Energy Intelligence

October 18, 2022

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INTERNATIONAL OIL DAILY®

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UAE Energy Minister Defends Opec-Plus Cut

Opec-plus oil producers continued to argue on Tuesday that politics played no role in their recent decision to cut output, with the United Arab Emirates' energy minister describing it as a "technical" move that had succeeded in stabilizing prices.

"We are against the rumors that this is political. … We always meet and discuss the facts and how we can all contribute to taking the right measures to balance the supply and demand," the UAE's Suhail al-Mazrouei told a news conference in Abu Dhabi.

Opec-plus on Oct. 5 agreed to lower its targeted production by 2 million barrels per day, presenting it as a pre-emptive move to align supply with an anticipated slowdown in demand for oil amid a deteriorating outlook for the global economy

But the US responded angrily, with President Joe Biden saying that Washington will reassess its relationship between Washington and top Opec producer Saudi Arabia.

The Biden administration had previously lobbied the Saudis to increase supply, but without success.

Some US officials have suggested that the production cut amounts to support for Opec-plus member Russia as it wages war in Ukraine, adding that it will undermine US and European sanctions against Moscow.

Biden and other US politicians have also been concerned that the cut in Opec-plus crude oil supply will push up gasoline prices for US consumers who are set to vote in midterm elections on Nov. 8.

'Prices Stabilizing'

Al-Mazrouei echoed other recent Opec-plus denials that the decision had been influenced by politics, arguing that since the cut was announced, crude oil prices have stabilized at levels where they stood at the same time last year.

"Prices have been stabilizing, and actually if you look at October 2021, before anything, before all the crises, the geopolitical ones, you would see we are in the same price environment," he said.

Brent crude futures traded in the mid-$80s per barrel in October last year. On Tuesday they were trading just below $90, after giving up some of the gains they made just before and after Oct. 5.

Congo's hydrocarbons minister and the current president of the Opec conference, Bruno Itoua, also spoke up on Tuesday, maintaining that the Opec-plus alliance had taken the correct course of action with the unanimous consent of its members.

"There is complete agreement among Opec-plus countries that the best approach ... during the current period of uncertainty and poor visibility, is a proactive approach, which supports market stability and provides the vision and future guidance that the market needs," Itoua said in a statement.

Capacity Concerns

In his press conference, al-Mazrouei echoed Saudi Arabia's concern that a lack of upstream investment has left the world with insufficient spare oil production capacity to cope with supply disruptions or further growth in demand.

"Lack of stability [in energy markets] is what is driving investors not to invest," he said.

Saudi Arabia and the UAE are both working on plans to boost their production capacity, with the latter targeting an increase to 5 million b/d from current levels of around 4.3 million b/d.

Asked if the UAE plans to seek a higher production baseline that reflects those plans, al-Mazrouei said only that there is a mechanism which allows any member country to submit such a request to the Opec Secretariat.

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

In the meantime, however, Energy Intelligence understands that the UAE is keen to preserve unity within Opec-plus so that the alliance can manage the market effectively at a time of significant uncertainty for the global economy and oil demand.

Amena Bakr, Abu Dhabi

India and Japan to Retain Stakes in Sakhalin-1

India's ONGC Videsh has decided to retain its 20% stake in the Sakhalin-1 oil and gas project in Far East Russia by participating in a new operating company for the project that was recently registered in Russia.

Japan's Sodeco consortium is also expected to retain its 30% stake in Sakhalin-1, but US major Exxon Mobil is expected to exit the project.

Analysts say Russian oil giant Rosneft is likely to pick up Exxon's stake, raising its own interest to 50%.

A member of the ONGC Videsh board who requested anonymity told Energy Intelligence that the company will retain the 20% stake in Sakhalin-1 that it originally acquired in 2001.

Sakhalin-1 accounted for 23% of the Indian company's total production of around 247,000 barrels of oil equivalent per day in the fiscal year to Mar. 31, 2022.

