

INTERNATIONAL OIL DAILY®

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Aramco Maintains Steady Oil Supplies to Asia

Saudi Aramco says its oil shipments to Asia — and India in particular — have not dipped despite increased flows of discounted Russian crude to that region since Moscow invaded Ukraine in February.

Aramco's management explained during a recent earnings call that the company's role with regard to its Asian customers is to serve as a reliable "baseload" supplier of crude oil by maintaining steady volumes.

Moreover, Saudi-based industry sources have told Energy Intelligence that Aramco has no plans to cut crude allocations to [Asian customers](#) and ship more oil to Europe because Asia remains the top demand growth region for Mideast Gulf producers.

Refinery executives in India have acknowledged stepping up their purchases of Russian crude this year to take advantage of deep price discounts offered by Russian producers as some European buyers have shunned their crude.

Some Indian executives have raised concerns that Mideast Gulf producers might consider cutting their allocations to Indian customers to sell their oil at higher prices in Europe, but Mideast Gulf officials have dismissed this.

Energy Intelligence understands that some Asian countries might soon face western pressure to stop buying Russian crude, and that some refiners have therefore scrambled to buy it now.

Spare Capacity

With oil in tight supply as demand bounced back after the Covid-19 pandemic, Aramco finds itself in a powerful position as one of the world's few holders of spare production capacity that can be brought online quickly.

Chief Executive Armin Nasser said Aramco had proved this in 2020 when the Saudi government asked it to push output to 12 million barrels per day for a short period of time and the company was able to do so in less than a month.

"So our commitment is, any time that we've been asked to or we will be asked to go to our maximum sustained capacity, which is currently 12 million b/d, we will be able to bring it on stream quickly and sustain it," he said.

Energy Intelligence estimates that Saudi Arabia produced [10.8 million b/d](#) of crude oil in July of this year, in line with its Opec-plus quota.

The surge in oil prices this year and higher production volumes have helped Aramco regain its title as the company with the [biggest profits in the world](#).

Aramco achieved record net income of \$48.4 billion in the second quarter of this year versus \$25.5 billion in the same period of 2021. However, under a predetermined system made public in 2020, the company's financial obligations to the government increase as oil prices rise. Under the current guidelines, Aramco pays a royalty of 80% at Brent crude prices above \$100 a barrel, and a royalty of 45% at \$70 to \$100.

In the second quarter of this year, Aramco paid the government around \$69 billion in taxes and royalties, which is more than four times the amount allocated to dividends for the quarter.

The Saudi government retained most of Aramco's shares after the company's initial public offering in late 2019.

So far there are no plan to increase the dividend paid to the company's minority shareholders, but management said that issue will be discussed again by the board of directors in March 2023.

Amena Bakr, Cairo

Gazprom: Winter Gas Prices May Go Through Roof

European spot gas prices could exceed \$4,000 per thousand cubic meters this winter — or more than \$110 per million Btu — Russian gas giant Gazprom said on Tuesday.

Spot prices hit new highs of more than \$2,500/Mcm this week and could rise at least another \$1,500/Mcm, if the current trend continues, Gazprom said in a statement that described its price outlook as "conservative."

The company said Europe still needs to inject 23.8 billion cubic meters of gas into storage if it wants to match the stockpile it had at the start of the 2019-20 winter heating season, which equated to 97% of storage capacity.

Meanwhile, EU data shows that the 27-nation bloc is on track to reach its 80% storage target by November, as [injections into storage continue](#) despite the current tight market. EU gas stocks are currently just under 75% full.

Futures Price Hits New High

The front-month September Dutch TTF gas futures contract set a new intraday high of €251 per megawatt hour — or \$2,630/Mcm (\$75/MMBtu) — on Tuesday but drifted lower to end the day at \$223 for a gain of just 1.3% versus Monday's close.

EnergyScan analysts attribute the surge in spot gas prices over the past several days to high levels of storage injection activity in a relatively illiquid market.

European gas stocks continue to grow thanks to robust LNG imports, and high volumes of pipeline gas coming in from Azerbaijan and Norway, but the limited pipeline flows from Russia are keeping prices high, according to EnergyScan.

Gazprom has helped drive gas prices up by delivering less gas to Europe. The government-controlled company denies that it is deliberately withholding supply and says the reduced flows are a consequence of European sanctions against Russia.

Some observers have suggested that Gazprom might be trying to sabotage the EU's storage injection campaign to persuade European governments to ease sanctions against Russia and dial down their support for Ukraine.

Gazprom's Exports Sink

In the first half of August, Gazprom exported 1.76 Bcm, or 117 MMcm/d to Europe (excluding Turkey), Energy Intelligence calculates based on gas transmission data.

The Nord Stream pipeline to Germany operated at only 20% of capacity and the Ukrainian transit route at 55% of available capacity. However, deliveries to Europe via the Turk Stream pipeline are now running at full capacity after Gazprom started to send [additional volumes to Hungary](#) last week.

Gazprom's exports to Europe (including Turkey) and China totaled 3.2 Bcm, or 213 MMcm/d, in the first 15 days of August, down 59% from the same period of last year, according to Gazprom's data.

Supplies to China remain stable and above contractual levels, Gazprom said, which suggests they now exceed 41 MMcm/d, compared with 27 MMcm/d a year ago.

Germany Secures LNG Supplies

Germany — Europe's biggest gas consumer — signed a memorandum on Tuesday with gas importers Uniper and RWE Supply & Trading to keep two floating LNG terminals at Brunsbuettel and Wilhelmshaven fully supplied this winter.

