

Opec Said to Have Reached Goal of Wiping Out Oil Surplus



Bloomberg/Kuwait

Opec and allied oil producers including Russia concluded that the crude market re-balanced in April, when their collective production cuts achieved a key goal of draining the surplus in global stockpiles.

The excess in oil inventories, which has weighed on prices for three years, plunged in April to less than the five-year average for stockpiles in developed nations, according to people with knowledge of the data assessed at the meeting of the Joint Technical Committee of Opec and other producers last week in Jeddah, Saudi Arabia.

The committee, known as JTC, determined that stockpiles held by developed nations dropped to about 20mn barrels below their five-year average, for a total decrease of about 360mn barrels since the start of 2017, three of the people said, asking not to be identified because the JTC discussions were private. The decline was due to producers' greater adherence to their pledged output cuts – their compliance rate reached 152% in April – and to summer demand for crude and refined products,

according to the people. The JTC meeting precedes the producers' main gathering next month in Vienna, where they will evaluate the results of output cuts they've been making since January 2017. With supplies from Iran and Venezuela now at risk, speculation abounds that the Organization of Petroleum Exporting Countries and its allies may ease the cutbacks.

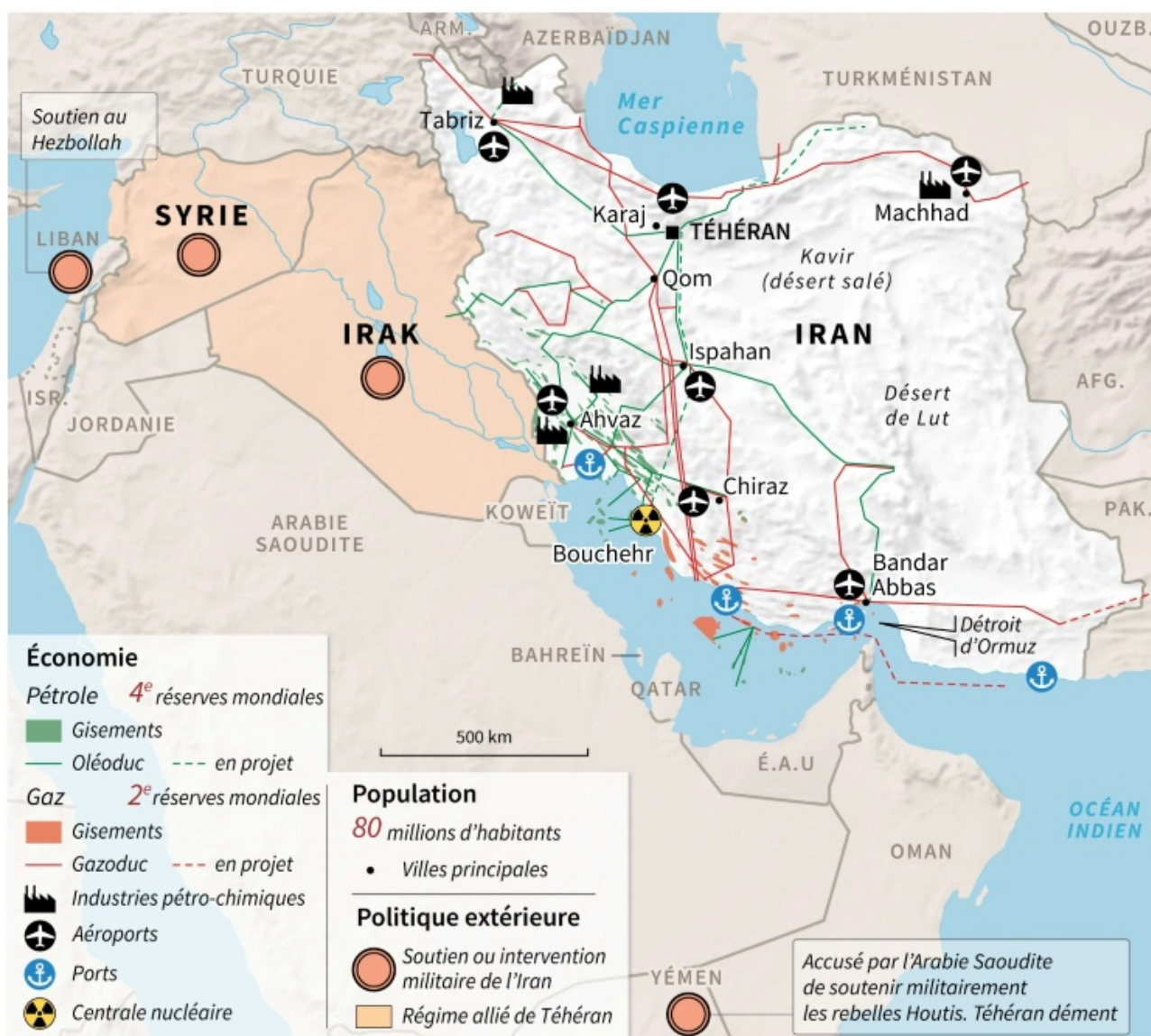
Top producers Saudi Arabia and Russia have said that Opec and other suppliers may boost output in the second half of the year, prompting a slide in prices which had reached \$80 a barrel for the first time since 2014.

