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In Brief

Data Snapshot

How Quickly Could Saudi Arabia Hit Full Capacity?

Tight global oil production capacity has thrust Saudi Arabia's ability to reach its self-declared maximum of 12 million barrels per day back in the spotlight.

Many in the industry question Saudi Arabia's ability either to ramp up to this level quickly or sustain it in the longer term. The figure excludes output from the Neutral Zone shared with Kuwait.

The question is not new and reflects the longer-standing debate about just how high Saudi production could be pushed — sustainably, and without damaging reservoirs.

With crude prices north of $110 per barrel, ongoing supply concerns due to Western sanctions on Russian oil, and many Opec-plus members struggling to meet allocations, consumers are calling for Saudi Arabia to boost production. So far, the kingdom has responded cautiously, mainly because decision-makers believe it is important to retain some spare capacity and manage this carefully.

Energy Intelligence addresses some of the key questions surrounding the issue:

How much oil capacity does Saudi Arabia have?

Energy Intelligence estimates Saudi Arabia's overall production capacity at 12.25 million b/d, which comprises 12 million b/d for state Saudi Aramco and 250,000 b/d as a half share of the Neutral Zone. Capacity is defined as producible within 30 days and sustainable for 90 days or more.

Saudi Aramco last expanded capacity in 2009, when three new oil-field projects started — Nuayyim, Khurais and Shaybah — which combined hiked capacity to 12 million b/d.

Another significant development came in mid-2018, when King Salman issued orders to mobilize staff, rigs and other equipment to prepare fields for that maximum production, amid heightened concerns over global oil supply. Aramco formally stated that its maximum sustained capacity is 12 million b/d in its June 2019 initial public offering (IPO) prospectus.

Officials from Aramco confirm that the number still stands. Energy Intelligence understands that, over the past two months, Aramco has been hiring rigs and started working on a plan to ready its maximum capacity in case the government instructs it to boost output.

Aramco is also working on expanding its oil production capacity to 13 million b/d by 2027, which will be delivered in increments and will mainly come from the kingdom's offshore fields. There is also a plan to increase output from the Neutral Zone, industry sources say. However, they declined to comment on the details of the plans, which are not yet final.

Can Saudi Arabia really pump 12 million b/d?

Saudi Arabia pushed its production to this level in April 2020 when the Opec-plus deal collapsed and Aramco was told to open the taps. The resulting collapse in oil prices brought Russia back to the fold, paving the way for Opec-plus' ambitious production cut agreement that steered oil markets through the Covid-19 pandemic.

Aramco reached 12 million b/d within weeks, but then cut back production under the new pact. Skeptics at the time said Aramco tapped its large oil stocks to achieve these levels. But photographs emerged from Aramco's operations control room indicating that this capacity level was indeed reached. Energy Intelligence conversations at the time supported this claim as accurate.

Can Saudi Arabia maintain 12 million b/d?

Sources familiar with the matter told Energy Intelligence this week that Saudi Arabia can maintain 12 million b/d for more than 90 days, if needed. However, industry insiders point out the level has never been tested or proven for that length of time and would require further allocation of resources.

On the other hand, Aramco's scale of operation, strong financial balance sheet and upstream know-how all point to the ability to deliver. Rig counts have been largely sustained through the production-cut period — analysts at Barclays estimate that Saudi Arabia will deploy a total of 240 rigs this year, up 25% from 2021 and equivalent to pre-pandemic levels in 2019.

Industry insiders also say that production and capacity should not be looked at as static numbers. Field output tends to fluctuate and in order to average 12 million b/d over any given month, production will rise above and fall below that level during the period.

Energy Intelligence understands that many of the country's fields could be pushed to produce beyond their nameplate capacity. Some say this could boost overall production to 15 million b/d, although this might cause damage to reservoirs. Saudi Arabia's export capacity is seen as able to handle higher export levels.

Is Saudi Arabia willing to produce at maximum sustained capacity?

Aramco's IPO prospectus made clear that the government determines the maximum level of crude oil production and requires Aramco to maintain maximum capacity in excess of current production.

This means the final call on when and how to use spare capacity will be made by the energy ministry and, ultimately, the country's leadership. Energy Intelligence understands there is no intention, for now, to max out capacity unless there is a real shortage in the market caused by a supply disruption, rather than geopolitical events.

Saudi officials believe utilizing all spare capacity would have a detrimental effect on markets and could even lead to higher prices.

A hint of this came this week when benchmark Brent crude prices edged higher after French President Emmanuel Macron suggested there was little to no spare capacity available between the United Arab Emirates and Saudi Arabia.

Maintaining spare capacity also gives Saudi Arabia and other Mideast Gulf producers some political leverage and power to influence markets, something they are keen on maintaining to preserve the importance of their industry and their countries at large.

Saudi Arabia did extend an olive branch to consumer states at the Jun. 2 Opec-plus meeting by agreeing to a modest production increase for the months of July and August. The move also signals a path to possibly adding more output when the current Opec-plus pact ends in August — although pumping at maximum capacity is unlikely to happen.

Amena Bakr, Dubai

Putin Orders Operatorship Change at Sakhalin-2

Russian leader Vladimir Putin signed a decree late Thursday to change the ownership structure of the Sakhalin-2 upstream and LNG project — a move that might squeeze out foreign shareholders Shell, Mitsui and Mitsubishi.

Many Russia watchers have expected Moscow to take nationalization steps in response to the planned exodus of investors from "unfriendly" countries and international sanctions amid the war in Ukraine.

Kremlin spokesman Dmitry Peskov suggested Friday that the Sakhalin-2 decree is not the start of a nationalization trend. "Each case will be considered individually," he was quoted as saying.

Still, even if nationalization does not become widespread, observers do not expect Sakhalin-2 to be the only target.

Still Assessing

The 10 million-plus ton per year LNG development at Sakhalin-2 is controlled by state-run natural gas giant Gazprom and co-owned by Shell and Japan's Mitsui and Mitsubishi.

Shell made it clear in late February it would exit its joint ventures in Russia, including Sakhalin-2, following Moscow's Feb. 24 invasion of Ukraine. Japan has refrained from following the lead of Western international oil companies due to security of supply concerns.

Japanese Deputy Chief Cabinet Secretary Seiji Kihara was quoted as saying Friday that his government was examining Putin's decree and analyzing Moscow's intentions. "Our country's interests in resources should not be hurt," he implored at a press conference.

Shell told Energy Intelligence it was also assessing the decree's implications. "As a shareholder, Shell has always acted in the best interests of Sakhalin-2 and in accordance with all applicable legal requirements," the company said.

Decree Details

The decree says the operatorship change is in response to "hostile" actions from the US and other Western countries against Russia, as well as threats to national interests due to the "violation by some foreign entities and persons" of obligations under the 1994 Sakhalin-2 Production Sharing Agreement (PSA). No details of violations were provided.

The current operator, Bermuda-registered Sakhalin Energy Investment Co., will be replaced by a newly established Russian company. The new company will take over Sakhalin Energy's rights and obligations, including handling current LNG supply and other contracts.

