Energy Intelligence

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INTERNATIONAL OIL DAILY®

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Germany Takes Control of Rosneft Refining Assets

Germany has taken control of Rosneft's stakes in three German refineries to safeguard the country's fuel supplies as it plans to stop importing crude oil from Russia in line with an EU embargo that takes effect on Dec. 5.

The ministry of economic affairs said two of the Russian oil giant's German subsidiaries Rosneft Deutschland and RN Refining & Marketing have been placed under "the fiduciary management" of the federal networks agency BNetzA.

As a result of the order, the agency is taking control of Rosneft's stakes in three German refineries — PCK Schwedt (54.17%), Miro (24%) and Bayernoil (28.57%).

The measure — which took effect on Sep. 16 for an initial period of six months — was implemented to safeguard the continued operation of the refineries, the ministry said in a statement.

"Central critical service providers like suppliers, insurance companies, IT firms and banks, but also customers, were no longer willing to work together with Rosneft," its German subsidiaries and the refineries, the ministry said.

Rosneft is one of several Russian state-controlled companies that were targeted for sanctions shortly after Moscow went to war with Ukraine in February.

It is the majority shareholder in the 220,000 barrel per day Schwedt refinery, which up to now has relied primarily on supplies of Russian crude oil from the Druzhba pipeline. The Schwedt plant supplies most of the fuel sold in the Berlin area.

The Russian company also holds substantial minority stakes in the Miro refinery in Karlsruhe — Germany's biggest with a capacity of 310,000 b/d — and the 206,000 b/d Bayernoil plant, which lies to the north of Munich.

"This is a very important step for energy supply in Germany," Chancellor Olaf Scholz told reporters in Berlin on Friday. "We are making ourselves more independent from Russia."

The German government said the move will be accompanied by more than €1 billion in long-term economic support measures for the Schwedt plant and the surrounding region, which lies in the territory of the former East Germany.

Gazprom Precedent

The decision to take control of Rosneft Deutschland mirrors a similar move against Russian gas giant Gazprom's subsidiary Gazprom Germania earlier this year, as relations between Russia and Europe's largest economy deteriorated.

Gazprom recently cut off gas supplies to Germany via the Nord Stream pipeline, pushing up prices and forcing the country's gas importers to scramble after alternative sources of supply.

Scholz said on Friday that Germany would stop buying Russian gas altogether by the end of 2023.

The suspension of Rosneft's control over its refining assets in Germany was described as theft in Russia, although it had been widely expected.

Rosneft issued a statement condemning it as "a violation of basic principles of the market economy ... and of the inviolability of private property."

Germany had previously indicated that it would halt imports of Russian crude oil by the end of this year, even though the EU embargo exempts imports via the Druzhba pipeline — a concession demanded by some smaller EU member states.

Moscow could respond in several ways, including a court case, halting crude oil supplies immediately — two months before the EU embargo — or nationalizing German assets in Russia.

However, Russia has refrained so far from tit-for-tat expropriations, although President Vladimir Putin did recently issue a decree that prevents foreign companies from selling assets in the country for the time being.

Among other things the decree has prevented BP from selling its 19.75% stake in Rosneft.

Schwedt's Logistics Problem

Traders said that from a strictly commercial point of view, it would make sense for Rosneft and other Russian producers to keep supplying crude oil to the Schwedt plant and other Germany refineries as long possible.

However, Moscow could make a political decision to abruptly cut off supplies to Germany — something it has already done with gas supplies to some European countries.

There has already been talk of supplying the Schwedt refinery with crude oil shipped into the Baltic ports of Rostock (Germany) or Gdansk (Poland).

But traders said it would be impossible to replace all of the Russian crude supplied via Druzhba with oil shipped to those two ports, because they do not have sufficient capacity. There are also problems associated with the infrastructure needed to move the oil inland from those ports to the refinery.

Germany has also been talking to Kazakhstan about procuring Kazakh crude for the Schwedt refinery. However, that would require transit through Russia and ultimately may not be acceptable to Berlin.

Rosneft said it would consider all available options for protecting its interests in Germany, including litigation.

It also said that the supply contract with the Schwedt refinery would need to be updated to reflect the new situation in order for deliveries of crude oil to continue.

Meanwhile, Shell — which holds stakes in the Schwedt (37.5%) and Miro (32.25%) refineries — said the German government's move would not affect it much.

"Shell remains unaffected by this order as a shareholder in PCK [Schwedt] and Miro and will continue to comply with its contractual obligations in accordance with its own shares," it said in a statement .

Shell had been poised to sell its stake in the Schwedt refinery to Rosneft, but the transaction was held up by the war in Ukraine. Italy's Eni reportedly wants to sell its 8.5% stake in the plant too.

For more coverage of the Ukraine crisis, visit Ukraine Crisis: Energy Impact >

Staff Reports

Adnoc Prepares Direct EPC Awards for Gas Project

Abu Dhabi National Oil Co. (Adnoc) and its partners in the giant Ghasha sour gas project are understood to be preparing the award of billions of dollars worth of engineering, procurement and construction (EPC) contracts on a directly negotiated basis to move things forward more quickly.

Two consortia are understood to be in the race for the EPC work, which covers a large package for the onshore portion of Ghasha and another one for the offshore portion. Both are expected to be awarded by the end of this year, people familiar with the matter say.

The consortium in the running for the offshore package is led by Saipem and also includes Abu Dhabi-based National Petroleum Construction Co. (NPCC), while the onshore portion is expected to be awarded to a group led by Technip Energies, according to the same people.

The Technip and Saipem/NPCC consortia have been working on front-end engineering design (Feed) for Ghasha's onshore and offshore portions respectively. Late last year, Adnoc asked Technip to revisit the Feed work for the project to incorporate carbon capture and storage (CCS).