The producers have so far relied on measuring stockpiles in countries of the Organization of Economic Co-operation and Development by looking at the moving 5-year average. At the meeting in Jeddah, the JTC reviewed other ways to assess oil inventories. One option is to look at a longer-range, a 10-year average from 2004 to 2014, while another is to use the five-year average but exclude data from 2015 and 2016 because those were years of abnormally large stockpiles, the people said.

The International Energy Agency said on May 16 that Opec and its allies have finally succeeded in clearing a glut, with inventories falling below their five-year average for the first time since 2014. However, Saudi Arabia and Russia have both said the five-year average is flawed. Years of excessive supplies mean that measure is itself higher than normal, while the patchy nature of data outside the OECD makes it difficult to make an accurate assessment of the world market.

Iran/Etats-Unis: derrière le nucléaire, l'UE voit aussi une guerre du gaz

L'Iran, une puissance régionale au Moyen-Orient



Sources : EIA, World Energy Atlas, NIPC, bureaux AFP

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Les Européens soupçonnent les Etats-Unis de chercher à neutraliser l'exploitation des énormes réserves de gaz iraniennes, grâce aux sanctions sur le nucléaire, afin d'ouvrir des débouchés à leur propre production, en plein essor avec le gaz de schiste.

“Les sanctions américaines vont toucher les exportations de pétrole et de gaz iranien vers l'Europe”, relève un responsable européen impliqué dans le dossier.

“Il s'agit clairement d'une nouvelle tentative de limiter une source d'approvisionnement différente afin que le gaz naturel liquéfié (GNL) américain puisse atteindre l'Europe plus facilement, sans concurrents”, explique-t-il à l'AFP sous couvert d'anonymat.

“Je ne crois pas que ce soit le but principal des sanctions contre l'Iran, mais c'est un effet induit”, nuance Marc-Antoine Eyl-Mazzega, directeur du centre Energie de l'Institut

français des relations internationales (IFRI).

“Il est clair que les investissements prévus ne vont pas avoir lieu. Je ne connais pas de grande société internationale qui va s’y risquer”, a-t-il pronostiqué dans un entretien téléphonique avec l’AFP.

Au grand dam des Européens, Washington a annoncé réimposer les sanctions levées dans le cadre de l’accord multilatéral conclu en 2015 en échange de l’engagement de Téhéran à geler son programme nucléaire.

Les Etats-Unis menacent Téhéran des sanctions “les plus fortes de l’Histoire” si les Iraniens refusent leurs conditions pour conclure un “nouvel accord” englobant leur programme de missiles balistiques.

Les entreprises européennes qui continueront de faire affaire en Iran dans des secteurs interdits par ces sanctions “seront tenues responsables”, a averti le chef de la diplomatie américaine, Mike Pompeo.

-“Réserves faramineuses”-

L’annonce du possible désengagement d’Iran du géant pétrolier Total et de plusieurs autres entreprises européennes ont été au coeur des récents entretiens à Téhéran du commissaire européen à l’Energie Miguel Arias Canete.

“Les Iraniens doutent de la capacité des Européens à ne pas plier face aux intérêts américains”, a confié à l’AFP M. Canete au terme d’une série de rencontres avec le vice-président iranien Ali Saheli, le chef de la diplomatie Mohammad Javad Zarif et les ministres du Pétrole et de l’Energie.

Les Etats-Unis sont engagés dans une stratégie de conquête de marchés pour leur gaz naturel. Ils ont exporté 17,2 milliards de mètres cubes (m3) en 2017, dont 2,2% par méthaniers vers

les terminaux de l'Union européenne. Or "la capacité totale d'importation de gaz naturel de l'Europe va augmenter de 20% d'ici à 2020", selon le centre d'études IHS Markit.

Chaque année, les pays de l'UE importent deux tiers (66%) de leurs besoins de consommation. En 2017, ceci a représenté 360 milliards de m3 de gaz, dont 55 milliards de m3 de GNL, pour une facture de 75 milliards d'euros, selon les statistiques européennes.

A ce jour, la moitié du gaz acheté est russe, mais les Européens cherchent à briser cette dépendance.

"Les réserves iraniennes sont faramineuses et si l'Iran développe les installations adéquates, elles peuvent permettre à ce pays de devenir un important pourvoyeur (...) pour l'Europe", plaide M. Canete.

Téhéran possède les plus importantes réserves gazières au monde après la Russie, avec notamment le gisement off-shore de Pars Sud. Elle sont estimées à 191 trillions de m3. Le pays a exporté 10 milliards de m3 en 2017 par gazoduc vers la Turquie et l'Irak. Mais la solution pour l'avenir sera le GNL, transporté par méthaniers, soulignent les responsables européens.

Le ministre du Pétrole, Bijan Namdar Zanganeh, a chiffré les besoins en investissements à quelque 200 milliards de dollars sur cinq ans. Le secteur de l'énergie a fourni 50 milliards de dollars de recettes à l'Etat en 2017, selon les données européennes.

-La Russie ciblée-

L'UE n'est pas la seule dans le collimateur de Washington.

"Un autre concurrent visé est la Russie avec son projet phare Nord Stream 2", observe le responsable européen.

Nord Stream 2 vise à doubler d'ici fin 2019 les capacités de

son grand frère Nord Stream 1, et permettre à davantage de gaz russe d'arriver directement en Allemagne via la mer Baltique, donc sans passer par l'Ukraine.

Le président Donald Trump exige son abandon. Il en a d'ailleurs fait un argument pour exonérer les Européens des taxes sur l'acier et l'aluminium, selon des sources européennes proches du dossier.

