

Spot deals make up more of global LNG market as sellers get flexible



Reuters Singapore

Spot trades and other short-term deals are making up more of the transactions in the global liquefied natural gas (LNG) market as producers in the US and Russia offer more flexible volumes and traders increasingly handle cargoes.

Spot and short-term LNG trades, defined as cargoes delivered through contracts of four years or less, made up 32% of overall import volumes in 2018, up from 27% of imports in 2017, the Paris-based International Group of LNG Importers (GIIGNL) said last week in its annual report.

Cargoes delivered in less than three months from the transaction date increased to 25% of the market in 2018, compared with 20% in 2017, the GIIGNL said.

“For LNG importers, long-term partnerships, destination and

volume flexibility as well as the ability to optimise or arbitrage between Asian and European markets remain key,” said GIIGNL president Jean-Marie Dauger in an emailed statement.

“In China, in India and South East Asia, in particular, LNG’s environmental benefits and its versatility make it particularly attractive as a destination fuel for thermal power generation and co-generation, in the industrial and commercial sectors as well as in a growing variety of fields like marine and road transportation.”

Australia was the biggest exporter of spot and short-term volumes in 2018 as new projects in the country started up, followed by the US and Qatar, the GIIGNL said.

The three biggest LNG importing countries – Japan, China and South Korea – absorbed just over half of the global spot volumes traded, while India’s spot purchases increased as its natural gas demand growth exceeded domestic production, the group said.

Re-exports also increased due to better arbitrage opportunities.

Overall, the global LNG market grew by 8.3% from the previous year to nearly 314mn tonnes in 2018, more than three times the size of the market in 2000, GIIGNL said.

That was the third-largest annual increase after 2010 and 2017.

The market is likely to reach a tipping point this year, with many long-term contracts starting to expire and as new supply comes on stream, Dauger said, adding that the industry needs to become more innovative and efficient in trading.

GIIGNL has 81 member companies headquartered in 26 countries and handles more than 90% of global LNG imports.

PRESS RELEASE on the Foreign Minister's transition to Beirut for participation in the tripartite Ministerial meeting of Cyprus – Greece – Lebanon



The Minister of Foreign Affairs, Mr. Nikos Christodoulides, goes to Beirut tonight to participate in the work of the first official tripartite Ministerial Meeting of Cyprus – Greece –

Lebanon.

At the meeting tomorrow, Wednesday, Mr Christodoulides, together with his Lebanese counterparts, Gebran Bassil , and Greece, Mr George Katrougalos, are expected to lay the groundwork for further strengthening and promoting tripartite cooperation in the fields of tourism, education, economy and trade, on the basis of pre-service work. The three Ministers will also discuss regional and international issues of common interest. In the talks on cooperation in the tourism sector, the responsible Ministers / Ministers of the three countries will also participate, with the Deputy Minister of Tourism Mr Savva Perdio to participate on behalf of Cyprus.

Upon completion of the meeting, the Foreign Ministers of the three countries will make statements to SME representatives (at 12.30pm) and a Joint Statement will be adopted.

Earlier Wednesday morning, Mr. Christodoulides will address a business forum, which will include a delegation of Cypriot businessmen to accompany the Foreign Minister to Lebanon. On Thursday morning, Mr. Christodoulides, together with the Minister of Energy, Commerce and Industry, Mr. G. Lakkotropi, will have a joint bilateral meeting with the Foreign and Energy Ministers of Lebanon, Mr. Gebran Bassil and Ms. Nada Boustani

, which is expected to discuss, inter alia, issues related to the Cyprus – Lebanon cooperation in the field of energy and energy security in the wider region of the Eastern Mediterranean. At the end of the meeting, Ministers will make statements to the media (at 10.45am).

During his stay in Lebanon, Mr Christodoulides will be admitted to separate meetings by Lebanese President Michel Aoun , Prime Minister Saad Hariri and House Speaker Nabih Berri, which will have the opportunity, among other things, to exchange views with their interlocutors on the strong links

between Cyprus and Lebanon and the further strengthening of bilateral relations, EU-Lebanon relations and regional and international issues of mutual interest of interest.

The Foreign Minister will return to Cyprus on Thursday night.