Russia has emerged as a major supplier of crude oil to India this year, with its refiners taking advantage of deeply discounted prices as other countries shun Russian crude because of Moscow's war in Ukraine. In previous years, India imported only modest amounts of Russian crude, but its September imports from Russia were estimated at around 870,000-900,000 barrels per day, exceeded only by its imports from Saudi Arabia.

Exxon Angers Moscow

ONGC Videsh — a unit of state-owned explorer Oil and Natural Gas Corp. (ONGC) — has invested $7.7 billion in Sakhalin-1 over the last 20 years or so.

The Indian company has also invested $2.3 billion in the Vankorneft project in Russia — where it holds a 26% stake — and $2.9 billion in its wholly owned Russian subsidiary Imperial Energy.

Japan has also indicated that it plans to retain its stakes in both the Sakhalin-1 and Sakhalin-2 projects on energy security grounds, even though Tokyo has participated in international sanctions against Russia.

The country's ministry of economy, trade and industry (Meti) owns a 50% stake in the Sodeco consortium which holds a 30% stake in Sakhalin-1. Four Japanese companies hold the remaining 50%. "We have repeatedly said Sakhalin-1 is a very important project for Japan," Meti minister Yasutoshi Nishimura told a news conference on Tuesday.

In contrast to India, Japan's crude oil imports from Russia have fallen to zero since June, leading to greater dependence on the Middle East, which accounted for 97.7% of the country's total crude imports July.

Exxon had previously operated Sakhalin-1 via a Bermuda-based affiliate, but it angered Moscow by cutting back production to minimal levels after western governments imposed sanctions on Russia in response to its invasion of Ukraine.

The US company has previously stated that it intends to divest its 30% stake in the project, but Moscow has signaled that the company will have to pay compensation for damages resulting from the sharp drop in production there.

Rakesh Sharma, New Delhi and Clara Tan, Singapore

UK North Sea Producer Ithaca Announces IPO Plan

North Sea-focused Ithaca Energy has confirmed plans for a London stock market listing to take advantage of a surge of investor interest in the region as a result of the European energy crisis.

The company said on Tuesday that it plans to become a "key player in providing energy security to the UK."

It noted that it holds stakes in six of the top 10 largest UK offshore fields, including the two biggest undeveloped discoveries — Cambo and Rosebank.

However it did not provide details about the timing or size of its planned initial public offering (IPO) of shares.

Opportunity in Crisis

High oil and gas prices have led to a new wave of interest in exploration of the UK North Sea after years of declining investment.

The UK government wants to increase domestic fossil fuel production and Ithaca's controversial Cambo oil field is on a list of priority projects.

Ithaca has been an active buyer in the North Sea, where it has picked up assets from Chevron, Sumitomo, Mitsui and Marubeni.

In April it agreed a $1.46 billion deal to buy private-equity backed Siccar Point Energy as part of a plan to prepare for an IPO and raise output to 80,000-90,000 barrels of oil equivalent per day for the next decade from an average of 56,000 boe/d in 2021. The company has been owned by Israel's Delek since 2017 and as part of the planned listing, Delek will reduce its stake but remain the controlling shareholder.

The Siccar Point deal put Ithaca in charge of the Cambo project and increased its stakes in three of the UK's largest oil and gas fields: Rosebank (operated by Equinor), Schiehallion (BP) and Mariner (Equinor).

Ithaca believes the Russia-Ukraine crisis and the UK government's push to reduce dependence on oil and gas imports — and the associated price volatility — has improved the outlook for UK upstream investment.

The company pointed to a UK government energy security paper published earlier this year, which sought to fast-track oil and gas projects

Cambo and Rosebank in the West of Shetland area along with Ithaca's Marigold project are three of the largest undeveloped UK offshore discoveries.

The company has previously said that they would be "modern, low-emission, long-life fields which will support the UK's energy security ambitions while remaining consistent with the country's transition and net-zero targets."

