

# UAE denies report of Houthi drone attack on Abu Dhabi airport

(Reuters) – The United Arab Emirates (UAE) denied reports on Thursday that Yemen’s Iranian-aligned Houthi movement had attacked Abu Dhabi airport with a drone, and said operations were unaffected.

Houthi-run media said earlier that a Sammad-3 drone had launched three strikes on the facility, disrupting air traffic, but did not provide any evidence and there were no reports of damage or casualties.

“Operations at the airport are business as usual,” a UAE official told Reuters.

The Houthis attacked two tankers in the Bab al-Mandeb strait a day earlier, prompting Saudi Arabia to suspend oil shipments through the strategic Red Sea lane.

The Houthis control much of northern Yemen and have said Abu Dhabi, a member of the Western-backed coalition fighting against them since 2015, was a target for their missiles.

The UAE has an advanced anti-missile interception system – the Theater High Altitude Area Defense (THAAD) which is designed to destroy short- and intermediate-range missiles both inside and outside the Earth’s atmosphere.

Abu Dhabi airport tweeted earlier in the day that there had been an incident involving a supply vehicle which had not affected operations, but it was unclear if it was referring to the same incident.

In December last year, the Houthis said they fired a cruise missile toward a nuclear power plant in Abu Dhabi.

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# KSA suspends oil shipments through Bab Al Mandab after Houthi terror attack



- Houthi terrorists earlier attacked two Saudi giant oil tankers, causing “slight damage” to one of the vessels
- The Arab Coalition helping Yemen’s legitimate government said the Houthis almost caused an environmental disaster.

JEDDAH: Saudi Arabia has suspended oil shipments through Bab Al-Mandab Strait after Iran-backed Houthi rebels in Yemen attacked two oil tankers, Energy Minister Khalid Al-Falih said on Wednesday.

“All oil shipments passing through Bab Al-Mandab Strait have been suspended temporarily until navigation through the area is secure,” Al-Falih said in a statement released through the

Saudi Press Agency (SPA) and state TV Al-Ekhbariyah.

Al-Falih and Saudi Aramco confirmed in statements that two giant oil tankers belonging to the Saudi National Shipping Company, each carrying 2 million barrels of crude oil, were attacked by Houthi terrorists in the Red Sea Wednesday morning after crossing Bab al-Mandab.

“One of the ships sustained minimal damage. No injuries nor oil spill have been reported,” Aramco said.

The oil giant said the decision to suspend shipments was “in the interest of the safety of ships and their crews and to avoid the risk of oil spill.”

Earlier, the pro-Houthi Al-Masirah television said that the rebels had targeted a Saudi warship named Al-Dammam, without providing further details.

But the Arab Coalition supporting the legitimate government of Yemen President Abed Rabbo Mansour Hadi said crude oil tankers were attacked.

Col. Turki Al-Maliki, spokesman of the coalition, said the Houthis “had almost caused an environmental disaster.”

The coalition has repeatedly raised alarm that Houthi rebels threaten vessels in the Red Sea – a key shipping route for world trade – through their control of the strategic Hodeida port.

The Bab Al-Mandab Strait, one of the world’s busiest shipping routes, links the Red Sea and the Gulf of Aden, and the Indian Ocean.

“This terrorist attack is a dangerous threat to the freedom of navigation and international trade in the Red Sea,” said Colonel Al-Malik.

“Port of Hodeida is still the starting point of terrorist attacks,” he said.

Pro-government forces backed up by a coalition led by Saudi Arabia have paused their offensive on Hodeida port in a bid they say to give UN-led peace efforts a chance.

The United Arab Emirates, whose forces in the coalition have been spearheading the Hodeida assault, has warned that troops

could “liberate” the port city if those efforts fail.

Saudi Arabia intervened in Yemen in 2015 at the head of a military coalition backing the country’s government after Houthi rebels ousted it from the capital Sanaa the previous year.

Meanwhile, the UN special envoy for Yemen Martin Griffiths arrived Wednesday in the capital, Sanaa to meet with rebel leaders amid efforts to restart peace talks after a two-year hiatus.

Yemeni Prime Minister Ahmed Obaid bin Daghr said Sunday the rebels should release all detainees and captives held in their prisons ahead of peace talks. He said the Houthis should also hand over their arms and withdraw from all rebel-held areas including Sanaa, which they seized in September 2014.