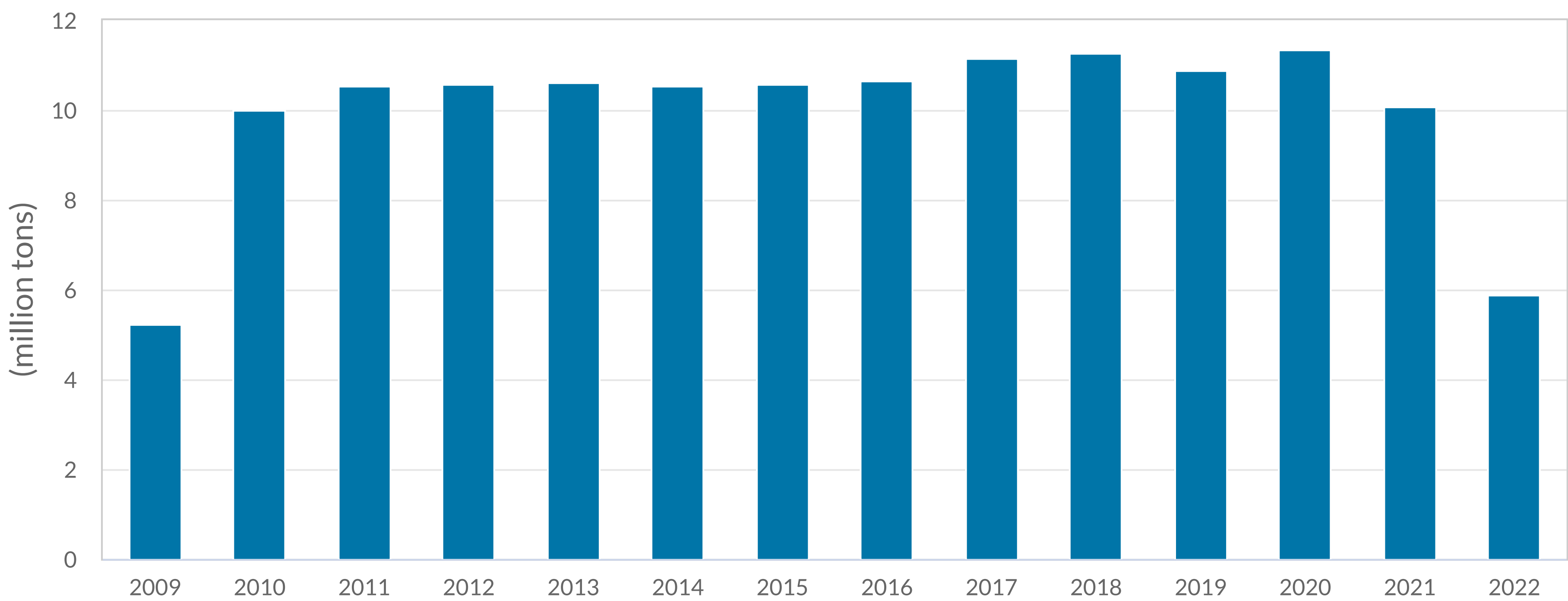
Gazprom will get a controlling stake in the new company, in line with its 50%-plus-one share stake in Sakhalin Energy. The rest will be owned by the new company itself, although Shell, Mitsui and Mitsubishi will have an option to apply for respective stakes. Shell owns 27.5%-minus-one share in Sakhalin Energy, while Mitsui has 12.5% and Mitsubishi 10%.

The decree gives Sakhalin-2's foreign shareholders a month to notify the Russian government as to whether they are ready to take the respective stake. The government then has three days to approve or deny the transfer.

If a partner declines to opt for a stake or its application is rejected, the government is entitled to sell its stake to a Russian entity within four months.

In another important change, all legal disputes related to the PSA will be handled by Russian courts, rather than international courts.

SAKHALIN-2'S LNG EXPORTS HISTORY



Source: Kpler

More to Come?

Neighboring Sakhalin-1 is the top asset to watch.

Vyacheslav Volodin, chairman of the State Duma, or lower house of Russia's parliament, has been calling for months for the state to take ownership of stakes held by companies from "unfriendly" countries in both Sakhalin-1 and Sakhalin-2.

The Sakhalin-1 oil and gas development is operated by Exxon Mobil's Bermuda-registered Exxon Neftegaz, which holds a 30% stake in the venture. Japanese consortium Sodeco also holds 30%, while Rosneft and India's Oil and Natural Gas Corp. own 20% each.

Exxon and Sodeco — which comprises Marubeni, Itochu, Japex and Jogmec — are seen as the most at risk, whereas India has remained a strong and consistent buyer of Russian crude despite Western pressures to cut back.

Russian sources suggest mounting frustration with Exxon's handling of its planned Sakhalin-1 exit, where the US major has significantly wound down production but has not yet handed over control to its consortium partners.

An Exxon spokesperson told Energy Intelligence on Friday that crude oil production from the scheme has fallen to below 10,000 barrels per day — down from around 200,000 b/d pre-Ukraine. She added that this is the "minimal level" required to still provide natural gas for electricity and heating for Sakhalin-1's Russian Far East customers.

Exxon insists its plans to exit remain intact, citing the "substantial progress" made to date.

Energy Intelligence understands that the elongated process largely reflects the enormous complexity of the Sakhalin-1 scheme and a desire to not damage its still-significant untapped resources. But there appears to be a growing difference of opinion as to whether Exxon needs to be involved to ensure that remains the case.

Staff Reports

What Next for Qatari LNG?

It has been a big few weeks for QatarEnergy. After repeated delays, the state-owned behemoth last month finally announced four of the core international investors for its 32 million ton per year North Field East (NFE) LNG mega-expansion. In addition to finalizing the partnership selection for NFE, progress on Doha's planned Phase 2 of its expansion, the 16 million ton/yr North Field South (NFS) can be expected in the next year. And QatarEnergy is not stopping there.

When can we expect news on fresh investors and who will it be?

News could come as early as next week. QatarEnergy has announced "an important signing ceremony" for Jul. 5. This could be for a major petrochemicals initiative that has been in the works, but either way, an announcement for the last of the core partnership places will probably be within weeks.

Qatar is in talks for minor equity positions with key Asian customers, but it is likely it will want to get its lead partners in place first. TotalEnergies, Exxon Mobil, Eni and ConocoPhillips were awarded stakes last month, leaving just Shell and Chevron from the original shortlist of six. Only one more core partner will be announced, Energy Intelligence understands. Both Reuters and Bloomberg have reported Shell. And this certainly chimes with earlier Energy Intelligence reporting. Chevron, one source says, has been out of the running for some time.

The question is how big a stake Shell will get. Total and Exxon managed to snag relatively strategic 6.25% stakes each, equivalent to around 2 million tons/yr, but ConocoPhillips and Eni got just half that.

Why is this such a big deal?

