal, but also how far a country once famed for stability and moderation descends into political civil war. Prime Minister Boris Johnson seems determined to take the UK out of the EU on October 31 at any cost. The chances of a chaotic no-deal Brexit increased dramatically on August 28, when Johnson moved to suspend the UK parliament for fi ve weeks between mid-September and October 14.

It will now be much harder – but not impossible – for his parliamentary opponents to thwart him. Johnson claims that he wants a deal, but that the threat of leaving without one is needed to force the EU to compromise. In his view, curtailing parliament's ability to block a no-deal Brexit was necessary to make the threat credible. It is not inconceivable that EU leaders, who meet as the European Council on October 17-18, might agree on a revised deal that British MPs would then rubberstamp, for fear of the alternative. But Johnson's demands are extreme. In particular, he wants to scrap, not just modify, the "backstop" designed to keep the Irish border open – and to preserve the fragile peace in Northern Ireland – after Brexit. That suggests his real aim is to blame EU intransigence for the failure of renegotiations and to provoke his parliamentary opponents into forcing a general election, for which he is already preparing with a blizzard of spending promises and catchy policy announcements. In the election campaign, Johnson would accuse parliament of thwarting "the will of the people," meaning the narrow 2016 vote to leave the EU. This tactic might erode support for Nigel Farage's Brexit Party and rally most Leave voters under Johnson's Conservative banner. With Remainers divided, Johnson might win the sizeable parliamentary majority that eluded his predecessor, Theresa May, in the 2017 general election. But for now, there is no democratic mandate for a no-deal Brexit. The 2016 referendum did not specify how the UK would leave; the Leave campaign simply promised that doing so would be easy, painless, and by agreement. A no-deal Brexit would be none of those things. The government’s own planning envisages ports seizing up and businesses going bust as tariff s on UK exports to the EU go up overnight. Food, medicines, and fuel could run short. Civil unrest would be likely. And a painful recession would doubtless ensue. Worse, such an outcome would cut the UK adrift from its European neighbours. A post-Brexit trade deal with the EU, with which the UK does nearly half its trade, would be postponed indefi nitely; even starting talks would require Britain to swallow the terms of the rejected withdrawal agreement. Bad blood would also jeopardise security and foreign- policy co-operation. No wonder US President Donald Trump, who hates the EU because it enables Europeans to stand up to him together, is cheering Johnson on. A no-deal Brexit also would be painful for the EU, and especially Ireland. The fragile eurozone economy, which already is grappling with China’s slowdown and the uncertainty created by Trump’s trade wars, could plunge into recession. And given the limited scope for European monetary or fi scal stimulus, the damage could be more severe than expected. How, then, might a no-deal Brexit still be stopped? Rebel MPs’ preferred option had been to pass legislation instructing Johnson to seek a further extension to the UK’s exit deadline. They might still do so next week, or even just after the October European Council meeting. But the timing is very tight, and government delaying tactics could stymie the rebels. Moreover, Johnson might ignore such an instruction; the EU could reject an extension request; or, more plausibly, it might impose conditions on the extension that Johnson would reject. The rebels’ second choice – a no-confidence vote – now seems likely next week. With his allies from Northern Ireland’s Democratic Unionist Party, Johnson has a parliamentary majority of just one. And because his suspension of parliament has outraged rebel Conservatives who had previously balked at bringing down their own government, a no-confi dence vote now stands a greater chance of success.

But bringing down the government would not be suffi cient to stop a no-deal Brexit. The motley crew of rebels also would need to support the formation of a caretaker government that would seek a Brexit extension, call a general election, and perhaps also legislate for a second referendum. Moreover, Labour Party leader Jeremy Corbyn, a hardline socialist and closet Brexiteer, insists on leading such a government. That would require Conservative rebels, opposition Liberal Democrats, and also MPs who quit Labour in protest over Corbyn's leadership to rally behind him – a tall order.