Last month, Griffiths announced plans to bring Yemen’s warring parties to the negotiating table. He held several meetings with both sides since.

Yemen’s three-year stalemated war has damaged Yemen’s infrastructure, crippled the health system and pushed it to the brink of famine.

The impoverished country is also now in the world’s worst humanitarian crisis, with more than 22.2 million people in need of assistance. Malnutrition, cholera and other diseases have killed or sickened thousands of civilians over the years.

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**Qatar to maintain its position as world’s largest LNG producer: NBK**



With non-oil growth expected to taper as the government's investment programme reaches an advanced phase, Qatar has turned back to gas/liquefied natural gas (LNG) production as it intends to maintain its position as the world's largest LNG producer, according to NBK.

Non-oil growth is expected to taper with the government's investment programme reaching an advanced phase; only four years remain for many of the high-profile infrastructure projects, such as the metro, light rail system and stadia, to be completed in time for the 2022 FIFA World Cup, it said in a report.

The \$7.4bn Hamad Port, which Qatar plans to develop into a regional transport hub and with which Doha hopes to bypass trade sanctions, was officially inaugurated at the end of 2017, leaving only a handful of projects left for the authorities to eke out future output gains, it said.

"Attention, therefore, has turned back to gas/LNG production," NBK said, adding in the short term, the delayed 1.4bn cubic feet per day Barzan gas facility should finally come on line in the fourth quarter of 2018, supplying additional volumes of gas and condensates; while in the medium term, Qatar's intention to expand liquefaction capacity by 30% to 100mn

tonnes per annum will significantly boost growth in the hydrocarbon sector.

Qatar's economic growth is expected to edge up slightly in 2018 to 1.7%, following last year's growth of 1.5%, before accelerating to 2.2% in 2019.

The economic activity will benefit from output gains in both the hydrocarbon (+0.3%) and non-hydrocarbon sectors (+3.3%), with the former witnessing an expansion in crude and LNG production and the latter benefitting from the government's \$200bn infrastructure spending programme.

Qatar's public finances appear to be on a sound footing following the government's fiscal consolidation efforts (cuts to subsidies, merging of ministries etc.), which brought public expenditures down by 12% in 2017, and the rise in oil and gas prices, it said.

"The fiscal deficit should continue to narrow to 1.2% of GDP (gross domestic product) by 2019, helped by firmer energy prices and additional non-hydrocarbon revenue streams, such as value added tax," it said.

The deficit has been financed primarily by domestic debt, although Qatar returned to the international bond markets in April with a successful \$12bn bond sale.

Meanwhile, Qatar Central Bank's international reserves appear to have recovered to \$24.7bn in May; around \$20bn was tapped in 2017 to stem the capital outflows.

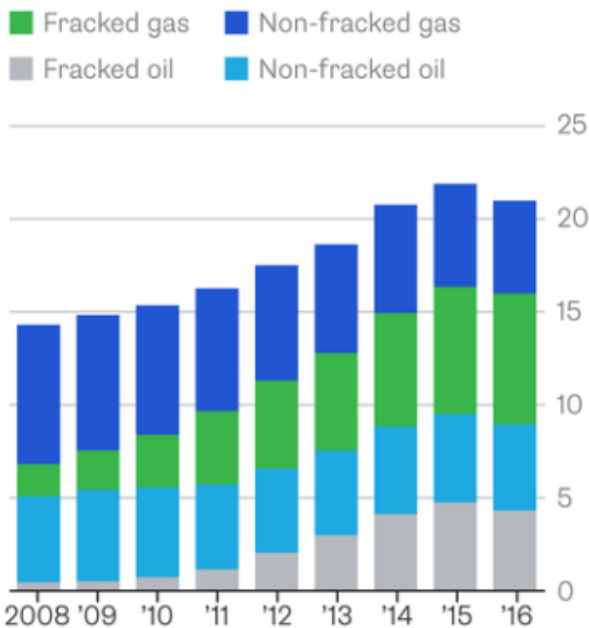
NBK said public debt is expected to peak at 57.8% of GDP this year, before falling to 54.3% of GDP in 2019.