Everything about NFE is big, top tier and/or paradigm-busting. For a start, this is the biggest project in LNG history. The economies of scale and geology mean that it is the lowest-cost LNG out there. Ample volumes of associated liquids further boost profitability.

Then there are the carbon considerations. Basically, there is future-proofed advantaged oil and gas, and then there is NFE-level future proofing. Qatari gas is already low-emission, but Doha is investing heavily in further cutting Scope 1 and 2 emissions, with carbon capture and storage, solarization of facility utilities, and the latest flare and methane leak reduction technologies. And if this were not enough to secure long-term demand, Qatar's location enables it to pivot both east and west. The energy transition may see LNG consumption dip, even seriously, but investors in Qatar can be relatively confident that their product will always find a market.

The attractions of NFE don't end there. If a company is selected here, it gets into pole position for North Field South (NFS), and a slice of another 16 million tons/yr.

When can we expect a final investment decision on NFS?

The way Qatari Energy Minister Saad al-Kaabi puts it, this project is going ahead … full stop. But there won't be a formal final investment decision. If Qatar watchers need some point of no return, he advised, maybe they should look to the award of the main onshore contracts, due in the first quarter of next year. Certainly, it is hard in the current market circumstances to see why NFS wouldn't go ahead.

On the partnership front, al-Kaabi has said he would prefer to maintain the same commercial structure as NFE, provided bids are competitive enough. QatarEnergy is quite prepared to go it alone, if it doesn't see sufficient value added. Indeed, there could be a mismatch between Doha's expectations and what firms are prepared to pay. Details are yet to be forthcoming, but NFS is not expected to have quite the same high proportion of associated liquids as NFE. And well productivity (50 wells to make 16 million tons/yar versus NFE's 80 for 32 million tons/yr) is slightly inferior to its illustrious predecessor.

What is all this talk about expansion beyond NFS?

This would take total Qatar LNG capacity to over 126 million tons/yr. No details have been given beyond "watch this space, it will happen" in signature al-Kaabi fashion.

Sources report enough gas has been located to support another project. But it is always possible that Doha might opt for a Blue Hydrogen project as opposed to LNG. And if it is LNG, there is the issue of space at Qatar's giant Ras Laffan site. Sources say there really is only space for one more 7.8 million ton mega-train at Ras Laffan.

Of course, QatarEnergy could choose to build away from Ras Laffan but it would lose some economies of scale and integration benefits with a new site. A one-train project would also have the virtue of theoretically enabling both an LNG and a hydrogen project.

Rafiq Latta, Nicosia

India Imposes Fuel-Export Tax, Windfall Oil Tax

India on Friday imposed taxes on exports of diesel, gasoline and jet fuel in order to avert a domestic fuel crisis and also announced a windfall tax on domestically produced crude in order to shore up federal revenues.

The government said it will also require refiners to sell to the domestic market the equivalent of half the volumes of products they export in the financial year that began Apr. 1.

India's privately held refiners Reliance Industries and Rosneft-majority owned Nayara Energy have been buying cheap discounted Russian barrels and selling products — mainly diesel — to Europe, taking advantage of higher prices on the continent.

Private refiners have curtailed supplies at their own fuel outlets in India in response to state-owned refiners that are selling products at deep discounts as a part of the government's efforts to control inflation.

Fuel Shortage

The reduced domestic sales by private refiners has led to fuel shortages in some parts of the country, which has pushed the government to take action to curb exports.

Diesel exports will be taxed 13 rupees (16¢) per liter, while gasoline and jet fuel exports will be taxed 6 rupees (8¢) a liter, according to a federal finance ministry statement.

Finance Minister Nirmala Sitharaman said margins on exports have swelled the profits of refiners, which has created a shortage in the domestic market. She said that the situation will be reviewed every 15 days. Private refiners own 10% of the 83,423 retail fuel outlets in India.

The world's third-largest oil consumer produced 254.3 million tons of refined products in the fiscal year ended Mar 31, roughly equal to 5.6 million b/d. Of that, 80% was consumed domestically. The rest was exported.

India's diesel exports year on year were up 19.2% in April and May, with gasoline up 12.8% and jet fuel 15.8% higher, according to oil ministry data.

Windfall Profits

India also levied a special additional excise duty of 23,250 rupees ($294) per ton — roughly equal to $40/bbl — on crude oil produced by explorers like Oil and Natural Gas Corp. (ONGC) and Vedanta Ltd.

The tax could add some 660 billion rupees ($8.3 billion) to federal coffers, based on domestic production of 28.4 million tons, or 570,000 b/d, in the last fiscal year.

The industry had been expecting a windfall tax on crude oil in order to help the government compensate state refiners for selling products at discounted rates.

However, the industry was unhappy that the tax slab is flat and not ad valorem, saying their earnings will suffer if global crude prices fall back toward $80/bbl.

Rakesh Sharma, New Delhi

Europe Drags Down Gazprom Gas Exports

Russian pipeline natural gas exports to Europe and China fell 31% in the first half of 2022 year on year to 68.9 billion cubic meters, according to state-run Gazprom, the only company allowed to export Russian gas via pipeline.

Increased exports to China were not enough to offset the sharp drop in volumes piped to Europe (including Turkey), reflecting the West's increasing attempts to distance itself from Moscow as the war in Ukraine rages. The EU wants to phase out gas imports from Russia by 2027, but is still heavily dependent on Russian flows and cannot immediately turn off the taps.

While market factors played a big role in limiting flows, the drop is also partly due to Gazprom cutting off some buyers in April-May and restricting flows via the Nord Stream pipeline in June.

China Up

Exports to China increased 63.4% on year in the first half, Gazprom said without elaborating.

That implies total Chinese exports of around 7.55 Bcm in the first six months, according to Energy Intelligence calculations, in line with the full-year target of 15 Bcm of exports to China. Russia exported around 10.39 Bcm to China last year.

Supplies to China have gradually increased since the launch of the Power of Siberia gas export pipeline in December 2019. Exports should reach the contracted plateau of 38 Bcm per year in 2025.

Gazprom wants to eventually supply up to 130 Bcm/yr to China, as its long-term prospects in Europe look increasingly dim as the war in Ukraine drags on. It signed an additional contract in February for 10 Bcm/yr to supplement the Power of Siberia deal.

But Russia's growing isolation means negotiations with Beijing over new deals — including the proposed 50 Bcm/yr Power of Siberia 2 — will likely see Gazprom at a disadvantage.

Europe Down

Meanwhile, Gazprom's exports to Europe fell to an estimated 61.35 Bcm in the first half of 2022, down 36% on the year, Energy Intelligence calculates.

The drop began before Moscow's Feb. 24 invasion of Ukraine and was initially caused by eroded demand for Gazprom's hub-linked long-term contracted supplies, whose prices skyrocketed following the spot-price rally during the second half of 2021.

Despite Europe's vow to wean off Russian gas — an effort redoubled following the Ukraine war — buyers on the continent were forced to increase contracted offtake from Gazprom amid elevated spot prices in March. That, in turn, pushed Gazprom's hub-linked prices higher still, prompting buyers to again turn to the spot market where prices had eased on milder weather and an influx of LNG.

