Energy Intelligence

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INTERNATIONAL OIL DAILY®

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In Brief

Data Snapshot

Iran, Russia Sign Oil, Gas Accord as Putin Visits

National Iranian Oil Co. (NIOC) and Russia's Gazprom signed a memorandum of understanding (MoU) on Tuesday, as Moscow and Tehran seek to build a stronger relationship to counter western sanctions.

The agreement — potentially worth up to $40 billion — was signed just hours before President Vladimir Putin arrived in Tehran for one of his first trips abroad since ordering Russia's invasion of Ukraine in February.

Putin was accompanied by Deputy Prime Minister Alexander Novak, who oversees Russia's energy industry, and economic adviser Maxim Oreshkin.

The ostensible reason for the trip was a summit meeting on Syria with the presidents of Iran and Turkey.

The energy and financial sectors are key areas of cooperation between the two Opec-plus producers, which have both been hit by western sanctions and have been exploring ways to help each other work around them.

Russia already appears to have picked up some tips from Iran on evading US and EU sanctions that target its oil exports. Kremlin spokesman Dmitry Peskov said the two countries expect to sign a comprehensive agreement on strategic cooperation in the near future.

Iran's Shana oil news service said the MoU between NIOC and Gazprom covers development of the Kish and North Pars gas fields, raising reservoir pressure at the giant South Pars gas field, and developing six oil fields. Development of the offshore Kish and North Pars fields alone is worth $10 billion, Shana said, with the project to boost pressure at South Pars worth another $15 billion.

Gazprom said the MoU covered cooperation to develop Iranian oil and gas fields, natural gas and petroleum product swaps, LNG projects, construction of natural gas export pipelines, and the exchange of technology.

Coincidental Timing

Putin's trip comes just days after US President Joe Biden visited Iran's regional foes Israel and Saudi Arabia, and vowed that the US would "not walk away [from the Mideast] and leave a vacuum to be filled by China, Russia or Iran."

Biden's trip to Jeddah on Friday and Saturday was widely seen as an attempt to improve US-Saudi relations, which have been much cooler recently than under the administration of former President Donald Trump.

In contrast, Russia's ties with Saudi Arabia remain close, reflecting their status as the two biggest oil producers in the Opec-plus alliance.

Russia's ties with Iran have developed considerably this year, with President Ebrahim Raisi visiting Moscow in January and meeting Putin again in Turkmenistan at last month's Caspian summit.

Russian officials say Moscow continues to support negotiations between Iran and six other nations — including the US and Russia — to revive the 2015 Iran nuclear deal and lift US sanctions on Tehran. But with those talks stalled, Moscow and Tehran have been looking at strengthening banking ties.

Iran's Central Bank Governor Ali Salehabadi said this week that Tehran's currency exchange had recently launched direct trading of Iranian rials for Russian rubles — a measure that could phase out the use of the US dollar in bilateral trade and boost economic cooperation.

Speaking before the visit, Novak said that a key issue for discussion would be plans to link the two countries' electronic payments systems — Mir (Russia) and Shetab (Iran) — with "intermediate results" expected by year's end.

Energy Opportunities

Iran is desperate to attract foreign investment to its isolated oil and gas industry after the US reinstated sanctions in 2018 that choked off international interest. So the agreement with Russia will be very welcome.

Gazprom had prepared proposals in 2018 to develop four Iranian gas fields, Farzad A, Farzad B, North Pars and Kish, saying at the time that the fields could feed export pipelines to India and Oman, as well as an LNG plant. Gazprom's oil affiliate Gazprom Neft would also be interested in returning to Iran, if US sanctions are lifted, having signed an MoU with NIOC in 2016 to look into developing two onshore fields, Cheshmeh-Khosh and Changuleh.

And in January of this year and unnamed Russian company became the first foreign firm since 2018 to strike a deal to develop one of Iran's oil fields.

Russia also views Iran as an important part of the proposed North-South transport corridor — a 7,200 kilometer network of ship, rail and road routes — that would allow freight to be moved from St. Petersburg to India.

Russia is pursuing the project as a way to diversify markets for its energy resources away from the West, and test shipments have already started.

Simon Martelli, London

Seoul May Join Alliance to Cap Russian Oil Prices

South Korea said on Tuesday it is open to joining a coalition of nations trying to cap prices for Russian oil as a way of keeping the global market well supplied while limiting Moscow's capacity to fund its war in Ukraine.

After a meeting with US Treasury Secretary Janet Yellen, Deputy Prime Minister Choo Kyung-ho said Seoul is "willing to participate" in the price cap scheme being discussed by the EU, UK, US and other G7 nations.

Russia is currently selling its Urals crude at a discount of around $35 per barrel to dated Brent, or some $80/bbl. Its production costs are close to $15/bbl.

The alliance wants to set a price somewhere in between, considering factors such as the cost of production, pre-war sales prices and crude refining opportunity costs. A similar system is envisaged for refined products.

Traders are skeptical, arguing that such a system would be hard to implement and could be circumvented. Some fear it could backfire by prompting Russia to limit its exports, thereby reducing supplies and driving up global oil prices.

The US Treasury Department has emphasized that a price cap system would be reviewed periodically. "We're very determined to show this is not a forever policy," a Treasury Department official told Energy Intelligence.

Incentive to Join

Yellen has been actively promoting the cap as an alternative to a ban on imports of Russian oil.

Governments would provide sanctions waivers to companies that provide services for transactions in which Russian oil is priced under the cap system.