The two companies will team up with EnBW Energie Baden-Wurttemberg and Verbundnetz Gas (VNG) to purchase the LNG.

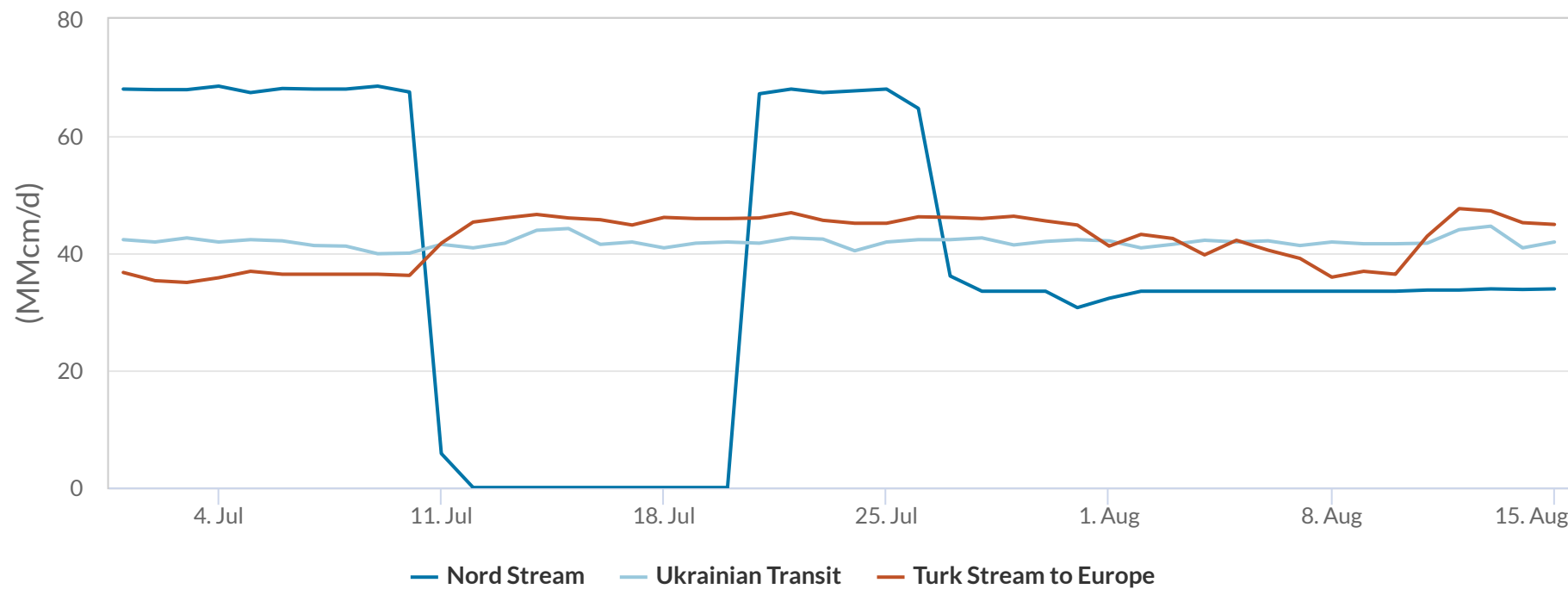
Economy Minister Robert Habeck, who signed the memorandum was quoted as saying that the deal was part of Germany's efforts "to make ourselves independent and less susceptible to blackmail from [Russian President Vladimir] Putin."

Germany's gas consumption fell by some 25% year on year in June, according to power industry association BDEW. Germany received less gas from Russia in June as Gazprom cut Nord Stream flows to 40% of capacity in mid-month.

In the first half of this year, Germany's gas consumption fell by 15% year on year, reflecting mild spring weather, high gas prices, a weaker economy and consumers' efforts to save energy.

The 27 EU countries are seeking to reduce their gas consumption by 15% from August through March of next year.

RUSSIAN GAS FLOWS VIA KEY ROUTES TO EUROPE



SPOT LNG PRICING

	Latest WGI	Daily	Daily Chg.	Chg. From Latest WGI
NE Asia	0.00	51.00	5.68	51.00
SW Europe	0.00	53.45	-1.95	53.45

Futures Pricing				
(\$/MMBtu)	Chg.	Latest	Previous	Week Ago
Henry Hub, US (futures)	--			
NBP, UK (futures)	--	--	--	--

European Spot Pricing				
	Chg.	Latest	Previous	Week Ago
Dutch TTF	--	--	--	--
Zeebrugge (Belgium)	--	--	--	--
German NCG	--	--	--	--
NBP (UK)	--	--	--	--

US Markets				
US Spot Prices				
Sabine Pass, Louisiana	0.71	9.27	8.56	7.88
Corpus Christi, Texas	0.51	8.80	8.29	7.64
Cove Point, Maryland	0.65	8.26	7.61	7.50
Elba Island, Georgia	--	--	--	--

Nymex Henry Hub Futures				
Near Month	--			
Second Mth	--			
Third Mth	--			

For more coverage of the Ukraine crisis, visit [Ukraine Crisis: Energy Impact](#)

Looming EU Supply Crunch Magnifies Iran’s Appeal

Besides Iran itself, European refiners are among those with most at stake in the negotiations to revive the 2015 Iran nuclear deal and lift US sanctions on Iranian oil exports.

The negotiations hang in the balance after Iran appeared to provide a [qualified response](#) late on Monday to the draft text of an agreement proposed by EU coordinator Josep Borrell.