Moscow's mandate to pay for Gazprom gas with rubles instead of euros seem to have had a limited impact on total exports, but the company's sharp reduction in gas flows via Nord Stream hit the overall totals last month.

In June, Gazprom's combined exports to Europe (including Turkey) and China dropped 50% on the year and 28% month on month to just 7.9 Bcm, Energy Intelligence calculates based on Gazprom's data.

Energy Intelligence previously estimated, based on gas transmission data, that Gazprom's export flows to Europe, excluding Turkey, would hit a record low of around 5 Bcm in June.

Gas Production Down

With first-half domestic sales flat on the year, the drop in exports pulled Gazprom's natural gas production down. The company produced 238.4 Bcm in January-June, down 8.6% year on year, the company said.

In June, Gazprom produced 27 Bcm, or 900 million cubic meters per day, below the company's total capacity of around 1.5 Bcm/d and down 31% on the year. This is also the lowest monthly production level seen in the past five years.

Staff Reports

Forces Majeures Halve Libya's Oil Export Capacity

Libya confirmed it has declared force majeure on the key eastern ports of Es Sider and Ras Lanuf, removing over half of Tripoli's potential export volumes of some 1.1 million barrels per day of crude amid tightened global oil supply.

State National Oil Corp. (NOC) Chairman Mustafa Sanalla said he had tried to avoid the intervention "but the implementation of our obligations has become impossible." Benchmark Brent closed above $111 per barrel on Friday, up more than 2%.

Force majeure remains in place on the eastern terminals of Marsa al-Brega and Zueitina and the Eni-operated Elephant oil field in the southwest, and is now extended to the larger ports of Es Sider and Ras Lanuf in the Oil Crescent, with combined capacity of some 560,000 b/d.

NOC did not confirm if the Repsol-operated El-Sharara oil field remains under force majeure. Repsol has yet to confirm if the field is operational.

Political Motivation Suspected

NOC did not explain the reason for imposing force majeure on both facilities or explain whether a militia group or industrial protestors had entered either port. It said only that a 72-hour deadline had passed and, with the loss of 16 billion Libyan dinars ($3.3 billion), the company had decided to take the legal step.

Political motivations behind the shutdown are highly likely and Sanalla suggested as much.

"Politicians have false beliefs about the oil issue," he said, adding that political difference "is a right," but it is a mistake to use oil, "the lifeblood of Libyans," as a bargaining chip.

Rival governments are currently vying for legitimacy in Libya.

On one side is Prime Minister Abdulhamid Dbeibeh, supported by militias in Tripoli and the western town of Misrata. On the other is former Interior Minister Fathi Bashagha, supported by Libya's eastern-based parliament, the House of Representatives.

The UN held talks between both sides in Geneva this week.

Production Woes

Libyan Oil Minister Mohamed Oun had said in late June that Libya was pumping some 700,000 b/d after confusion from ministry officials over how far production had declined.

Sanalla confirmed in a statement that "production has decreased and declined sharply."

"Daily exports have ranged from 365,000-409,000 b/d, a decrease of 865,000 b/d from normal production rates under normal circumstances," the statement said. Libya's oil production before the recent shutdowns of ports and oil fields in late April had hovered around 1.2 million b/d.

In turn, Libya's gas production has lost 90 million cubic feet per day from state Waha Oil Co.'s Faregh field in the eastern Sirte Basin and about 130 MMcf/d of gas from the Eni-operated Bu Attifel field in the same area.

The Waha consortium is now composed of TotalEnergies and ConocoPhilips each with a 20.41% stake while NOC retains its 59.18% holding.

Tom Pepper, London

Report Flags Growth in Climate Litigation

Oil and gas companies are increasingly being targeted by climate-related lawsuits to force them to take bolder and more urgent action to decarbonize their operations, notably in Europe, a new report shows.

The number of climate change-related legal cases has more than doubled since 2015 — the year in which the Paris climate accord was signed. Roughly one-quarter of the 2,002 cases recorded have been filed in the last two years, according to the UK-based Grantham Research Institute on Climate Change (GRI).

Most cases have been brought against governments by individuals, advocacy groups or communities targeting the adequacy and execution of national net-zero commitments and goals. Fewer cases are brought by NGOs and individuals in the US than elsewhere, the report said.

But a closer look at corporate cases, shows a proliferation of disputes outside the US, with at least 13 suits filed recently targeting European majors.

Meanwhile Exxon Mobil, Eni and South Africa's Sasol are involved in challenges to government decisions and upstream exploration and licensing in countries such as Guyana and South Africa.

A review of all cases in the database found that 54% had outcomes favorable to climate change action. However, even cases that never make it to a full hearing can influence decision-making processes, GRI emphasized.

All Eyes on Scarborough

One high-profile case launched in June by Australian lawyers against Woodside Energy will be watched closely by the industry.

The lawsuit, brought by the nonprofit Australian Conservation Foundation (ACF), will attempt to use climate attribution science to halt Woodside's 8 million ton per year Scarborough-Pluto Train 2 LNG project off Western Australia.

ACF lawyers will argue in the Federal Court that greenhouse gas emissions that will result from Scarborough will likely have a significant impact on the Great Barrier Reef, some 3,000 kilometers away off Australia's east coast.

Under federal law in Australia, offshore oil and gas projects will not be permitted if they are likely to have a significant impact on the Great Barrier Reef.

"If successful, the case will be highly influential in establishing that all new fossil fuel projects must be assessed for the climate damage they would cause if they went ahead," the ACF said.

Future Litigation Trends

Climate-related greenwashing litigation or "climate-washing" litigation will likely gain pace, the report said. A case filed last year by a shareholder activist group against LNG producer Santos was the first lawsuit in Australia to raise the issue within the country's oil and gas industry.

The Australasian Center for Corporate Responsibility disputes Santos' claim that natural gas provides "clean energy" and that the company has a "credible and clear plan" to achieve net-zero emissions by 2040. It argues this is misleading as the company is relying on projected carbon capture and storage technology that either does not exist or has not been disclosed.

The GRI expects to see more such litigation against governments and big emitters challenging "commitments that over-rely on greenhouse gas removal or 'negative emissions' technologies," as well as cases that explicitly link climate and biodiversity.

And it sees more legal action focused on personal responsibility for contributions to climate harm — ranging from criminal actions to cases focused on the duties of directors, officers and trustees to manage climate risks.

New cases in the coming months may also focus on the renewed sense of urgency to tackle short-lived climate pollutants, such as methane and black carbon, the report said.

Deb Kelly, London

Oil Prices Cruise Higher at Start Second-Half 2022

Crude oil prices gained 2.5% on Friday at the start of what forecasters think will be a volatile second half of 2022 for the oil market, as Russia, rising inflation, another natural gas crisis or an economic recession each are capable of causing extreme price swings.