Opting for directly negotiated contracts is understood to be driven by Adnoc's desire to speed up execution of the project, which will recover and process sour gas from several offshore fields.

A final investment decision on Ghasha had originally been expected in 2020, but the coronavirus pandemic and the accompanying slump in oil and gas prices prompted Adnoc to seek big cost reductions from an initial price tag of around $20 billion.

Peak Output Target

Adnoc said in July it was still hoping to start up Ghasha "around 2025," adding that it expects peak output of 1.5 billion cubic feet per day of raw gas containing hydrogen sulfide and hydrocarbon liquids to be attained "before the end of the decade."

Ghasha is also set to produce some 120,000 barrels per day of oil and condensate.

In the same month, the company also announced the award of almost $2.7 billion in drilling and service contracts related to the Gasha project.

Adnoc holds a 55% stake in the project. Its partners in the concession are Germany's Wintershall Dea (10%), Italy's Eni (25%), Russia's Lukoil (5%) and Austria's OMV (5%).

Ghasha is a critical part of the United Arab Emirates' plans to achieve self-sufficiency in gas by 2030 by developing its unconventional gas resources.

Adnoc was not immediately available to comment on its plans for the EPC contracts.

Eni said this past week that it had spoken to Adnoc about accelerating gas projects in Abu Dhabi, a move in line with Adnoc's strategy of picking up the pace of upstream development.

Adnoc set up the so-called Accelerate 100X unit in July to speed up decision-making related to plans to expand upstream capacity at a time when global investment is lagging in the oil and gas sector.

Adnoc is pressing ahead with ambitious plans to increase oil production capacity to 5 million b/d in the next few years, while also pursuing the gas expansion and investing in new low-carbon energy businesses.

Oliver Klaus, Dubai and Amena Bakr, Dubai

New Dutch LNG Import Terminal Starts Supplying Gas

A new LNG import terminal in the Netherlands has started feeding gas into the country's grid.

Grid operator Gasunie told Energy Intelligence the EemsEnergy LNG terminal in the northern port city of Eeemshaven started supplying gas into the grid on Sep. 14.

Some 5.5 million cubic meters per day of gas flowed into the grid from the terminal on Sep. 15, according to data from Entsog, the European network of gas grid operators.

Renominations were booked at around 16 MMcm/d for Sep. 16, with physical flows recorded as high as 0.93 MMcm per hour during the day.

The first LNG import cargo — carried by the Shell-chartered 173,400 cubic meter *Murex* vessel — arrived on Sep. 8. The cargo was loaded at Cheniere's Sabine Pass terminal in the US.

The 8 Bcm/yr EemsEnergy terminal, operated by Gasunie, is made up of two floating storage and regasification units (FSRUs) — the *Golar Igloo* and the *Eemshaven LNG*.

All of the terminal's capacity has been sold to Shell, Czech utility CEZ and French utility Engie.

Gasunie says the terminal is expected to be operating at full capacity by the end of November or the beginning of December.

Two other LNG cargoes carried by the Shell-chartered 170,000 cubic meter *Methane Becki Anne* and the Cheniere-chartered 174,000 cubic meter *Gaslog Georgetown*, are expected to offload their cargoes in Eemshaven on Sep. 25 and Sep. 19 respectively, according to ship-tracking data from analytics firm Kpler.

The *Methane Becki Anne* loaded its cargo at the Elba Island terminal in the US, while the *Gaslog Georgetown* loaded at the Sabine Pass terminal.

The Netherlands is also expanding the regasification capacity of its 12 Bcm/yr Gate LNG import terminal in the port of Rotterdam by an additional 4 Bcm/yr to help reduce the country's dependence on Russian pipeline gas imports.

Dutch gas storage capacity was 84.78% full as of Sep. 14, according to the latest data available from Gas Infrastructure Europe — exceeding the EU storage target of 80% full before the start of winter.

The Netherlands imported 3% more natural gas year on year in the first half of 2022 for a total of 20.35 billion cubic meters, according to Statistics Netherlands.

LNG imports made up 8.2 Bcm of that total, a 57% year-on-year increase, with most of the cargoes coming from the US and Russia.

For more coverage of the Ukraine crisis, visit Ukraine Crisis: Energy Impact

Jaime Concha, Copenhagen

EU Parliament Speaks Out Against Uganda Oil Project

A European Parliament resolution alleging human rights violations and raising environmental concerns in connection with TotalEnergies' Lake Albert oil project has infuriated Ugandan authorities.

The resolution, passed on Sep. 15, spoke of EU lawmakers' "grave concerns" about the oil project and the associated East African Crude Oil Pipeline (EACOP), which will cross Uganda and Tanzania.

It said that in the long term there should be "an end to the extractive activities in protected and sensitive ecosystems, including the shores of Lake Albert."

It also referred to "human rights violations" and "acts of intimidation" against opponents of the project.

The resolution urged Total to postpone the launch of the project by one year to study the feasibility of an alternative pipeline route, and to explore alternative renewable energy projects as a better way to pursue economic development.

"The infamous motion by the [European Parliament] seeks to curtail the progress of Uganda's oil and gas developments and by extension, the country's socio-economic growth and development," Uganda's government tweeted.

"It seeks to deny Ugandans and East Africans the benefits and opportunities from the oil and gas sector."

"The European Union and other western countries are historically responsible for climate change. Who then should stop or slow down on development of natural resources? Certainly not Africa or Uganda," the government added.

The European Parliament resolution is not legally binding for the companies involved in the project, which also include China National Offshore Oil Corp. (CNOOC), Uganda's state-controlled UNOC and Tanzania's TPD.

But it follows criticism from activists and other stakeholders.