La chancelière allemande Angela Merkel défend vivement ce projet de gazoduc stratégique.

“Pour le moment, le GNL américain est plus cher que le gaz russe. Nous avons un libre marché. Le GNL doit être compétitif”, estime-t-on de source gouvernementale allemande.

Mais “Nord Stream 2 n'aide pas à la diversification énergétique cherchée par l'Europe”, reconnaît de son côté le commissaire Canete.

“L'Europe veut développer une stratégie de gaz liquéfié afin d'assurer sa sécurité énergétique, et l'Iran est une source d'approvisionnement importante”, insiste-t-il à l'adresse des Etats-Unis.

**Exclusive: Qatar Petroleum
CEO says pushing ahead with
expansion despite Gulf
embargo**



DOHA (Reuters) – State energy giant Qatar Petroleum will push ahead with its production expansion and foreign asset acquisition strategy to be on par with oil majors, despite a regional political and economic embargo on Doha, its chief executive said.

QP, which produces 4.8 million barrels of oil equivalent per day (boed), aims to boost its output to 6.5 million boed in the next 8 years, and is expanding its upstream business abroad, particularly in the United States, CEO Saad Al-Kaabi told Reuters.

Qatar is one of the Organization of the Petroleum Exporting Countries' smallest producers but is also one of the most influential players in the global liquefied natural gas (LNG) market due to its annual production of 77 million tonnes.

"We are in Mexico, we are in Brazil, we are contemplating investing in the U.S. in many areas, in shale gas, in conventional oil. We are looking at many things," Al-Kaabi

said in an interview at QP's headquarters in Doha.

"We are looking very critically at the United States because we have a position there. We have the Golden Pass that we are investing in," he said.

Qatar Petroleum is the majority owner of the Golden Pass LNG terminal in Texas, with Exxon Mobil Corp and ConocoPhillips holding smaller stakes.

Al-Kaabi said "depending on the project's cost and feasibility" he expects to take a final investment decision on expanding the Golden Pass LNG by the end of the year.

"I'm not in the business of infrastructure. I'm not going to have a liquefaction plant only. It has to be something that will be linked with an upstream business that we would buy in the U.S. so we need to be naturally hedged," he added.

To maintain its dominance in the United States and Australia, QP is cutting costs at home and seeking to expand overseas through joint ventures with international companies.

"We will always go with one of our international partners that we have business with here in Qatar," Al-Kaabi said. "Some of our partners want to divest, some of our partners want to acquire something together."

QP is focusing on other opportunities in Mexico, Latin America, Africa and in the Mediterranean, he said. QP is also looking to enter Mozambique, where Exxon and Eni operate, he added.

Al-Kaabi said the share of overseas upstream production will be "a good portion" in the long-term but it won't compare to its share at home.

"Our strategy says we are going to expand in upstream business with a little bit of downstream that will be connected to some other businesses that we are doing and a few one-off deals in petrochemicals," he said.

PRODUCTION EXPANSION

For Qatar, which is locked in a dispute with four Arab states, broadening its investments outside the Middle East would cement its position as the world's largest LNG supplier and help it to weather the boycott with its neighbors.

In June last year, Saudi Arabia, the United Arab Emirates, Bahrain and Egypt cut diplomatic, economic and transport ties with Qatar, accusing it of backing terrorism, a charge which Doha denies.

In an apparent show of strength, a month later QP announced plans to raise LNG production capacity by 30 percent to 100 million tonnes per year.

Qatar has lifted a self-imposed ban on the development of the North Field, the world's biggest natural gas field, which it shares with Iran, in April last year and announced a new project to develop its southern section, increasing output in five to seven years.

The announcement came at a time of an oversupply in the LNG market, but Al-Kaabi said such a glut would disappear in 2021-2022 driven by the rising demand for gas amid the global move towards cleaner fuels and climate change concerns.

QP has selected Japan's Chiyoda Corp for the front-end engineering and design (FEED) of the onshore facilities of the North Field expansion project and awarded McDermott a contract for the offshore engineering work, Al-Kaabi said.

QP has abandoned plans to debottleneck its existing liquefaction trains because it involved shutdowns and prompted safety concerns, and opted to build three new LNG trains, he said.

"Stay tuned," Al-Kaabi said, when asked if QP's announcement that the award to Chiyoda included a pre-investment for a fourth train as had been announced.

If QP decided to build a fourth train, that could mean possibly expanding gas production beyond 100 million tonnes per year.

Al-Kaabi said QP will award the engineering, procurement, and construction (EPC) contract for the first LNG train by the end of next year, with its start-up set for the end of 2023.

QP is in talks with international oil companies for the new expansion project. Oil companies operating in Qatar now include Exxon, Total and Royal Dutch Shell.

QP will make a decision on the foreign partners by the end of 2018, Al-Kaabi said.

“There are some new companies that have come and put forward some proposals ... but I don’t see the face of what we are doing and the companies that we have changing much.”

Pétrole : Arabie Saoudite et Russie envisagent une hausse de production au 3e trimestre



AFP

L'Arabie saoudite et la Russie, qui s'entendent depuis 2017 avec d'autres gros producteurs de pétrole pour limiter l'offre, ont jugé possible vendredi une hausse de la production à partir du troisième trimestre alors que les prix sont remontés récemment à leurs plus hauts niveaux depuis 2014.