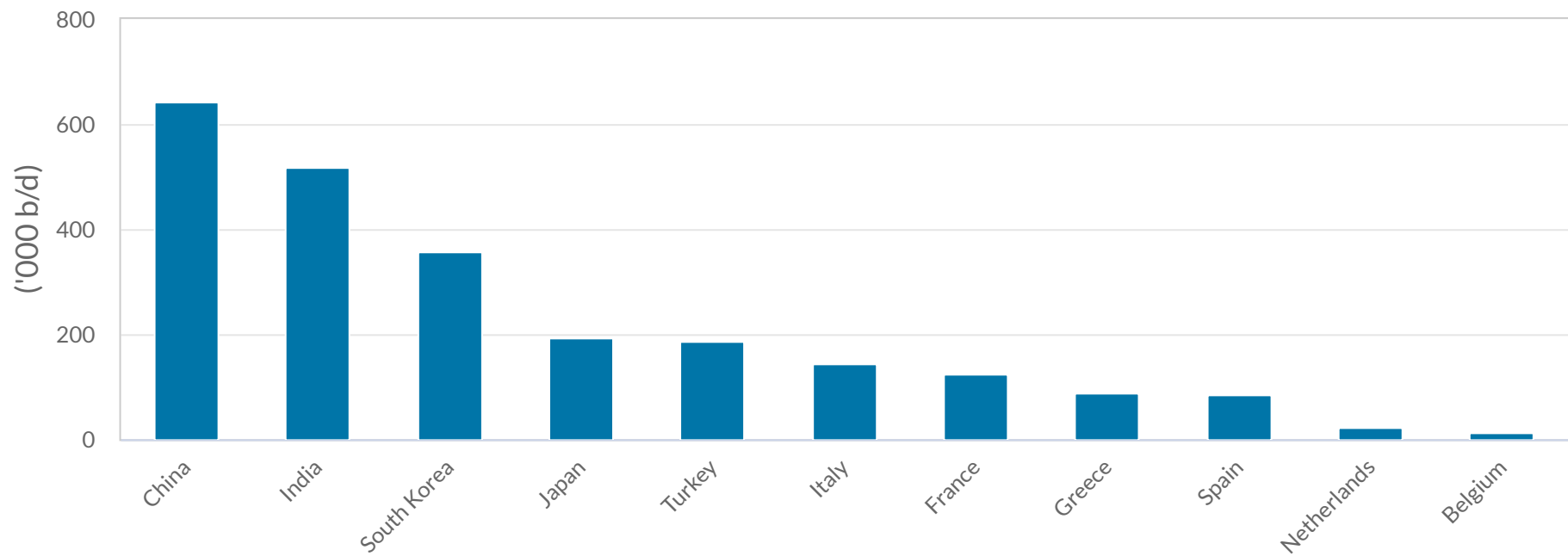
But an EU embargo on Russian crude that takes effect in December and the limited capacity of other Mideast producers to supply additional sour barrels has reinforced the appeal of Iranian crude in Europe, which faces a harsh winter of fuel shortages.

"It would be positive for the supply side of crude and gas [if US sanctions on Iran were lifted]. Lower prices for all of us," said a trader with a refinery in southern Europe.

Around 1 million barrels per day of seaborne Russian Urals is currently going to Rotterdam and the Mediterranean. That's roughly the same additional quantity of similar crude that Iran could export if sanctions were lifted, the trader noted.

IRAN'S FORMER TOP BUYERS

Average Crude Exports, May'16 - May'18



Source: IEA, Reuters, government agencies, Energy Intelligence

Former Buyers

Most of the Iranian crude that headed west of Suez between the lifting of multilateral sanctions in January 2016 and the unilateral US decision to reimpose them in May 2018 went to the Mediterranean — specifically Turkey, Italy, France, Greece and Spain.

Total exports to Europe and Turkey in the two years up to the return of US sanctions averaged 684,000 b/d (see table), according to data compiled by Energy Intelligence.

It took two or three months after sanctions were lifted for exports to begin, [initially driven](#) by France's TotalEnergies, Spain's Cepsa, Italian refiner Iplom, and Litasco, the trading arm of Russia's Lukoil.

Greek refiner Hellenic Petroleum and Italian firms Eni and Saras soon followed that first wave of buyers. Most of those European refiners would be willing to resume their intake of Iranian crude, with one of the larger ones telling Energy Intelligence earlier this year that they had stayed in contact with National Iran Oil Co. (NIOC) and were [ready to fly](#) to Tehran.

"The quality of Iranian crude is fine for us," another former buyer said on Tuesday, although he admitted that concerns about compliance with US sanctions meant the company could not even talk to NIOC at the moment.

He also expressed doubt that the US and Iran would strike a deal, although some other European crude traders argue that strong European demand for Iranian oil would provide an incentive for both sides to reach an agreement.

Different World

But even if a diplomatic breakthrough allows Europe to resume imports from Iran, the demand picture has changed significantly since 2016.

Countries in northern and eastern Europe that previously took very little Iranian crude and depended heavily on Russian oil, such as Germany and Poland, could be among those most interested in signing term contracts with Iran if the chance arises.

Separately, Turkey and India — historically two of Iran's top customers — have been snapping up discounted Russian crude, probably meaning they would have a smaller appetite for unsanctioned Iranian crude. That could divert more oil to Europe.