Alternatively, if Corbyn failed to muster a majority, he could give Labour's backing to a caretaker government led by someone less controversial – but that is also unlikely. If an alternative government could not be formed within two weeks of a successful no-confi dence vote, rebels would need to hope that Johnson called – and lost – an election before October 31. Johnson might calculate that it would be easier for him to win an election before no-deal chaos materialises; for now, at least, he says he won't trigger a pre-Brexit poll. That leaves the nuclear option of parliament voting to revoke unilaterally Britain's notifi cation of its intention to leave the EU under Article 50 of the Treaty on European Union. This is the only surefi re way to thwart a no-deal Brexit. But it would be an incendiary move. Many Leavers would see it as an anti-democratic coup. And because it would reverse the 2016 referendum result, such a step would necessitate a new plebiscite pitching Remain against No Deal. With luck, Johnson's scorched- earth tactics will spur his disparate opponents into overcoming their differences to stop a no-deal Brexit. But whatever happens, the pragmatic centre is being squeezed out of British politics. Both hardline Brexiteers and diehard Remainers have rejected the only available exit deal. As each side ups the ante, Brexit is now an all-or-nothing fi ght to the death among absolutists. – Project Syndicate O Philippe Legrain, a former economic adviser to the president of the European Commission, is a visiting senior fellow at the

London School of Economics’ European Institute and the author of European Spring: Why Our Economies and Politics are in a Mess – and How to Put Them Right.

Shale drilling drops to 19-month low after output hits new high

American oil explorers, which are producing record volumes of crude, cut drilling to a 19-month low as they seek to show investors they can do more with less. Working oil rigs fell by 12 last week to 742, according to data released on Friday by oilfi eld-services provider Baker Hughes. The count has dropped by more than 140 from a November high. In the Permian Basin, 5 rigs were idled, lower- ing the count there to 429. As explorers dial back spending, Bank of America Merrill Lynch downgraded a trio of shale servicers this week, including Na- bors Industries Ltd, owner of the world’s biggest fl eet of land drilling equipment. “For US onshore, structural changes are accelerating,” Chase Mulvehill, an analyst at Bank of America Merrill Lynch, wrote last week in a note to investors.

“Doing more with less remains prevalent across US shale, leaving a destructive impact on US onshore activity that is likely to extend well into ’20 (or beyond).” Despite the rig-count decline this year, US crude production keeps increasing. It rose to a record 12.5mn barrels a day last week, eclipsing the previous high mark set in late May, according data from the Energy Information Administration. That’s partly because producers have an ample backlog of wells that have already been drilled in the past and can be tapped for fracking, but they are also seeking bet- ter technology to get more crude from each hole. Plus, it may take a few more months for output from wells bored during last year’s drilling peak to start declining.

Shell’s woeful August risks run as 2nd-largest oil major

Bloomberg /London: September 02 2019 12:38 AM

Big Oil has a new contender for the No 2 spot. Chevron Corp has almost displaced Royal Dutch Shell Plc as the second-largest oil company by market capitalisation.

It's been a particularly grim month for Big Oil, as a US-China trade war dimmed the picture for global economic growth, stymieing crude demand. The Stoxx Europe 600 Oil & Gas Index was headed for a 6.3% decline, among the largest monthly drops in nearly four years, which mirrors the slide in Brent prices.

But Shell had it worst. Its B shares in London have plunged more than 12% last month, a decline not seen since the 2008 financial crisis, which has knocked almost £26bn ($32bn) off its market value. That's put chief executive officer Ben van Beurden's dream of being No 1 in the industry by every measure even further out of reach.

Shell established itself as the No 2 oil company following its acquisition of BG Group Plc, narrowing its market cap gap with Exxon Mobil Corp. But its US competitor Chevron has now caught up with it again.

Blame earnings. Shell's net income slid in the second quarter and was far weaker than expected, falling short of the average analyst estimate by almost 30%. That was its biggest miss in more than two years, and pushed chief financial officer Jessica Uhl to acknowledge the company should probably find a way to better manage expectations.

"Shell's shares have suffered from an unwelcome relapse of earnings volatility," said Christyan Malek, head of European oil and gas research at JP Morgan Chase & Co. "While we view this as more of a bump in the road, together with the oil price correction – which Shell is more geared to – it has under-performed more than others."

Chevron, on the other hand, surpassed second-quarter analyst estimates by 21%. Its shares still fell in August, along with the rest of the industry, but its dip was only a third of

Shell’s. It’s also traded in dollars, an advantage over sterling-denominated Shell B shares. The British currency has been pummelled by the Brexit process.

Both companies still trail Exxon by a large margin. The Irving, Texas-based oil giant’s market cap is almost $290bn, compared to Chevron and Shell’s $223bn.

