Energy Intelligence

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INTERNATIONAL OIL DAILY®

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In Brief

Data Snapshot

Breakthrough in Iraq: New President Elected

Iraq's parliament has elected Kurdish compromise candidate Abdul Latif Rashid as president, and he in turn has asked an Iran-backed coalition's nominee for prime minister, Mohammed al-Sudani, to form a government.

This marks a breakthrough in Iraq, which has been in a state of political deadlock since elections were held a year ago.

Al-Sudani must still appoint a cabinet within 30 days that can win parliament's approval.

But the arrangement is a victory for the Iran-backed Coordination Framework of Shiite members of parliament led by former Prime Minister Nouri al-Maliki. It also marks defeat for his rival, nationalist Shiite cleric Moqtada al-Sadr.

Things may now finally start moving again in Iraq after a year of stasis, in which the caretaker government was unable to sign off on new projects, including a multi-faceted energy deal with TotalEnergies.

Total boss Patrick Pouyanne said last week that he expected the contract to be finalized and work to begin after a new government had been formed.

The formation of a new government should also lead to progress on other high-priority projects, notably the development of Iraq's gas resources.

In recent months Iraq has experienced an upheaval that revealed deep rifts within the ruling elite and triggered mass protests, the storming of parliament and an outbreak of violence in the heavily-fortified Green Zone.

But the resignation in June of the 73 members of parliament loyal to al-Sadr — frustrated by the influence and spoiler power of their opponents — ultimately paved the way for al-Maliki's bloc to prevail.

Tensions are likely to remain high, however.

The new president was elected hours after rockets reportedly landed near the parliament building.

And it remains unclear what al-Sadr might do next. He was the biggest winner in last year's elections and also has an unrivaled ability to mobilize millions of protesters.

Some observers have low expectations of what a new administration will be able to achieve.

"Given the forces arrayed against reform and in favor of the existing dysfunctional system, it would be unrealistic to expect much headway from the Sudani government," Sajad al-Jiyyad of the Century Foundation think tank wrote on Friday.

Simon Martelli, London

Opec-Plus Postpones Sensitive Talks on Baselines

The recent Opec-plus decision to cut targeted oil production by 2 million barrels per day has caused a political backlash in Washington, which has portrayed the group's de-facto leader Saudi Arabia as effectively siding with Russia in the war in Ukraine — a claim flatly denied by the Saudis.

Amid the resulting war of words, reports have emerged of privately expressed dissent about the cut by some Opec-plus members. A US spokesman claimed on Thursday that "other Opec nations" had told the Biden administration they "disagreed with the Saudi decision, but felt coerced to support Saudi's direction."

Several Opec-plus delegates told Energy Intelligence that there was no evidence of dissent during the group's recent meeting. Some sources suggested that private communications about disagreement within Opec-plus could represent an attempt by some states to limit the impact of the backlash on their relations with the US.

Reports suggesting some discontent behind the scenes have raised fresh questions about the contentious issue of Opec-plus production baselines — and in particular the long-standing desire of the United Arab Emirates (UAE) and other members for a resetting of quotas to better reflect their production capacity.

A recent report by S&P Global Platts indicated that the UAE might soon seek a higher baseline for calculating its Opec-plus quotas as the country moves swiftly to expand its oil production capacity.

UAE's Capacity Expansion

According to six delegates attending the recent meeting, the issue — which has led to tensions within Opec-plus in the past — was not brought up by the UAE delegation.

Two delegates confirmed that the Omani oil minister was the only one to raise the baseline issue, but Energy Intelligence understands it was not discussed during the meeting. Nevertheless, the topic is expected to come up again sooner or later.

Several countries, including Iraq and Oman, are expected to seek baseline resets eventually, but the issue appears to be more pressing for the UAE, which is Opec's No. 3 producer.

The UAE plans to raise its oil production capacity from around 4.3 million b/d now to 5 million b/d by 2027 — or possibly as early as 2025 — industry sources have previously told Energy Intelligence.

Given the discrepancy between the UAE's current production capacity and its baseline of 3.5 million b/d — a gap which will grow as more capacity is added — the country is widely expected to bring the matter up again at some point.

However, Energy Intelligence understands that the UAE remains fully committed to Opec-plus for the time being and sees value in preserving unity within the group so that it can manage the market effectively, especially at a time of significant uncertainty about the outlook for the global economy and oil demand.

The UAE did rock the boat in 2021, when it requested a revision of its baseline in return for supporting an extension of the Opec-plus cooperation agreement. After two weeks of intense negotiations, Opec-plus agreed to raise the UAE's baseline from 3.168 million b/d to 3.5 million b/d from May 2022.

The new baseline was less than the 3.65 million b/d provisionally agreed by the UAE and Saudi Arabia, but still settled the issue, at least for some time. The baselines for Iraq, Saudi Arabia, Russia and Kuwait were also raised at the time.