Noble Energy Wins Big Gas Deal From Israel Electric Corporation



Israel Electric awarded the deal to the partners in the Leviathan gas field over the Tamar field partners

It was Yitzhak Tshuva and Noble Energy competing against Yitzhak Tshuva and Noble Energy for a giant contract to supply the Israel Electric Corporation with natural gas. One side bid to supply the gas at a price of \$4.78 per thousand cubic feet and the other put in a bid for \$4.78, too.

In the end, no surprise, the winners, who were revealed on Sunday, were Yitzhak Tshuva and Noble Energy with a bid of \$4.78, although in the end the two rivals may split the contract.

That strange bidding process was possible because on one side, there were the partners who control the Tamar gas field, which include Noble, Tshuva's Delek Drilling and Isramco, and the other side were the partners who control the Leviathan field, which include Noble, Delek Drilling and Ratio.

State-owned IEC said it opted for Leviathan's identically priced bid because it was seeking to diversify its sources of natural gas, which is now supplied exclusively by Tamar. Tamar will lose a major part of its sales to IEC because the Leviathan contract will replace much of the gas Tamar is now supplying.

The interim contract calls for Leviathan to supply about 4 billion cubic meters of gas, once production begins in October of this year, through June 2021. The contract is a so-called "interruptible" agreement, meaning IEC does not have to buy all the gas it has contracted for. It represents a big cost savings for IEC, which has been paying \$6 for its Tamar gas up to now.

"IEC encouraged competition and achieved savings in the hundreds of millions, which is resulting in lower electricity rates to customers," the utility said on Sunday, and vowed: "In the next stage, the company will begin a competitive process with Karish and Tanin."

Karish and Tanin are gas fields off Israel's coast that are controlled by the Greek energy company Energean, the only other major player in the Israeli gas industry besides the Tamar and Leviathan partners.

Ella Fried, an analyst at Leumi Capital Partners, noted that the contract isn't important financially for the Leviathan.

Revenues from it will not exceed \$700 million. In fact, shares of the Ratio partnership, which holds a 15% stake in Leviathan and has no interest in Tamar, edged up just 0.9% to close at 2.85 shekels (80 cents) on the Tel Aviv Stock Exchange.

However, she said it did represent a step toward making the Israeli natural gas market more competitive.

“It appears that the gas framework has chalked up a success this week, even before Karish and Tanin have gone into production,” Fried said. “For the first time, we are seeing signs of competition in the sector.”

The issue of competition has shadowed the industry for years and continues to be a source of controversy even after the government and the industry agreed three years ago on a gas framework agreement for the industry. Leviathan and to a lesser extent Tamar are also seeking contracts to export gas to Egypt and Jordan, and maybe Europe down the road.

Among other things, the framework agreement breaks up the Noble-Delek monopoly and has allowed IEC to reopen its contract with Tamar by giving it the freedom to reduce the quantity of gas it is required to buy from it to three billion cubic meters annually, from five billion.

Analysts and industry sources agreed there was a good chance that in the end, Leviathan and Tamar would split the contract. Isramco said on Sunday that the Tamar partners had asked IEC to see documents related to the bidding so it could weigh further steps. It asked that the result be frozen for 14 days.

In the meantime, shares of Tamar Petroleum, which owns 12.75% of Tamar, skidded 5.2% to 14.35 shekels. Shares of Isramco, which owns a 28.75% stake in Tamar, dropped just 3.6% to 37 agorot.

Analysts said the differing reaction by investors could be laid to Tamar Petroleum's higher debt levels, which make it