The thinking is that buyers would be happy to sign up for the scheme, since they could buy crude and products at a steeper discount to market value than the current discount of $35/bbl for crude.

Russia's invasion of Ukraine in February added insecurity to an already tight market that was struggling to meet post-pandemic growth in oil demand.

The war helped push the global benchmark Brent crude grade from $75/bbl at the start of the year to over $120/bbl in June when the EU followed the US and banned all imports of Russian oil by early 2023.

The EU's sixth package of sanctions against Russia included a ban on the use of shipping, insurance and financial services that facilitate oil sales, but the US fears that this could hit global oil supply by cutting off flows from Russia.

Yellen said in an interview with Bloomberg on Monday that somewhere between 3 million and 5 million barrels per day of Russian oil could be taken off the market once the EU sanctions take effect.

Proponents of a price cap argue that countries like India and China — which have stepped up their purchases of cheap Russian oil since February — would benefit from it indirectly, even if they do not sign up to take part, because it would strengthen their negotiating position with Russian producers.

"They gain a lot of bargaining power if they know Russia has to sell under the price cap," a Treasury official said.

Treasury Department officials have also emphasized that they are not considering Iran-style secondary sanctions, which have historically been a point of tension between the US and Europe.

Backfire Risk

The EU imports and insurance bans take effect on Dec. 5 for crude and on Feb. 5 for refined products.

By those deadlines another 1.5 million b/d of crude oil and 1 million b/d of refined products shipped from Russian ports in the Baltic and Black Sea will need to find new markets.

That will require the use of lots of tankers that are either owned by western companies, or rely on western companies for certificates of seaworthiness, loans, insurance or trade finance.

That is especially true of refined products, with western vessels accounting for around three-quarters of that trade, the Treasury Department estimates.

Under the current EU ban those vessels would be off limits. But if the EU signs on to the price cap scheme, the trade in products could theoretically continue as usual, except that the products would need to go to non-EU countries.

Many traders argue, however, that Russia could undermine the whole exercise.

Moscow could decide, for example, to sell only to traders that use insurance and financing that is not sourced from Lloyds of London, which currently accounts for about 90% of shipping insurance, as well as avoiding the US dollar, the currency in which most oil is traded.

A big fleet of very large crude carriers that can each load 2 million bbls already exists outside the western system, including a large number owned by Iran.

Meanwhile, Russia has taken the first steps to create a parallel shipping and insurance system.

Its state-owned Sovcomflot shipping company now uses vessel certification provided by the Indian Register of Shipping as well as state-backed insurance.

Emily Meredith, Washington and John van Schaik, New York

Russian Oil Output Posts Modest July Increase

Russia's combined production of crude oil and condensate inched up by about half a percentage point in the first 17 days of July to 10.76 million barrels per day, according to official data seen by Energy Intelligence.

Exports declined by about 4% over the same period, while refinery throughout rose 5% as oil companies ran their units harder to meet summer demand, replenish stocks of motor fuel, and boost exports of highly sought diesel.

The numbers suggest that Russian output may have reached a plateau after pulling a stunning rebound in June, when the world's third-largest producer jacked up its output by over 500,000 b/d, or 5%, to 10.7 million b/d.

Energy Intelligence estimates that Russia's crude oil production (excluding condensate) amounted to 9.86 million b/d in the first 17 days of July, an increase of 80,000 b/d over June.

Under the Opec-plus production deal, Russia's crude output ceiling for July is 10.83 million b/d. Condensate production is exempt from Opec-plus quotas.

The numbers for the first 17 days of July show Russia's crude production running just 2% below pre-war levels.

In April, output had tumbled 9% from prewar levels as export grades like Urals became toxic to many developed countries angered by Moscow's decision to invade Ukraine.

But in the past three months Russian oil output has undergone a recovery thanks to steep price discounts and a tight global market that is prompting bargain hunters like India to snap up Urals.

Refining Breakout

Remarkably, nearly all of the additional barrels produced since the April nadir have gone to Russia's refining fleet — the third-largest in the world.

Refinery throughput was 5.61 million b/d in the first 17 days of July, up nearly 5% on June and 750,000 b/d or 15% higher than in April, when runs touched a 14-year low. Compared to prewar levels, refining activity is down 3.5%.

Production of diesel — which Russia cranks out in abundance — was 1.83 million b/d in the first two weeks of the month, a gain of nearly 5% over June.

Nearly two-thirds of diesel output was sold on the domestic market, official data indicate, with some 620,000 b/d exported.

On paper at least, record-high prices have lifted the diesel export parity for Russian refineries to some 55,000 rubles per ton ($127 per barrel) for a refinery located near Moscow, although reports indicate that refiners are being forced to sell diesel at a discount.

Shipping data show that the lion's share of diesel exports so far this month were shipped to terminals in Europe and Turkey. Exports of petroleum products from Russia to EU countries are set to be banned from early 2023.

Exports Wane

In the first 17 days of July, Russia's exports of crude and condensate amounted to 4.87 million b/d, down by 175,000 b/d from the June average.

Given the decline in May and June, exports have now fallen by 520,000 b/d from the high of 5.39 million b/d posted in April.

Shipping data for July point to a decline in seaborne cargoes — primarily those departing from terminals in the Black and Baltic seas.

Pipeline deliveries to Europe and China were roughly flat compared to June at around 1.55 million b/d.

Seaborne exports bypassing the system of Transneft operator were flat at 550,000 b/d.

Exports are still up by about 8% from the start of the war in late February.