Balancing Act

In recent years, the UAE has also adopted a more assertive foreign policy and sought to strike a balance in its relations with key international partners in the West and in the East.

UAE leader Mohammed bin Zayed held talks with Russian President Vladimir Putin in St. Petersburg this week, with the trip officially billed as part of efforts to promote political dialogue and "de-escalate" the Ukraine crisis.

Balancing relations with countries such as the US, Russia and China is important for Mideast Gulf states such as the UAE to avoid getting caught up in larger conflicts. At the same time, Gulf producers have become more assertive and confident in their decision-making, showing greater independence from the West, observers say.

Staff Reports

Q&A: EU Energy Commissioner Kadri Simson

EU Energy Commissioner Kadri Simson told an East Mediterranean Gas Forum conference in Nicosia on Friday that emergency measures to replace the shortfall in Russian gas supplies to Europe are working. EU gas stocks are now at a healthy 92% of storage capacity, she said, with 29 billion cubic meters of additional LNG supplies and 17 Bcm of additional pipeline gas supplies secured this year. Russian gas supplies, which made up around 40% of EU pipeline gas imports a year ago have fallen to "below 10%" today. However, the real challenge, Simson explained, is to balance action to address the region's immediate needs with progress on "long-term sustainable energy policies." The EU is working on an acceleration of its transition policies and is "at the very final stage of negotiating even higher targets for renewables and energy savings for 2030." Simson spoke to Energy Intelligence on the sidelines of the forum in Nicosia. Excerpts from that conversation follow:

Q. What is your view of the recent Opec-plus production cut?

EU member states who released some of their strategic reserves in March and April to stabilize the global crude oil market have filled their strategic storage again. So we do have strategic stocks. But of course, Opec has to be aware that their decision to cut production will impact severely African and Asian nations. And keeping that in mind, and keeping in mind that global consumption and recovery has been so fast and growth has been significant, I do expect that they [Opec-plus] will revise their decision next month.

Q. Can you talk about EU funding for green hydrogen and gas projects in the East Mediterranean region?

You can expect that on the margins of [next month's] COP27 [climate conference], we will announce closer cooperation with Egypt on hydrogen because by 2030 the EU will need more green hydrogen than we will be able to produce ourselves. That means we will need to import some from abroad. Egypt has a vast [renewable energy potential]. They will receive financing from the EBRD [European Bank For Reconstruction and Development]. This is a very promising project, because with renewables Egypt can cover their own domestic consumption, but production of renewables is also necessary to produce green hydrogen [which can be exported]. Gas projects must be financed by market participants. My aim [here today] was to explain for how long the European market will ... need additional gas flows that will help us replace Russian flows.

Q. So how long will the EU need this additional gas?

By 2030, if we accelerate our renewable production, if we achieve our energy efficiency measures that we have committed to, we should be able to replace the volumes that we used to receive from Russia — around 155 Bcm — with cleaner alternatives. The rest of [our gas consumption] is still necessary. We have committed to be climate neutral, meaning we won't use fossil fuels after 2050.

Q. The EU is targeting 10 million tons per year of green hydrogen imports. How much of that do you think Egypt and North Africa can supply?

The Mediterranean and North Africa are competing with two other promising regions. One of them is the North Sea where lots of renewable offshore wind will be produced, and another one is Ukraine. We have made a commitment that we will help rebuild Ukraine, [which could] repurpose its existing gas pipelines, so they can transport hydrogen. Ukraine has lots of solar and wind potential, but unfortunately Russia is targeting their infrastructure, so first they have to cover their own domestic demand.

Rafiq Latta, Nicosia

Carlyle Weighs Sale of Gabon Producer Assala

US-based private equity firm Carlyle is considering a sale of Gabon-focused producer Assala Energy, according to sources close to the discussions. The news comes as high energy prices boost valuations of upstream assets and companies.

Led by former Tullow Oil adviser David Roux, Assala is the second-largest oil producer in Opec member Gabon, with output of around 50,000 barrels per day across six operated production licenses and one nonoperated interest.

In 2017 Assala took over Shell's onshore assets in the Central African country after they were acquired by Carlyle for $587 million plus assumption of debt.

Five years later, Carlyle is evaluating indications of interest in Assala from third parties, sources close to the process said, without naming any of those parties.

It's unclear whether Assala, which has offices in London and Gabon, will be sold or merged with another company, or whether Carlyle will retain some degree of ownership, the sources added.

Reuters, citing industry sources, reported earlier this week that Carlyle was hoping to raise as much as $1 billion by selling Assala.

Discussions about a possible deal come as global upstream M&A activity jumped to $34.8 billion in the third quarter of 2022 from $20.8 billion in the second quarter, according to Energy Intelligence's latest M&A Monitor.

"Supportive oil/gas prices, stronger balance sheets and energy security drivers may have finally outweighed ongoing capital restraint, geopolitical uncertainty and recession fears to drive deal flow," the report said.