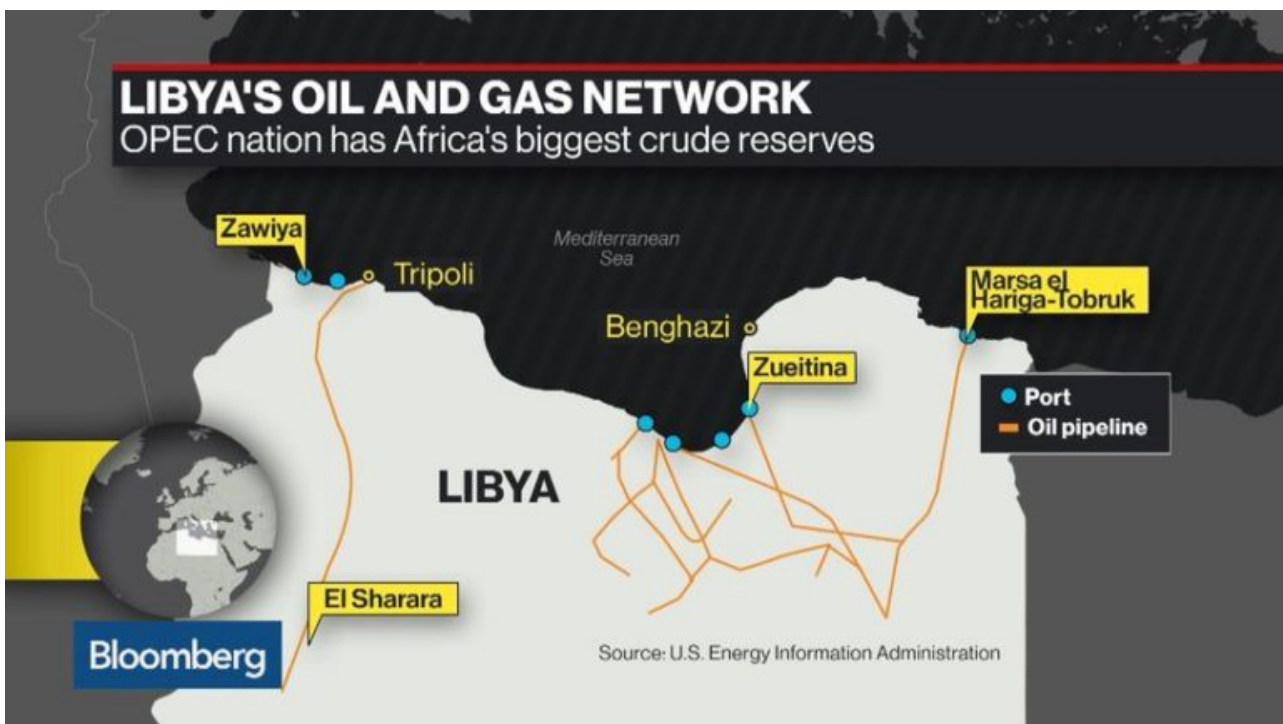
more sensitive to any loss in future income. A source close to Tamar expressed confidence it could meet all of its 5 billion shekels in debt coming due between now and 2028 and continue paying dividends.

Eni to complete seventh Zohr gas processing station in July



Eni will complete the Zohr field's seventh natural gas treatment plant in Port Said's El Gameel region in July to raise output to 2.7 bcf/d from 2.3 bcf/d currently, an unnamed industry source tells the domestic press. The Italian company has also completed drilling the tenth well, the source says.