Gary Peach, New York

Libya's Exports Pick Up, Politics Remain Volatile

Libya's oil exports are picking up again after force majeure closures were lifted at key ports and terminals following the appointment of a new chairman to lead the country's National Oil Corp. (NOC).

Libyan Prime Minister Abdulhamid Dbeibeh dismissed Mustafa Sanalla as the head of NOC last week and appointed former Central Bank Governor Farhat Bengdara as his successor.

NOC said several tankers were scheduled to lift Libyan crude over the next few days, including a 1 million barrel cargo of Bu Attifel crude from Zueitina, another cargo from Es Sider and two more from Ras Lanuf.

A July loading schedule issued by NOC on Tuesday showed some 24 million barrels — about 780,000 barrels per day — are set to be exported this month, now that all ports are open again, according to a Libyan shipping source.

Until a recent series of disruptions, Libya's export volumes had been running at a steady rate of around 1.1 million b/d.

Volumes are likely to pick up going forward, providing welcome additional supply to a tight global oil market.

Speaking on Monday at the first meeting of the new NOC board of directors, Dbeibeh said his dismissal of Sanalla was entirely legal, while arguing that Sanalla's appointment in 2013 had been illegal.

Debeibeh added that Oil Minister Mohamed Oun had long been seeking an overhaul of the NOC board.

Volatile Political Situation

The contentious nature of Sanalla's dismissal and efforts by many NOC employees to prevent Bengdara from entering NOC headquarters in Tripoli suggest that challenges lie ahead.

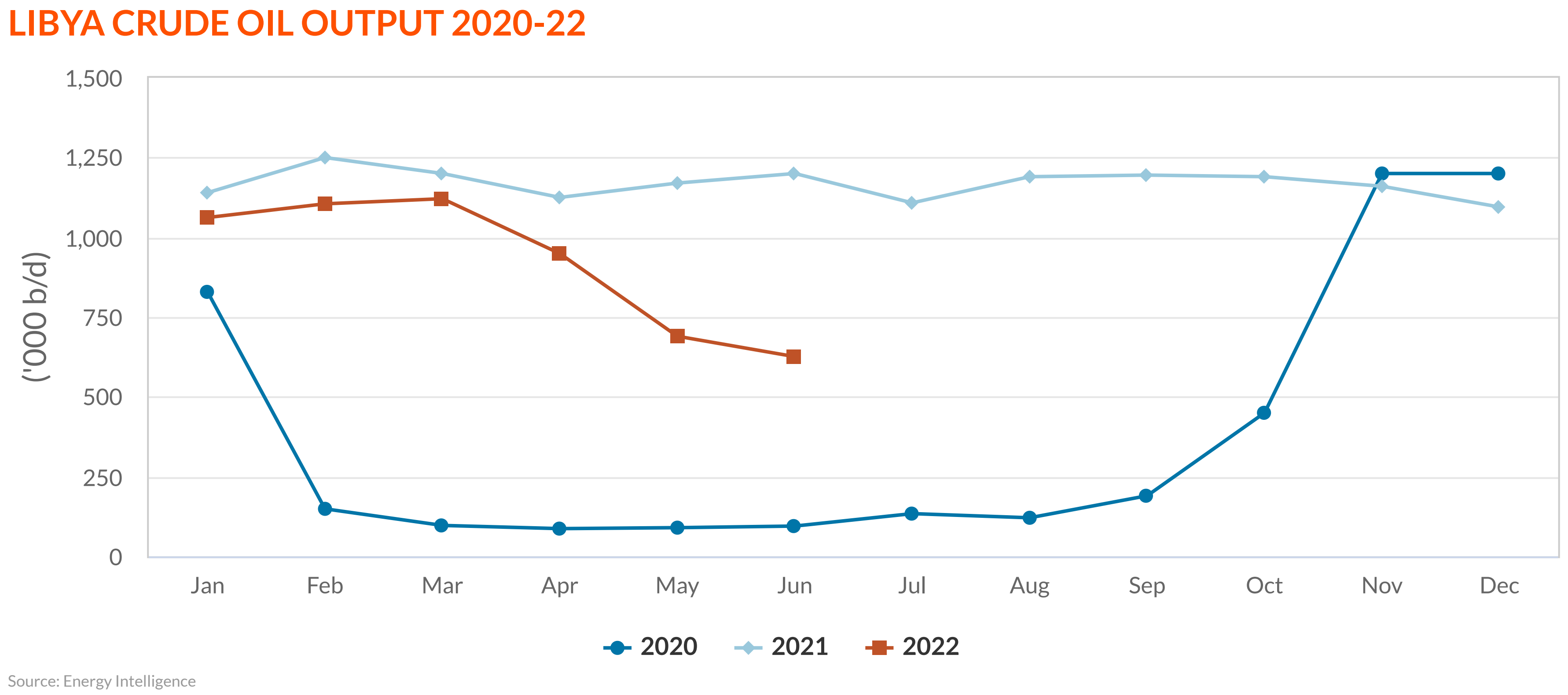
Before his departure Sanalla, denounced Dbeibeh's interim government, which he accused of colluding with the United Arab Emirates.

Dbeibeh dismissed this, saying that "no country interfered in this decision...There was no coercion or actions or anything. This is a slanderous lie and insult to the [new] board and its chairman."

Bengdara's appointment is part of a new alliance between Dbeibeh and his former enemy — Gen. Khalifa Haftar, who heads the Libyan National Army (LNA) that failed in its attempt to take control of Tripoli three years ago.