Private equity firms have been some of the key buyers in recent energy M&A deals.

Carlyle's other energy interests include stakes in Spanish energy company Cepsa and Swiss refiner Varo.

Carlyle executive Marcel van Poecke is also vice chairman of Energy Intelligence.

Tom Daly, London

Novatek: Gas Prices to Stay High for Long

Gas prices won't return to pre-crisis levels before 2026-27 without decisive steps to support investments into new LNG projects worldwide, Russia's LNG export champion Novatek boss Leonid Mikhelson said Thursday.

"If nothing changes, I can't see prices going down to normal levels before 2026," Mikhelson told the Russian Energy Week conference in Moscow.

Projects in development stage, with start-ups scheduled for 2023-25, are not even close to cover the deficit on the market, he said.

Some easing of the tight market might come from Qatar's expansion plans, but that's only expected to happen in late 2025 or in 2026, Mikhelson said.

Europe Faces Deficit

Europe might face an LNG deficit of 60 million to 70 million tons/yr in the next several years, if Russian pipeline gas exports fall by 100 billion cubic meters per year from the 2021 levels, compared with a 50 Bcm drop expected this year, according to Mikhelson.

Mikhelson echoed the Kremlin in attributing record-high gas prices to Europe's overreliance on renewables and underinvestment in traditional energy sources. The Covid-19 pandemic was another factor which delayed investments in new LNG projects, he said.

To cover the deficit, instead of taking companies' windfall profits, the governments should probably spur these companies to take investment decisions on LNG projects that could increase the supply, Mikhelson said.

He also criticized the EU's proposed price cap for gas in response to the growth in prices.

Arctic LNG-Piped Gas Dilemma

Novatek is keeping its ambitious LNG expansion plans in the Russian Arctic, the strategic region where it has however been competing with state-run Gazprom for resource base.

Russia's sole pipeline gas exporter and top supplier on the domestic market, Gazprom prioritizes pipeline gas supplies from the Arctic fields, even though it might lose the European market in several years, and petrochemical projects to monetize ethane-rich gas.

Novatek believes Arctic resources of the Yamal and Gydan peninsulas should primarily feed LNG export projects, as Russia seeks to export up to 140 million tons/yr by 2035, up from around 30 million tons in 2021.

Novatek plans to add some 20 million tons/yr of supply when its Arctic LNG 2 project is set to ramp up in 2026. It also wants to take a final investment decision on the 5 million ton/yr Obsky LNG in the first half of 2023 and continues exploration for the Arctic LNG 1 project that might also add up to 20 million tons/yr closer the end of the decade. Its flagship Yamal LNG plant in the Arctic is expected to produce a record 21 million tons this year, according to Novatek.

Touting LNG advantages, Mikhelson said that operational costs for LNG supplies from Yamal Peninsula to western Europe slightly exceed $40 per thousand cubic meters, while operational costs of pipeline gas supplies from Yamal to western Europe are at around $70/Mcm, just slightly lower than the cost of supply from Yamal LNG to China, or $75/Mcm.

Gazprom often criticizes Novatek for creating unnecessary competition to its pipeline gas exports in Europe and points to the fact that LNG, unlike pipeline gas, is not subject to export duty, so does not contribute to the state budget when it goes abroad.

