

Oil prices face uphill struggle in 2021 despite vaccine progress: Reuters poll



Oil prices will struggle to gain upward traction next year as demand remains in the grip of the coronavirus pandemic despite growing optimism over vaccines and a likely extension of output cuts by top producers, a Reuters poll showed on Monday.

The poll of 40 economists and analysts forecast Brent would average \$49.35 a barrel next year, little changed from last month's \$49.76 outlook. The benchmark has averaged about \$42.50 per barrel so far in 2020.

"The global oil demand outlook remains precarious given the resurgence of the pandemic and resulting lockdowns in Europe and the U.S.," said Marshall Steeves, energy markets analyst at IEG Vantage.

“This will likely remain the case through the first quarter of 2021 if not the second, thus OPEC+ faces muted demand for their oil.”

(Graphic: Brent and WTI price forecast for 2021)

Rising Libyan output also posed a headwind, analysts said, as the market focuses on a meeting on Nov. 30-Dec. 1, when the Organization of the Petroleum Exporting Countries, Russia and other producers, a grouping known as OPEC+, decide strategy.

OPEC+ is leaning towards delaying the group’s existing plan to boost output in January by 2 million barrels per day (bpd) to support a market hammered by the pandemic..

Although an accelerating COVID-19 vaccine race has raised hopes for a quicker economic rebound, analysts said a resultant fillip to demand may only materialise in the second half of 2021.

Global demand was seen growing by 5.1 million to 6.3 million bpd in 2021, led by China.

“Currently the Achilles heel on the demand side is the aviation sector. Business-related travel could still be low next year, as companies may make greater use of video conference calls,” said UBS analyst Giovanni Staunovo.

The survey forecast U.S. WTI crude futures would average \$46.40 a barrel in 2021, versus October’s \$46.03 consensus.

“U.S. rigs are coming back to life but a Joe Biden administration should derail anything that allows for a massive upswing with production,” said Edward Moya, senior market analyst at OANDA.

Opec faces seismic demand split as group plots next move



Bloomberg/London

As Opec+ ministers gather virtually this week, the city that traditionally hosts their meetings will be locked down.

But while the Austrian capital provides a dramatic example of how the second wave of the pandemic is shutting down economies in Europe and the US, the global picture is more nuanced.

In Asia, the situation is almost the opposite to that of Vienna. The streets in India were full during the recent celebration of Diwali; China's Golden Week holiday saw millions take cars, trains and even planes to visit relatives across the country.

The east-west divide is an added conundrum for Opec+, which on November 30-December 1 needs to decide whether to delay a

production increase slated for January – and if so, for how long. And there's another crucial divide in the global oil market: while gasoline and diesel demand have recovered to about 90% of their normal level, consumption of jet fuel languishes at about 50%.

"The size of the shock and the unevenness of its impacts imply a recovery process which is far from smooth," said Bassam Fattouh, the head of the Oxford Institute for Energy Studies. Saudi Arabia is using both carrot and stick to talk other members of the oil group into defending prices at Thursday's ministerial meeting.

In private, Opec+ delegates talk about the imbalance in the recovery, both geographically and between refined products. Increasingly too, they talk about another segmentation: crude oil quality. The market for the denser more sulphurous crude, called heavy-sour, is tight, mostly due to production cuts big producers. But the market for so-called light-sweet is glutted, in part because Libyan barrels have come back to the market after a ceasefire, and European refiners are consuming less North Sea crude.

All those factors make the deliberations of Opec+ ministers trickier. And they have just one blunt tool at their disposal: raising or cutting overall production. Opec+ nations do not target gasoline or jet-fuel production, but just crude.

There's also a geographical handicap: most of their oil goes to Asia, where demand is strong, rather than Europe and America, where it's weaker. That means they can do little to address the glut where it matters. Even the quality is a problem: Opec pumps mostly heavy-sour crude, and can do relatively little to trim the excess of light-sweet crude.