Companies Respond

Lake Albert is one of the largest oil projects to be sanctioned in recent years. It is Uganda's first oil project and one of Africa's biggest upstream developments of the past two decades.

Oil from the Total-operated Tilenga and CNOOC-operated Kingfisher fields will be transported via the 1,445 kilometer heated EACOP pipeline from Hoima in landlocked Uganda to Tanzania's Tanga port on the Indian Ocean.

The French major issued a statement which emphasized the importance of the project to Uganda and Tanzania.

"We are doing everything we can to make it an exemplary project in terms of transparency, shared prosperity, economic and social progress, sustainable development, environmental accountability and respect for human rights," it said.

CNOOC tweeted that the drilling rig for the Kingfisher field had already arrived in the port of Mombasa in Kenya and would soon be in Uganda. "We are committed to delivering first oil to Uganda and there's no turning back," the company said.

Financing Challenge

The 230,000 barrel per day project, which was sanctioned in February, with start-up targeted in 2025, has come under intense fire from activists.

Furthermore, the project partners have yet to secure all the necessary financing for the EACOP pipeline.

Campaign group Stop EACOP said the European Parliament resolution "puts further pressure on the financiers and corporations behind the EACOP that are already facing sustained resistance from local communities" and elsewhere.

The group said the project should be abandoned altogether — instead of trying to find an alternative pipeline route — "to safeguard the environment and water resources."

"The resolution ... is sending a clear message that the rights of the people in Uganda and Tanzania should come before the interests of corporations and governments out to enrich themselves," said Stop EACOP spokesman Omar Elmawi.

Deb Kelly, London

Oil Creeps Higher But Posts Weekly Loss

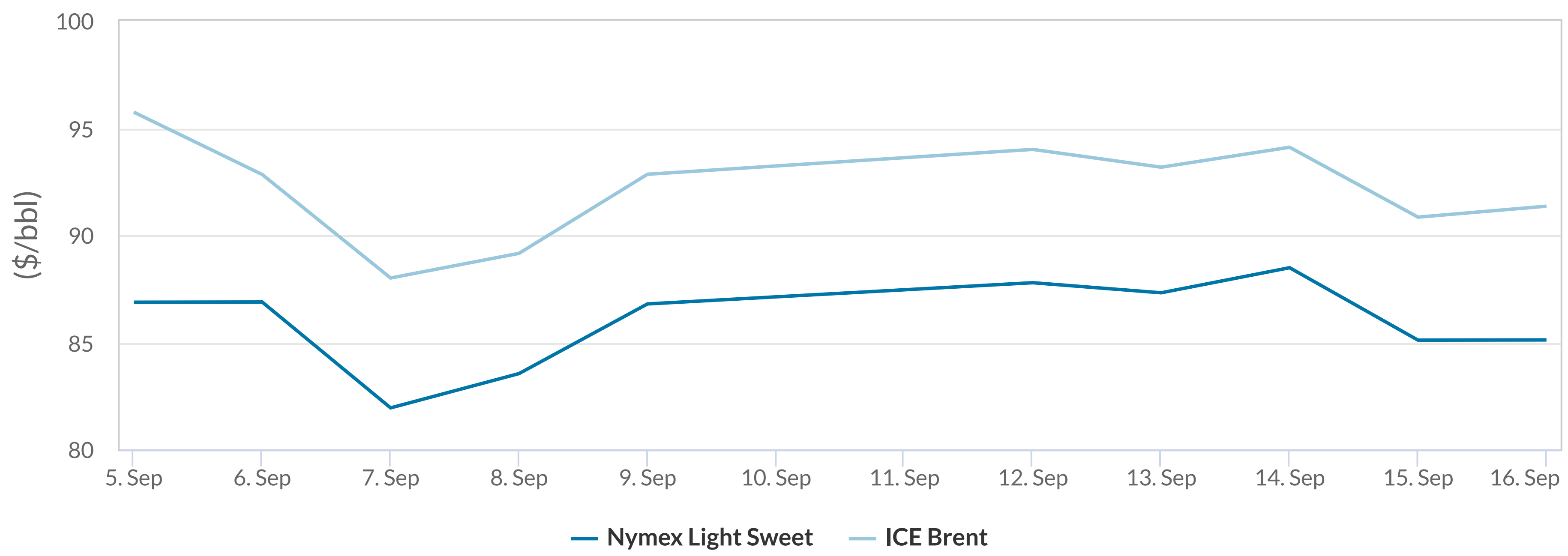
Oil futures made gains on Friday but settled well below session highs amid persistent worries about demand and impending central bank meetings.

In London, Brent crude for November delivery rose 51 cents to settle at $91.35.

In New York, October West Texas Intermediate (WTI) edged 10 cents higher to close at $85.11, while the more heavily-traded November contract ended the session up 9 cents at $84.76.

ICE BRENT VS. NYMEX WTI FUTURES

Front Month Contracts



However, front month Brent and WTI lost ground for the week, and oil prices are down sharply from the start of the third quarter.

One key challenge facing oil prices is recent dollar strength. With concerns over recession rising and inflation remaining stubbornly high, some experts and market players say the stage is set for the US Federal Reserve to raise interest rates next week.

“The dollar upsurge … reinforced expectations that the Fed is going to raise rates by at least 75 basis points next week and proceed with further aggressive hikes until inflation comes back under control,” said analyst Fawad Razaqzada of StoneX.

While a recession would in and of itself be bearish for oil demand, so too is tighter monetary policy from the Fed, which would further bolster the dollar.

A strong greenback tends to hurt oil consumption by making the commodity, priced in dollars, less affordable abroad, analysts say.