Staff Reports

Oil Prices Dive as Demand Concerns Take Center Stage

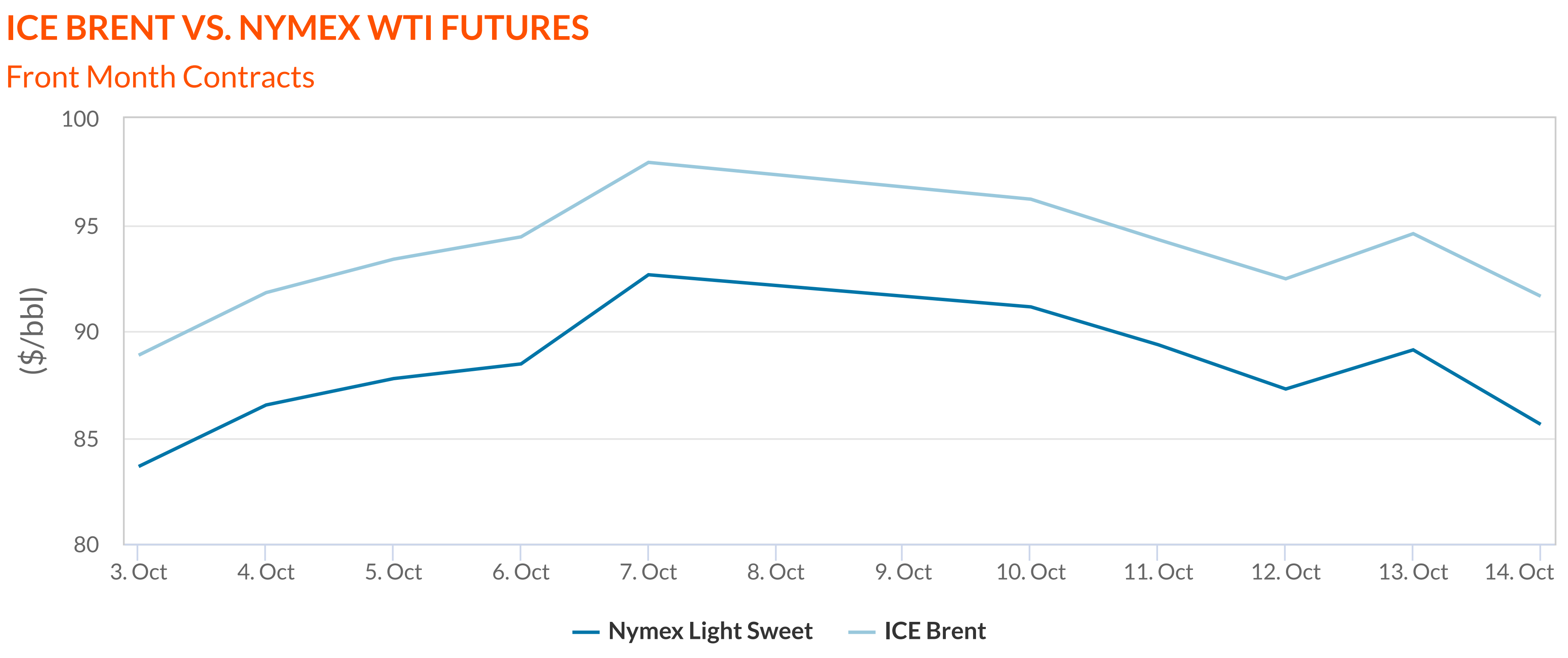
Oil futures sold off heavily on Friday, closing out a week that was dominated by concerns about the health of oil demand amid intensifying recessionary fears.

“The whole complex is under a dark macro cloud,” said Patricia Hemsworth of Paragon Global Markets.

In London, Brent crude for December delivery settled $2.94 lower at $91.63 per barrel. In New York, November West Texas Intermediate (WTI) on Nymex dropped $3.50 to close at $85.61/bbl, while the December contract sank $3.30 to end the session at $84.65/bbl.

Both crude benchmarks broke below one key support level but kept above a second, with WTI holding ground above $85/bbl and Brent staying well over the next inflection point, identified by Icap at $90.60/bbl.

Both US gasoline and diesel futures were also under significant pressure, closing 7.25¢ and 11.46¢ lower, respectively, at $2.6309 per gallon and $3.9802/gallon.



Opec, the US Energy Information Administration (EIA) and the International Energy Agency (IEA) have all downgraded their oil demand forecasts amid a slew of bearish factors.

“The biggest drag is arguably China,” said Stephen Brennock of brokerage PVM Oil. “Ongoing restrictions on mobility imposed as part of China’s stringent zero-Covid strategy is incurring major economic costs. This self-induced malaise is wreaking havoc on the country’s thirst for oil in the near and medium term.”

Meanwhile, persistent inflation “further cemented expectations of more aggressive rate hikes from the [US Federal Reserve],” said Fawad Razaqzada of StoneX, who added that unofficial indices released Friday by the University of Michigan show that high inflation is expected well into the future.

The US dollar moved higher, a development analysts say is typically bearish for oil as it renders the greenback-denoted commodity more expensive for holders of other currencies.

Supply concerns could keep a floor under prices, however. This is especially true of diesel, as global supplies remain tight with a potentially colder-than-normal winter on the horizon, which could cause significant fuel-switching from higher-priced natural gas.

To wit, both crude benchmarks and diesel futures remain in steep backwardation, with front-month contracts trading at considerable premiums to later-dated contracts. This structure tends to signal a market in need of immediate supply.

Frans Koster, New York

IN BRIEF

Qatar Eyes Lebanon Offshore Stake

Qatar is talking to the Lebanese government about a potential acquisition of the government's 20% stake in TotalEnergies' Qana prospect offshore Lebanon, a source familiar with the matter told Energy Intelligence.

The Qana prospect lies in Lebanon's offshore Block 9, in which operator Total and Eni each hold 40% stakes. Lebanon's government took over a 20% non-operated stake relinquished by Russia's Novatek earlier this year.

The source said Qatar had expressed interest in acquiring the government's stake and that the offer was attractive because the emirate is also willing to make long-term investments in Lebanon's energy infrastructure.

That echoes recent comments by Energy Minister Walid Fayyad who told Lebanese television that he had recently received officials from government-owned companies in Qatar who were interested in energy investment in Lebanon.

Lebanon and Israel are close to finalizing a deal that would resolve a maritime border dispute, allowing Total to proceed with exploration drilling and potential development, if a commercial discovery is made.