Flaring, or why so much gas is going up in flames

If you take a drive along the well-worn highways of West Texas, orange flames will punctuate your journey. Those are gas flares, and they’re lighting up the skies above West Texas oilfields like never before as drillers produce crude faster than pipes can be laid to haul the attendant natural gas away. Oil drillers say flaring is the most environmentally friendly way to get rid of excess gas they can’t sell. Environmentalists say that in many cases what flaring is friendly to is oil drillers’ profits. They think regulators in states including Texas and North Dakota should be tougher on a practice that harms air quality and contributes to climate change.

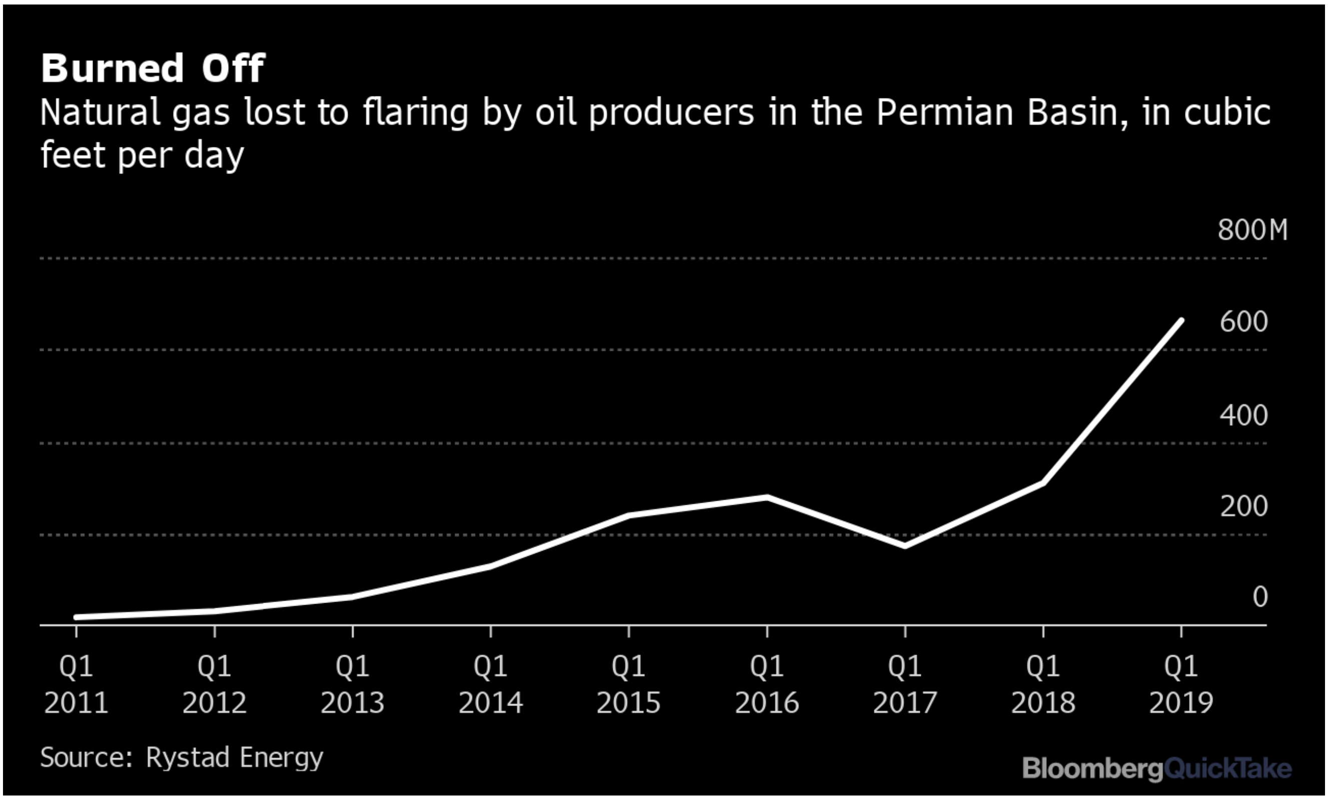
1. Why do drillers flare?

When an oil well begins to spew, less-valuable natural gas comes up alongside crude. Pipelines can capture that gas, but when they’re not available, producers often get rid of the gas so they don’t have to stop pumping oil. They do that by either igniting the gas, in the case of flaring, or releasing it directly into air, known as venting. Flaring is preferred because methane, an especially potent greenhouse gas, is burned off, though carbon dioxide is released into the air.