However, the market is tight and could ratchet tighter. The forward curve for both Brent and WTI is in backwardation, with front month contracts trading at substantial premiums to later-dated barrels, a structure that tends to incentivize immediate sales and prevents inventories from building.

Even as prices have slid over the past few weeks, the forward curve has maintained its structure.

And supply challenges are mounting. The EU’s embargo on seaborne Russian petroleum is intensifying, with the International Energy Agency seeing the need for the region to find alternative oil suppliers for roughly 1.4 million barrels per day come December.

The bloc has been importing more crude from the US as it displaces Russian volumes, but doing so as winter approaches may become more difficult.

That’s because there are signs of a slowdown in production in the US Permian Basin as drilling and well completion both slid last month.

“This may be the start of a cooling-off period in the Permian Basin, a sentiment that was echoed by separate data from Baker Hughes showing the Permian oil drilling drilling rig count falling for two straight weeks,” said analyst Stephen Brennock of oil brokers PVM. “Faced with hefty obstacles, the US shale industry will be unable to rescue Europe with significantly increased oil supplies in the coming months. Instead, the Permian slowdown will add to supply risks heading into winter and the potential for higher oil prices.”

Frans Koster, New York

Obituary: John Mitchell

John Mitchell, a renowned energy economist who was equally at home in the corporate and academic worlds, died last month aged 88. In his 65-year career, he worked his way across Africa, challenged complacency at BP and warned of the dangers of climate change at UK think tank Chatham House. John's family described him as "a modest man, with nothing to be modest about," while friends and former colleagues recall his sharp intellect, unconventional thinking and natural bent to mentorship.

Born in South Africa in 1933, John grew up on a 3,000 acre farm on the Springbok Flats, in the shadow of the Waterberg Mountains in the highveld inland plateau. His formative years were spent on that family farm, which grew castor oil bushes, soy, tobacco and raised Afrikaaner cattle, before heading off, at age 10, to boarding school in Pretoria and Hilton, then Natal University, where he studied English and Economics and became very involved in politics. When he saw the South African government putting in place the brutal apartheid laws, he dropped his citizenship and moved north in the 1950s. Hoping for a better political system, he settled in the then Federation of Rhodesia and Nyasaland, now Zambia, Zimbabwe and Malawi. He spent eight years in the civil service, and then in 1964 unexpectedly landed a job as the federation's trade commissioner in London. The federation crumbled in 1965 when Rhodesia unilaterally declared independence, prompting him to give up his passport again, becoming a citizen of the United Kingdom and Colonies.

From the UK, John launched his career in energy in 1967, ultimately working for 26 years at BP. He began in the Supply Department before moving to the Planning Department. At the dawn of the 1970s oil shock, John attracted attention and respect by suggesting that oil prices — stuck around $2-$3 per barrel for over 20 years — could rise sharply, bucking the conventional wisdom.

John became BP's first senior economist in the early 1970s, and head of the Policy Review Unit in 1976, an internal think thank that had a mandate to provide analysis and advice to an organization keen not to be taken by surprise. In 1983, he took on a significant management role as Regional Coordinator of the Western Hemisphere, rising to take positions on the boards of BP North America, BP South America, BP Oil and BP Nutrition. In 1990, John became Special Advisor to the Managing Directors, described as a "one-man think tank," before stepping away from the firm in 1993.

When most would ease into retirement, John started his second career at Chatham House, where he would play a guiding role for scholars and academics for almost another three decades. It was here he married his concern with the environment with his deep knowledge of oil and gas, becoming Chair of the Steering Group for the Energy and Environment Programme at Chatham House from 1994. John published a number of books, the best-known being *The New Geopolitics of Energy* in 1996 and *The New Economy of Oil: Impacts on Business, Geopolitics and Society*, in 2001.

During this period, John also joined the Energy Intelligence international advisory board, a panel of top energy thinkers that meets regularly to discuss geopolitical and energy issues of the day.

When the advisory board discussions sometimes became overheated, John's contributions were always level-headed and well-reasoned. He would add perspective and pull disparate threads together, making for more coherent debate.

John had a natural authority that commanded listeners' attention and a strong instinct for what an energy information business ought to be doing.

He was also invariably helpful. Contacted for comment by Energy Intelligence journalists, John would always make time for a discussion and then — knowing what the journalist was fishing for — come up with a pithy phrase that would work well as a quote.

John's skill was to turn the seemingly complex into something straightforward, adding fresh dimensions to the issue of the hour from a deep well of knowledge and experience. He was courteous, concerned and a true expert in his field, with a good eye for the next big thing.

The energy world values unconventional thinking, and John did that reflexively. An enduring symbol was his backwards clock, which he kept prominently in his office — he said it was to make his visitors uncomfortable. It worked.

"I recall seeing his clock in his office at BP. It reminded me at that moment that one must never accept the consensus view without first considering the matter carefully," said Phil Verleger, an economist who has written about energy markets for over 40 years. He said John influenced him "as much as almost any person I have had the luck to work with."

At John's funeral this month, big names in energy — from energy ministers and CEOs to heads of international organizations and think tanks — read and provided written tributes to the cattle farm boy turned energy scholar.

Alex Schindelar, London and Peter Kemp

IN BRIEF

China's Crude Runs Remain Soft

Chinese refinery throughput continues to lag last year's levels considerably, although August crude runs did show a modest increase versus July.

Looking forward, September throughput could be relatively stable compared to August, given continuing uncertainty caused by Covid lockdowns.

China's refinery throughput plunged by roughly 900,000 b/d versus August 2021 to 12.69 million b/d in August 2022, according to data from the National Bureau of Statistics (NBS).

As expected, however, August 2022 runs rose by around 105,000 b/d from July.

Government-imposed lockdowns in response to the pandemic have significantly disrupted economic activity and the movement of goods and people, dampening demand for oil products and putting downward pressure on crude runs.