Resolution of the dispute should provide greater clarity and certainty for companies engaged in or considering exploration off the coasts of Israel and Lebanon.

Large gas discoveries have previously been made in Israeli waters and elsewhere in the Eastern Mediterranean, which is viewed as a potentially important source of gas for Europe that could offset the loss of supplies from Russia.

Yousra Samaha, Dubai

Total Flags Surge in LNG Prices

TotalEnergies said on Friday its realized LNG prices in the third quarter of this year were more than 50% higher than in the second quarter, although its upstream production and refining margins fell.

The company's average realized LNG price for the July-September quarter was $21.51 per million Btu, up from $13.96/MMBtu in the previous three months.

"Performance of the gas, LNG and power trading activities is expected to remain high, our integrated portfolio enabling to capture opportunities in a volatile and dislocated environment," the French major said.

Most of Total's peers have also flagged strong gas price realizations in the third quarter, although Shell said last week its gas trading results for the quarter would be "significantly lower."

In a research note, Jefferies analysts said Total's statement was "reassuring following Shell's disappointing [trading update] last week."

Total said its third-quarter upstream production was set to come in 70,000 boe/d lower than in the second quarter, mainly due to unplanned outages at the Kashagan oil field in the Kazakh sector of the Caspian Sea.

In the company's downstream business, the European refining margin indicator slipped to $99.20 per ton ($13.53 per barrel) from $145.70 in the second quarter.

"Refining & Chemicals results are expected to remain high thanks to strong distillate margins, albeit lower than the previous quarter due to the decrease in gasoline margins in Europe and in the US," Total said.

Tom Daly, London

Taqa Sets 2030 Emissions Goal

Abu Dhabi-based utility Taqa has set an interim 2030 target for reducing its greenhouse gas emissions on the way to its goal of net-zero emissions by 2050.

Taqa said it has committed to a 25% reduction in its Scope 1 and 2 emissions by 2030 compared to a 2019 baseline.

Taqa will also seek to expand renewable energy to more than 30% of its power generation portfolio by 2030 and develop reverse osmosis technology to make up two-thirds of its desalination capacity by 2030.

In the past few years, Taqa has doubled down on renewable energy projects, in support of the United Arab Emirates' energy transition and emissions targets.

The UAE has set a national goal of achieving net-zero carbon emissions by 2050.

Yousra Samaha, Dubai

Singapore Stocks Tumble

Singapore onshore oil product inventories fell by 4.3% from a week ago to 44.92 million bbl on Oct. 12, according to data released by government agency IE Singapore.

Singapore is the Asia-Pacific region's trading and pricing hub for oil products and its inventory levels are a closely watched indicator of supply.

SINGAPORE ONSHORE PRODUCT STOCKS

('000 bbl)	Oct 12	Oct 5	Vol.Chg.	%Chg.
Light Distillates	16,577	16,202	375	2.30%
Middle Distillates	8,139	7,830	309	3.9
Fuel Oil	20,201	22,899	-2,698	11.8
Total	**44,917**	**46,931**	**-2,014**	**-4.30%**

Source: IE Singapore

Freddie Yap, Singapore

DATA SNAPSHOT

Oil and Gas Prices, Oct. 14, 2022

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

CRUDE OIL FUTURES

($/bbl)	Chg.	1st Mth.	2nd Mth.
ICE Brent	-2.94	91.63	90.15
Nymex Light Sweet	-3.50	85.61	84.65
DME Oman	-2.95	89.70	88.00
ICE Murban	-3.10	92.63	90.78

INTERNATIONAL SPOT CRUDES

($/bbl)	Chg.	Price	Prior Close
Brent (Dated)	-2.93	92.22	95.15
Dubai	+0.90	92.10	91.20
Forties	-1.34	93.87	95.21
Bonny Light	-1.47	97.44	98.91
Urals	-1.47	74.44	75.91
Opec Basket*			93.66