There is some consolation. While the recovery in oil demand that started in May stuttered in October and November as the second wave took hold, it wasn't the same hit to the market as earlier this year. The lockdowns in Europe aren't as severe as the first wave, and demand in Asia is surging – not just in China, but also in India, Japan and South Korea.

High frequency data for road usage shows a decline in early

November of about 30% from pre-Covid levels, compared to nearly 70% in late March and early April, according to an index compiled by Bloomberg News. The most recent data suggests that road fuel demand bottomed out around November 15, and has been recovering since. With European nations easing lockdowns in the run-up to Christmas, demand is likely to recover further.

Pieced together, this all means the market isn't as bad as it looked just a few weeks ago. Oil prices are reflecting the more positive tone: Brent crude has rallied well above \$45 a barrel, and the shape of the curve has flipped, with nearby contracts trading at a premium to later ones. That dynamic, known as backwardation and traditionally a bullish signal, means that demand is running above supply.

The physical market, where actual barrels change hands, is also showing signs of strength: the favourite crude varieties of Chinese refiners are commanding rising premiums. Take ESPO crude of Russia, a grade that Chinese independent refiners, known as teapots, like to buy. In the most recent tenders, it has changed hands at \$2.85 a barrel above its benchmark, up from 55 cents in mid-October.

Beyond the next quarter, the outlook improves further.

Many are already hopeful about the impact of virus vaccines on oil demand. If they are right, by mid-year, when Opec is likely to be meeting again, the streets of Vienna will be once again full of tourists, often perplexed to see oil ministers followed by packs of television cameras across the Austrian capital. The group is tentatively planning to hold its bi-annual international oil seminar, a two-day festival of the industry, at the Imperial Hofburg Palace in June 2021.

"Vaccine efficacy and availability point to a large enough recovery in oil demand next year to allow Opec to achieve both a rebalancing of excess inventories as well as increase production sharply," said Damien Courvalin, oil analyst at Goldman Sachs Group Inc.

For now though, Opec+ still has work to do. If the group wants to keep draining inventories accumulated earlier this year, it

needs to keep the market in deficit, rather than simply balance supply and demand. With Libyan output surging back, Opec's own economists believe that global inventories would increase by about 200,000 barrels a day during the first quarter of 2021 if the group increases output as scheduled in January. If it delays the hike by three months, then stocks would instead drain by about 1.7mn barrels a day between January and March, a similar amount to what it expects in the fourth quarter of 2020.

"The job is far from done," said Gordon Gray, global head of oil and gas equity research at HSBC Holdings Plc.

Turkey's economy expected to grow 4.8% year-on-year in Q3



Reuters/Istanbul

Turkey's economy is expected to have grown 4.8% year-on-year in the third quarter of 2020, as expectations turned positive

after data indicated strong performance, a Reuters poll showed yesterday, while GDP is seen remaining flat through the year. The coronavirus pandemic, which led to a year-on-year contraction of nearly 10% in the second quarter as a result of restrictions on travel and weekend lockdowns, eased in the third quarter before surging again in October and November. While previous Reuters polls had predicted a contraction in the third quarter as well, the median estimate of 14 economists in this week's poll forecast a growth of 4.8%. Estimates ranged between growth of 6.8% and contraction of 1.5%.

Strong performances in the industry, retail, finance and real estate sectors have led the growth in the third quarter, said Daglar Ozkan, economist at Is Yatirim.

"Our previous expectations were a little weaker but data for September showed us that growth in the third quarter was very strong," he said.

Turkey has recently imposed new measures to combat the coronavirus outbreak, as new daily symptomatic cases and deaths reached record levels in recent days.

Ankara has emphasised that the measures, much less restrictive than those in the spring, will not interfere with supply and production chains.

Is Yatirim's Ozkan said the second wave will likely have a much more limited impact on the economy compared to the first because the restrictions are designed to allow economic activity to continue.