The same factors played an important role in causing Chinese refineries' crude oil throughput for the first eight months of this year to plunge by around 900,000 b/d to 13.12 million b/d versus the same period of last year.

Crude runs are expected to remain relatively stable in September at around 12.7 million b/d, after earlier expectations of a recovery were dashed by a new round of lockdowns, said one analyst.

Freddie Yap, Singapore

DATA SNAPSHOT

Oil and Gas Prices, Sep. 16, 2022

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

CRUDE OIL FUTURES

($/bbl)	Chg.	1st Mth.	2nd Mth.
ICE Brent	+0.51	91.35	90.05
Nymex Light Sweet	+0.01	85.11	84.76
DME Oman	+0.98	91.80	89.00
ICE Murban	+0.39	93.12	90.78

INTERNATIONAL SPOT CRUDES

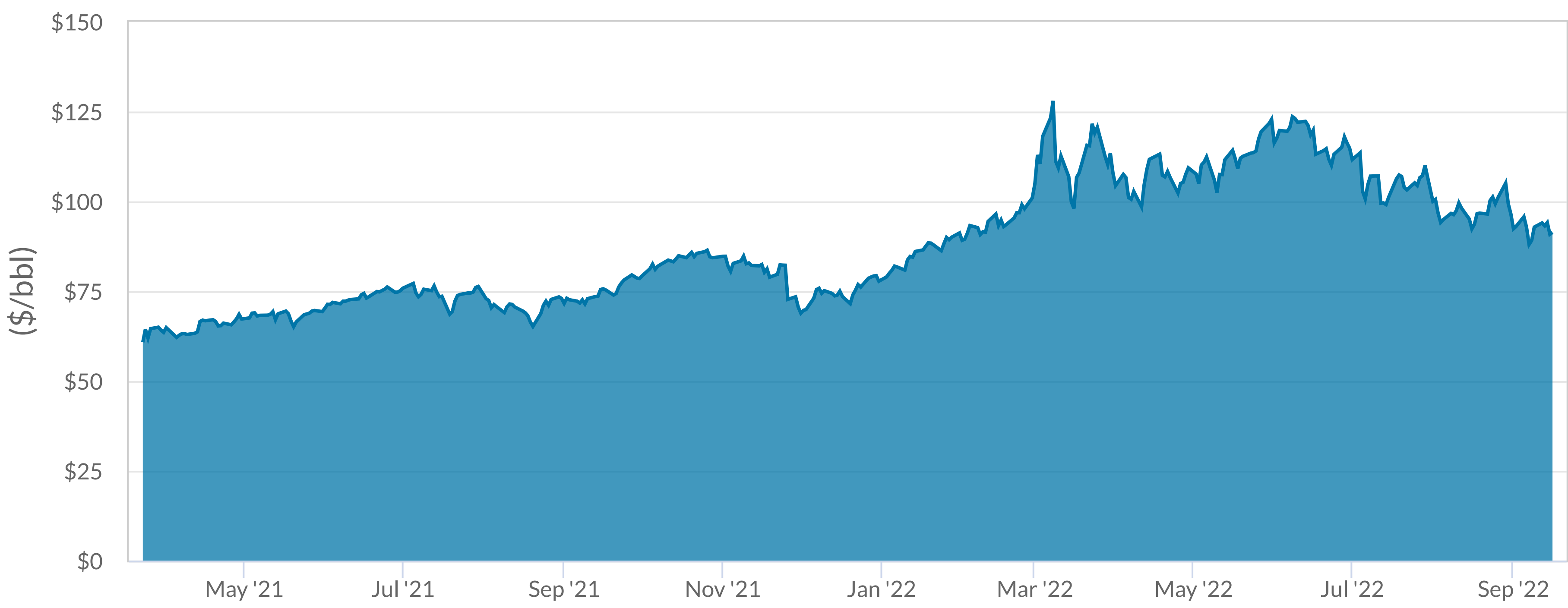
($/bbl)	Chg.	Price	Prior Close
Brent (Dated)	+0.16	89.43	89.27
Dubai	-2.55	91.05	93.60
Forties	+1.26	89.59	88.33
Bonny Light	+1.26	93.11	91.85
Urals	+1.26	71.81	70.55
Opec Basket*			97.30

*Opec price assessed.