Cité par les agences russes lors d'un forum économique à Saint-Pétersbourg, le ministre saoudien de l'Energie Khaled al-Faleh a jugé que les pays producteurs auront "bientôt la possibilité de libérer l'offre". "Comme nous l'avons toujours dit, le retour du pétrole sur le marché doit se faire progressivement. Nous ne le ferons pas rapidement. Cela interviendra probablement au deuxième semestre de cette année", a-t-il ajouté. "Si nous arrivons à l'idée commune qu'il est indispensable d'assouplir le niveau (de production, ndlr), cela doit se faire à partir du troisième trimestre", a estimé de son côté le ministre russe Alexandre Novak.

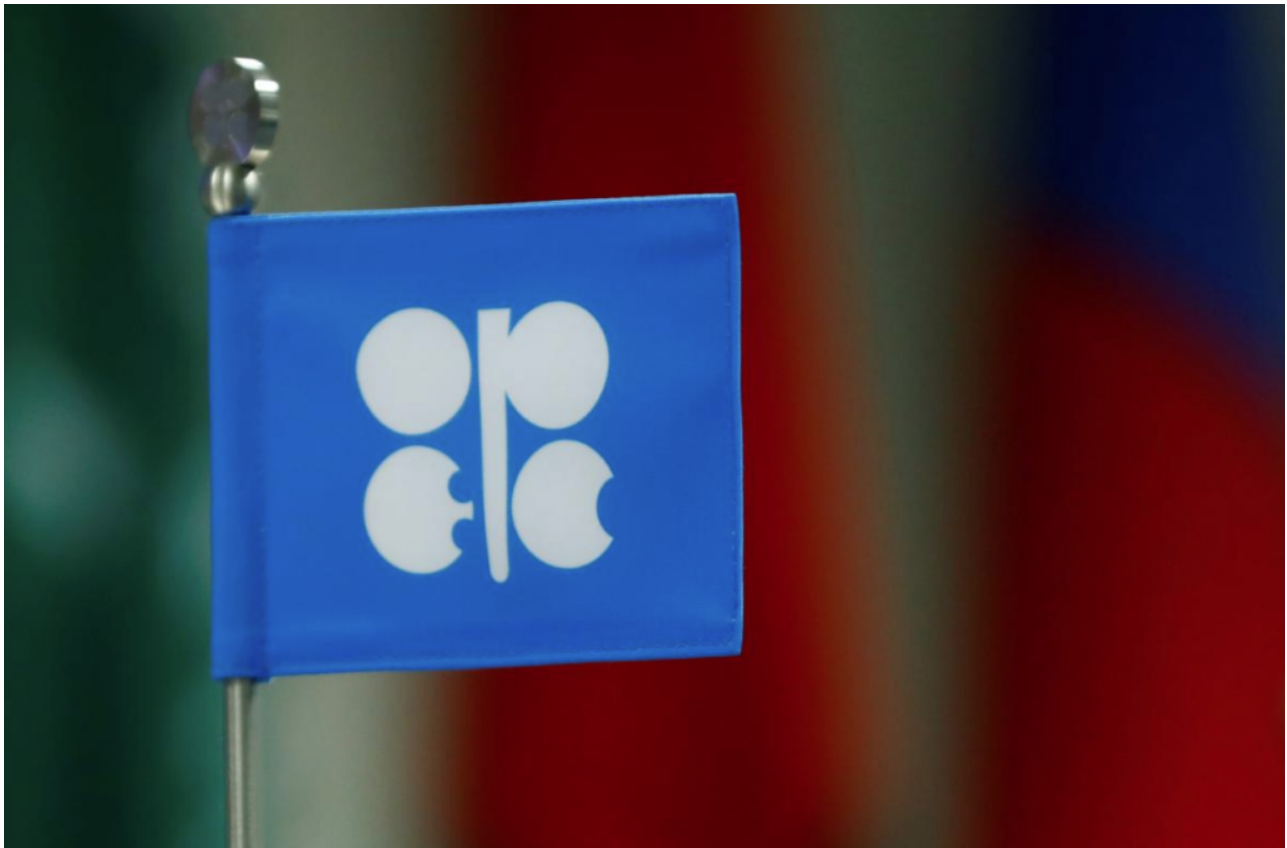
Après ces propos, les prix du pétrole reculaient d'environ 2%

sur les marchés.

Les deux hommes se sont entretenus jeudi soir pour discuter du sujet alors que l'Opep et ses dix partenaires, dont la Russie, doivent se réunir fin juin à Vienne.

Les 14 membres de l'Opep et dix autres producteurs de pétrole, Russie en tête, ont conclu fin 2016 un accord pour baisser le niveau de production de 1,8 million de barils par jour afin de réduire l'excédent d'offre de brut sur le marché et soutenir les prix. L'accord de limitation – qui court jusqu'à la fin 2018 – a permis de réduire l'abondance de l'offre et de pousser les prix vers le haut, le baril remontant autour de 80 dollars contre 30 dollars en janvier 2016.

OPEC, Russia prepared to raise oil output amid U.S. pressure



ST PETERSBURG/DUBAI (Reuters) – Saudi Arabia and Russia are discussing raising OPEC and non-OPEC oil production by some 1 million barrels a day, sources said, weeks after U.S. President Donald Trump complained about artificially high prices.