Oil Hits a Five-Month High as Libya Clashes Add to Supply Concerns

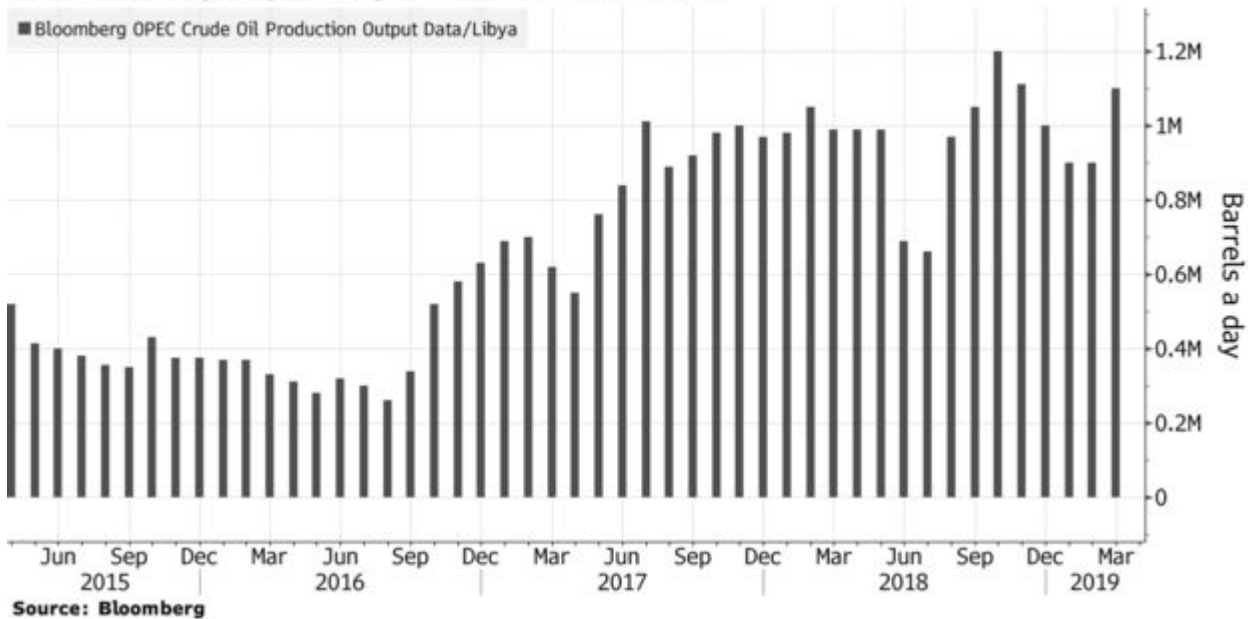


Oil extended gains after capping its best week in almost two months as an escalation of fighting in OPEC producer Libya overshadowed the biggest increase in U.S. active rigs since May.

Futures gained as much as 0.7 percent in New York after rising 4.9 percent last week. Libya's internationally-recognized government vowed to counterattack against forces loyal to strongman Khalifa Haftar that are trying to enter the capital Tripoli. Crude pared gains after Saudi Arabian Energy Minister Khalid Al-Falih said in a Bloomberg TV interview that oil markets are "moving in the right direction" and there's no need for the kingdom to deepen output curbs.

Rising Production

While volatile, Libyan output has been on the rise



Crude has kept rallying after its best quarter in almost a decade on signs the Organization of the Petroleum Exporting Countries and its allies will extend output cuts beyond June. The escalation of the conflict in Libya, which pumped 1.1 million barrels of a day last month, adds to risks to supply from Iran and Venezuela. On the demand side, a U.S. report last week showing better-than-expected hiring is the latest evidence that the global economy might not be in as bad shape as previously feared

“Supply disruptions in Libya are lifting prices at a time when appetite for risk assets is rising as concerns over global growth ease,” said Ahn Yea Ha, a commodities analyst at Kiwoom Securities Co. in Seoul. “Oil might be rising too quickly at the moment, but it’s hard to find any bearish signals,” she said before the comments by Al-Falih.

West Texas Intermediate for May delivery climbed 27 cents, or 0.4 percent, to \$63.35 a barrel on the New York Mercantile Exchange as of 8:08 a.m. in London. Prices rose 1.6 percent to settle at \$63.08 on Friday, the highest closing level since Nov. 5.

Brent for June settlement advanced 0.3 percent to \$70.56 a

barrel on the London-based ICE Futures Europe exchange. The contract added 1.4 percent to \$70.34 on Friday, taking its weekly gain to 2.9 percent. The global benchmark crude was at a premium of \$7.16 to WTI for the same month.

The structure of the futures market is reflecting supply uncertainty. WTI's front-month prices rose to a premium, or backwardation, of as much as 4 cents a barrel to the contract four months ahead on Monday. They then flipped back into a discount, or contango. A spot price that's higher than the forward price indicates tighter supply.

Fighting on the outskirts of Tripoli showed no signs of abating despite appeals for calm by global powers and the United Nations. While the latest fighting is south of Tripoli – away from most of the main oil ports and fields – the risks of disruption rises the more inflamed the tensions get. Western Libya is home to the Zawiya oil terminal, the export point for crude pumped from the country's largest field, further south at Sharara.

American rigs climbed by 15 to 831 in the first increase since mid-February, according to data from oilfield services provider Baker Hughes.

Total, China battery maker team up in latest Big Oil shift



Total SA is tying up with China's Tianneng Group to build batteries, moving into mass production of electricity storage technology after snapping up Saft Groupe SA in 2016.

The joint venture will focus on making and selling advanced lithium-ion cells for electric vehicles, bikes and energy storage equipment in China and worldwide, Total said Thursday in a statement. The French company is among several oil and gas majors investing in the sector as governments clamp down on fossil fuels and carbon curbs tighten.

Power storage could be a lifeline for Big Oil in the long term, offering a new revenue stream as the industry shifts toward less-polluting energy. Total bought battery maker Saft for 950 million euros (\$1.07 billion) in 2016, while Royal Dutch Shell Plc acquired car-charging operator NewMotion a year later.