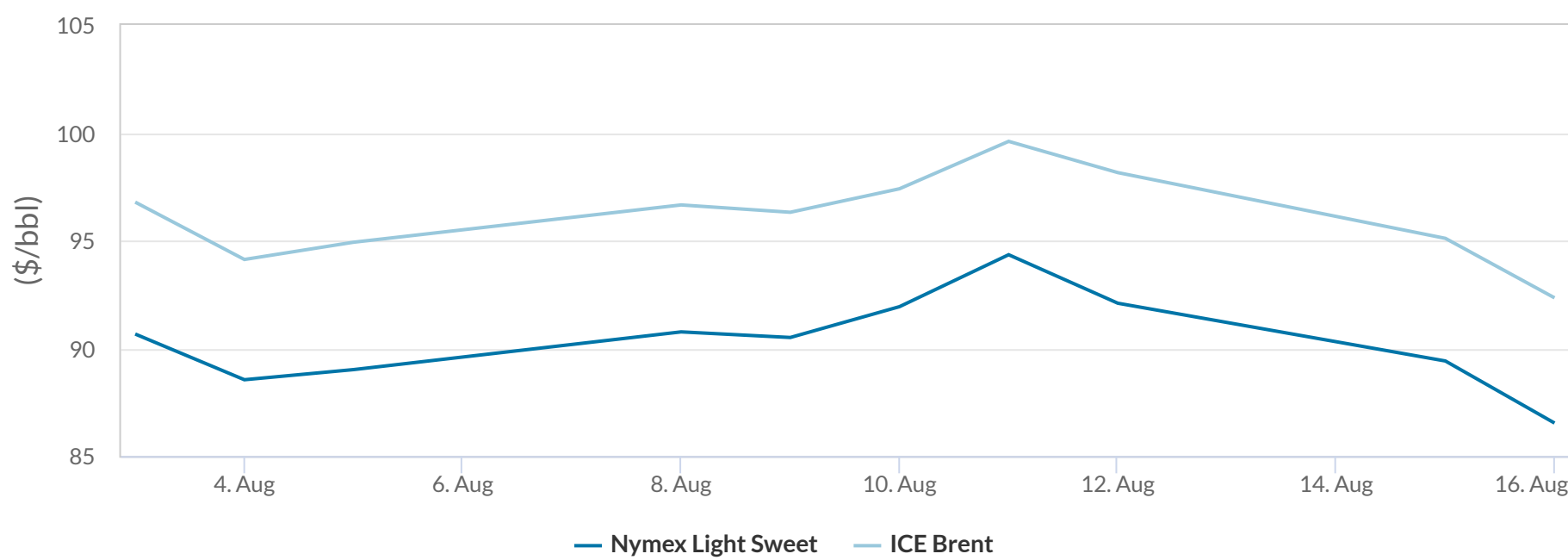
Simon Martelli, London

Oil Prices Drop Further on Chinese Demand, Iran Concerns

Ongoing economic worries and the growing possibility of a renewed Iran nuclear deal hammered oil futures again on Tuesday.

In London, Brent crude for October delivery settled \$2.76 lower at \$92.34 per barrel. In New York, September West Texas Intermediate (WTI) on Nymex dropped \$2.88 to end the session at \$86.53/bbl.

ICE BRENT VS. NYMEX WTI FUTURES Front Month Contracts



“Crude prices are declining over fears that China’s growth could slow much more and on improving odds that Iranian crude could flood the market as [negotiators near a potential revival](#) of the Iran nuclear deal,” said Edward Moya of Oanda.

Iran’s response to a blueprint deal [has not been definitive](#), but some EU diplomats reportedly see it as “positive” and the market sees a greater chance of the return of Iranian barrels.

“The fact that talks are not dead in the water is being taken as a sign that a deal will ultimately be reached and oil is back on a downward slope again,” said Tamas Varga of oil brokerage PVM Oil.

Some experts say a deal would allow roughly 1 million barrels per day in crude supply to hit the market, pulling oil prices lower.

However, market players and analysts note that a deal has been close to fruition before, only to fall apart.

China Concerns

Meanwhile, economic data from China has spooked the market, with signs that Chinese demand could slow. Action by China’s central bank could also have immediate impacts on the consumption of commodities priced in US dollars — such as crude.

“With the yuan weakening sharply because of disappointing Chinese data and the [People’s Bank of China’s] swift intervention, this is also making commodities sold in [dollars] more expensive for Chinese buyers,” said Fawad Razaqzada of StoneX. “If we see more [yuan] weakness, which is now likely, this could negatively impact crude oil and metal prices.”

Selling at the front of oil’s forward curve continued to eat into premiums for front-month barrels on Tuesday, and dated Brent dropped below \$95/bbl as well.

Frans Koster, New York

IN BRIEF

India's August Fuel Demand Remains Soft

India's fuel demand remained weak in the first 15 days of August as monsoon rains continued to lash the country, hitting demand in the transport, construction, mining and agricultural sectors.

Diesel sales contracted 11.2% to 1.43 million b/d in the first half of August, compared [with the same period of July](#), according to preliminary sales data from state-owned refiners that have a combined market share of 90%.

Gasoline sales rose 0.8% to 765,000 b/d in the first 15 days of August, compared with the first half of July, but sales of jet fuel contracted 0.7% to 134,000 b/d, while sales of liquefied petroleum gas, used for cooking, shrank by 7.9% to 889,000 b/d.

Seasonal monsoon rains typically lead to lower demand for fuel in July-September compared with the April-June quarter.

Demand is expected to pick up from October with the advent of the month-long Hindu festival season that culminates with Diwali on Oct 24.

Demand should also be underpinned by strong economic growth, with credit rating agency CareEdge recently forecasting that India's economy will grow by 7.1% in the current financial year that began Apr. 1.