Final investment decisions on Cambo and Rosebank are due in 2023.

Tom Pepper, London

War Seen Leading to Faster, Bumpier Transition

Viewed from a long-term perspective, Europe's shift from fossil fuels to low-carbon alternatives is likely to be a faster but bumpier process as a result of Russia's war in Ukraine, according to speakers at the FT Energy Transition Summit in London.

In the short term, dependence on natural gas and coal could increase in some countries, but over time the transition should accelerate rather than decelerate, most speakers agreed.

Catharina Hillenbrand von der Neyen, head of corporate research at nonprofit Carbon Tracker said the transition will be "quite turbulent."

And Markus Krebber, CEO of German utility RWE, said Europe should expect "at least another year and a half before we are through the worst energy price aspect of this crisis."

But in the long run, investment flows will "drive acceleration in the energy transition," said Domenico De Luca, head of sales and trading at Swiss power producer Axpo.

The war in Ukraine highlighted Europe's dependence on Russian oil and gas and part of the policy response has involved a scramble to find alternative sources of fossil fuels to replace imports from Russia.

But even companies like Italy's Eni, that have their roots in fossil fuels and have benefited from high oil and gas prices this year, say the war has not changed their plans to expand in low-carbon energy.

"Our green investment plans have not slowed down due to the war in Ukraine," said CFO Francesco Gattei.

Intervene With Caution

Christof Ruhl of the Center on Global Energy Policy at Columbia University told the summit that there cannot be an energy transition without energy security — a point that was also made by several other speakers.

As natural gas and electricity prices have soared, the EU and national governments have taken steps to protect vulnerable consumers and businesses.

But while many speakers supported measures such as revenue caps, some warned that price caps or price corridors could prove disruptive and counterproductive.

"Revenue caps on companies are OK, but capping gas prices is a very bad idea as it will stop LNG heading towards Europe," said Axpo's De Luca, adding that "large intervention measures are not good for investors."

Several speakers said that whatever measures are taken in Europe, the world is probably not investing enough in the energy transition to limit global warming to 2°C, with some suggesting that the aspirational goal of 1.5°C was no longer attainable.

Ilesh Patel of consulting firm Baringa said the energy transition will require the use of all available low-carbon technologies. "It is going to be about 1,000 silver pellets rather than one silver bullet," he said.

Jennifer Morgan, the German government's special envoy for international climate action, said a similarly broad approach was needed on the policy front. "We need regulations, revenue caps, incentives and carbon pricing — all of these are needed to stimulate investment for the energy transition," she said.

Jason Eden, London

Indonesia Sees 2023 Relaunch of IDD Gas Project

Indonesia's upstream regulator SKK Migas expects Chevron to exit its long-stalled Indonesia Deepwater Development (IDD) gas project by the end of this year, with a new operator submitting a revised development plan in the third quarter of 2023.

IDD is slated to supply backfill gas to the long-declining Bontang LNG export plant.