Both Brent in Europe and West Texas Intermediate (WTI) in the US were shaking off the June downtrend, the first monthly price loss since November 2021.

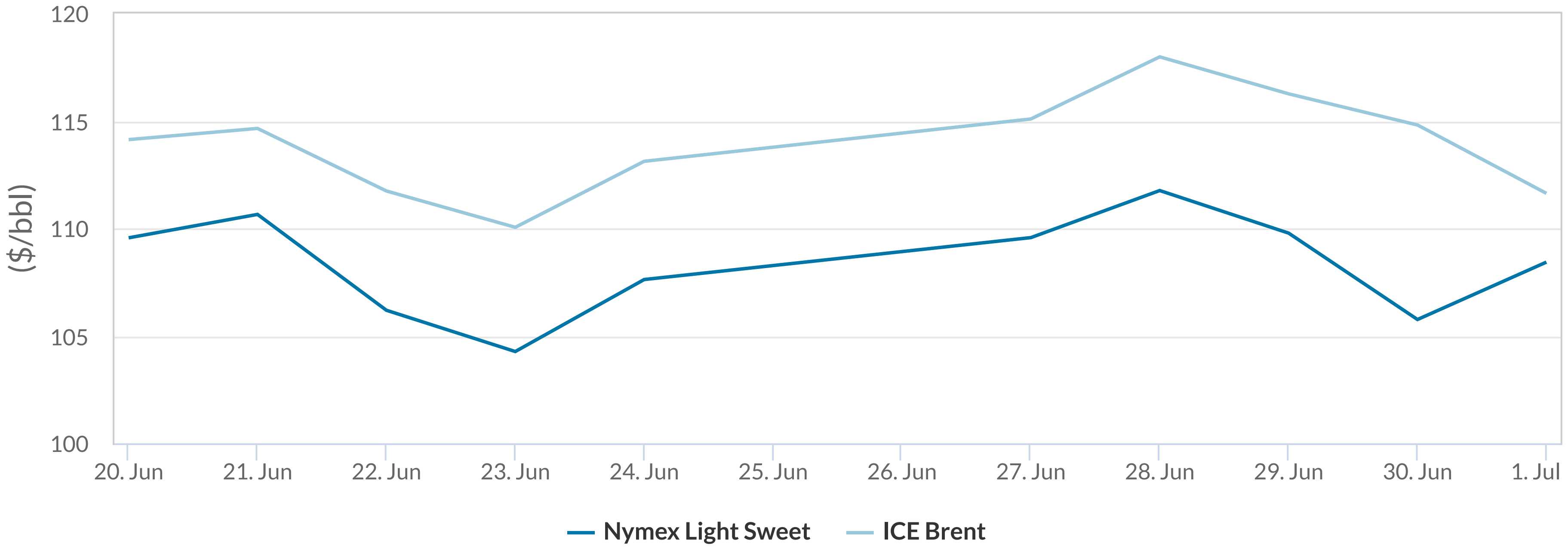
The market also reversed a trend of late in which product prices have fallen more than crude. The trend was blamed on traders' fear of lower demand from high fuel prices, but also signaled funds selling positions and closing the books for the first half of the year.

Like crude, diesel in the US was up 2.5%, while US gasoline added 4% and diesel in Europe gained 5%.

The September ICE Futures Brent contract added $2.60 at $111.63 while the August Nymex WTI contract rose $2.67 at $108.43. September WTI added $2.29 at $105.39.

ICE BRENT VS. NYMEX WTI FUTURES

Front Month Contracts



Whipsaw Warning

Prices are facing an extreme range of possible outcomes from an extreme range of potential events, said Walter Zimmermann with Icap Technical Analysis in a note on US gasoline.

Those events could include Russia shutting off all oil exports or hurricanes damaging refineries and pipelines in the US, Zimmerman argued. For US gasoline prices this means “volatile price swings with no sustainable trend,” he noted.

Zimmermann warned that a whipsawing oil market is not a place for investors taking and holding positions: “Whipsaws eat investors for lunch. Whipsaws challenge the best of traders.”

His technical trading analysis suggests that US gasoline prices could potentially drop to just above $3/gallon on the exchange, only to bounce back to new historic highs of $4.50 or even higher all the way to $6.40.

A Modest Beginning

Friday’s trading was relatively calm compared to recent episodes and saw modest trading volumes ahead of a long holiday weekend in the US, yet crude still raked up a price swing of close to 4%.

Oil bulls were noting crude production outages in Libya and Ecuador for a combined 1 million barrels per day or so, but also eyed Russia’s unexpected crude production recovery in June, which was 600,000 b/d higher than in May.

Higher prices have triggered India’s government to slap a windfall tax on most of the domestic 600,000 b/d crude production and order most refiners to only export products if they also supply the domestic market.

The push and pull between global oil supply and demand is expected to intensify with peak summer travel in the Northern Hemisphere causing peak consumption of gasoline and jet fuel that refiners struggle to meet.

The coming months also must bring clarity on how much Russia can sustain its exports of crude and products once the EU ban on these fuels takes effect, causing another 1.5 million b/d of crude and 1 million b/d of products to find a new home at the start of next year.

Oil analysts see very different outcomes for all possible events with some predicting crude oil dropping below $80/bbl on withering demand, while others see it moving well beyond $150/bbl on tight supply.

John van Schaik, New York

IN BRIEF

Repsol Swoops for Bigger Algeria Gas Stake

Repsol has exercised its pre-emption right to buy some of exiting Edison's stake in Algeria's Reggane Nord natural gas project, as European oil and gas players look for opportunities to increase their holdings in supplies headed to Europe.

Edison said it has amended its original agreement to sell Wintershall Dea its 11.25% interest in Reggane Nord. Wintershall will now take 4.5%, increasing its overall interest to 24%, while Repsol gets 6.75%, taking its total holding in Reggane Nord up to 36%. Algeria's state Sonatrach holds the remaining 40%. The transaction is still valued at an estimated $100 million and all other terms and conditions remain unchanged, Edison confirmed.

"With this transaction Edison confirms its commitment to the energy transition and confirms its exit from exploration and production activities, a process which began in 2019," the company said.

North Reggane came on stream in 2017 and comprises 19 producing wells with output of around 2.8 Bcm/yr, sold entirely to Algeria's state-run Sonatrach based on a long-term contract. In addition to Algeria's gas potential — as the third-largest exporter to Europe — Wintershall has previously flagged the longer-term opportunities there for hydrogen, solar, wind and carbon capture.

Deb Kelly, London

Rosneft Elects Qatari Chairman

Rosneft elected Qatari Tayeb Belmahdi chairman of the board of directors, replacing former German Chancellor Gerhard Schroeder, who left the Russian company in May. Rosneft said that Belmahdi is an "esteemed oil and gas industry expert with 45 years of experience in the key Middle East energy production facilities, who held executive positions in Qatar Energy."