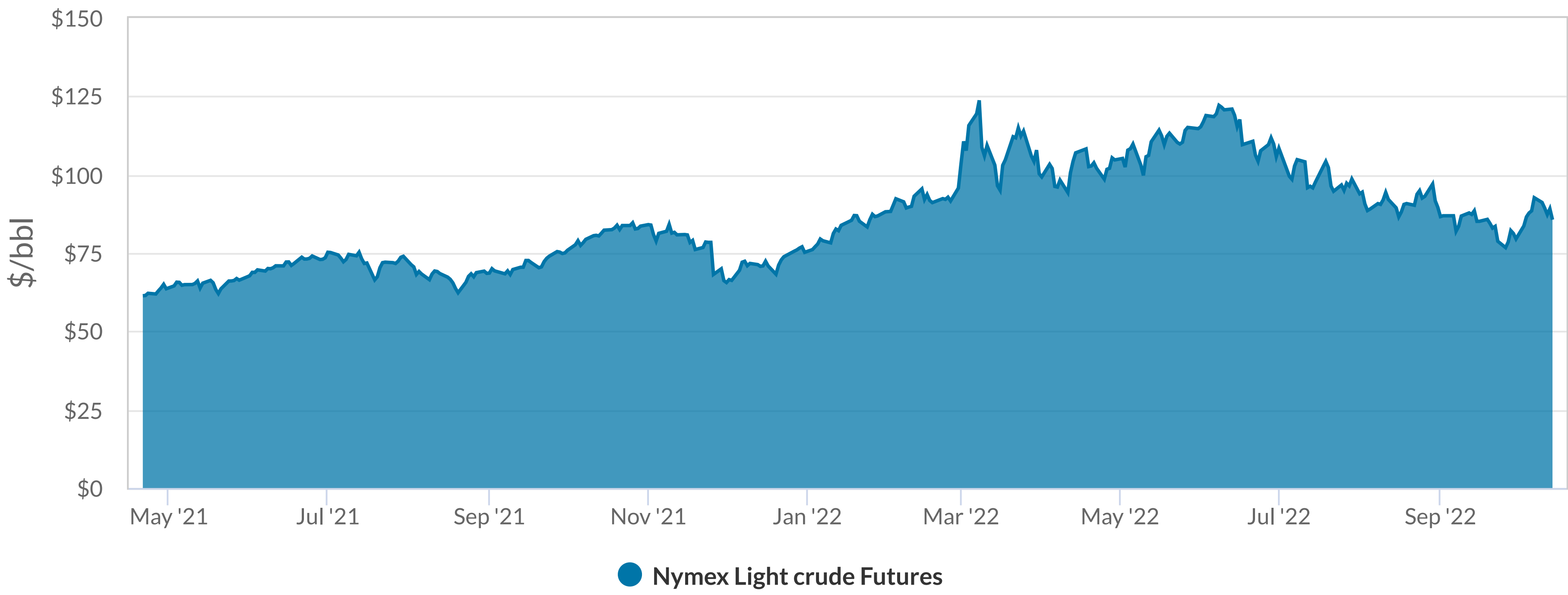
*Opec price assessed.

NORTH AMERICAN SPOT CRUDES

($/bbl)	Chg.	Price	Prior Close
WTI (Cushing)	-3.49	86.10	89.59
WTS (Midland)	-3.49	84.85	88.34
LLS	-3.49	89.10	92.59
Mars	-3.49	82.70	86.19
Bakken	-3.49	90.60	94.09

ICE BRENT CRUDE FUTURES

NYMEX LIGHT CRUDE FUTURES



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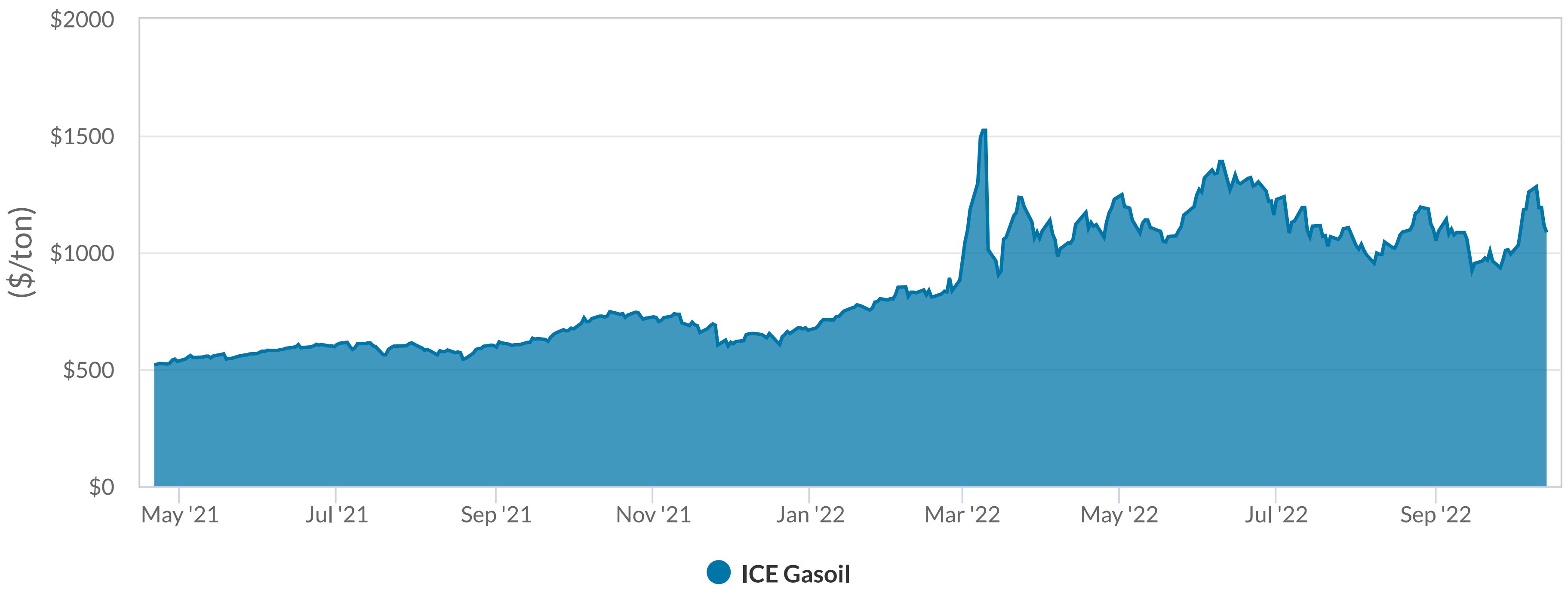
REFINED PRODUCT FUTURES