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## Fracking

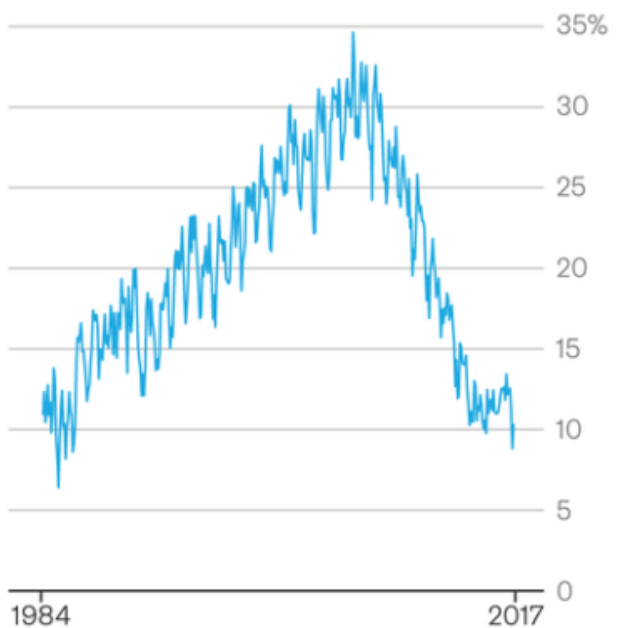
## Fracking Drives U.S. Energy Boom...

Estimates, in millions of barrels of oil or the equivalent per day



## ... and Energy Independence

U.S. net energy imports as a share of energy consumption



Sources: William Foiles, Bloomberg Intelligence; U.S. Energy Information Administration

BloombergQuickTake

Fracking to extract oil and natural gas from shale rock has produced a flood of energy in the U.S. and Canada, lowered fuel prices and created tens of thousands of jobs. It's helped the two countries lessen their dependence on foreign energy and cut their use of coal, the dirtiest fossil fuel, by almost a third since 2008. At the same time, fracking is associated with earthquakes, greenhouse-gas emissions and water and air pollution. Fracking raises questions about whether the benefits justify the costs, whether the minuses can be diminished through technology and regulation, or whether fracking presents a threat so grave it must be banned, an action many communities have taken.

## The Situation

Hydraulic fracturing, or fracking, was largely responsible for a 52 percent increase in U.S. oil and gas output from 2008 to 2015 and has made the country one of the world's biggest producers of the two fuels. Fracking generates a little more than half the oil and gas the U.S. produces today. The practice has yet to take off outside North America.

Environmental concerns have provoked a backlash, with bans or limits imposed by several European countries, Canada's Quebec province and, in the U.S., the states of New York, Vermont and Maryland and hundreds of counties and municipalities. Saudi Arabia and other members of the Organization of Petroleum Exporting Countries tried to drive North American frackers out of business starting in 2014 by flooding the market to push down oil prices. The biggest crash in the price of crude in a generation put some frackers out of business and prompted others to scale back. In 2016, U.S. crude production declined 5.7 percent and gas output fell 1.7 percent. After slashing costs by more than a quarter by adopting more efficient drilling techniques, the fracking industry began to rejuvenate in 2017. At the same time, U.S. President Donald Trump began to reduce energy regulations.

### The Background

The first commercial use of fracking was in 1949 in Oklahoma. The technique involves forcing water mixed with sand and chemicals into a well to create fissures in shale rock so the oil or gas trapped inside escapes. Advances in another innovation, horizontal drilling, came in the early 1980s and provided access to shallow layers of shale deep underground. The subsequent exploitation of the Barnett Shale formation in Texas proved large-scale fracking was economically viable, not least because of high oil and gas prices.

### The Argument

Advocates of fracking point out that abundant gas has let many U.S. power plants abandon coal, helping drive down energy-related carbon emissions 12 percent from 2005 to 2015. It's also decreased U.S. dependence on Persian Gulf oil, with U.S. net energy imports as a share of consumption in recent years hovering around 10 percent – levels last seen in the 1980s. The environmental risks of fracking, proponents argue, can be mitigated. For instance, operators can reduce leaks of