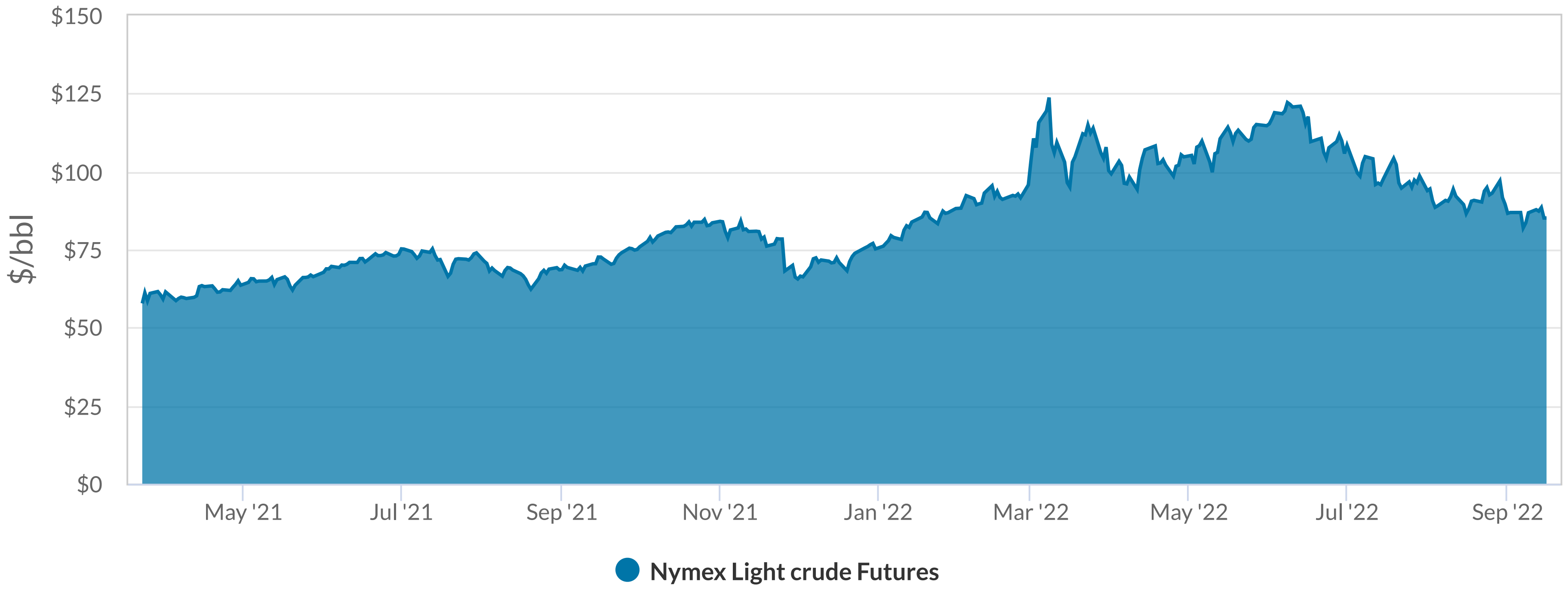
NORTH AMERICAN SPOT CRUDES

($/bbl)	Chg.	Price	Prior Close
WTI (Cushing)	-0.15	85.57	85.72
WTS (Midland)	+0.03	85.72	85.70
LLS	-0.15	87.57	87.72
Mars	-0.05	85.12	85.17
Bakken	-0.15	90.10	90.25

ICE BRENT CRUDE FUTURES



NYMEX LIGHT CRUDE FUTURES



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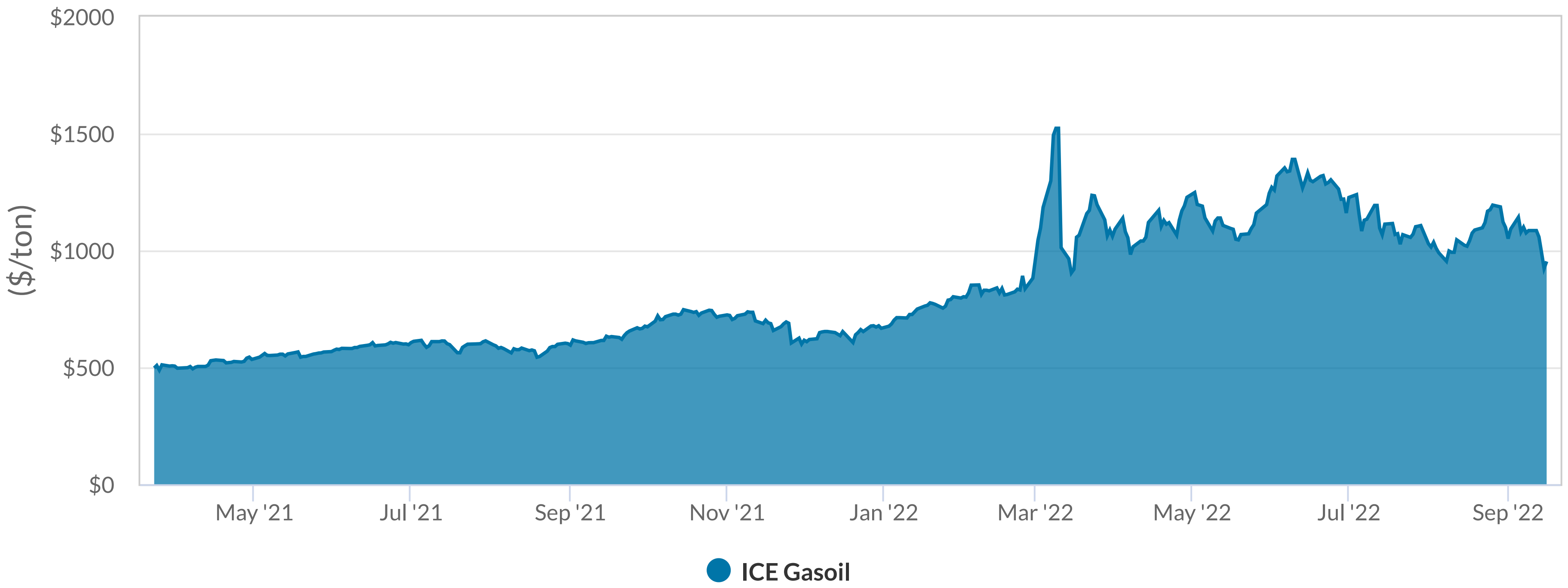
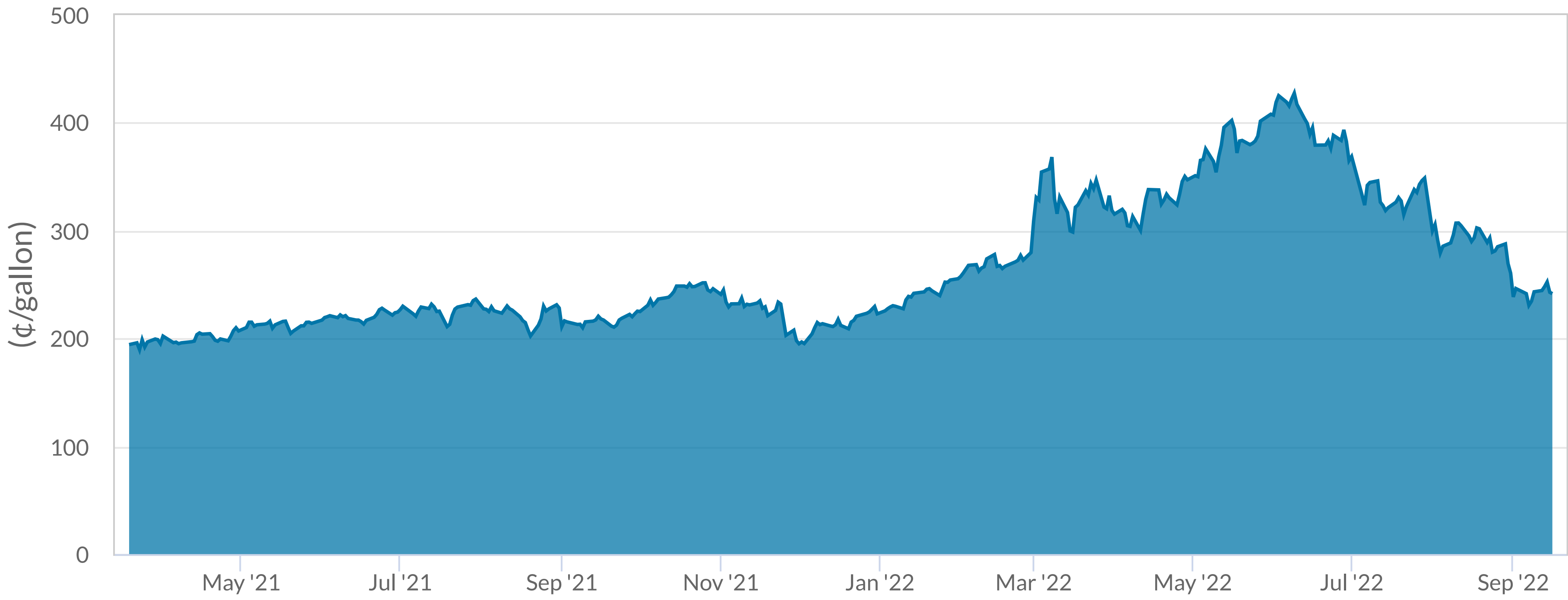
REFINED PRODUCT FUTURES