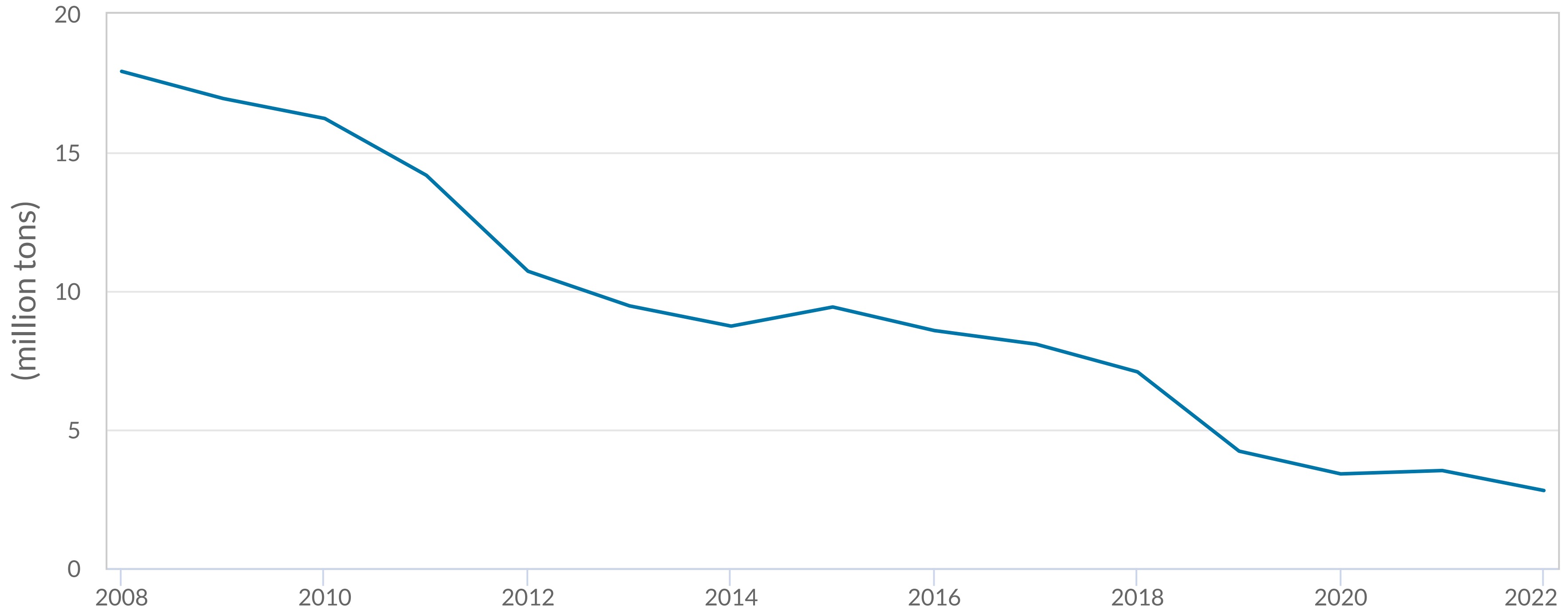
Construction would then start in 2024 with the aim for first gas to be achieved in 2027.

SKK Migas stopped short of saying who the US major will sell its 62% operated stake to, but Eni has long been seen as the natural buyer.

The Italian company already has a 20% stake in IDD, while China's Sinopec holds the remaining 18% share in the project.

Eni is also one of the few international oil companies combining an interest in investing in Indonesia and experience in deepwater projects.

BONTANG LNG EXPORTS



Source: Kpler

Ambitious Targets

IDD is a strategic project for Indonesia to achieve its extremely ambitious target of producing 1 million barrels of oil per day and 12 billion cubic feet of gas per day by 2030. Indonesia's oil production peaked in the mid-1990s.

Indonesia oil and gas production averaged 610,100 barrels per day and 5.35 MMcf/d over the first nine months of the year, bellow its 703,000 b/d and 5.8 MMcf/d target for 2022.

Eni already has a strong footprint in the Kutei Basin where the IDD project is located, meaning existing infrastructure could be used with an opportunity to reduce the cost of the project, which SKK Migas has estimated at around $7 billion.

The Italian company has five operated and two non-operated blocks in the Kutei Basin out of a total of 13 stakes in blocks in Indonesia.

The company also operates the Jangkrik Floating Production Unit that feeds the Bontang LNG plant.

Bontang has a nameplate capacity of 22.6 million tons/yr across eight trains, but the facility is massively undersupplied due to depleting reserves.

Bontang exported only 3.52 million tons of LNG last year, according to data from Kpler (see graph above).

Incentives

Indonesia’s improved fiscal terms may have contributed to putting an end to years of stalemate.

For instance, the country is now offering a 50-50 gross split production sharing contract for risky gas projects. However, it is not clear if IDD would benefit from this scheme.