For the full year, the median estimate was for the gross domestic product (GDP) to remain flat, with estimates of 16 economists ranging between growth of 0.6% and contraction of 5%.

The government has forecast a growth of 0.3% this year but said the economy could contract 1.5% under a worst-case scenario.

Turkey's economy, which has expanded 5% on average over the last decade, has performed well below those levels for the last two years, growing 0.9% in 2019.

Turkey needs to find a way back to near potential growth, said Bank of America.

“Given the high external financing needs, Turkey needs economic reforms to boost productivity and to take steps to increase investor confidence,” it said in a note, adding that Ankara’s recent calls for reforms showed an understanding of the needs.

The Turkish Statistical Institute is expected to announce third quarter GDP data on November 30.

GECF amplifies role of natural gas at OLADE Ministerial Meeting



Upon an invitation of the Latin American Energy Organization (OLADE), the Gas Exporting Countries Forum (GECF) participated in its 50th jubilee Meeting of Ministers, dedicated to the topic “The energy sector during the crisis and its role in a post-pandemic economic recovery” and held on 19 November via

videoconference.

The OLADE governing body has proved to be the foremost gathering of the Energy Administration Heads in the Latin American and Caribbean region providing an umbrella access to membership of 27 countries and engagement of peer international organisations, such as GECF, IEA, IEF, IRENA, and Inter-American Development Bank.

Assuming the office from HE Antonio Almonte, the Dominican Republic's Energy and Mines Minister, the Meeting's President HE Senator the Honourable Franklin Khan, Minister of Energy and Energy Industries of Trinidad and Tobago shared his vision of the energy sector as "the engine of the post-pandemic economic recovery" and stated that "energy industries have always played a fundamental role in providing society with the conveniences of modern living".

Addressing the policymakers, the GECF Secretary General Yury Sentyurin, linked to the significant deterioration in OLADE countries' economies due to COVID-19 pandemic and noted that "the GECF estimates that despite the challenging environment, the region's primary energy demand will rise by 60% by 2050. Natural gas will make the most prominent contribution to this growth, as an inevitable component in building more sustainable energy systems with prominent emissions mitigation potential through larger deployment of decarbonisation options, including carbon capture, utilisation and storage (CCUS) and hydrogen developments."

The GECF Secretary General commended the decisive actions taken by OLADE countries to facilitate energy transition and stimulate energy systems' decarbonisation. In this regard, he recalled the recently taken final investment decision to construct Energia Costa Azul LNG project in Baja California, Mexico – the first ever LNG export facility on the Pacific Coast of North America.

Meanwhile, the UNFCCC COP25 chair Chile shared more details on its pledge to phase out coal by 2040 and to achieve carbon neutrality by 2050. The Chilean Energy Undersecretary Francisco Javier López particularly mentioned hydrogen and noted that its production was “a high priority area of work to further energy sector developments”.

Speaking about Argentinian energy mix, HE Dr Javier Papa, Undersecretary of Energy Planning at the Energy Secretariat described natural gas as an integral element to succeed energy transformation. Argentina has recently announced its plans to liberalise its gas market by offering repatriation for gas investment.

“These are encouraging news in favour of natural gas and collectively they sound even more impressive” – continued GECF authority, citing the Forum’s Global Gas Outlook 2050, which forecasts the share of gas in the Latin American and Caribbean regional energy mix to grow from currently 24% to 33% by 2050. “Natural gas will be the harbinger of a sustainable and environmentally-friendly prosperous future for Latin America” – HE Yury Sentyurin stated.

Reflecting on the challenges posed by the year 2020, the GECF Secretary General highlighted the Forum’s Member Countries’ outstanding discipline and resilience in the continued fulfilment of their obligations towards all contracting parties. He also recalled his counterpart OLADE Executive Secretary Alfronso Blanco saying that “the strengthened collaboration can support the achievement of deeper energy transitions in the region.”