2. How much gas is flared?

A lot. The World Bank estimated that globally in 2018, 145 billion cubic meters of gas was flared, about as much as Central and South America use in a year. The amount is rising because of the oil boom in the U.S., which is fueled by the use of hydraulic fracturing — fracking — to unlock fuel from shale rock. Increased flaring in the U.S. is concentrated in the shale oil basins known as the Eagle Ford in Texas, the Permian in Texas and New Mexico, and the Bakken in North Dakota. Permian flaring rose about 85% last year, according to data from Oslo-based consultant Rystad Energy. The volume flared in Texas by the end of 2018 was greater than residential gas demand in the entire state.

3. What are the effects?



Gas flaring globally emits more than 350 million tons of carbon dioxide in a year, according to the World Bank. That's the equivalent of the carbon emissions from 90 coal-fired power plants. In the U.S., flaring accounts for an estimated 9% of the greenhouse gas emissions of the oil and gas industry. In addition, the practice spews particulate matter, soot and toxins into the air that have been shown to be hazardous to humans.

4. How does the U.S. regulate flaring?

Flaring is allowed when the gas could cause a safety concern due to high pressure in a well and when pipelines aren't in place to carry the fuel away. In either case, flaring spares drillers from having to suspend production, a costly move that can damage a reservoir's future output. The Texas Railroad Commission, the main oil and gas regulator in the state, has never denied a request for a flaring permit. In a controversial case, it granted one Aug. 6 to Exco Resources Inc. even though the company's wells were already connected to pipelines. Exco successfully argued that it would lose money paying to access the network.

5. Isn’t the gas worth something?

The short answer is no, not in oil-dominated basins where what matters is the ability to keep pumping black gold. In the Permian, local gas prices have gone negative multiple times this year, meaning drillers were actually paying customers to haul their gas.

6. Will more pipelines help?

Yes, when prices justify the costs of capturing the gas and transporting it to markets. A new pipeline led by Kinder Morgan Inc. is expected to reduce the pressure to flare. At the same time, pipeline projects in Texas are beginning to attract public opposition, a more common phenomenon in the northeastern U.S. Landowners along the route of another Kinder Morgan line are fighting the project in court, arguing against the company’s use of eminent domain to take private property. It’s not clear whether the legal battle will affect the project, but the challenge portends a tone shift in a historically industry-friendly state.

7. Are there alternatives to flaring?

Apart from transporting gas to markets via pipeline, oil producers can use it on-site as an energy source or reinject it underground. Both options require investments, however. Russia requires oil drillers to make use of 95% of the gas they produce, while Nigeria prohibits flaring, yet the practice is common in both places. That suggests bans may not be sufficient without incentives to curb flaring.

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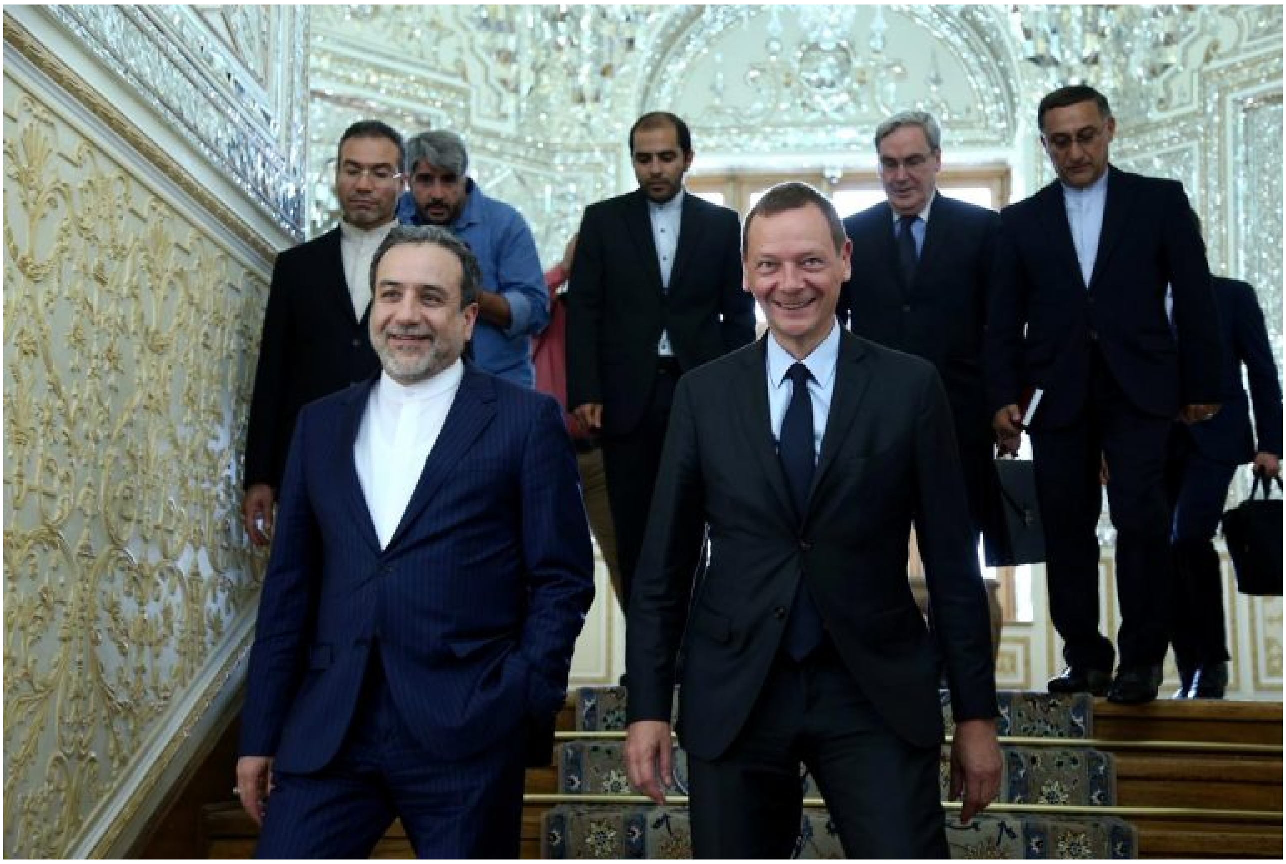
Iran official says US showing ‘some flexibility’ on oil sales