Indonesia is also open to talk about incentives with the new operator, Tutuka Ariadji, the energy ministry’s director of oil and gas, told Energy Intelligence.

Indonesia said last year it was working on an incentive package designed to support the development of IDD.

Chevron opened a data room back in January 2020 with a view to divesting its stake in IDD after having found the project “does not compete in its portfolio.”

IDD’s Phase 2 consists of developing the 3 trillion cubic feet of gas reserves across the Gendalo, Gehem and Gandang deepwater gas fields.

IDD’s Phase 1, known as Bangka, has been producing gas since 2016.

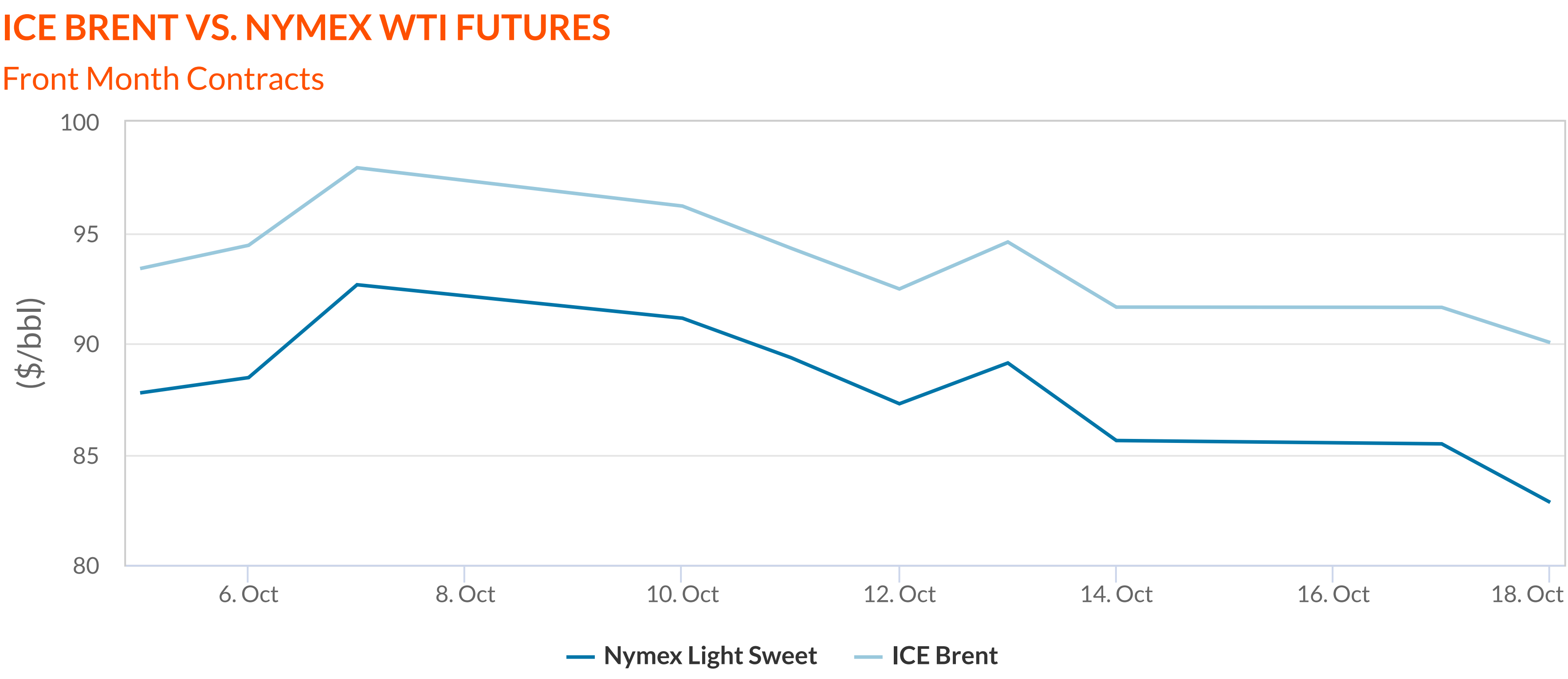
Marc Roussot, Singapore

Oil Prices Drop But Avoid Technical Breakdown

Oil futures sagged on Tuesday amid easing supply woes and intensifying demand concerns, with some market players pinning the downward move on the possibility of further releases from the US Strategic Petroleum Reserve (SPR).