methane, a potent greenhouse gas, by testing and repairing pressure safety valves. Pollution of nearby water sources can be minimized by ensuring that oil and gas wells are properly sealed with cement. Fracking's champions say the risks of small earthquakes – linked mainly to the injection of wastewater into underground wells – can be lessened by mapping deep-rock formations and avoiding areas where tremors might result. They say frackers can trim their tremendous consumption of fresh water by recycling wastewater or using foam or gel as alternatives. Opponents say fracking is inherently too hazardous to tolerate. They say that methane leaks not only offset the greenhouse-gas savings from fracking but could outweigh them. Critics say strictly enforced nationwide regulations are required before operators would make investments that might curb environmental risks. They argue that the oil and gas industry has the power to block comprehensive regulation, and that the Trump administration has no interest in such oversight in any case. That leaves in place an existing patchwork of gap-filled laws. Opponents argue that the abundance of fossil fuels fracking produces will prove a curse because it will delay the development of renewable alternatives and thus impede the effort to slow global warming.

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## **Court Orders U.A.E. to Let Expelled Qataris Back In**



CAIRO – The top United Nations court intervened Monday in the bitter political feud dividing the Persian Gulf, ordering the United Arab Emirates to allow the return of Qatari citizens expelled from the country last year.

The provisional order by the International Court of Justice, which is based in The Hague, is expected to have limited concrete effect. The court has no powers of enforcement and the United Arab Emirates, in response to the verdict, insisted it was already in compliance with it.

But the decision, by the most prominent international body to rule on the dispute, struck a symbolic blow to the punishing trade and diplomatic embargo that the United Arab Emirates and its allies – Saudi Arabia, Egypt and Bahrain – have been pressing against Qatar for the past year in an effort to isolate the tiny and fabulously wealthy nation.

“This sends an early, strong signal that there will be no tolerance shown to countries that take arbitrary measures against Qataris,” Lulwa al-Khater, a spokeswoman for Qatar’s

foreign ministry, said in comments published by Qatar's state media.

The ruling may have its biggest impact in the battle for influence in Western capitals and international bodies, where Qatar and its foes have spent tens of millions of dollars in the past year on conferences, lawyers, news media advertisements and Washington lobbyists.

The court order "marks another blow to the blockade, which has failed from the beginning to gain support from the international community," said Kristian Coates Ulrichsen, a fellow for the Middle East at Rice University's Baker Institute for Public Policy.

Qatar's foes initially enjoyed loud support from President Trump, who appeared to side with their accusations that Qatar was financing Islamist terrorist groups and was secretly in league with Iran. Qatar denied the charges, saying it was being targeted for its outspoken TV network, Al Jazeera.

American officials pointed out that Qatar was home to a major American military air base, and Mr. Trump later backed off. In April he welcomed Qatar's emir, Tamim bin Hamad al-Thani, to the White House, where Mr. Trump hailed him as a "great friend."

In the complaint filed to the International Court of Justice last month, Qatar argued that the United Arab Emirates breached an international convention on racism when it expelled thousands of Qatari citizens in the opening weeks of the embargo in June 2017.

Under the ruling issued Monday, the United Arab Emirates must allow families with a Qatari member that were separated to be reunited, and Qatari students who were expelled must be allowed to resume classes or obtain records to continue elsewhere. A third order stipulated that Qataris should be allowed to seek legal redress in the United Arab Emirates.

The orders do not constitute a final ruling, and it could be years before the full case is heard and decided.

The United Arab Emirates minister of state for foreign affairs, Anwar Gargash, attempted to put a positive spin on the decision, saying in a Twitter post that the judges had refused six other Qatari demands.

Mr. Gargash said his government had already met the “conditions required” by the court ruling.

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**Actors offered money by UK casting agency to take part in ‘anti-Qatar event’ outside Downing Street**



A UK casting agency has been offering actors money to take part in an “anti-Qatar event” outside Downing Street during a meeting between Theresa May and the ruler of the Arab country.

*The Independent* has seen an email sent to extras offering £20 per person to take part in the supposed protest from 11am until 12.30pm on Tuesday, just before Tamim bin Hamad Al Thani is due to arrive at No 10.

“This is NOT a film or TV production,” casting agency Extra People said in the email to their actors. “The company are looking for a large group of people to fill space outside Downing Street during the visit of the president of Qatar (sic). This is an ANTI-Qatar event – You will not have to do or say anything, they just want to fill space. You will be finished at 12:30.”

Extra People told *The Independent* it was “contacted by an individual” to “source people” for the event, but refused to

reveal the identity of the client.