Riyadh and Moscow are prepared to ease output cuts to calm consumer worries about supply adequacy, their energy ministers said on Friday, with Saudi Arabia's Khalid al-Falih adding that any such move would be gradual so as not to shock the market.

Raising production would ease 17 months of strict supply curbs amid concerns that a price rally has gone too far, with oil having hit its highest since late 2014 at \$80.50 a barrel this month.

Trump tweeted last month that OPEC had “artificially” boosted oil prices.

“We were in the meeting in Jeddah, when we read the tweet,”

OPEC Secretary General Mohammad Barkindo said, referring to a meeting in Saudi Arabia on April 20.

“I think I was prodded by his excellency Khalid Al-Falih that probably there was a need for us to respond. We in OPEC always pride ourselves as friends of the United States,” Barkindo told a panel with the Saudi and Russian energy ministers in St. Petersburg at Russia’s main economic forum.

OPEC officials said by “the need to respond” Barkindo was referring to a tweet he sent the same day, rather than the need to act.

The Organization of the Petroleum Exporting Countries and allies led by Russia have agreed to curb output by about 1.8 million barrels per day (bpd) through 2018 to reduce global stocks, but the inventory overhang is now near OPEC’s target.

In April, pact participants cut production by 52 percent more than required, with falling output from crisis-hit Venezuela helping OPEC deliver a bigger reduction than intended.

Sources familiar with the matter said an increase of about 1 million bpd would lower compliance to 100 percent of the agreed level.

Barkindo also said it was not unusual for the United States to put pressure on OPEC as some U.S. energy secretaries had asked the producer group to help lower prices in the past.

Oil prices fell more than 2 percent toward \$77 a barrel on Friday as Saudi Arabia and Russia said they were ready to ease supply curbs.

NEAR TARGET

Russian Energy Minister Alexander Novak said current cuts were in reality 2.7 million bpd due to a drop in Venezuelan production – somewhere around 1 million bpd higher than the initially agreed reductions.

Novak declined to say, however, whether OPEC and Russia would decide to boost output by 1 million bpd at their next meeting in June.

“The moment is coming when we should consider assessing ways to exit the deal very seriously and gradually ease quotas on output cuts,” Novak said in televised comments.

Initial talks are being led by the energy ministers of OPEC kingpin Saudi Arabia and Russia at St. Petersburg this week along with their counterpart from the United Arab Emirates, which holds the OPEC presidency this year, the sources said.

OPEC and non-OPEC ministers meet in Vienna on June 22-23, and the final decision will be taken there.

Current discussions are aimed at relaxing record-high compliance with the production cuts, the sources said, in an effort to cool the market after oil hit \$80 a barrel on concerns over a supply shortage.

China has also raised concerns about whether enough oil is being pumped, according to a Saudi statement issued after Energy Minister Falih called China’s energy chief on Friday to discuss cooperation between their countries and to review the oil market.

Nur Bekri, administrator of China’s National Energy Administration, told Falih he hopes Saudi Arabia “can take further substantial actions to guarantee adequate supply” in the crude oil market, the Saudi Energy Ministry statement said.

While Russia and OPEC benefit from higher oil prices, up almost 20 percent since the end of last year, their voluntary output cuts have opened the door to other producers, such as the U.S. shale sector, to ramp up production and gain market share.

The final production number is not set yet as dividing up the extra barrels among deal participants could be tricky, the sources said.

“The talks now are to bring compliance down to the 100 percent level, more for OPEC rather than for non-OPEC,” one source said.

RALLY CONCERNS

OPEC may decide to raise oil output as soon as June due to worries over Iranian and Venezuelan supply and after Washington raised concerns the oil rally was going too far, OPEC and oil industry sources told Reuters on Tuesday.

However, it is unclear which countries have the capacity to raise output and fill any supply gap other than Gulf oil producers, led by Saudi Arabia, and Russia, the sources said.

“Only a few members have the capability to increase production, so implementation will be complicated,” one OPEC source said.

So far, OPEC had said it saw no need to ease output restrictions despite concerns among consuming nations that the price rally could undermine demand.

The rapid decline in oil inventories and worries about supplies after the U.S. decision to withdraw from the international nuclear deal with Iran, as well as Venezuela’s collapsing output, were behind the change in OPEC’s thinking.

Le pétrole chute, Ryad et

Moscou semblent prêts à augmenter leur production



NYC/Cours de clôture: Les cours du pétrole ont lourdement chuté vendredi à New York et Londres alors que l'Arabie saoudite et son allié russe ont estimé "probable" un assouplissement des limitations de la production de brut.

Le baril de Brent de la mer du Nord pour livraison en juillet a terminé à 76,44 dollars sur l'Intercontinental Exchange (ICE) de Londres, en baisse de 2,35 dollars par rapport à la clôture de jeudi.

Sur le New York Mercantile Exchange (Nymex), le baril de "light sweet crude" (WTIWTI Le West Texas Intermediate (WTI), aussi appelé Texas Light Sweet, est une variation de pétrole brut faisant office de standard dans la fixation du cours du brut et comme matière première pour les contrats à terme du pétrole auprès du Nymex (New York Mercantile Exchange), la bourse spécialisée dans l'énergie.) pour la même échéance a

lâché 2,83 dollars à 67,88 dollars.

Face à la hausse marquée des prix ces derniers mois, l'Organisation des pays exportateurs de pétrole (OPEP) et ses partenaires pourraient assouplir leur accord de limitation de la production, ce qui a pesé sur les prix vendredi.