The appointment cements Rosneft-Qatari ties. Qatar Investment Authority (QIA) holds 18.46% in the Russian state controlled major and is to be one of the top beneficiaries of the record-high dividends that Rosneft approved Thursday. QIA's two representatives — Faisal al-Suwaidi and Hamad Rashid al-Mohannadi — kept their seats on Rosneft's board.

Western directors left Rosneft's board — including BP's current and former CEOs Bernard Looney and Robert Dudley — because of Russia's invasion in Ukraine. Schroeder and others stepped down recently following the EU sanctions against Rosneft that came into force on May 15.

The new 11-member board also includes another non-Russian— Pedro Aquino Jr. , CEO of Oil & Petroleum Holding International Resources, will serve as an independent director. Other directors are all Russian officials.

Staff Reports

Singapore Stocks Sink

Singapore onshore oil product inventories sank by 2.8% from a week ago to 43.93 million bbl on Jun. 29, according to data released by government agency IESingapore. The stocks levels are one of the indicators of the products supply situation in Singapore, the Asia-Pacific's trading and pricing hub.

SINGAPORE ONSHORE PRODUCT STOCKS

('000 bbls)	Jun 29	Jun 22	Vol.Chg.	%Chg.
Light distillates	15,229	15,212	17	0.10%
Middle distillates	7,930	8,610	-680	-7.90%
Fuel oil	20,768	21,348	-580	-2.70%
Total	43,927	45,170	-1,243	-2.80%

Source: IESingapore

Freddie Yap, Singapore

DATA SNAPSHOT

Oil and Gas Prices, Jul. 1, 2022

All data are produced by Energy Intelligence in cooperation with Refinitiv.

CRUDE OIL FUTURES

($/bbl)	Chg.	1st Mth.	2nd Mth.
ICE Brent	-3.18	111.63	107.80
Nymex Light Sweet	+2.67	108.43	105.39
DME Oman	-0.39	108.40	104.84
ICE Murban	-7.11	111.40	106.70

INTERNATIONAL SPOT CRUDES

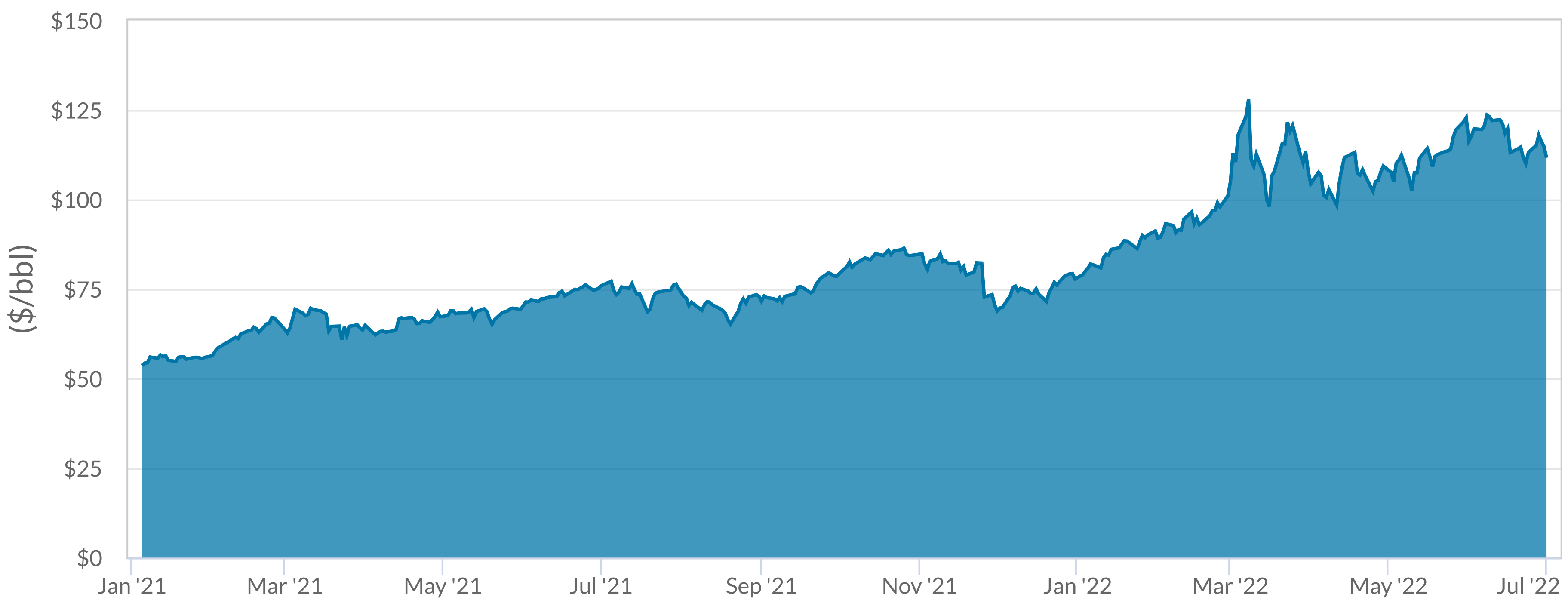
($/bbl)	Chg.	Price	Prior Close
Brent (Dated)	-0.56	119.21	119.77
Dubai	-7.10	106.25	113.35
Forties	-0.71	123.48	124.19
Bonny Light	-2.39	124.55	126.94
Urals	-1.46	89.53	90.99
Opec Basket*			115.61

*Opec price assessed.