Nymex	Chg.	1st Mth.	2nd Mth.
Gasoline (¢/gal)	-1.30	241.57	237.53
ULSD Diesel (¢/gal)	-3.27	317.25	313.63
ICE			
Gasoil ($/ton)	+29.75	953.00	926.75
Gasoil (¢/gal)	+9.50	304.16	295.78

ICE GASOIL FUTURES



NYMEX GASOLINE FUTURES



US SPOT REFINED PRODUCTS

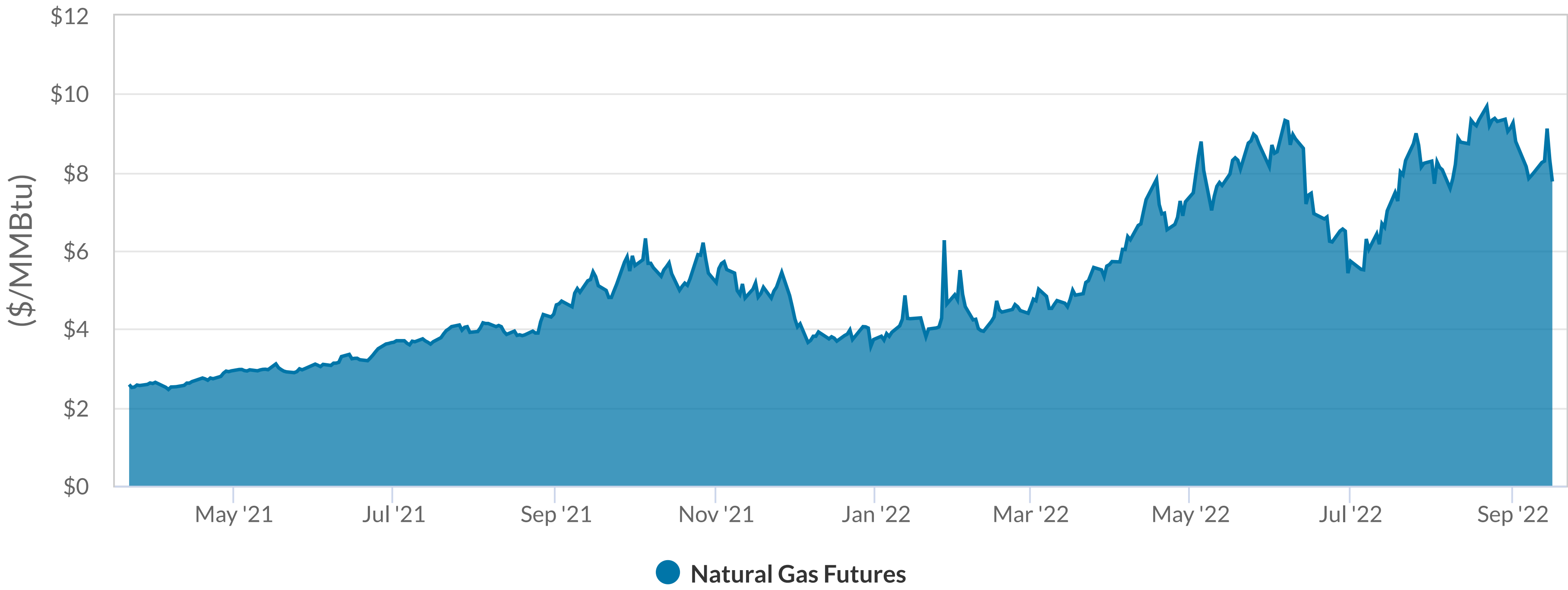
New York (¢/gal)	Chg.	Price	Prior Close
Regular Gasoline	-5.24	262.08	267.32
No.2 Heating Oil	-4.19	303.90	308.09
No.2 ULSD Diesel	-5.94	319.40	325.34
No.6 Oil 0.3% *			89.21
No.6 Oil 1% *			84.43
No.6 Oil 3% *			72.58
Gulf Coast (¢/gal)			
Regular Gasoline	+4.26	255.83	251.57
No.2 ULSD Diesel	-3.69	311.15	314.84
No.6 Oil 0.7% *			83.68
No.6 Oil 1% *			83.68
No.6 Oil 3% *			65.68