“The GECF has been continuously supporting its partner organisation and is eagerly looking forward to making even greater tribute in the OLADE-GECF activities, as well as its Member Countries’ practices through joint studies and outreach activities, exchange of unique expertise, comprehensive data sets, and analytics and multifaceted experience” – HE

Secretary General Sentyurin reiterated. He also added that the GECF is ready to assist those on board to emerge stronger, wiser, technologically guided, data driven, and ever more agile, when entering the post COVID-9 world of growth and prosperity.

Iraq voices frustration with Opec days before crunch meeting



Bloomberg/London

Iraq's deputy leader has criticised Opec just days before the oil group makes a crucial decision on whether to raise output. Opec should take members' economic and political conditions into account when deciding production quotas rather than adopting a "one-size-fits-all" approach, according to Ali Allawi, Iraq's Finance and Deputy Prime Minister.

“We have reached the limit of our ability and willingness to accept a policy of one size fits all,” he said this week during a virtual conference hosted by UK think-tank Chatham House. “It has to be more nuanced and it has to be related to the per-capita income of people, the presence of sovereign wealth funds, none of which we have. We are beginning to articulate this position.”

While Allawi said he wasn't speaking on behalf of the Ministry of Oil, which decides on Opec matters, his comments are yet another manifestation of rifts within the group before its next meeting on November 30. Nigeria also has tried to get some oil blends excluded from its quota.

Iraq, the group's biggest producer after Saudi Arabia, is reeling from the coronavirus-triggered collapse in oil prices. While all members have suffered, Iraq's position is about the worst of the lot, with the government struggling to pay teachers and civil servants, and protesters taking to the streets en masse.

Opec+, an alliance between the Organization of Petroleum Exporting Countries and others such as Russia, meets a day later, on December 1. It agreed in April, at the height of the pandemic, to cut crude output by almost 10mn barrels daily. Opec imposed quotas on 10 of its 13 members, exempting Iran, Libya and Venezuela because of their economic and political turmoil.

Opec+ eased some of those curbs in August. It was meant to reduce the cuts by another 2mn barrels daily at the start of January, but renewed lockdowns in major economies including the US and Europe mean that some members may push for a delay. Brent crude prices have more than doubled since April, but are still down around 26% this year at \$48.50 a barrel.

Iraq has already breached its quota on several occasions. It has promised to compensate for its over-production. This week, in an unprecedented move, Iraq sought an upfront payment of about \$2bn in exchange for a long-term crude-supply contract.

Lebanon sets starting point for sea border negotiations with Israel



BEIRUT (Reuters) – President Michel Aoun on Thursday specified Lebanon’s starting point for demarcating its sea border with Israel under U.S.-mediated talks, in the first public confirmation of a stance sources say increases the size of the disputed area.

Israel and Lebanon launched the negotiations last month with delegations from the long-time foes convening at a U.N. base to try to agree on the border that has held up hydrocarbon exploration in the potentially gas-rich area.

A presidency statement said Aoun instructed the Lebanese team that the demarcation line should start from the land point of

Ras Naqoura as defined under a 1923 agreement and extend seaward in a trajectory that a security source said extends the disputed area to some 2,300 square km (888 sq miles) from around 860 sq km.

Israel's energy minister, overseeing the talks with Lebanon, said Lebanon had now changed its position seven times and was contradicting its own assertions.

"Whoever wants prosperity in our region and seeks to safely develop natural resources must adhere to the principle of stability and settle the dispute along the lines that were submitted by Israel and Lebanon at the United Nations," Yuval Steinitz said.

Any deviation, Steinitz said, would lead to a "dead end".

Last month sources said the two sides presented contrasting maps for proposed borders. They said the Lebanese proposal extended farther south than the border Lebanon had years before presented to the United Nations and that of the Israeli team pushed the boundary farther north than Israel's original position.

The talks, the culmination of three years of diplomacy by Washington, are due to resume in December.