Cité par les agences russes lors d'un forum économique à Saint-Pétersbourg, le ministre saoudien de l'Energie Khaled al-Faleh a jugé que les pays producteurs auront "bientôt la possibilité de libérer l'offre".

"Comme nous l'avons toujours dit, le retour du pétrole sur le marché doit se faire progressivement. Nous ne le ferons pas rapidement. Cela interviendra probablement au second semestre de cette année", a-t-il ajouté.

"Si nous arrivons à l'idée commune qu'il est indispensable d'assouplir le niveau (de production, ndlr), cela doit se faire à partir du troisième trimestre", a estimé de son côté le ministre russe Alexandre Novak.

"La Russie est sans doute en faveur de l'assouplissement des règles depuis longtemps. Mais c'est la première fois que l'Arabie saoudite s'exprime aussi clairement sur une hausse de la production", a commenté James Williams de WTRG.

Ryad "veut un prix du baril proche de 70 dollars et ne veut pas qu'il monte à 90 dollars pour ne pas pénaliser les consommateurs", a ajouté M. Williams.

Puits de pétrole

L'Arabie saoudite, premier exportateur mondial, est particulièrement observée par les marchés alors que l'offre mondiale est entravée par les baisses de production au Venezuela et pourrait l'être encore plus par les sanctions américaines contre ce pays et contre l'Iran.

"Le déclin de la production de l'OPEP nous pousse à penser que

les réserves mondiales vont baisser au deuxième et au troisième trimestre 2018", ont jugé les analystes de Société Générale, qui ont revu à la hausse leurs prévisions de prix pour le Brent, à 80 dollars au troisième trimestre.

L'avenir de l'accord de limitation de la production devrait être au coeur de la prochaine réunion de l'OPEP et de ses partenaires, fin juin à Vienne.

Le ministre saoudien a affirmé qu'il rencontrerait ses homologues de l'OPEP, et qu'il aurait l'occasion de se réunir avec M. Novak une ou deux fois avant la réunion de Vienne.

L'Arabie saoudite et la Russie sont deux des trois plus grands producteurs de pétrole au monde, avec les États-Unis.

La chute des prix a par ailleurs été accélérée par la publication vendredi d'un indicateur avancé de la production américaine, à savoir le nombre hebdomadaire de puits de pétrole actifs aux États-Unis.

Celui-ci a augmenté de 15 unités à 859 puits, suggérant une poursuite de la hausse de la production américaine, qui enchaîne actuellement les records d'après les rapports hebdomadaires de l'Agence américaine d'information sur l'Energie (EIA).

Le pétrole baisse, Russie et Arabie saoudite discutent d'une hausse de la production



Londres (awp/afp) – Les prix du pétrole reculaient nettement vendredi en cours d'échanges européens alors que la Russie et l'Arabie saoudite envisagent désormais d'augmenter les seuils de production de l'accord qui les engage, selon des déclarations des ministres de l'Energie des deux pays.

Vers 10H00 GMT (12H00 HEC), le baril de Brent de la mer du Nord pour livraison en juillet valait 77,19 dollars sur l'Intercontinental Exchange (ICE) de Londres, en baisse de 1,60 dollar par rapport à la clôture de jeudi.

Dans les échanges électroniques sur le New York Mercantile Exchange (Nymex), le baril de "light sweet crude" (WTI) pour la même échéance perdait 1,35 dollar à 69,36 dollars.

Face à la hausse marquée des prix ces derniers mois, l'Organisation des pays exportateurs de pétrole (Opep) et ses partenaires pourraient assouplir leur accord de limitation de la production, ce qui pèse sur les prix vendredi.

Les deux meneurs de cet accord, le ministre russe de l'Energie Alexandre Novak et son homologue saoudien Khaled al-Faleh se sont rencontrés jeudi soir à Saint-Petersbourg et ils envisagent désormais d'augmenter les seuils de production.

"Il est probable qu'il y ait une remontée progressive de la

production au deuxième semestre", a affirmé vendredi le ministre saoudien, selon des propos rapportés par l'agence Bloomberg.

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"L'Arabie saoudite veut garder les prix sous contrôle mais éviter qu'ils plongent complètement", a résumé Oliver Jakob, analyste chez Petromatrix, qui estime que l'Opep pourrait augmenter sa production de 500.000 barils par jour (alors que l'accord prévoit une baisse de 1,8 million de barils par jour).

The Europeans: Gas War is Behind Washington Quitting the Iranian Nuclear Deal



“It is clear that the upcoming investments will not happen, I do not know which of the major international companies will risk it,” he predicted in an interview with Agence France-Presse.

Washington, ignoring the Europeans’ warnings that it would reimpose the sanctions imposed under the multilateral agreement in 2015, has been back on Iran in return for a pledge to freeze its nuclear program.

US Secretary of State Mike Pompeo warned that European companies, which would continue to deal with Iran in sectors banned under US sanctions, would “be held responsible.”

The United States launched a strategy to search for markets to sell its natural gas and exported 17.2 billion cubic meters in 2017 to EU ports.

According to EHSMarket, the total capacity to import natural gas in Europe will increase by 20% by 2020.

Lower gas on horizon as Gazprom agrees to market approach



أرامكو السعودية
Saudi Aramco



Millions of consumers and industries could stand to win after the world's biggest natural gas exporter agreed to match

prices in central and eastern Europe with markets in the west. As part of an accord to settle a seven-year-old antitrust case with European regulators, Gazprom agreed to remove restrictions on pipeline flows, and give customers the right to resell, swap and check their rates against markets in the Netherlands and Germany.