Rakesh Sharma, New Delhi

DATA SNAPSHOT

Oil and Gas Prices, Aug. 16, 2022

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

CRUDE OIL FUTURES

(\$/bbl)	Chg.	1st Mth.	2nd Mth.
ICE Brent	-2.76	92.34	91.74
Nymex Light Sweet	-2.88	86.53	86.16
DME Oman	-3.30	90.96	88.81
ICE Murban	-2.71	92.84	90.59

INTERNATIONAL SPOT CRUDES

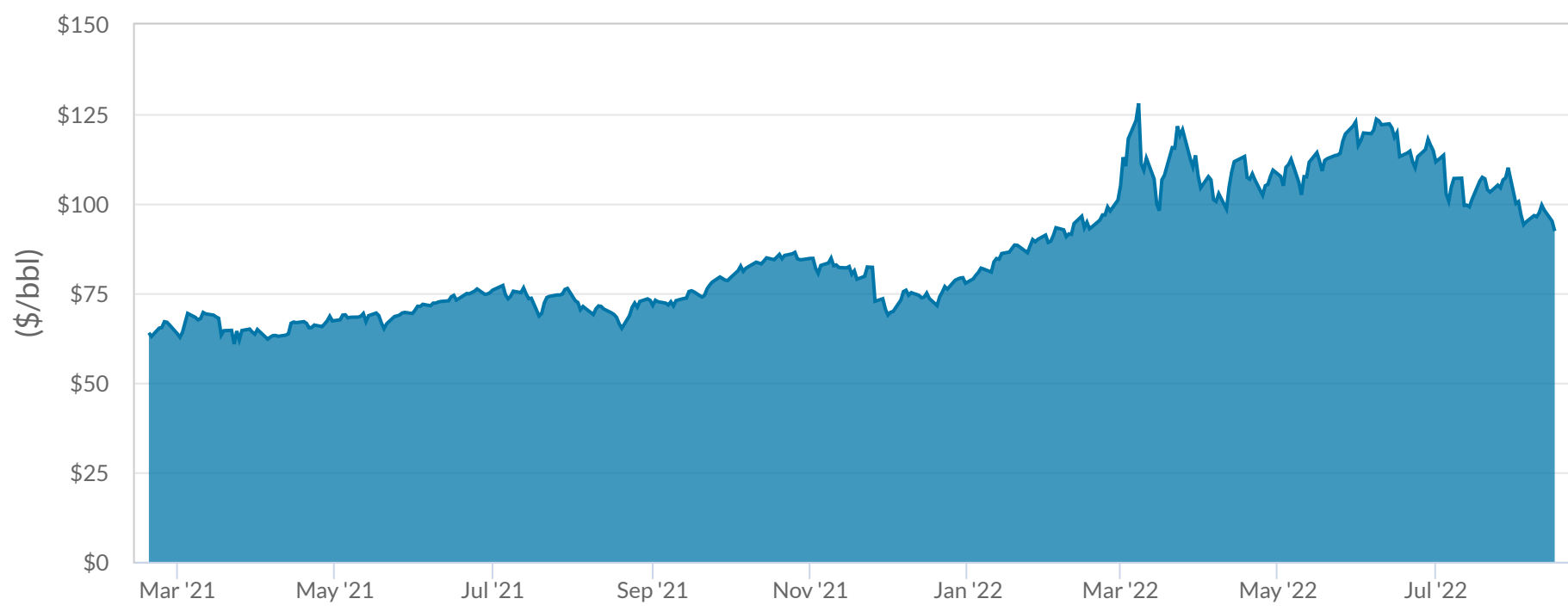
(\$/bbl)	Chg.	Price	Prior Close
Brent (Dated)	-2.88	95.36	98.24
Dubai	-2.55	92.00	94.55
Forties	-1.08	99.16	100.24
Bonny Light	-1.08	101.53	102.61
Urals	-1.08	67.08	68.16
Opec Basket*			100.04

*Opec price assessed.