At 8.15pm, shortly after media reports first began to circulate about the job offer, the agency sent another mass email to its extras saying "on reflection" it would not be involved "in such a project".

A spokesperson said the agency decided to cancel the project having begun "to understand what the hirer was asking of our artistes and the event involved" after "receiving further information".

"We quickly made the decision to withdraw our involvement and wish to have no association with the event," he added.

The planned event comes amid a visit to Britain by Mr al-Thani aimed at promoting Qatar in the face of a year-long blockade by four neighbouring states – Saudi Arabia, Egypt, the United Arab Emirates (UAE) and Bahrain.

They accuse Qatar of funding Islamist terrorism, supporting extremists and fostering ties with Saudi's arch-rival Iran.

Qatar in turn has accused Saudi Arabia, its biggest neighbour, of "bullying" and risking a new conflict amid the ongoing diplomatic crisis.

On Tuesday, the UAE was ordered by the United Nations' highest court to immediately allow Qatari families affected by the dispute between the countries to reunite.

The International Court of Justice in The Hague imposed the measure before it hears the full case filed by Qatar at a later date.

According to Qatar, which filed the suit in June, the UAE has as part of the boycott expelled thousands of Qataris, blocked transport and closed down the offices of the Doha-based Al-Jazeera news channel.

The UAE had argued the case was without merit and should be dismissed.

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## Questions raised over paid protest timed for Qatari leader's No 10 visit



A casting agency advertised for paid extras to come and stand outside the gates of Downing Street when the emir of Qatar visits on Tuesday, amid accusations that the country's Gulf rivals are paying protesters to oppose the country's activities and create the impression of an upswell of British support against the country.

"This is NOT a film or TV production," said the advert from booking agency Extra People, offering £20 to respondents willing to take part. "The company are looking for a large group of people to fill space outside Downing Street during

the visit of the president of Qatar [sic]. You will not have to do or say anything, they just want to fill space.”

A Qatari diplomat pointed the finger at the country’s regional rivals, who have placed it under an economic blockade since last year, creating a vicious and expensive media war often fought through lobbyists, online advertising and selective leaks to journalists in the UK and US.

“The blockading countries have a long history of using paid protesters to try and discredit those who do not agree with their views,” said the Qatari diplomat. “Despite their latest attempts to spread lies about Qatar, the visit of HH the Emir has further strengthened the historic and strategic partnership between Qatar and the UK.”

The casting agency later retracted the advert and said that they did not want to be involved in providing extras for the event, which was arranged to coincide with the arrival of Tamim bin Hamad Al Thani to meet prime minister Theresa May.

“Upon receiving further information about the event, which regrettably was after our enquiry went out to our artistes, we began to understand what the hirer was asking of our artistes and the event involved,” said a spokesperson for the booking agency.

The agency declined to identify their client but said they backed out when they realised the event would involve the extras protesting outside the gates of Downing Street.

There have also been separate claims that attendees were paid to take part in an earlier anti-Qatar protest outside parliament on Monday afternoon. Protesters at the earlier event waved placards referring to allegations Qatar paid up to \$1bn to terrorist groups as a ransom for 28 members of a royal hunting party kidnapped in Iraq.

The advert raises questions over the growing influence of Gulf



money in the UK, with the ongoing political struggle between Qatar and the United Arab Emirates and Saudi Arabia. It follows an agreement by the Independent to licence its brands to a publishing business with close links to the Saudi government to produce Middle Eastern versions of its publications.

A series of anti-Qatar adverts have appeared on billboards around London, while other adverts highlighted the country's treatment of migrant workers, its record on LGBT rights, and the continued existence of an absolute monarchy.

Many of the protests were also attended by British-based Qatari businessman Khalid Al-Hail. He has previously organised a "Qatari opposition" conference in London featuring paid speakers, such as the former cabinet minister Iain Duncan Smith and the BBC journalist John Simpson.

Al-Hail has also been linked to a high-profile big budget football conference opposing corruption in sport, which was attended by Tory MP Damian Collins and footballer Louis Saha, and focused on criticism of the decision to award Qatar the right to host the 2022 World Cup.

Qatar's successful bid to host tournament has been beset by widespread allegations of corruption and poor conditions for workers building the stadiums.