The agreement brings customers in the east more in line with the conditions western utilities from RWE to Eni have sought from Gazprom through negotiations or via the courts.

"I expect to see lower gas prices in southeast Europe as Gazprom brings them closer to those paid by the buyers in western Europe," said Elchin Mammadov, a utilities analyst at Bloomberg Intelligence in London.

The settlement will speed up the transformation of how Gazprom runs its business in Europe, said Simone Tagliapietra, analyst at the Bruegel think-tank in Brussels. "Gazprom is aware that the European gas market is changing," she said. "They are simply adapting to the new market conditions."

The agreement is more effective than immediately slapping Russia's state-run export monopoly with a fine because it includes binding pledges to enable the free flow of gas at competitive prices in Central and Eastern Europe, the European Commission said on Thursday.

"These obligations will significantly change the way Gazprom operates in central and eastern Europe to the benefit of millions of European consumers when they heat their houses, when they cook their food and to the benefit of European businesses who rely on gas for their production," EU Competition Commissioner Margrethe Vestager told reporters in Brussels on Thursday.

Because of Gazprom's "monopolistic" position in eastern Europe, it's those nations that will benefit the most from the agreement and help cut prices, said Geoffroy Hureau, the secretary-general of Cedigaz, a Paris-based industry research group. Meanwhile, the company's biggest client in Europe is just happy that the case is coming to an end.

"These things dragged on for too long – they are a burden to

discussions on other topics," Uniper's chief executive officer Klaus Schaefer said in an interview in St Petersburg. "Therefore to get clarity on this in due course is important." Uniper was spun off from E.ON SE two years ago. E.ON was among the first utilities to seek more flexible terms from Gazprom back in 2009. The financial crisis had damped demand for the fuel and made market rates, which utilities use to sell the fuel to their own clients, cheaper than fuel from Gazprom. The settlement comes as Russia faces UK accusations it poisoned a double agent that sparked the largest collective expulsion of Russian intelligence officers. Still, a thaw in relations with Europe – an opportunity for rapprochement – came this month when the US pulled out of the Iran nuclear deal, angering other world powers. The EU's antitrust case has been a thorn in Gazprom's side since regulators conducted raids in 2011. But geopolitics crept into the antitrust case from the start after Russian President Vladimir Putin signed a decree in 2012 that gave the government the right to protect Gazprom from EU inquiries, but the commission stuck with its case.

Customers that bought gas originally for delivery to Hungary, Poland or Slovakia, can choose to have Gazprom deliver all or part of it to Bulgaria or the Baltic States instead and vice versa against a fee, the EU said.

But despite the outlook for better deals in the region, Poland's Deputy Foreign Minister Konrad Szymanski told state newswire PAP he was disappointed that there were no penalties or compensation for years of higher prices than their western competitors. Lithuania doesn't rule out appealing the decision of the European Commission not to fine Gazprom, Interfax reported, citing Prime Minister Saulius Skvernelis. "I know that some would have liked to see us fine Gazprom instead, no matter the solution on the table," Vestager told reporters. "But a fine would not have achieved all of our competition objectives." The Commissioner also underlined that if Gazprom breaks any of these obligations, it can impose a fine of as much as 10% of the company's worldwide sales, without having

to prove an infringement of EU antitrust rules. The EU obligations will be in place for eight years. "It is the enforcement of the Gazprom obligations that begins today," Vestager said.

Deputy chief executive officer Alexander Medvedev said that Gazprom is "satisfied" with the settlement.

"We were always committed to cooperate in good faith in order to find a constructive, mutually acceptable solution in accordance with the established procedure," he said in a statement.

"We believe that today's decision is the most reasonable outcome for the well-functioning of the entire European gas market."