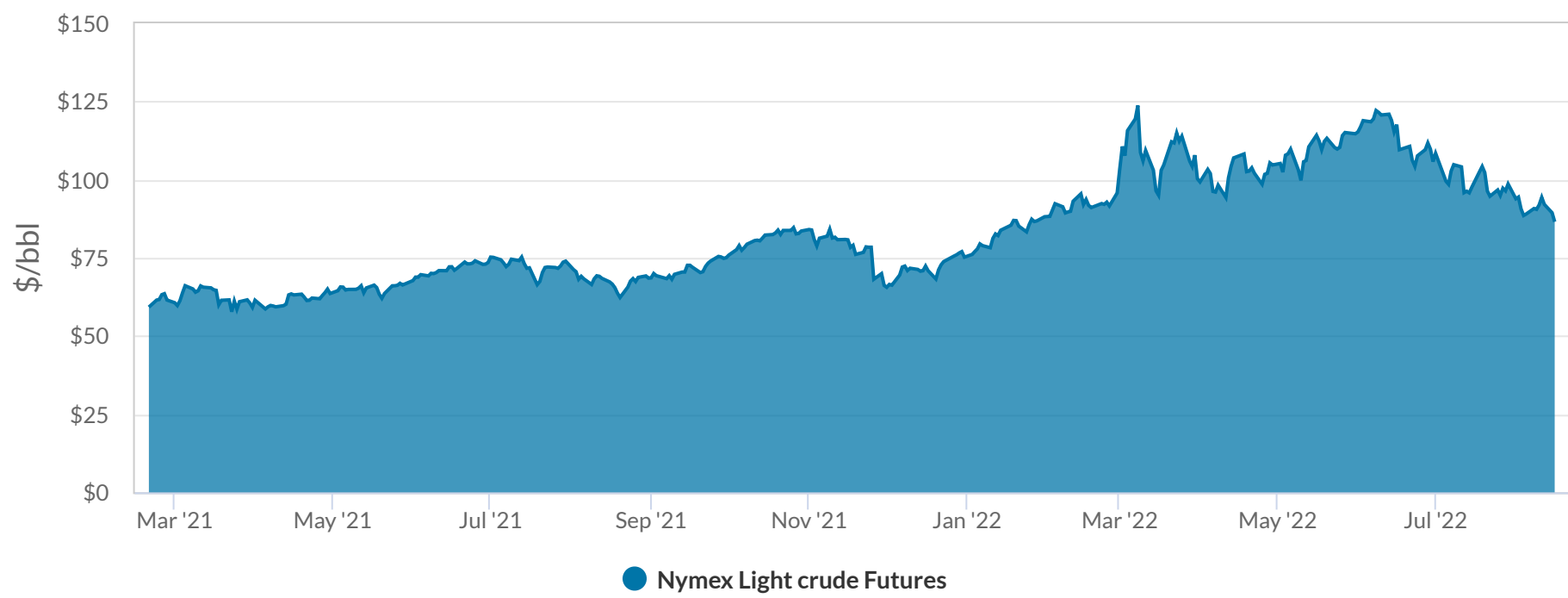
NORTH AMERICAN SPOT CRUDES

(\$/bbl)	Chg.	Price	Prior Close
WTI (Cushing)	-3.01	89.23	92.24
WTS (Midland)	-3.36	90.18	93.54
LLS	-3.11	91.58	94.69
Mars	-3.61	87.18	90.79
Bakken	-3.01	92.98	95.99