Israel pumps gas from huge offshore fields but Lebanon, which has yet to find commercial gas reserves in its own waters, is desperate for cash from foreign donors as it faces the worst economic crisis since its 1975-1990 civil war.

Additional reporting by Ari Rabinovitch in Jerusalem; Writing by Ghaida Ghanous; Editing by Janet Lawrence

Athens responds to US State Department's claim that Greek air space is only 6 nautical miles



Regarding the report by the US State Department, which was forwarded to the US Congress on March 18 and in the framework of the provisions of the “Eastern Mediterranean Security and Energy Partnership Act,” diplomatic sources pointed out that the borders of Greece’s territorial waters, as well as the maritime borders between Greece and Turkey, have been clearly defined for years on the basis of international law and are not in any dispute.

In particular, they stated in response to the State Department that regarding the Southeastern Aegean and the Eastern Mediterranean, the maritime borders have been defined by the Italy-Turkey Agreement signed in Ankara on 4 January 1932, as well as the minutes which was signed in Ankara on December 28, 1932.

Greece, as the successor state under the Treaty of Paris of 1947, gained sovereignty over the Dodecanese without any change in the maritime borders, as agreed between Italy and Turkey.

Regarding the sea borders in Thrace (up to the point of a distance of three nautical miles from the Evros Delta), they emphasise that these were defined by the Treaty of Lausanne of 1923 and the Athens Protocol of 1926.

Finally, regarding the sea borders between the above two areas (from Thrace to Dodecanese), where the territorial waters of Greece and Turkey intersect, they pointed out that the sea borders follow the middle line between the Greek islands and islets and the opposite Turkish coasts.

The same diplomatic sources noted that Greece's external borders, including its territorial waters, are at the same time the external borders of the European Union.

The recently released State Department report states that Greece claims an airspace that extends up to 10 nautical miles and a territorial sea of up to 6 nautical miles, but that "under international law, a country's airspace coincides with its territorial sea."

"The US thus recognizes an airspace up to 6 nautical miles consistent with territorial sea. Greece and the US do not share a view on the extent of Greece's airspace," the report said.

The State Department report adds that although Athens currently claims up to a 6-nautical-mile territorial sea in the Aegean, "Greece and its neighbors have not agreed on boundary delimitation in those areas where their lawful maritime entitlements overlap."

"Lack of such delimitation means there is no clarity on the extent of Greece's territorial sea and corresponding airspace

in these areas rendering any assessment of total violations not feasible,” the report said.

The State Department report said Washington encourages Greece and Turkey “to resolve outstanding bilateral maritime boundary issues peacefully and in accordance with international law.”

Nakilat completes second phase of fleet management transition



Qatar-based shipping and maritime company Nakilat has completed the second phase of its fleet management transition from Shell International Trading and Shipping Company.

A total of seven liquefied natural gas (LNG) carriers transitioned to its in-house operational and technical management.

During the second phase transition, Q-Max LNG carrier Lijmiliya was the last vessel to transition from Shell to Nakilat Shipping Qatar Limited (NSQL) on 27 October.

Currently, the fleet size fully managed by NSQL stands at 26 vessels with 22 LNG vessels and four liquefied petroleum gas (LPG) carriers.

Over the past several years, Nakilat has been working closely with its long-term partner Shell for a smooth transition of vessel management.

Nakilat CEO Abdullah Fadhalah Al Sulaiti said: "This milestone achieved in a safe and timely manner, despite the challenges presented by the global pandemic, is especially meaningful and demonstrates our strong commitment to safety, reliability, and efficiency through the provision of quality shipping and maritime services."

Al Sulaiti continued: "Over the past years, Nakilat has grown in leaps and bounds with the steady expansion of its LNG fleet, which is the largest in the world. The management of our vessels centrally controlled from Qatar allows us to further capitalise on existing synergies with our main charterer (Qatargas), realise operational efficiencies, and optimise costs. I would also like to express our gratitude to Qatargas for their cooperation and the continuous support provided throughout our long-term strategic partnership and the entire vessel transition phases.