In London, Brent crude for December delivery dropped $1.59 to settle at $90.03 per barrel. In New York, November West Texas Intermediate (WTI) closed down $2.64 at $82.82/bbl, while the December contract lost $2.46 to end the session at $82.07/bbl.

November Nymex diesel closed 4.25¢ lower at $2.5506 per gallon, while the diesel contract sank 9.17¢ to settle at $3.9935/gallon.



Intraday trading pushed oil prices below key technical support levels, although they ended the official trading day above those thresholds.

"I think this is largely a reaction to rumors that the administration [of US President Joe Biden] will release more from the SPR," said Phil Flynn of Chicago's Price Futures Group.

Bloomberg had previously reported that an additional 10 million-15 million barrels could potentially be released from the SPR, citing unnamed sources.

That sale would not be new and would fall under the 180 million bbl release that has already been announced. But rumors of another 100 million bbl release are also percolating.

"The market had been pricing in an end to the releases in October. But if that doesn't happen, it offsets the Opec-plus cuts. So the market is now pricing that in," Flynn said, while cautioning that additional releases are far from certain.

Opec and its allies recently announced a production cut of 2 million barrels per day, but there is deep skepticism about the bloc's ability to realize these quotas given substantial existing underproduction.

Concerns about supply were also assuaged by the US Energy Information Administration's (EIA) *Drilling Productivity Report*, published Monday, which projected another 50,000 barrels per day in incremental output next month in the Permian Basin.

"Better said, there is no shortage of the black stuff in the US," said Stephen Brennock of brokerage PVM Oil.

Meanwhile, bullishness for refined product prices is running into higher export volumes from China. More broadly, concerns over economic and oil demand growth are intensifying, especially when it comes to the world's second-largest economy and driver of incremental oil consumption, China.

"It looks like fears over global growth have intensified after China decided to postpone — without giving a reason — the release of its third-quarter growth and industrial production figures that were due for publication this Wednesday," said Fawad Razaqzada of StoneX. "Analysts think that economic growth there has slowed to a new three-decade low of 3.3% compared to 4.9% recorded in the same period a year ago."

The delay could indicate figures below even those expectations, he added.

Meanwhile, the US dollar climbed against a basket of other currencies on Tuesday. Analysts say a strong dollar tends to be bearish for oil demand, as it renders the greenback-denoted commodity more expensive for holders of other currency.

Frans Koster, New York

IN BRIEF

Egypt Refinery Expansion on Track

Egypt's long-delayed Midor refinery expansion project should be completed "before the first half of next year," says Energy Minister Tarek el-Molla.

The $2.4 billion project will raise Midor's capacity from 100,000 barrels per day to 160,000 b/d and is part of a broader upgrade of Egypt's ailing downstream sector over a period of several years.

A major revamp of the Egyptian Refinery Co. (ERC) plant at Mostorod two years ago expanded output of diesel, gasoline and jet fuel, the minister said on the sidelines of a recent energy conference in Nicosia.

And a 2.5 million tons/yr upgrade and expansion of the Asyut refinery in Upper Egypt is scheduled to be completed in 2024.

El-Molla said Egypt's downstream expansion/upgrade program will allow it to further reduce the country's dependence on imports of refined products which has already fallen to 20-25% of its consumption from around 40% in 2014.