Nymex	Chg.	1st Mth.	2nd Mth.
Gasoline (¢/gal)	-7.25	263.09	245.40
ULSD Diesel (¢/gal)	-11.46	398.02	360.26
ICE			
Gasoil ($/ton)	-30.00	1085.75	1022.00
Gasoil (¢/gal)	-9.57	346.53	326.18

ICE GASOIL FUTURES



NYMEX GASOLINE FUTURES

US SPOT REFINED PRODUCTS

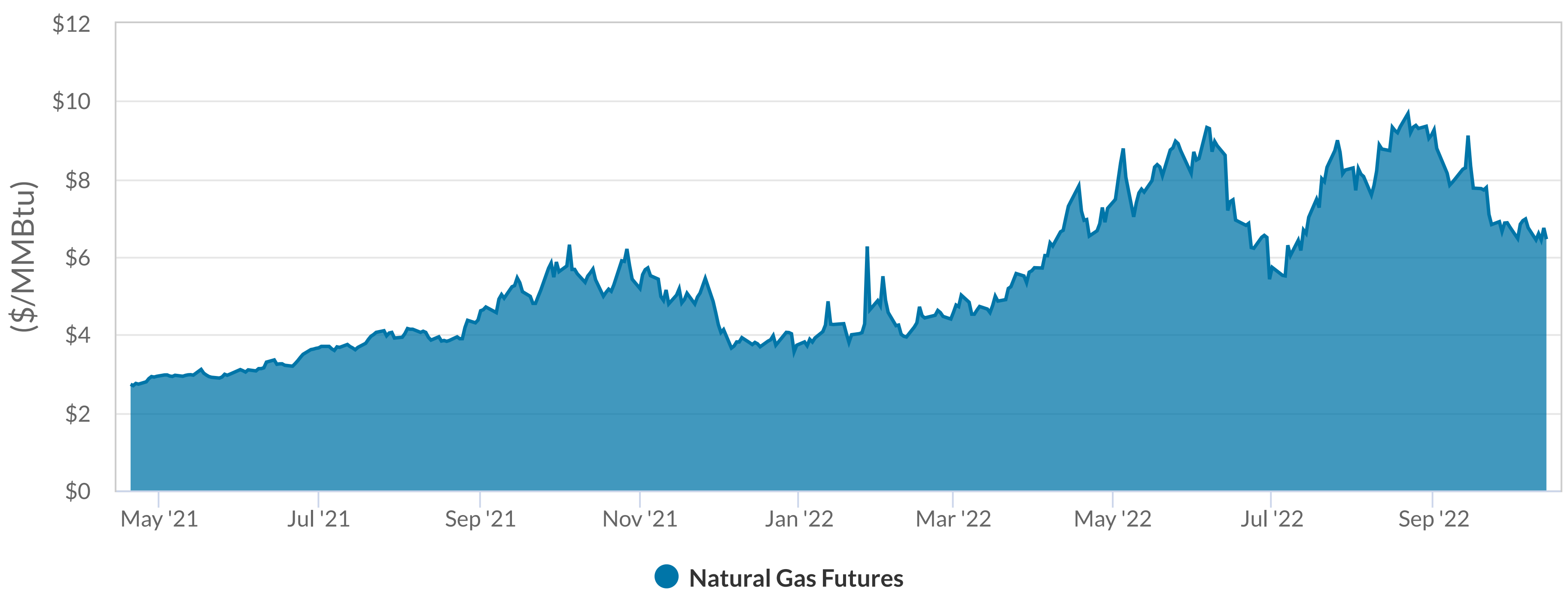
New York (¢/gal)	Chg.	Price	Prior Close
Regular Gasoline	+4.16	298.31	294.15
No.2 Heating Oil	+8.71	453.74	445.03
No.2 ULSD Diesel	+13.71	473.74	460.03
No.6 Oil 0.3% *			98.35
No.6 Oil 1% *			87.27
No.6 Oil 3% *			61.77
Gulf Coast (¢/gal)			
Regular Gasoline	-3.59	283.31	286.90
No.2 ULSD Diesel	-7.04	406.49	413.53
No.6 Oil 0.7% *			83.32
No.6 Oil 1% *			83.32
No.6 Oil 3% *			56.07