Qatari-funded news network al-Jazeera has previously claimed that extras were paid to protest against the Qatari government at events in Germany.

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# International Court of Justice orders UAE to protect Qatari citizens' rights



QNA/ The Hague

**\*Provisional verdict calls for reunion of Qatari-UAE mixed families, opportunity for Qatari students to complete their studies and Qataris access to judicial services in the UAE**

The International Court of Justice (ICJ) on Monday issued an order granting Qatar's request for provisional measures against the United Arab Emirates (UAE) in a case relating to the UAE's unlawful and discriminatory treatment of Qatari citizens.

The court's order requires the UAE to immediately allow Qatari-UAE mixed families, who were separated due to UAE procedures, to reunite.

The ICJ also said Qatari students should be given the opportunity to complete their studies in the UAE or to retain records of their studies to be able to continue their education elsewhere.

The court also ruled that Qataris should be allowed access to judicial services in the UAE.

Qatar had moved the ICJ against the backdrop of discriminatory measures imposed by the UAE against Qatari nationals since June 2017.

The measures included the forced expulsion of all Qatari nationals from the UAE within two weeks, banning them from entering or passing through its territories and closing UAE airspace and seaports to Qatar.

In its complaint, Qatar said that the UAE has deprived Qatari companies and individuals of their property and deposits, and rejected their basic access to education, treatment and courts in the UAE. Through the ICJ, Qatar demanded that the UAE return all the rights to Qataris and compensate them for the damages.

The UAE's actions have been widely condemned by numerous independent human rights organisations, including Human Rights Watch, Amnesty International, and Reporters Without Borders.

Qatar filed its application instituting proceedings under the International Convention on the Elimination of All Forms of Racial Discrimination (CERD) before the ICJ on June 11, 2018. The same day, it also requested the court, as a matter of urgency, to order provisional measures protecting the Qatari people from discrimination while proceedings are ongoing.

In granting Qatar's request for provisional measures, the court noted that Qatar has offered to negotiate with the UAE on the implementation of the CERD, but Abu Dhabi has not responded.

The ICJ found that the measures enacted by the UAE authorities on June 11, 2017 were intended only for Qatar nationals, which amount to racial discrimination.

HE the Spokesperson for the Ministry of Foreign Affairs Lolwah al-Khater welcomed the court's order. She said: "Qatar is very pleased that the court has not been affected by attempts to repudiate and change the facts, and taken decisive steps to minimise their effect on our people."

She went on to say that "this is just the first step in a long struggle to vindicate our rights, but it sends a strong early signal to the UAE that its actions will not be tolerated. Qatar will now press forward, and we trust the UAE will meet its international obligations and comply with the court's order in the meantime."

The case under CERD represents one aspect of a larger dispute

that began on June 5, 2017 when the UAE, along with Saudi Arabia, Bahrain, and Egypt, imposed an unlawful land, sea and air siege against Qatar and its people as part of a campaign of political and economic coercion.

The ICJ is now expected to set a schedule for further proceedings in the case. Its order will remain in effect until the court issues its final judgement on the merits.

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## **Oil bulls cut and run as US trade war derails market**



Bloomberg/New York

Crude oil's biggest plunge in two years has money managers heading for the hills.

Hedge funds cut their net-long position – the difference between wagers on a price gain and bets on a drop – in Brent crude by the most since 2016. Bulls fled the market on concern that the escalating US-China trade war will imperil economic growth, denting oil demand amid signs of mounting supply from

the US to Saudi Arabia.

“Extended trade tensions with China threaten global economic growth,” said Rob Thummel, managing director at Tortoise Capital Advisors LLC, which manages \$16bn in energy-related assets. An economic slowdown would “negatively impact global crude oil demand growth” as output from Saudi Arabia and Libya rises.

Oil has tumbled from a four-year high in May as President Donald Trump prepares to slap tariffs on \$500bn of Chinese goods. Though Trump also leaned on Saudi Arabia to lower prices by pumping more, the kingdom said it will actually trim crude exports next month after bolstering production the most in three years in June.

Saudi Arabia “does not try to push oil into the market beyond its customers’ needs,” the Energy Ministry said in a statement on Thursday.

The world’s largest oil exporter is fulfilling a pledge made in late June that the Organisation of Petroleum Exporting Countries and allies including Russia would boost output by about 1mn barrels a day.