Saft, which makes batteries for planes, trains, and military

equipment such as missiles and night-vision goggles, had so far avoided the mass market for cars for fear of being squeezed by Asian rivals benefiting from lower production costs and bigger demand.

Chinese, Korean and Japanese manufacturers have taken the lead in batteries for electric vehicles by investing billions in so-called gigafactories to supply global carmakers that are developing low or zero-emission vehicles to meet increasingly stringent government anti-pollution rules.

The Total-Tianneng joint venture will manufacture cells at the Changxing Gigafactory, with potential capacity of 5.5 gigawatt-hours, according to the statement. Total will have a 40 percent stake in the venture, while Tianneng Group will hold the remaining shares. Saft's current capacity for lithium-ion batteries is about 400 megawatt-hours a year, a spokeswoman said.

The joint venture may be up and running within a year to work on new batteries that will be more competitive, a spokeswoman for Saft said.

Total Chief Executive Officer Patrick Pouyanne had complained several times about China's protectionism in terms of batteries, and urged Europe to do the same if it wants to foster a similar industry on its soil.

Germany and France said this year they will put up 1 billion euros and 750 million euros, respectively, in subsidies to co-finance building factories in their respective countries.

Saft last year teamed up with German engineering giant Siemens AG and battery maker Manz AG as well as Belgian chemicals maker Solvay SA to develop next-generation batteries that would be cheaper, safer and more efficient.

– With assistance by Amanda Jordan

Biggest US gas shipper hunts China deals, trade truce or not



Bloomberg/Singapore/Shanghai

America's biggest natural gas exporter is ready to sign long-term agreements with buyers in China, the world's top market for the fuel, with or without a trade truce.

Cheniere Energy Inc isn't delaying any liquefied natural gas deals because of the trade dispute, chief executive officer Jack Fusco said in an interview in Shanghai. If that's happening, it's on the part of Chinese customers or their government, he said.

"Their approval process is between them and their regulatory agencies," Fusco said on the sidelines of the LNG2019 conference. "But we are a publicly traded company, and we are not going to slow down."

A supply deal between Cheniere and China Petrochemical Corp, known as Sinopec, is expected to be awaiting a resolution to the US-China trade spat. The companies had been in talks for nearly a year when progress stalled as the Trump administration escalated a tariff war between the two countries, people familiar with the situation said last month. Fusco declined to comment about any negotiations.

LNG is perhaps the best example of a trade that would benefit both countries. China is the world's fastest growing market for the super-chilled fuel, which it wants to use in place of coal to fight pollution. And the US, buoyed by booming natural gas production from shale fields, could easily be on track to be the world's biggest exporter.

"Two companies working together could be a win-win," Fusco said. "A Chinese company and an American company, trying to show our administrations what the possibilities are."

China National Offshore Oil Corp, the country's largest LNG importer, hasn't excluded the US in its search for overseas upstream and LNG investment opportunities, Chen Jie, chief engineer for the company's gas and power unit, said in an interview at the conference.

"Buying US resources can actually help ease the trade frictions between the two countries," Chen said.

US suppliers have seen their efforts to court Chinese buyers jammed up because of the trade dispute. While China has at times been a large buyer of spot LNG from the US, the only long-term contract is between Cheniere and a unit of state-owned China National Petroleum Corp for 1.2mn tonnes per year over 25 years, and that was signed in February 2018, before trade issues intensified.

"My expectation is if the trade dispute gets solved that there could be good things to come for Cheniere here in China," Fusco said in an interview on Bloomberg TV.

Petrobras agrees to sell pipeline unit to Engie for \$8.6 billion



SAO PAULO/RIO DE JANEIRO (Reuters) – A consortium led by France’s Engie SA submitted the highest offer for a major gas pipeline unit owned by Brazil’s Petroleo Brasileiro SA, the state-run oil firm said on Friday, as the company’s biggest divestment draws to a close.

In a filing, Petrobras, as the company is known, said the Engie consortium, which includes Canada’s Caisse de Dépôt e Placement du Québec, presented an \$8.6 billion bid for 90 percent of the TAG gas pipeline unit in northern and northeastern Brazil.

That topped offers by two competing consortia, led by Itausa Investimentos Itau SA and EIG Global Energy Partners with Mubadala Investment Co, respectively.