ICE BRENT CRUDE FUTURES



NYMEX LIGHT CRUDE FUTURES

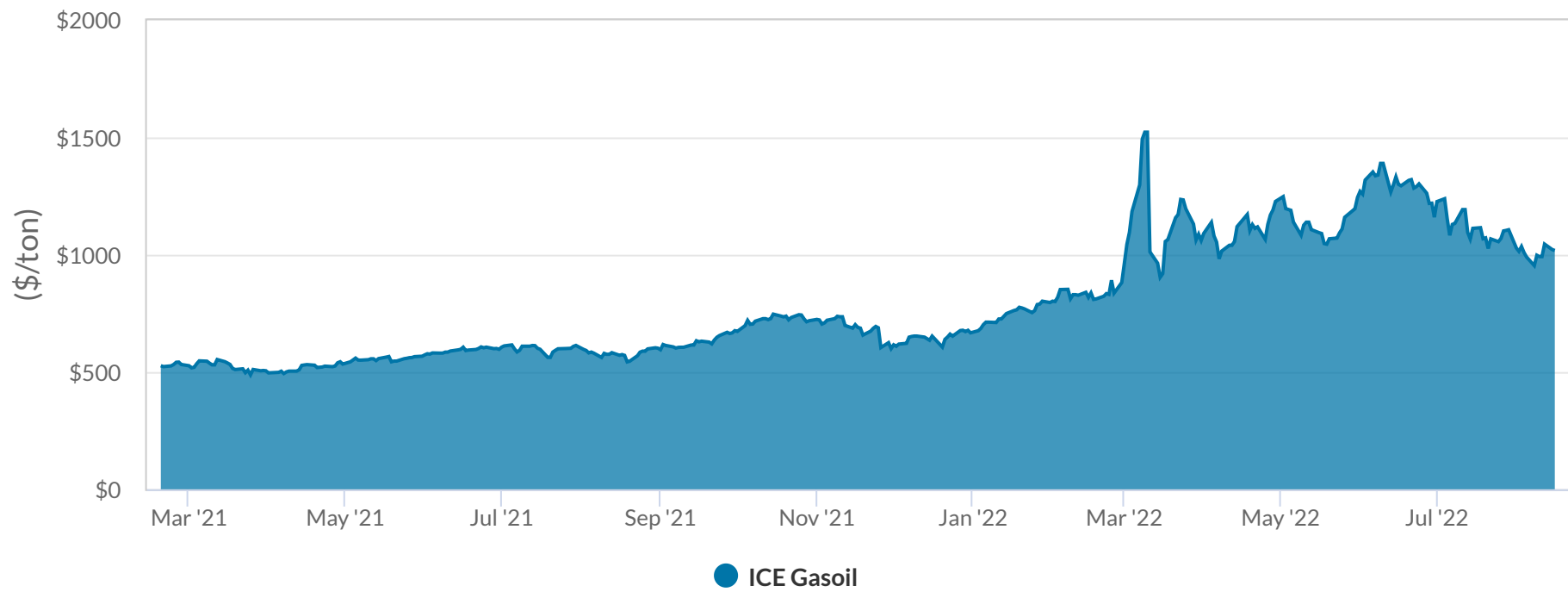


Energy Intelligence

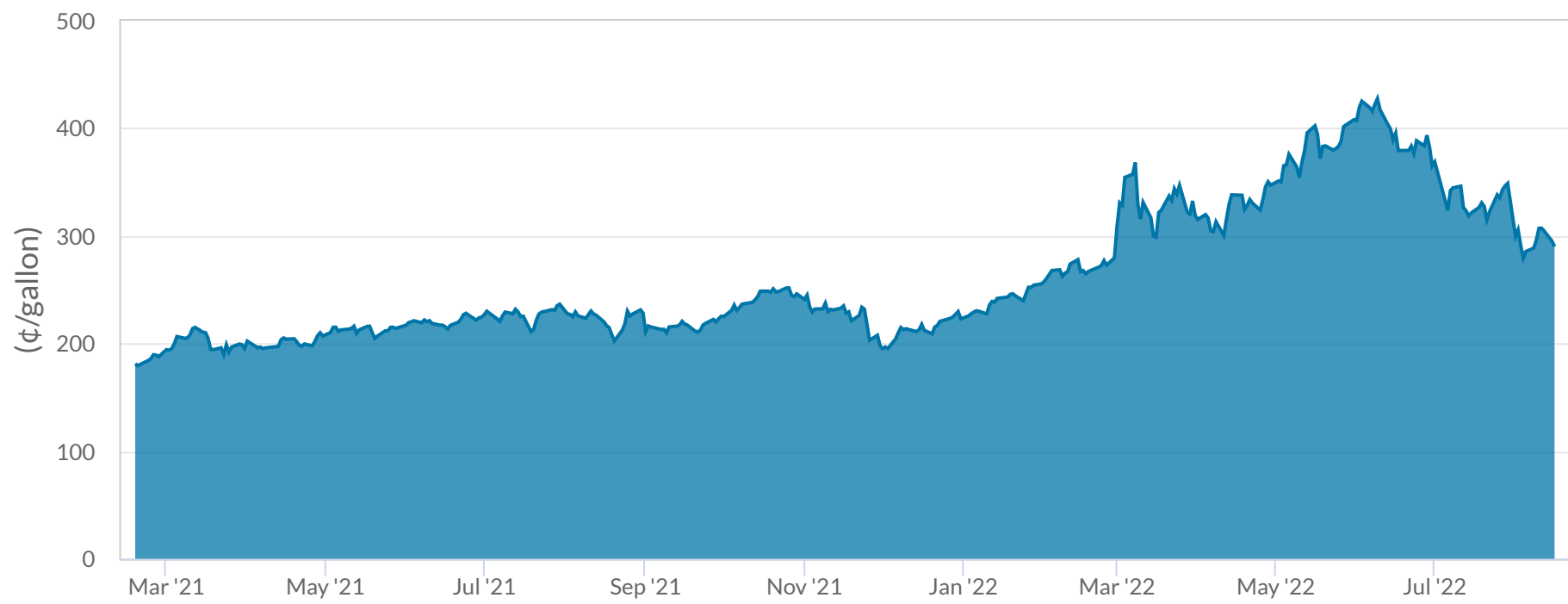
REFINED PRODUCT FUTURES

Nymex	Chg.	1st Mth.	2nd Mth.
Gasoline (¢/gal)	-5.10	290.07	266.03
ULSD Diesel (¢/gal)	+3.99	348.02	344.48
ICE			
Gasoil (\$/ton)	-4.00	1018.00	1004.00
Gasoil (¢/gal)	-1.28	324.91	320.44

ICE GASOIL FUTURES



NYMEX GASOLINE FUTURES



US SPOT REFINED PRODUCTS

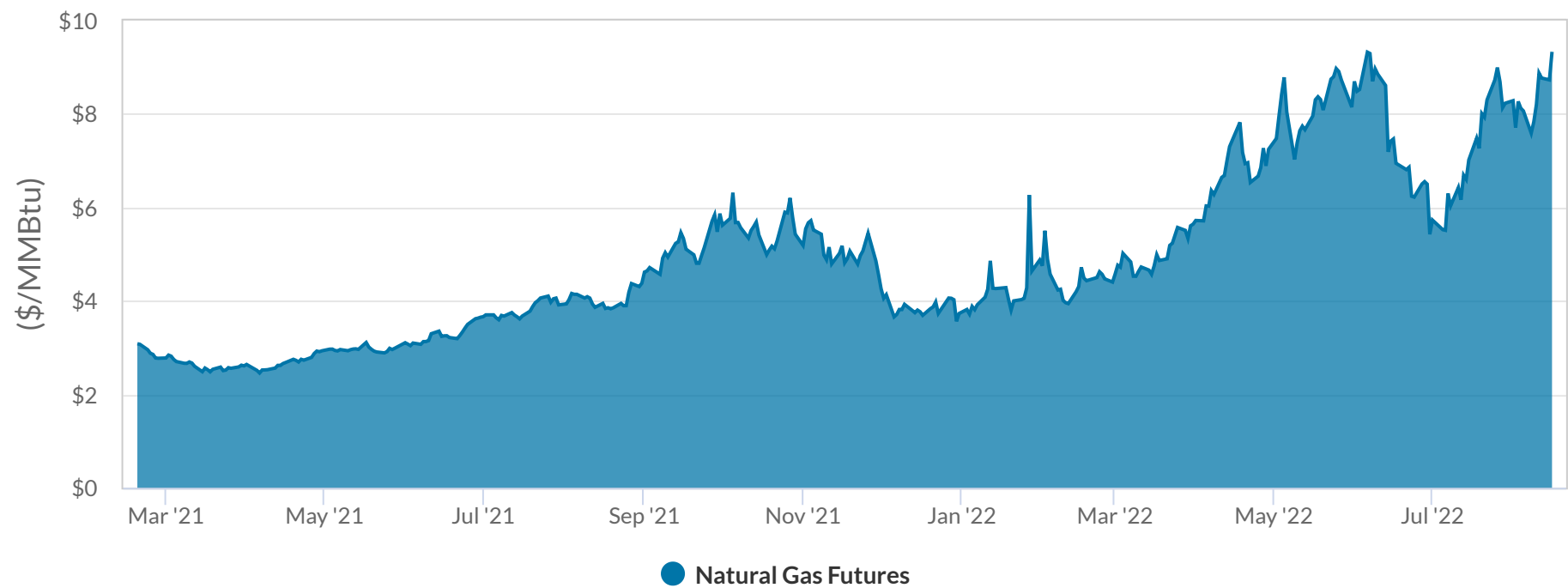
New York (¢/gal)	Chg.	Price	Prior Close
Regular Gasoline	-5.03	298.30	303.33
No.2 Heating Oil	+1.33	330.55	329.22
No.2 ULSD Diesel	+1.83	347.30	345.47
No.6 Oil 0.3% *			95.38
No.6 Oil 1% *			89.05
No.6 Oil 3% *			83.35
Gulf Coast (¢/gal)			
Regular Gasoline	-5.03	270.30	275.33
No.2 ULSD Diesel	+1.83	341.30	339.47
No.6 Oil 0.7% *			92.05
No.6 Oil 1% *			92.05
No.6 Oil 3% *			80.40