DUBAI (Reuters) – A senior Iranian official said on Saturday the United States had shown flexibility on the licensing of Iranian oil sales and this was a sign that Washington’s “maximum pressure” policy against Tehran had been defeated, state media reported.

French President Emmanuel Macron paved the way at a G7 summit a week ago for a potential diplomatic solution to a confrontation between the United States and Iran brewing since

President Donald Trump withdrew Washington last year from world powers’ 2015 nuclear deal with Tehran.

“Macron met with …Trump during the G7 meeting and the U.S. side has shown some flexibility in the licensing of Iranian oil sales,” Iranian Deputy Foreign Minister Abbas Araqchi was quoted by the state news agency IRNA as saying.

“This is a breach in the U.S. maximum pressure policy and a success for Iran’s policy of maximum resistance,” he said.

Araqchi did not elaborate, and there was no immediate French or U.S. comment.

Since ditching the nuclear deal, calling it flawed to Iran’s advantage, Trump has reimposed sanctions to strangle its vital oil trade and force Tehran to accept stricter limits on its nuclear activity, curb its ballistic missile program and end its support for proxy forces around the Middle East.

Araqchi said Iran and its European partners in the nuclear deal faced “difficult and complex” talks towards salvaging the pact. He said Tehran was determined to continue reducing its commitments under the accord until it received protection against sanctions on its oil sales and banking transactions.

Iranian President Hassan Rouhani urged his people on Wednesday to unite to overcome Washington’s “economic war” while his government said it would use diplomacy to try to solve the standoff even though it distrusted Trump.

IRANIAN TANKER BLACKLISTED

On Friday, the U.S. Treasury Department blacklisted the Iranian oil tanker Adrian Darya, with Secretary of State Mike Pompeo saying Washington had reliable information the vessel was headed to Syria, an ally of Tehran.

The ship was detained by Britain off Gibraltar in July due to suspicions it was carrying Iranian oil to Syria in violation of European Union sanctions. It was released in mid-August after Iran gave assurances that its cargo was not destined for Syria.

Turkey said on Friday the ship was headed to Lebanese waters after changing course several times. Beirut said it was not informed of the plan, but Turkey's information suggested that a ship-to-ship transfer of cargo might be attempted once it nears the coast of Lebanon, which borders on Syria.

A senior Iranian military commander vowed that Iran would retaliate if any of its vessels was stopped in international waters, according to Fars news agency.

“Piracy against Iran can't be easily overlooked. It is natural for us to act when Iranian ships are stopped in any part of the world's waters. Iran's armed forces will certainly retaliate,” Brigadier General Kiumars Heydari, the head of Iran's regular ground forces, told Fars.

Reporting by Dubai newsroom; Editing by Mark Heinrich