Two sources with knowledge of the matter said the difference between the bids was very small. The second highest bid, delivered by EIG Global Energy Partners and Mubadala Investment Company, was less than 1 percent below Engie’s bid, they said.

Engie subsidiaries in different countries account for 75 percent of the winning consortium and the Canadian pension fund the other 25 percent, one of the sources added, asking for anonymity to discuss undisclosed details.

Around 60 percent of the bid was financed by Itau Unibanco Holding SA , Banco Bradesco SA and Banco do Brasil SA .

The EIG-Mubadala group was financed by JPMorgan Chase & Co and Goldman Sachs. The third group, led by Brazilian holding Itausa Investimentos Itau SA, was also financed also by local banks. Banco Santander Brasil SA was Petrobras adviser on the deal.

The price tag includes the payment by the Engie group of \$800 million in debts to Brazilian state development bank BNDES. At an exchange rate of 3.85 reais to \$1, Petrobras said, the deal values all of TAG at 35.1 billion reais.

The divestment represents a victory for current Petrobras leadership and Chief Executive Roberto Castello Branco, who is pushing to aggressively unload assets in a bid to cut debt and refocus on exploration and production.

The sale process began in October 2017 but was interrupted last year by a Supreme Court injunction.

In September 2016, Petrobras sold a larger gas network pipeline, Nova Transportadora do Sudeste, for \$5.2 billion to Brookfield Infrastructure Partners LP, which beat out a bid by Engie.

Petrobras will continue to distribute natural gas through the TAG system under the terms of long-term contracts, the company said in the statement.

Bloomberg reported on the TAG sale earlier on Friday.

Greater flexibility is key to LNG infrastructure growth revealed in DNV GL research



OSLO – A new report published by DNV GL has revealed that the vast majority (85%) of professionals working in the liquefied natural gas (LNG) sector believe that more investment is needed in LNG infrastructure to satisfy forecasts for growing global demand after 2025. However, more than two-thirds (69%) stated that uncertainty over prices is limiting spending in the megaprojects needed to feed the world's growing appetite for LNG.

DNV GL forecasts global LNG production will increase from 250 MMtpa in 2016 to around 630 MMtpa by 2050.

According to DNV GL's new report: The LNG era takes shape, oil-indexed LNG pricing is part of the issue. Recent oil price swings have made LNG sellers reluctant to peg decades-long contracts to volatile crude markets, yet they still need long-term commitments to make infrastructure investments viable. Half (49%) of the LNG professionals questioned expect contracted LNG prices to continue to be linked to the oil

price, while a significant proportion (30%) disagree.

Respondents expect the U.S. (36%) and Australia (16%) to experience the greatest growth in LNG exports over the next three years. Other nations, such as Canada, Russia, and Africa are also making moves for a slice of the LNG action. However, conventional gas from the Middle East and North Africa, as well as North American unconventional gas, will account for 70% of LNG liquefaction capacity by mid-century, according to DNV GL's 2018 Energy Transition Outlook.

China is the country expected to have the greatest growth in LNG imports over the next three years, according to the survey. This is largely driven by the country's 'blue sky' policies, aimed at reducing fossil fuel emissions and improving air quality. Other emerging economies, particularly in the Indian Subcontinent and Sub-Saharan Africa, will also drive demand towards 2050.

The level of supply and demand growth predicted by DNV GL will require significant investment; particularly facilities to re-gasify, store and distribute new liquefaction capacity. The cost of financing new infrastructure will have the greatest impact on the global LNG market in 2019, according to a third of respondents (36%). Political risk (including trade agreements) was the leading market barrier (17%).

"The new era we see emerging for the LNG sector will demand new thinking from our industry to ensure that a rapid evolution in demand and supply can be met. For example, our research shows signs of the sector opening up to new players, contracting models and pricing strategies. As reservations over capital spending and uncertainty over LNG pricing persist, the study reveals increasing interest in the sector finding more agile and flexible approaches to LNG production and trading," said Hans Kristian Danielsen, senior V.P. and marketing & sales director, DNV GL – Oil & Gas.

Agile approaches to LNG production are most likely to come in the form of smaller-scale floating liquefied natural gas (FLNG) projects. Smaller FLNG vessels and LNG tanker conversions are preferred by 59% of LNG professionals over the development of large-scale floating production units. These are cheaper to build and operate, faster to deploy and more effective at exploiting smaller volumes of stranded gas for more markets.