If this alliance proves durable, it would undercut former Interior Minister Fathi Bashagha who had been relying on support from Libya's eastern-based parliament and the LNA as he challenged Dbeibeh's legitimacy.

The United Nations may welcome the alliance between Dbeibeh and Haftar as it struggles to maintain a 2020 ceasefire that was heralded as ending the long civil war in Libya.



Tom Pepper, London

Iraq Signs Power Deals That Will Limit Iran Imports

Iraq signed two accords in Jeddah at the weekend — one with Saudi Arabia and the other with the GCC Interconnection Authority (GCCIA) — that would allow the country to import electricity from its southern neighbors.

Iraq suffers from chronic power shortages, especially in the hot summer months. It has come to depend heavily on Iranian gas and electricity imports in recent years, prompting the US to lean hard on Baghdad to curb its reliance on Tehran.

On the eve of Saturday's so-called GCC+3 summit, the oil ministers of Iraq and Saudi Arabia signed an electricity interconnection agreement to implement a memorandum of understanding inked by the two countries six months earlier. It envisages building an interconnection with substations and power lines that will link Arar in northern Saudi Arabia to Yusufiya near Baghdad. Saudi state media said it would have a capacity of 1,000 megawatts.

A former official at Iraq's electricity ministry said the Saudis had agreed to a price of $66 per megawatt hour, which he described as "very good," and considerably cheaper than what Iraq has been paying Iran under a formula linked to fuel prices.

Under the separate GCCIA agreement — which has been under negotiation for years — power lines with another 500 megawatts of capacity would connect Kuwait to Iraq's southern port of Fao. It's unclear whether a price has been agreed yet.

US President Joe Biden, who attended the summit, welcomed the "landmark" accords, with the White House saying on Saturday that they would provide the Iraqi people with new and diversified sources of electricity over the coming decade.

Saudi state media said it would take about two years to build the interconnections, once the contracts had been signed.

But the former Iraqi official expressed doubts about that time frame and the chances of Iraq allocating sufficient funds for the Saudi interconnection project, which he estimated would cost at least $700 million.

"All the progress depends on the political issue," he told Energy Intelligence. "With a government like the one now [in power], maybe everything is OK. But with the new government, maybe they will change the decision."

Simon Martelli, London

Adnoc, Total Sign Partnership Agreement

Abu Dhabi Nation Oil Corp. (Adnoc) said it has signed a strategic partnership agreement with TotalEnergies to "explore new opportunities for growth across the energy value chain."

The agreement was one of several signed during a visit by President Mohammed bin Zayed of the United Arab Emirates (UAE) to France where he met President Emmanuel Macron on Tuesday. The visit took place against the backdrop of Europe's efforts to reduce imports of oil and gas from Russia following that country's invasion of Ukraine.

Under the agreement, Adnoc and Total will explore opportunities for collaboration in areas including natural gas, carbon capture utilization and storage and the supply of petroleum products.

The UAE and France also signed an agreement on Tuesday to establish a comprehensive strategic energy partnership that will focus on energy security and affordability, decarbonization and climate action.

The visit was Sheikh Mohamed bin Zayed's first overseas trip since becoming president of the UAE in May.

While no further details were revealed about the products supply part of the agreement, a source familiar with the matter told Energy Intelligence that the UAE will supply France with diesel, but there were no details about volumes. Energy Intelligence also understands that no explicit promises were made about increasing the UAE's oil production, while the country remains committed to cooperation within the framework of Opec-plus.

Nevertheless, presidential adviser Anwar Gargash said the UAE was determined to remain a reliable partner and a reliable source of energy. "We have sold our oil to the Far East for 40 years, and now we are directing it toward Europe in this time of crisis," he said.

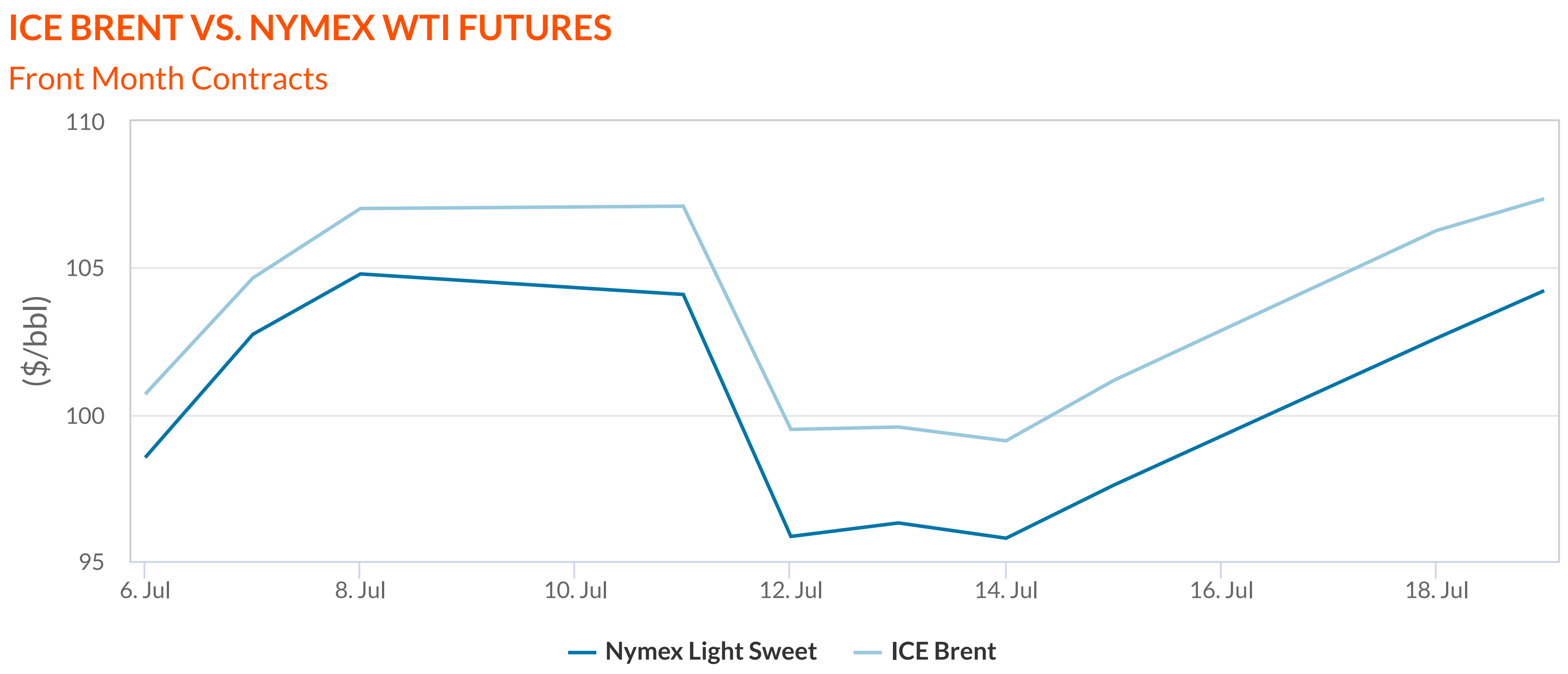
Last week, Sheikh Mohammed shared his vision for the future in a televised address, reiterating the UAE's push for sustainability and diversification, alongside its role as an energy supplier.