"We strive to steer forward through tactfully formulated strategies, seizing potential long-term growth opportunities, strengthening ship management capabilities, and enhancing operational excellence in our vision to be a global leader and provider of choice for energy transportation and maritime

services.”

Phase one of the fleet management transition, involving ten LNG carriers, began in 2016 and was completed in August 2017.

In a separate development, 11 projects were inaugurated in Iran’s Anzali Port in the Caspian Sea.

Among the projects inaugurated, there is a grain depot with 50,000t capacity and a general cargo warehouse with an area of 4,509m².

Qatar gas delivers first LNG cargo on Q-Max vessel to Tianjin Terminal in China.



Qatargas Operating Company Limited (Qatargas) announced today the delivery of the first cargo of liquefied natural gas (LNG) on a Q-Max LNG carrier to the Tianjin LNG Receiving Terminal in China.

The cargo aboard the Qatargas-chartered LNG vessel, 'Al Mafyar,' was loaded at Ras Laffan on 21 October 2020 and delivered to the Tianjin Terminal, located in the northern port city of Tianjin, near Beijing, on 10th November 2020.

This is the first cargo discharge operation by Qatargas to this LNG terminal involving a Q-Max LNG carrier. The Q-Max is the largest LNG vessel class in the world and has the ability to deliver 266,000 cubic metres of LNG.

The Tianjin LNG Receiving Terminal is owned and operated by the China Petroleum & Chemical Corporation (Sinopec), one of China's largest state-owned enterprises. The terminal has a capacity of six million tonnes per annum (MTPA) and is

currently being expanded to handle up to 10.8 MTPA by 2022. The Tianjin LNG receiving terminal received its first LNG cargo in February 2018 and has received more than 200 LNG cargoes so far.

Currently China has a total of 22 LNG receiving terminals (including 3 small scale terminals), 11 of which can accommodate Q-Max LNG vessels. Qatargas has to date delivered LNG cargoes to 13 LNG terminals in China. Ever since the first LNG cargo was delivered to China in September 2009, more than 62 million tonnes of LNG was delivered to China in total.

Al Mafyar is the first Q-Max LNG vessel to call at the Tianjin LNG receiving terminal and the 100th LNG vessel to call at the terminal in 2020.

Source: Qatargas

Maritime Disputes in the Eastern Mediterranean: The Way Forward by Dr. Roudi Baroudi



Now available in English at Brookings Institution Press.
Coming soon in Arabic, French, and Greek.

Using satellite imagery, international law, and geodesic research, **Roudi Baroudi** walks readers through a road map for peaceful and responsible resolution of maritime boundary disputes in the Eastern Mediterranean. The volume draws upon the United Nations and its associated treaties, courts, and other institutions that have developed bodies of law and procedures to facilitate negotiation. **Dr. Baroudi** points to rapid advances of science and technology as the means to take the guesswork out of boundary delineation, making this route more reliable and user-friendly than ever before.

"An expert commentary and seminal work."

– **Ambassador John B. Craig**, Senior Fellow, Transatlantic Leadership Network; former Special Assistant to President George W. Bush for Combatting Terrorism, and former United States Ambassador to Oman

"Baroudi makes a powerful case for compromise so that the

states of the region can move beyond their costly disputes and reap the rewards of cooperation. Dr. Baroudi's approach has much to teach us and will hopefully contribute to peaceful progress, if only the opposing sides will listen."

– **Andrew Novo**, Associate Professor of Strategic Studies at the National Defense University

"...The countries of the region, as well as the United States and the European Union, should embrace Baroudi's approach to reduce frictions and realize the benefits of this energy bounty."

– **Douglas Hengel**, Professional Lecturer in the Energy, Resources and Environment Program Johns Hopkins University, SAIS and Senior Fellow at the German Marshall Fund

Order a copy