Contractor-led operating models are also becoming increasingly favorable for LNG production, according to the findings of the report. In these instances, a contractor liquefies gas on behalf of an operator, who can reduce risk by purchasing a service instead of a costly asset. More than half (55%) of senior oil and gas professionals globally believe it is likely that operators will outsource or lease critical field development assets (such as FLNG vessels) in 2019.

Agility will also be key to protecting LNG buyers against risk. Three quarters (72%) of LNG professionals believe that buyers need more flexible contracts, where LNG volumes can be reduced, tenures shortened, and delivery locations changed.

“New market actors could be key to bridging the divergent interests of LNG buyers wanting flexibility, and sellers, who demand long-term cash-flow certainty to support major investments. This was once the domain of oil majors, but commodity traders are now emerging as a significant new breed,” added Danielsen.

IEA's climate models

criticised as too fossil-fuel friendly



The world's top energy body has come under fire from leading investors and scientists who say that its energy forecasts are not in line with the latest climate science, and could contribute to higher levels of carbon dioxide emissions.

In a letter to the International Energy Agency seen by the Financial Times, businesses including Hermes Investment Management, Allianz Group and Legal & General Investment Management have asked the IEA to develop a new model with lower emissions that would line up with 1.5C of warming.

The IEA's benchmark annual World Energy Outlook is considered the definitive assessment of the energy sector, but critics say its models do not go far enough in mapping the deep cuts in carbon emissions needed to limit the worst climate impacts, and are too fossil-fuel friendly as a result.

“Without the inclusion of a central and realistic 1.5C scenario going forward, the World Energy Outlook would abdicate its responsibility to continue to chart the boundaries of the path of the global energy sector,” the letter warned.

Under the 2015 Paris deal, nearly 200 countries agreed to limit the global temperature rise to well below 2C while pursuing efforts to keep it to less than 1.5C.

The global energy body, which was founded in 1974 to ensure the energy security of its members, including big consumer nations such as the US, produces a range of energy scenarios that are considered the gold standard for policy planning. Many asset managers also rely on these scenarios as they try to bring their portfolios in line with climate goals.

“The IEA scenarios that could be used as a centralised benchmark are not really fit for purpose,” said Ingrid Holmes, head of policy at Hermes, which has £33.5bn of assets under management. “What we have seen over the last couple of years is, as the climate crisis becomes more urgent, the credibility of the scenarios from the IEA has been reduced.

“From a company’s perspective, at worst these scenarios could be used as a fig leaf for inaction,” she added. “From a government perspective, one of the risks is complacency.”

The IEA has varying models that are used by the world’s biggest energy companies, governments, banks and investors to plan their businesses and policies.

The energy body said the scenarios in its World Energy Outlook – which include a central “new policies scenario”, a “sustainable development scenario”, and a “current policies scenario” – are hypothetical models, rather than predictions of the future.

In response to the letter, Fatih Birol, IEA executive

director, said the central scenario was “a mirror” that reflected policymakers’ decisions.

“Our latest energy demand and emissions data for 2018 show that the world in which we live in is unfortunately in line with the new policies scenario, as emissions continue to increase. Highlighting the reality of the established trajectory is of cardinal importance,” he wrote.

“The World Energy Outlook has been, and remains, at the forefront of global efforts to combat climate change,” he added, pointing out that the sustainable development scenario was in line with the goals of the Paris accord.

Several of the world’s top climate scientists were also signatories to the letter, which called on the IEA to publish another scenario, one that has a two-thirds probability of limiting warming to 1.5C.

“By not providing more ambitious scenarios, it makes it much harder for those stakeholders to set more ambitious targets, or targets which would be consistent with limiting to 1.5C,” said Joeri Rogelj, a lecturer at Imperial College London and a lead author of the UN’s annual emissions report.

Currently, the IEA’s most ambitious model, the sustainable development scenario, includes a level of carbon dioxide emissions that implies a 50 per cent chance of limiting global warming to 1.7C, compared to pre-industrial times. Its new policies scenario implies between 2.7C to 3C of warming.

“Given the influence of the World Energy Outlook and its currently central new policies scenario, it is no surprise that the current national commitments to reduce emissions under the Paris Agreement would track us on to an unacceptable warming pathway,” the letter said.

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