Yousra Samaha, Dubai

Oil Prices Tick Up on Supply Concerns

Oil prices rose about 1% on Tuesday, with global benchmark Brent settling at a two-week high in volatile trade as traders worried about tight supplies and a weaker US dollar.

Brent futures rose by $1.08 to settle at $107.35 per barrel, while US West Texas Intermediate (WTI) crude increased by $1.62 to close at $104.22/bbl.



Brent posted its highest close since Jul. 4 and WTI its highest since Jul. 8. At one point during the volatile session, both benchmarks were down by around $2.

"Crude oil has staged an incredible turnaround today," said Robert Yawger, executive director of energy futures at Mizuho. "There was no big red bullish headline to greenlight the rally, but the combination of beaten-down open interest and low trade volume will often encourage wild price swings," Yawger said.

The US dollar slid to a two-week low against a basket of other currencies, making oil less expensive for buyers using other currencies.

Oil prices have whipsawed over the last week, supported by supply fears due to Western sanctions on Russia but pressured by global central bank efforts to tame inflation that have stoked fears that a potential recession could cut energy demand. (Reuters)

IN BRIEF

Majors Expand Algeria Footprint

TotalEnergies, Eni and Occidental Petroleum have expanded their upstream footprints in Algeria by signing a contract for development of Blocks 404 and 208 in the Berkine Basin. The move comes at a time when Europe is seeking to reduce its dependence on Russian gas and increase supplies from other countries. Algeria is already Europe's third-largest gas supplier.

Algeria's state-controlled oil and gas company Sonatrach said the three companies have made various commitments, including drilling 100 wells and implementing two enhanced oil recovery projects.

Total investment is estimated at $4 billion and is expected to allow the recovery of at least 1 billion bbls of oil equivalent and raise recovery rates in the blocks to 55%.

Eni said the new contract would result in production of "significant quantities of associated gas, which might become available for export, contributing to the diversification of gas supplies to Europe."

Tom Pepper, London

Indonesia to Miss Output Targets

Indonesia looks set to miss its target this year for oil and natural gas lifting, or ready-to-sell production, due to delays to major projects.

The country's oil lifting over the first six months of the year averaged 614,500 b/d, much lower than its 703,000 b/d target, while gas lifting averaged 5,326 MMcf/d, well below the target of 5,800 MMcf/d.

Indonesia's oil and gas lifting fell short of expectations partly because of delays at the Jambaran Tiung Biru project, upstream regulator SKK Migas said in a statement.

The 190 MMcf/d project was expected to be on line in May but is now only set to achieve first gas by the end of July or early August.

SKK Migas was also expecting the 3.8 million ton/yr Tangguh LNG Train 3 to start late last year, despite operator BP repeatedly flagging delays due to the Covid-19 pandemic. SKK Migas now expects Tangguh Train 3 to come on line on March next year.

BP said earlier this year it expects Train 3 "to start up by the end of next year."

Marc Roussot, Singapore

Italian Prosecutors Drop Nigeria Appeal

Italian prosecutors have dropped their appeal against a Milan Court's acquittal of Eni and Shell in March 2021, following a criminal trial that focused on allegations of corruption in Nigeria.

The trial — one of the industry's biggest ever corruption cases — centered on the pair's acquisition of deepwater block OPL 245 from the Nigerian government for $1.3 billion in 2011.

Prosecutors had alleged that much of the money was subsequently transferred to politicians and middlemen.

The companies countered that the 2011 settlement was legal and designed to resolve a decade-long legal dispute around the block.

The dismissal, by Italy's Attorney General, should close the criminal case and finalize the acquittal of all the defendants.

Eni said it was "pleased" by the decision, and described the case as "unmotivated and disconcerting."

However, Nigeria's government, which has sued for compensation in Milan and London, will continue to pursue claims through civil proceedings.