Oil Drop Below \$80 Vindicates Cautious Investors Trimming Bets



أرامكو السعودية
Saudi Aramco



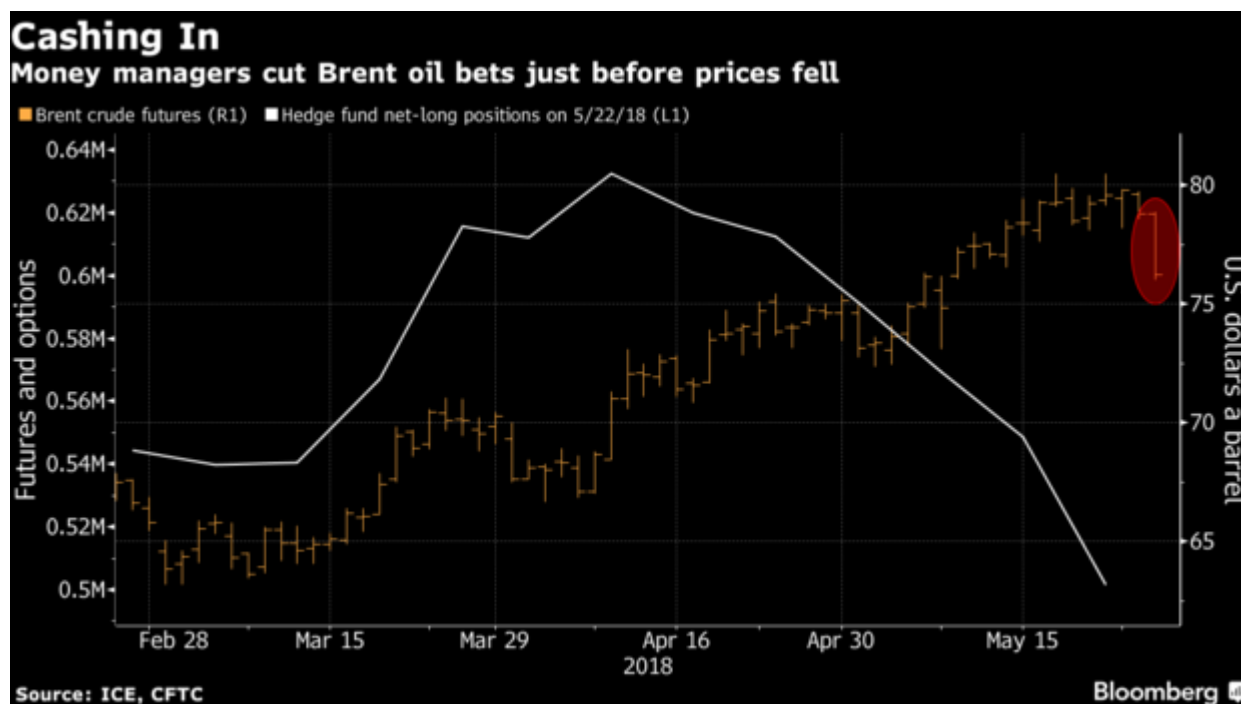
- Hedge funds cut Brent wagers by most since June 2017
- Saudi Arabia signals OPEC and allies may boost production

Money managers' reluctance to get behind the oil rally is finally paying off.

Hedge funds trimmed their net-long position – the difference between bets on a price increase and wagers on a drop – in Brent crude by the most in almost a year. The cuts came as the global benchmark capped its first weekly drop since early April, sliding below \$80 a barrel after Saudi Arabia and Russia said OPEC and its allies may boost oil output in the second half of the year.

“Traders thought that the market was in the process of topping

out,” John Kilduff, a partner at Again Capital LLC, a New York-based hedge fund, said by telephone Friday. Oil prices had a “swift reaction today to the musings by OPEC to potentially add more supply to the market. We will be very headline-driven over the next few weeks.”



Oil retreated from the highest prices in almost four years as Russian and Saudi energy ministers signaled that the coalition led by the Organization of Petroleum Exporting Countries may gradually raise oil production to assuage consumer anxiety about higher prices. Their comments mark a major shift in strategy for the historic alliance forged in 2016 to erase a global crude glut.

“I think in the near future there will be time to release supply” smoothly to avoid shocking the market, Saudi Energy Minister Khalid Al-Falih said at the St. Petersburg International Economic Forum in Russia. When OPEC, Russia and other major producers meet in June “we will do what is necessary” to reassure buyers, the minister said.

He spoke after talks with his Russian counterpart Alexander Novak, who said the output boost would start in the third quarter, if it’s approved by other members of the group. Both

men said the size of the increase was still subject to negotiation.

Hedge funds lowered their Brent net-long position by 8.6 percent in the week ended May 22 to 501,634 contracts, according to ICE Futures Europe data on futures and options released Friday. That was the biggest decline since June 2017.

Money managers' net-long position in West Texas Intermediate crude fell by 2 percent to 377,520 futures and options, the lowest since November, according to U.S. Commodity Futures Trading Commission released Friday. Longs slipped less than 0.1 percent, while shorts climbed 23 percent, the biggest jump since April.

"You want to get out of the long positions if you are expecting that OPEC is going to increase production," James Williams, president of London, Arkansas-based energy researcher WTRG Economics, said by phone. "It makes perfect sense for the folks that are long to say, 'How much longer can this thing continue to grow?'"

Disruption Threat

Crude had rallied earlier this month on the dual threat of supply disruptions from Iran and Venezuela, which together account for about 14 percent of OPEC's production. Still, the coalition is weighing the possibility of easing output limits at a time when drillers are pumping record amounts of crude from American shale basins.

"The market kind of overextended itself, " Gene McGillian, manager of market research for Tradition Energy in Stamford, Connecticut, said by phone. "With the Saudis now saying they're limiting their production cuts and geopolitical risk already priced in, there is going to be some uncertainty."

A dearth of pipelines in West Texas' Permian Basin, the most prolific U.S. oil play, is leaving supplies trapped in the

region. That's expanding the nation's surplus of the fuel as American production tops 10 million barrels a day.

U.S. inventories climbed by 5.78 million barrels to about 438 million barrels in the week ended May 18, data from the Energy Information Administration showed. That was a surprise increase compared with the 2 million-barrel decline predicted in a Bloomberg survey.

But analysts and traders predict that stockpiles may decline in the coming weeks, bolstering prices. Data provider Genscape Inc. was said to report that inventories fell by about 475,000 barrels between May 18 and May 22 at the key pipeline hub in Cushing, Oklahoma.

Oil prices have "been extremely extended for a long period of time," Kyle Cooper, a consultant at brokerage Ion Energy Group LLC, said by phone Friday. The "EIA report was bearish with a nearly 6 million-barrel build in total petroleum. The more important thing is how that was followed up today with OPEC and Russia regarding the possibility of removing some of those supply constraints."