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

INTERNATIONAL SPOT REFINED PRODUCTS

Rotterdam (\$/ton)	Chg.	Price	Prior Close
Regular Gasoline	-20.50	910.50	931.00
ULSD Diesel	+13.25	1031.50	1018.25
Singapore (\$/bbl)			
Gasoil	+0.98	127.82	126.84
Jet/Kerosene	+1.00	128.46	127.46
VLSFO Fuel Oil (\$/ton)	-24.63	686.21	710.84
HSFO Fuel Oil 180 (\$/ton)	-29.58	491.81	521.39

NYMEX NATURAL GAS FUTURES



Refinitiv

NATURAL GAS PRICES

(\$/MMBtu)	Chg.	Price
Henry Hub, Nymex	+0.60	9.33
Henry Hub, Spot	+0.71	9.27
Transco Zone 6 - NY	+0.66	8.33
Chicago Citygate	+0.63	8.78
Rockies (Opal)	+0.63	8.79
Southern Calif. Citygate	-0.33	12.13
AECO Hub (Canada)	+0.31	2.92
Dutch TTF (euro/MWh)	+3.58	225.08
UK NBP Spot (p/th)	-17.00	358.00

US/Canada spot prices from Natural Gas Week

Equity Markets, Aug. 16, 2022

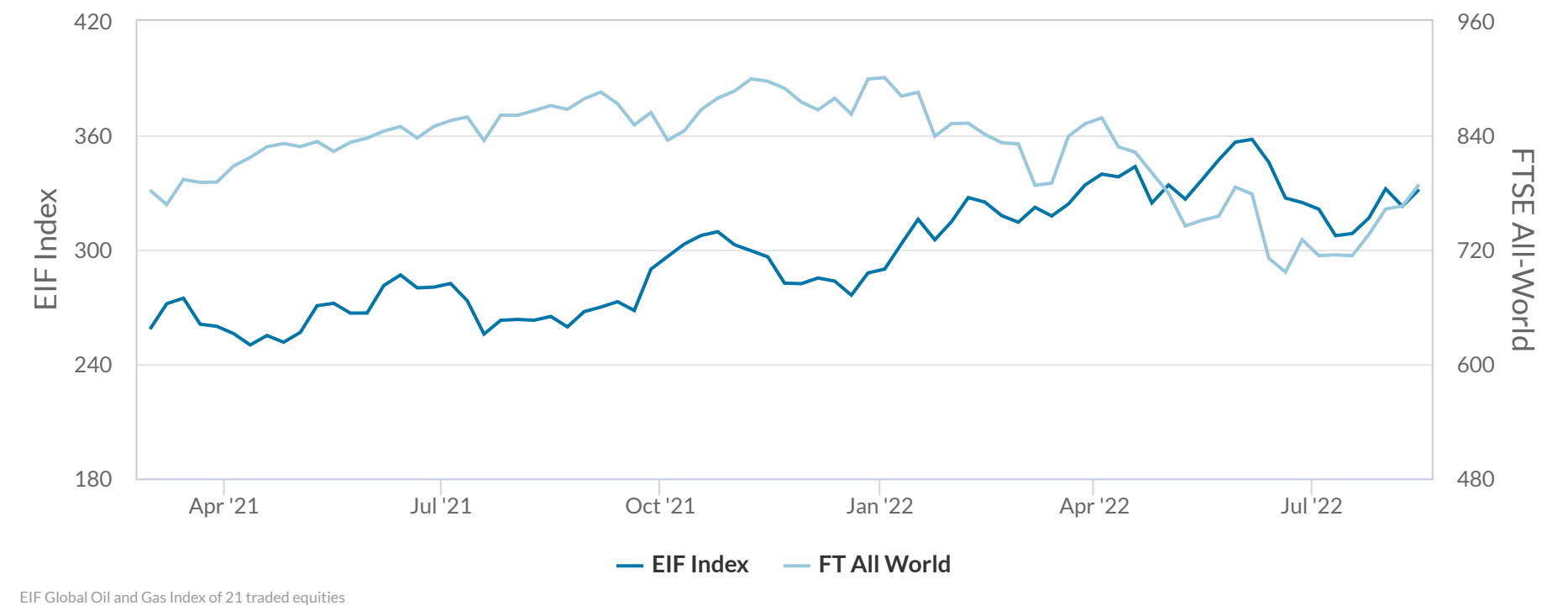
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EQUITY MARKET INDEXES

	Chg.	Index		YTD %Chg.
EIF Global*	-3.18	331.52		+15.60
S&P 500	+8.06	4,305.20	na	
FTSE All-World*	+2.14	788.33	na	

*Index for previous day

EIF INDEX



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