Christina Katsouris, London

DATA SNAPSHOT

Oil and Gas Prices, Jul. 19, 2022

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

CRUDE OIL FUTURES

($/bbl)	Chg.	1st Mth.	2nd Mth.
ICE Brent	+1.08	107.35	102.88
Nymex Light Sweet	+1.62	104.22	100.74
DME Oman	-0.22	105.64	100.74
ICE Murban	+0.09	109.04	102.85

INTERNATIONAL SPOT CRUDES

($/bbl)	Chg.	Price	Prior Close
Brent (Dated)	-2.30	114.96	117.26
Dubai	+2.20	104.80	102.60
Forties	-3.69	118.68	122.37
Bonny Light	-3.69	123.28	126.97
Urals	-3.69	84.33	88.02
Opec Basket*			108.76

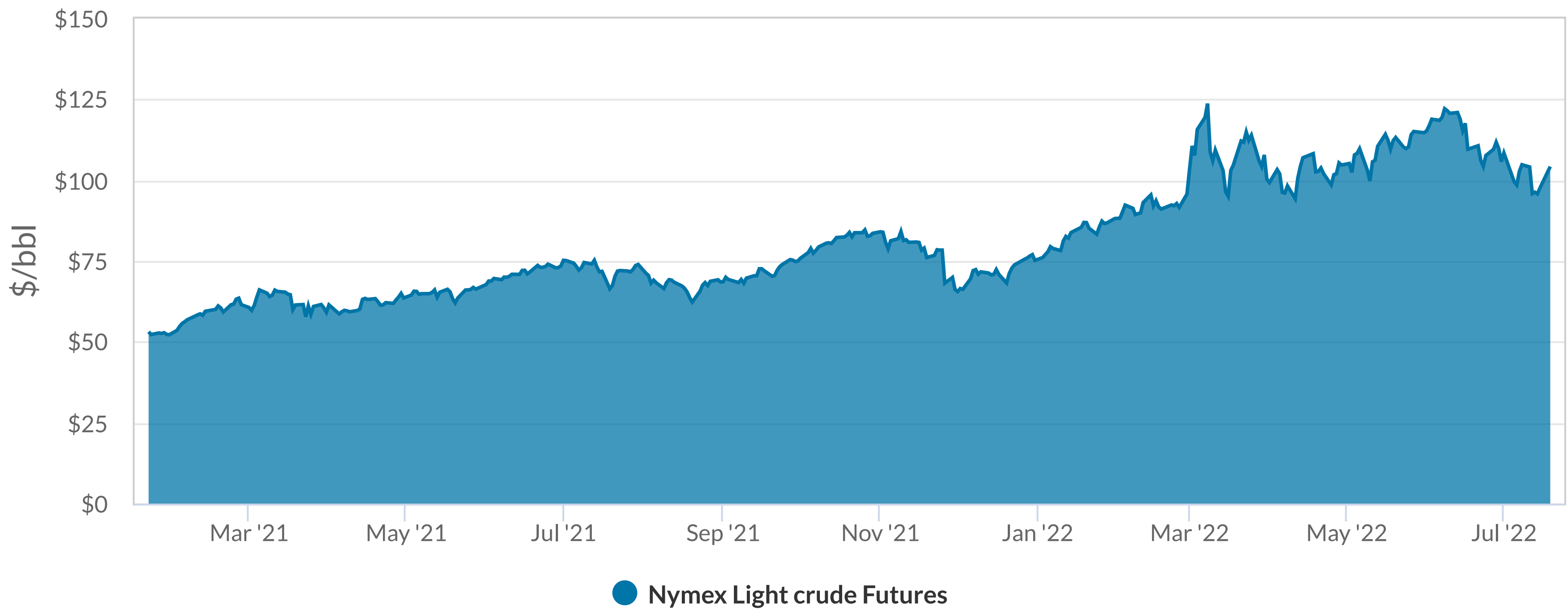
*Opec price assessed.

NORTH AMERICAN SPOT CRUDES

($/bbl)	Chg.	Price	Prior Close
WTI (Cushing)	+1.64	106.12	104.48
WTS (Midland)	+2.64	107.12	104.48
LLS	+2.24	108.82	106.58
Mars	+2.29	103.62	101.33
Bakken	+1.64	110.12	108.48