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

INTERNATIONAL SPOT REFINED PRODUCTS

Rotterdam ($/ton)	Chg.	Price	Prior Close
Regular Gasoline	+0.50	835.00	834.50
ULSD Diesel	+0.75	967.25	966.50
Singapore ($/bbl)			
Gasoil	-1.71	109.16	110.87
Jet/Kerosene	-1.53	110.41	111.94
VLSFO Fuel Oil ($/ton)	-19.15	647.44	666.59
HSFO Fuel Oil 180 ($/ton)	-1.88	418.88	420.76

NYMEX NATURAL GAS FUTURES



Refinitiv

NATURAL GAS PRICES

($/MMBtu)	Chg.	Price
Henry Hub, Nymex	-0.56	7.76
Henry Hub, Spot	-0.54	8.02
Transco Zone 6 - NY	N/A	N/A
Chicago Citygate	-0.70	6.94
Rockies (Opal)	-0.78	6.82
Southern Calif. Citygate	-1.26	7.24
AECO Hub (Canada)	+0.08	2.76
Dutch TTF (euro/MWh)	-28.50	161.50
UK NBP Spot (p/th)	-89.00	221.00

US/Canada spot prices from Natural Gas Week

Equity Markets, Sep. 16, 2022

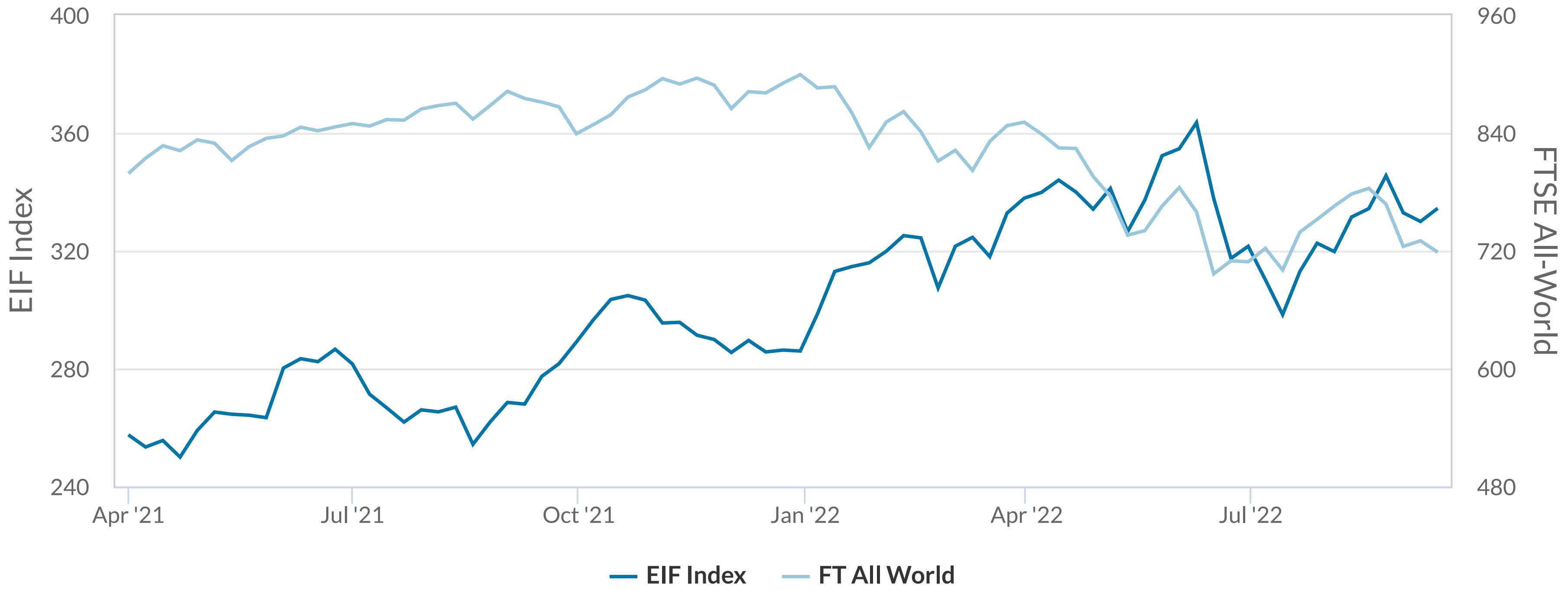
All data are produced by Energy Intelligence in cooperation with Refinitiv.

EQUITY MARKET INDEXES

	Chg.	Index	YTD %Chg.
EIF Global*	-3.46	334.42	+16.62
S&P 500	-28.02	3,873.33	-19.19
FTSE All-World*	-6.89	718.62	-20.26

*Index for previous day

EIF INDEX



EIF Global Oil and Gas Index of 21 traded equities