Output from Libya rose last week as production from its eastern fields climbed, offsetting thousands of barrels in production lost from the partial shutdown of the country’s biggest deposit after gunmen kidnapped workers there. “The return of Libya was a really big thing, and the addition from Saudi Arabia,” said James Williams, president of London, Arkansas-based energy researcher WTRG Economics.

The Trump administration, meanwhile, was said to be considering tapping the nation’s emergency oil supply to tame rising fuel prices before congressional elections in November, according to people familiar with the matter.

Hedge funds slashed their Brent net-long position by 21% in the week ended July 17 to 353,245 contracts, according to ICE Futures Europe data on futures and options released on Friday. That was the lowest level since August 2017.

Money managers’ net-long position in West Texas Intermediate crude fell by 7.4% to 401,690 futures and options, the biggest

decline since May, according to US Commodity Futures Trading Commission data released Friday. Longs also slipped 7.4%, while shorts fell 7.5%.

Though crude has recovered from lows reached in late June as Opec weighed an output boost, trade tensions have roiled the market. A measure of crude volatility soared last week to levels last seen almost a year ago.

US supply data, meanwhile, showed mixed signals for the market. Gasoline held in US storage tanks dropped by the most since May and fuel demand increased, according to government data, overshadowing the biggest increase in American crude inventories since April.

US production gains have “caused some players who don’t have conviction to exit,” said Gene McGillian, manager of market research at Tradition Energy. “We saw some topping out of Brent around \$79 and the idea that the Saudis and Russians were willing to add oil back into the market.”

In the fuel market, money managers trimmed their net-long position in benchmark US gasoline by 9.1%, the first decline in three weeks. The net-bullish position on diesel slid 27%, the most since February.

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## **Exxon Faces Russian Clash as Rosneft Files \$1.4 Billion Claim**

Exxon Mobil Corp. faces a legal clash with Russian oil giant Rosneft PJSCover its largest energy project in the country, with a potential liability of more than \$400 million.

Russia’s state-owned oil behemoth filed an arbitration

claim alleging “unjust enrichment” against all the Sakhalin-1 co-owners, including its own units, for a total of 89 billion rubles (\$1.41 billion), according to the country’s legal database. The offshore project is Exxon’s flagship in the nation after quitting most of its developments earlier this year due to sanctions. The U.S. company operates the venture with a 30 percent stake.

The press office for Exxon’s unit in Russia said it’s “aware of the court action, rejects the claims and will take action to defend the rights of the Sakhalin-1 consortium,” without elaborating.

Rosneft’s claim covers a period from 2015 through to May this year, although no further details were published. Rosneft didn’t immediately respond to calls and messages seeking comment.

Sakhalin-1, which pumps more than 200,000 barrels of crude per day, is the only major oil project in Russia still operated by an international company. It’s an exception in a nation where state-controlled companies have steadily expanded their control of energy resources, including developments around Sakhalin Island off the Pacific coast.

## **Kremlin Control**

In 2007, during President Vladimir Putin’s second term, the Kremlin pressured Royal Dutch Shell Plc to sell a controlling stake in the Sakhalin-2 oil and gas project to Gazprom PJSC. In 2015, Russia’s audit chamber told the nation’s parliament that the government lost out on about \$5 billion of taxes and other payments from the Sakhalin-1 venture because Exxon failed to increase natural gas sales.

Exxon in turn filed a claim over taxation of Sakhalin-1 three years ago, which last year ended up with an out-of-court deal with the Russian government. Despite halting some

drilling earlier this year due to international sanctions, Exxon said it could continue operations at Sakhalin-1 because it predates the 2013 deals that were subject to the restrictions.

An arbitration court of Russia's Sakhalin region registered the Rosneft claim on July 20 and set a preliminary hearing for September 10, according to the legal database. The court asked Rosneft to provide details of an agreement for the development of a northern tip of Chayvo field off Sakhalin Island. The Moscow-based producer has said it's developing this area on its own, while it's bordering with Sakhalin-1's Chayvo field.

Rosneft units own 20 percent of the Sakhalin-1 project, as does India's ONGC Videsh Ltd. Japan's Sakhalin Oil & Gas Development Co. holds the remaining 30 percent.