ICE BRENT CRUDE FUTURES

NYMEX LIGHT CRUDE FUTURES



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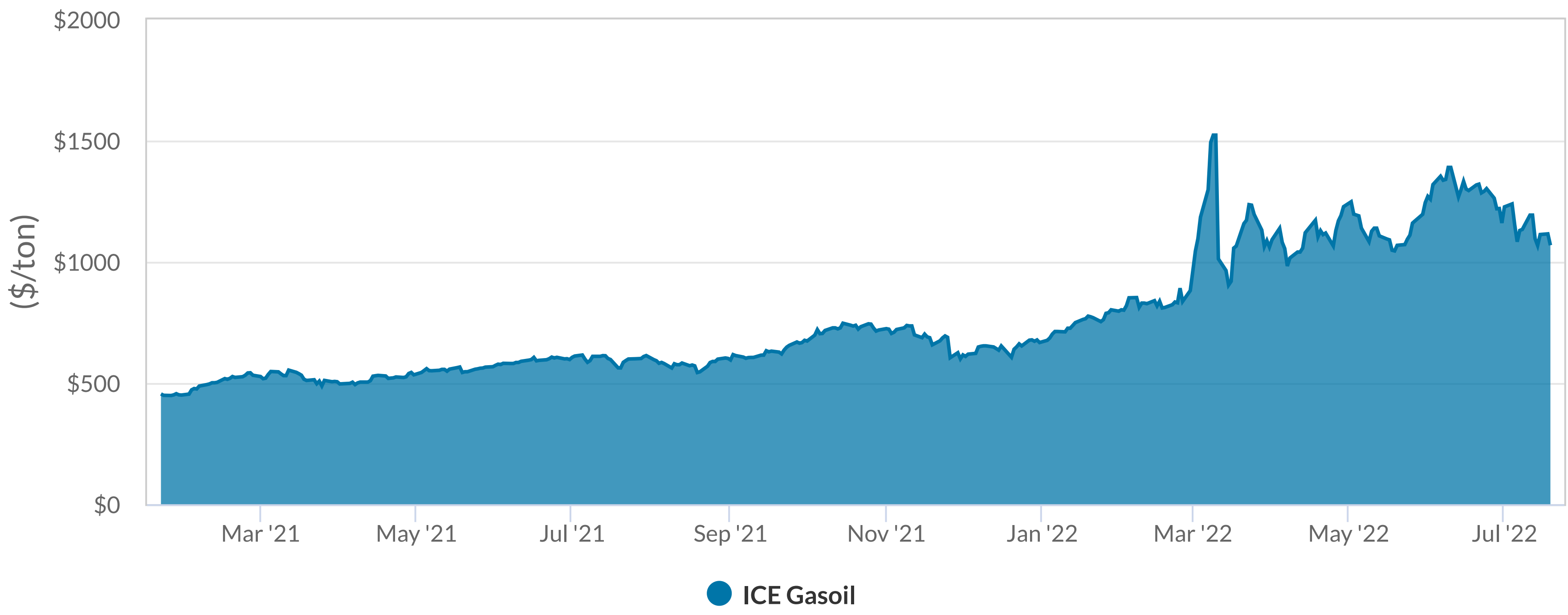
REFINED PRODUCT FUTURES

Nymex	Chg.	1st Mth.	2nd Mth.
Gasoline (¢/gal)	+4.32	330.75	316.89
ULSD Diesel (¢/gal)	-2.87	362.68	356.88
ICE			
Gasoil ($/ton)	-47.00	1068.25	1049.25
Gasoil (¢/gal)	-15.00	340.95	334.88

ICE GASOIL FUTURES



NYMEX GASOLINE FUTURES

US SPOT REFINED PRODUCTS

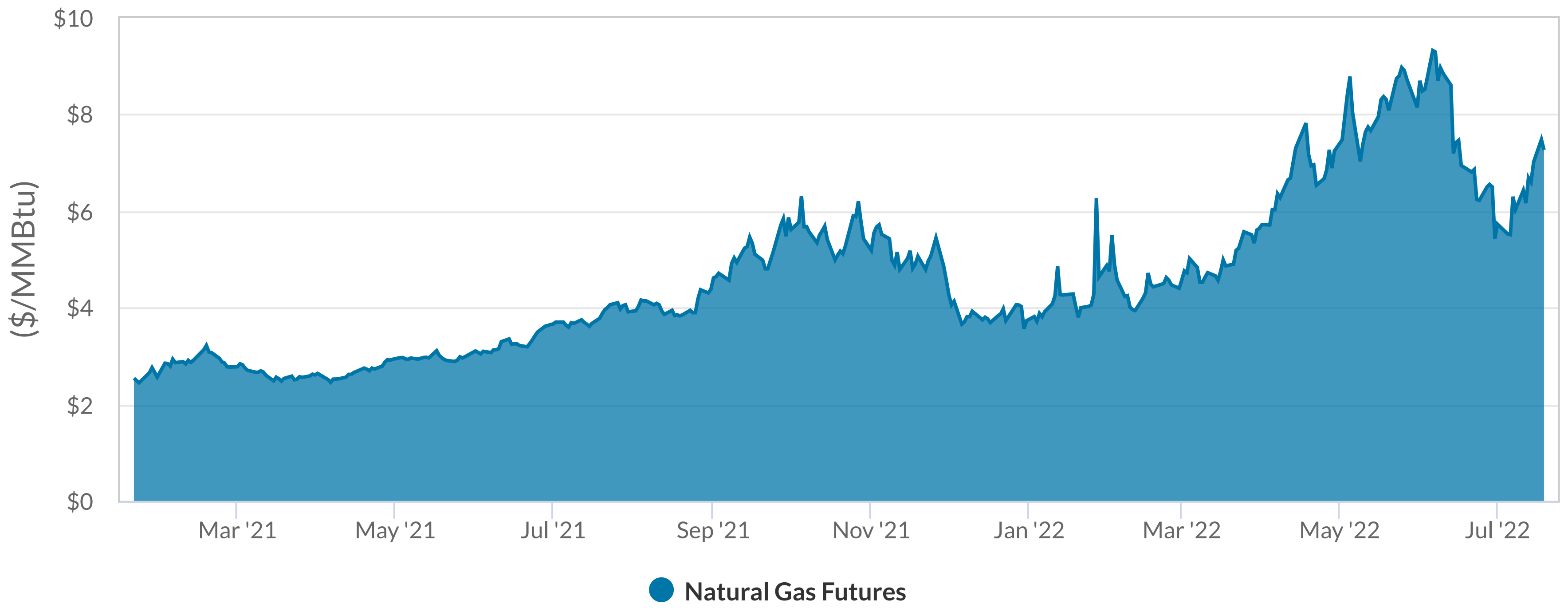
New York (¢/gal)	Chg.	Price	Prior Close
Regular Gasoline	+4.53	351.75	347.22
No.2 Heating Oil	-0.05	354.45	354.50
No.2 ULSD Diesel	-4.05	367.20	371.25
No.6 Oil 0.3% *			107.53
No.6 Oil 1% *			105.11
No.6 Oil 3% *			89.81
Gulf Coast (¢/gal)			
Regular Gasoline	+1.28	316.25	314.97
No.2 ULSD Diesel	-1.80	360.20	362.00
No.6 Oil 0.7% *			104.41
No.6 Oil 1% *			104.41
No.6 Oil 3% *			78.31