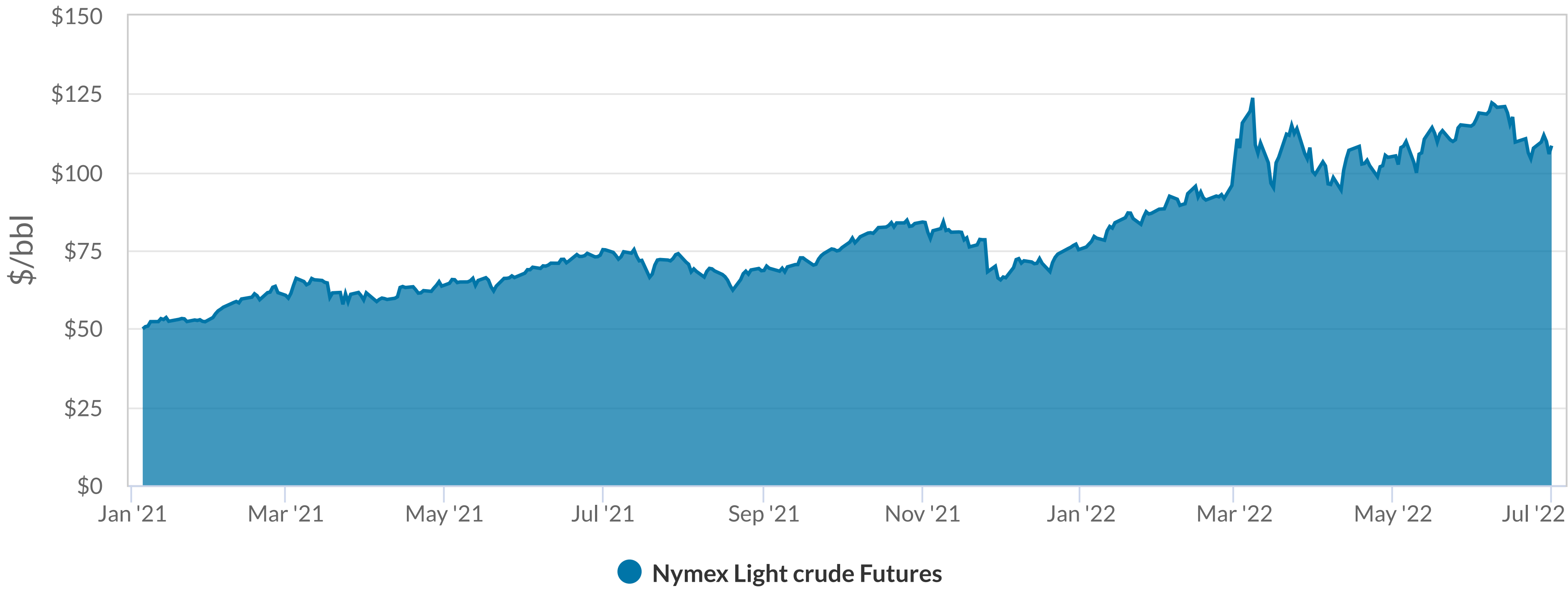
NORTH AMERICAN SPOT CRUDES

($/bbl)	Chg.	Price	Prior Close
WTI (Cushing)	+2.54	110.30	107.76
WTS (Midland)	+2.54	110.80	108.26
LLS	+2.54	111.80	109.26
Mars	+3.41	106.30	102.89
Bakken	+2.54	114.30	111.76

ICE BRENT CRUDE FUTURES



NYMEX LIGHT CRUDE FUTURES

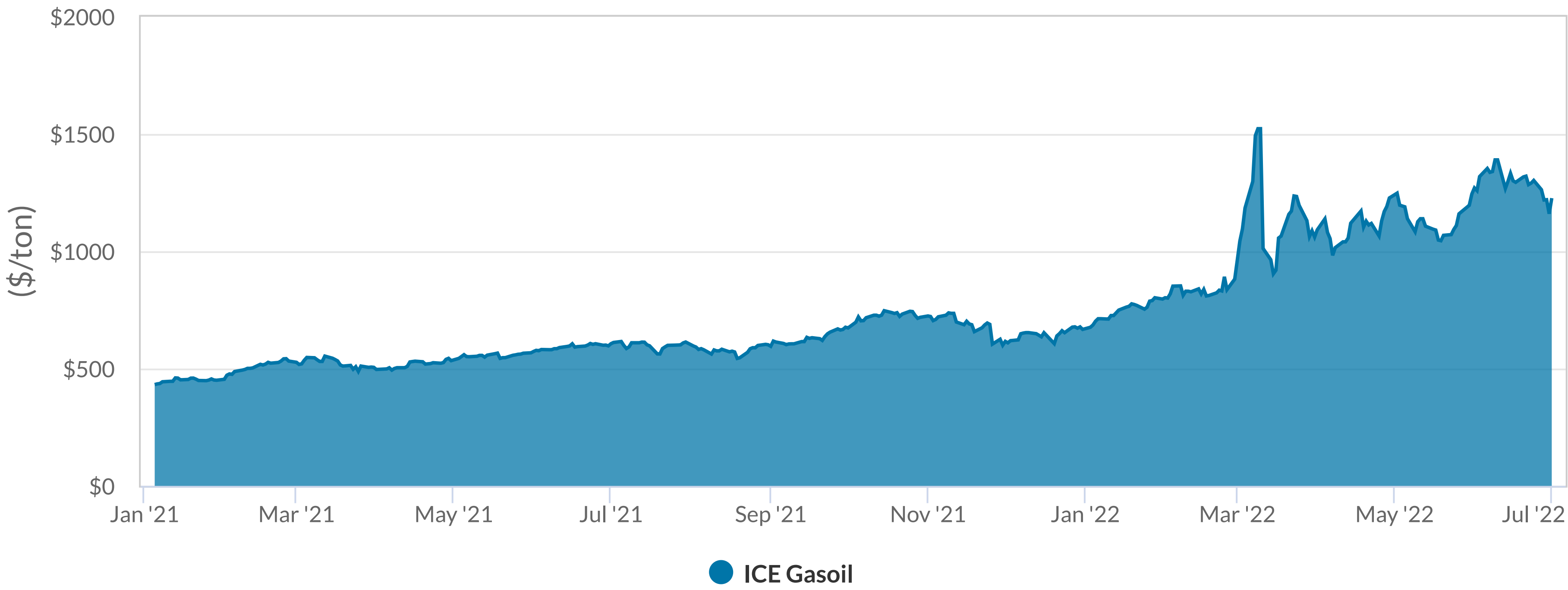


Energy Intelligence

REFINED PRODUCT FUTURES

Nymex	Chg.	1st Mth.	2nd Mth.
Gasoline (¢/gal)	+3.80	368.78	353.12
ULSD Diesel (¢/gal)	+4.07	393.89	386.12
ICE			
Gasoil ($/ton)	+66.50	1226.50	1182.00
Gasoil (¢/gal)	+21.22	391.45	377.25