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

INTERNATIONAL SPOT REFINED PRODUCTS

Rotterdam ($/ton)	Chg.	Price	Prior Close
Regular Gasoline	-87.00	932.00	1019.00
ULSD Diesel	-9.00	1249.00	1258.00
Singapore ($/bbl)			
Gasoil	+0.55	130.25	129.70
Jet/Kerosene	+1.39	127.27	125.88
VLSFO Fuel Oil ($/ton)	+12.58	695.07	682.49
HSFO Fuel Oil 180 ($/ton)	+6.69	389.85	383.16

NYMEX NATURAL GAS FUTURES



Refinitiv

NATURAL GAS PRICES

($/MMBtu)	Chg.	Price
Henry Hub, Nymex	-0.29	6.45
Henry Hub, Spot	-0.17	6.08
Transco Zone 6 - NY	-0.24	5.15
Chicago Citygate	-0.04	5.54
Rockies (Opal)	-0.28	5.17
Southern Calif. Citygate	-2.12	5.87
AECO Hub (Canada)	-0.49	2.50
Dutch TTF (euro/MWh)	-18.00	67.00
UK NBP Spot (p/th)	-36.50	93.50

US/Canada spot prices from Natural Gas Week

Equity Markets, Oct. 14, 2022

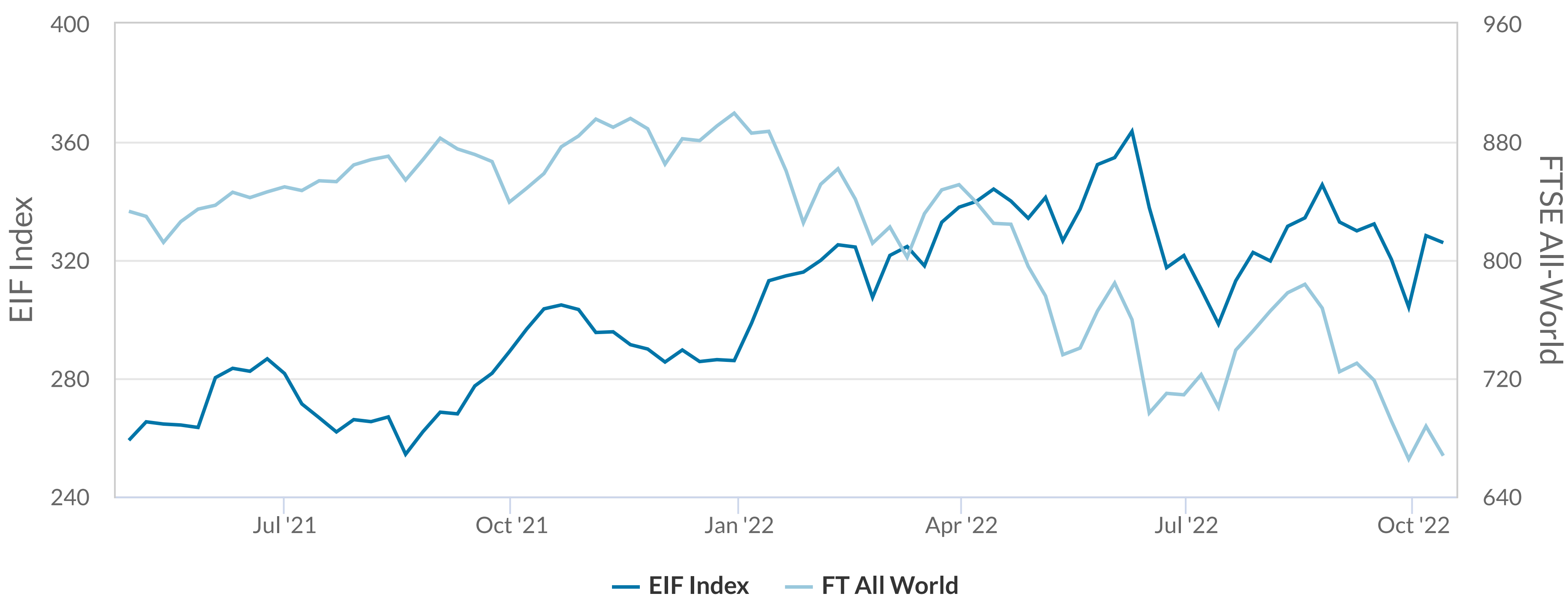
All data are produced by Energy Intelligence in cooperation with Reuters.

EQUITY MARKET INDEXES

	Chg.	Index	YTD %Chg.
EIF Global*	+5.73	325.87	+13.64
S&P 500	-86.84	3,583.07	-25.24
FTSE All-World*	+10.94	667.61	-25.92

*Index for previous day

EIF INDEX



EIF Global Oil and Gas Index of 21 traded equities