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

INTERNATIONAL SPOT REFINED PRODUCTS

Rotterdam ($/ton)	Chg.	Price	Prior Close
Regular Gasoline	-17.20	1056.30	1073.50
ULSD Diesel	-2.00	1129.00	1131.00
Singapore ($/bbl)			
Gasoil	-1.83	134.51	136.34
Jet/Kerosene	-0.30	135.05	135.35
VLSFO Fuel Oil ($/ton)	+10.91	896.24	885.33
HSFO Fuel Oil 180 ($/ton)	+1.61	506.51	504.90

NYMEX NATURAL GAS FUTURES



Refinitiv

NATURAL GAS PRICES

($/MMBtu)	Chg.	Price
Henry Hub, Nymex	-0.22	7.26
Henry Hub, Spot	-0.21	7.35
Transco Zone 6 - NY	+1.03	8.80
Chicago Citygate	-0.17	7.19
Rockies (Opal)	-0.06	7.29
Southern Calif. Citygate	+0.26	8.95
AECO Hub (Canada)	-0.15	3.78
Dutch TTF (euro/MWh)	-6.90	151.60
UK NBP Spot (p/th)	+33.00	194.00

US/Canada spot prices from Natural Gas Week

Equity Markets, Jul. 19, 2022

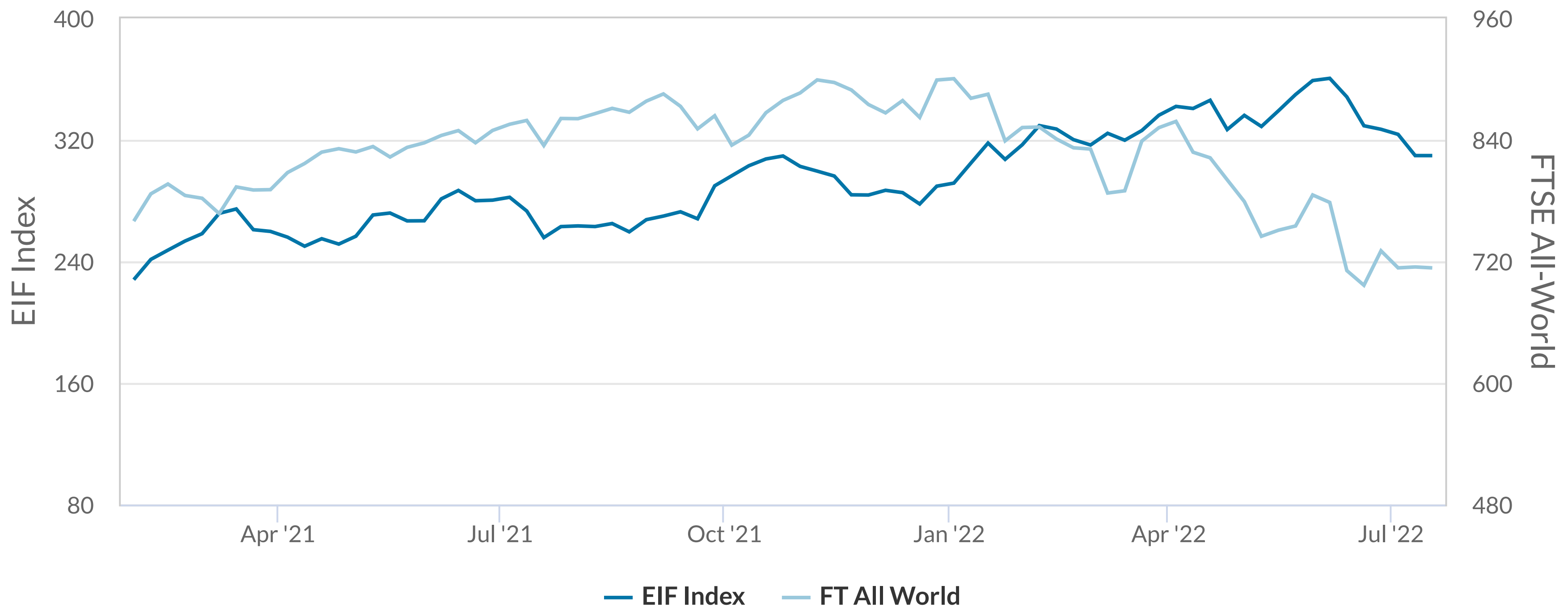
All data are produced by Energy Intelligence in cooperation with Refinitiv.

EQUITY MARKET INDEXES

	Chg.	Index	YTD %Chg.
EIF Global*	+4.34	309.66	+7.33
S&P 500	+105.84	3,936.69	-17.87
FTSE All-World*	+0.54	713.66	-20.81

*Index for previous day

EIF INDEX



EIF Global Oil and Gas Index of 21 traded equities