ICE GASOIL FUTURES



NYMEX GASOLINE FUTURES

US SPOT REFINED PRODUCTS

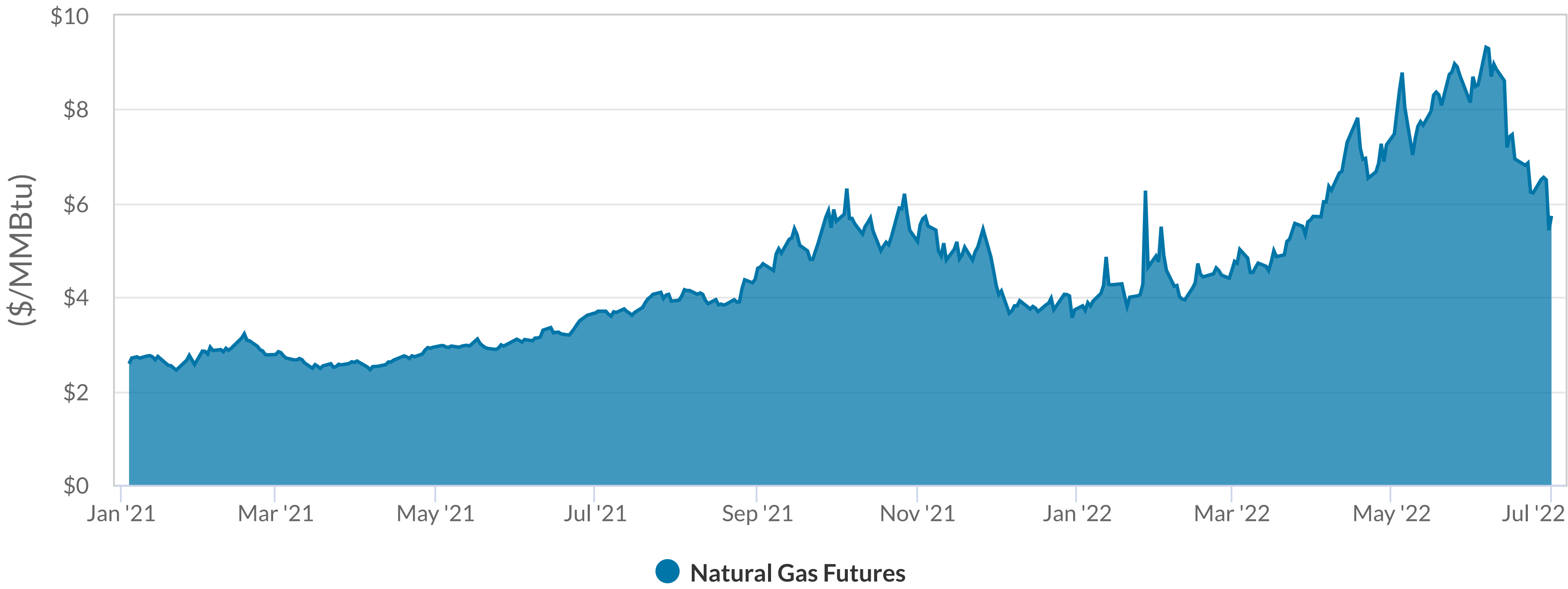
New York (¢/gal)	Chg.	Price	Prior Close
Regular Gasoline	+13.21	381.15	367.94
No.2 Heating Oil	+3.81	385.64	381.83
No.2 ULSD Diesel	+10.81	402.64	391.83
No.6 Oil 0.3% *			107.60
No.6 Oil 1% *			106.17
No.6 Oil 3% *			101.13
Gulf Coast (¢/gal)			
Regular Gasoline	+3.71	381.40	377.69
No.2 ULSD Diesel	+5.06	395.64	390.58
No.6 Oil 0.7% *			109.04
No.6 Oil 1% *			109.04
No.6 Oil 3% *			96.61

*Price in $/bbl. Percentages refer to sulfur content.

INTERNATIONAL SPOT REFINED PRODUCTS

Rotterdam ($/ton)	Chg.	Price	Prior Close
Regular Gasoline	-22.50	1222.50	1245.00
ULSD Diesel	+33.25	1252.25	1219.00
Singapore ($/bbl)			
Gasoil	+3.48	156.84	153.36
Jet/Kerosene	+1.60	152.20	150.60
VLSFO Fuel Oil ($/ton)	-33.89	983.76	1017.65
HSFO Fuel Oil 180 ($/ton)	-27.04	566.98	594.02

NYMEX NATURAL GAS FUTURES



Refinitiv

NATURAL GAS PRICES

($/MMBtu)	Chg.	Price
Henry Hub, Nymex	+0.31	5.73
Henry Hub, Spot	-0.80	5.72
Transco Zone 6 - NY	-0.75	5.18
Chicago Citygate	-0.68	5.40
Rockies (Opal)	-0.96	5.19
Southern Calif. Citygate	-1.00	5.39
AECO Hub (Canada)	-0.18	3.89
Dutch TTF (euro/MWh)	-1.75	148.00
UK NBP Spot (p/th)	+11.00	167.00

US/Canada spot prices from Natural Gas Week

Equity Markets, Jul. 1, 2022

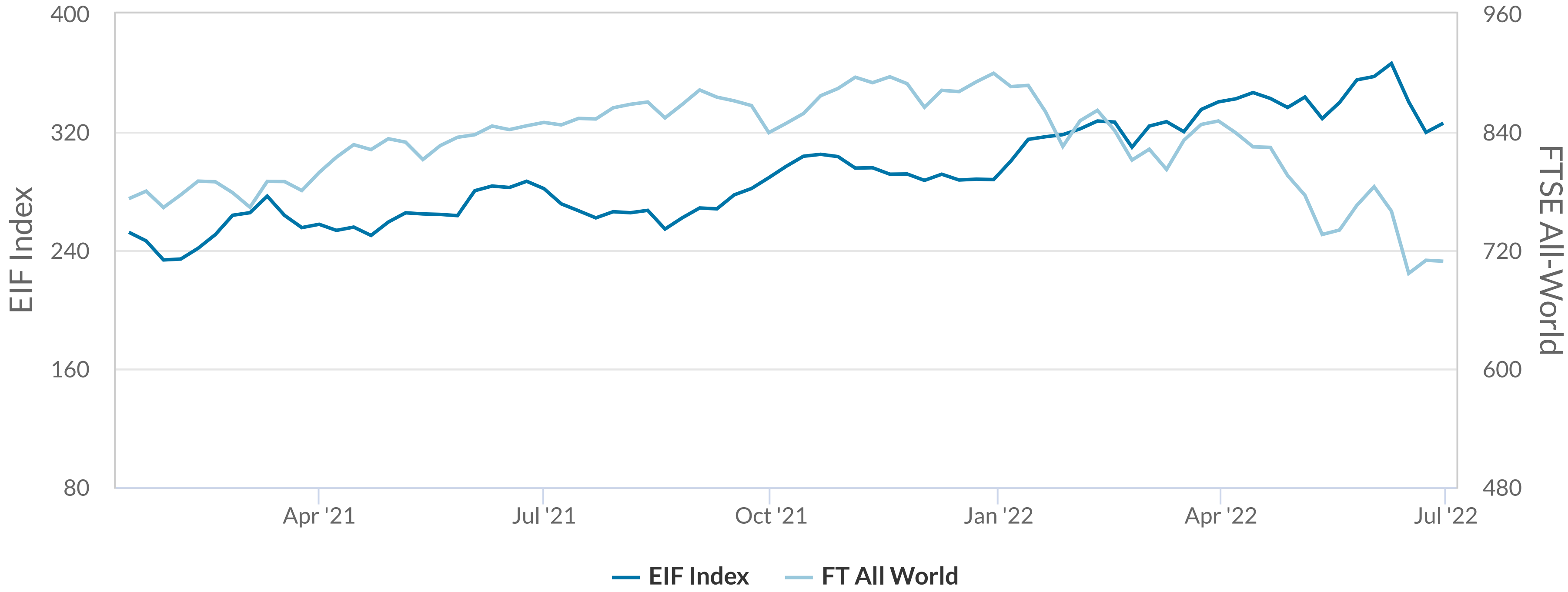
All data are produced by Energy Intelligence in cooperation with Refinitiv.

EQUITY MARKET INDEXES

	Chg.	Index	YTD %Chg.
EIF Global*	-3.81	325.82	+12.93
S&P 500	+39.95	3,825.33	-20.19
FTSE All-World*	-8.24	708.83	-21.35

*Index for previous day

EIF INDEX



EIF Global Oil and Gas Index of 21 traded equities

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