Rafiq Latta, Nicosia

DATA SNAPSHOT

Oil and Gas Prices, Oct. 18, 2022

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

CRUDE OIL FUTURES

($/bbl)	Chg.	1st Mth.	2nd Mth.
ICE Brent	-1.59	90.03	88.60
Nymex Light Sweet	-2.64	82.82	82.07
DME Oman	-2.54	86.83	85.63
ICE Murban	-2.19	89.66	88.01

INTERNATIONAL SPOT CRUDES

($/bbl)	Chg.	Price	Prior Close
Brent (Dated)	-1.57	89.46	91.03
Dubai	-0.85	88.85	89.70
Forties	-2.65	88.70	91.35
Bonny Light	-4.15	91.42	95.57
Urals	-2.65	69.92	72.57
Opec Basket*			92.16

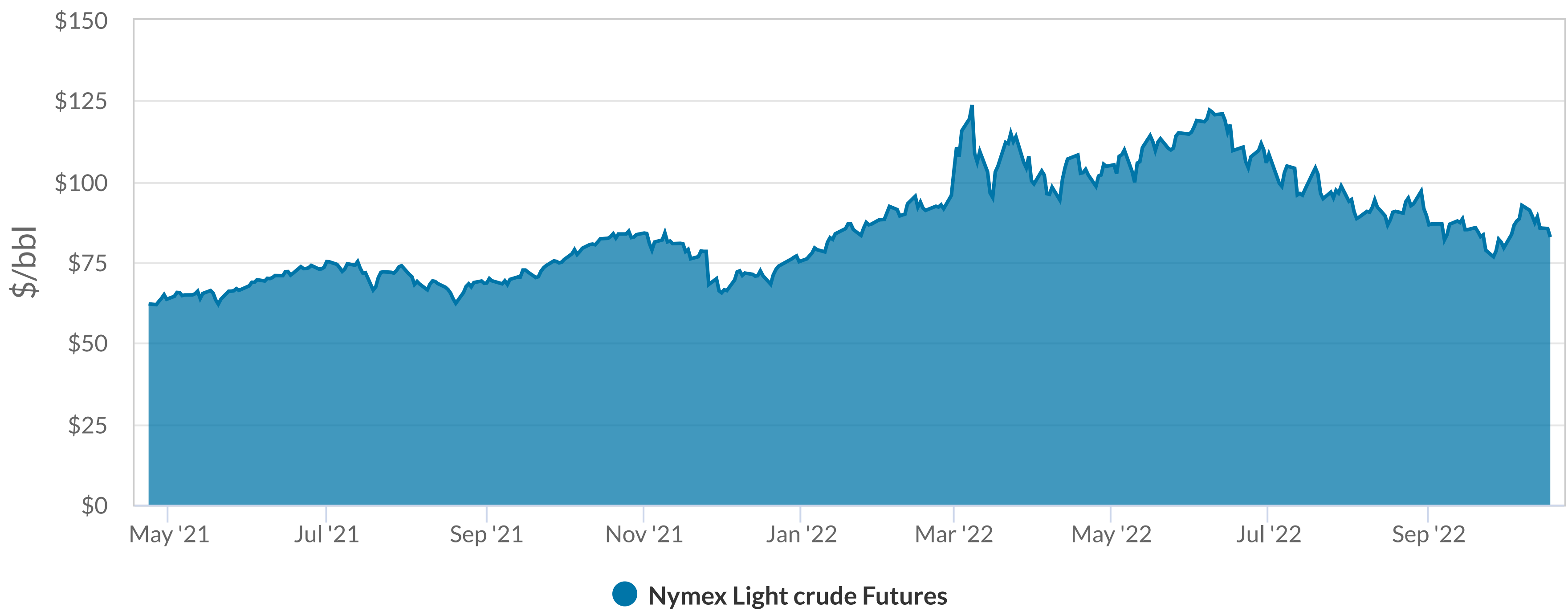
*Opec price assessed.

NORTH AMERICAN SPOT CRUDES

($/bbl)	Chg.	Price	Prior Close
WTI (Cushing)	-2.71	83.29	86.00
WTS (Midland)	-1.33	81.54	82.88
LLS	-2.21	86.79	89.00
Mars	-2.56	79.54	82.10
Bakken	-2.71	88.09	90.80

ICE BRENT CRUDE FUTURES

NYMEX LIGHT CRUDE FUTURES



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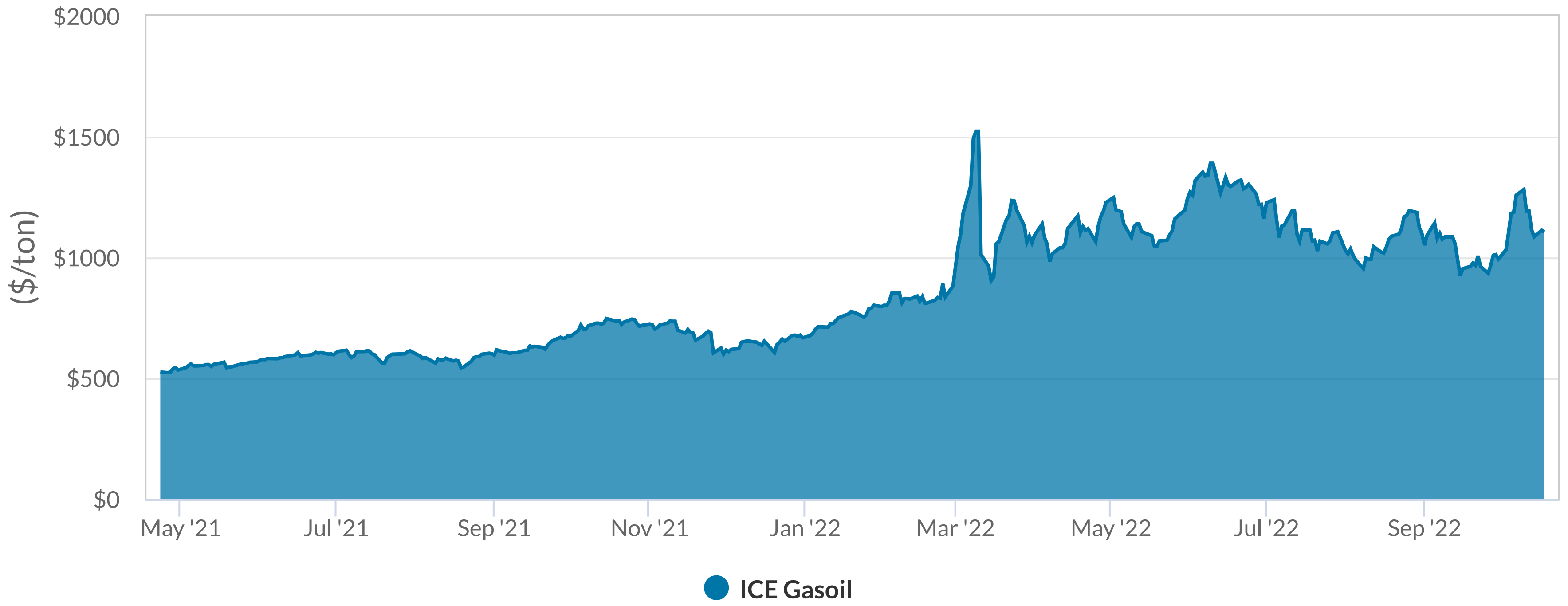
REFINED PRODUCT FUTURES

Nymex	Chg.	1st Mth.	2nd Mth.
Gasoline (¢/gal)	-4.25	255.06	240.74
ULSD Diesel (¢/gal)	-9.17	399.35	362.91
ICE			
Gasoil ($/ton)	-7.25	1105.00	1020.50
Gasoil (¢/gal)	-2.31	352.67	325.71

ICE GASOIL FUTURES



NYMEX GASOLINE FUTURES

US SPOT REFINED PRODUCTS

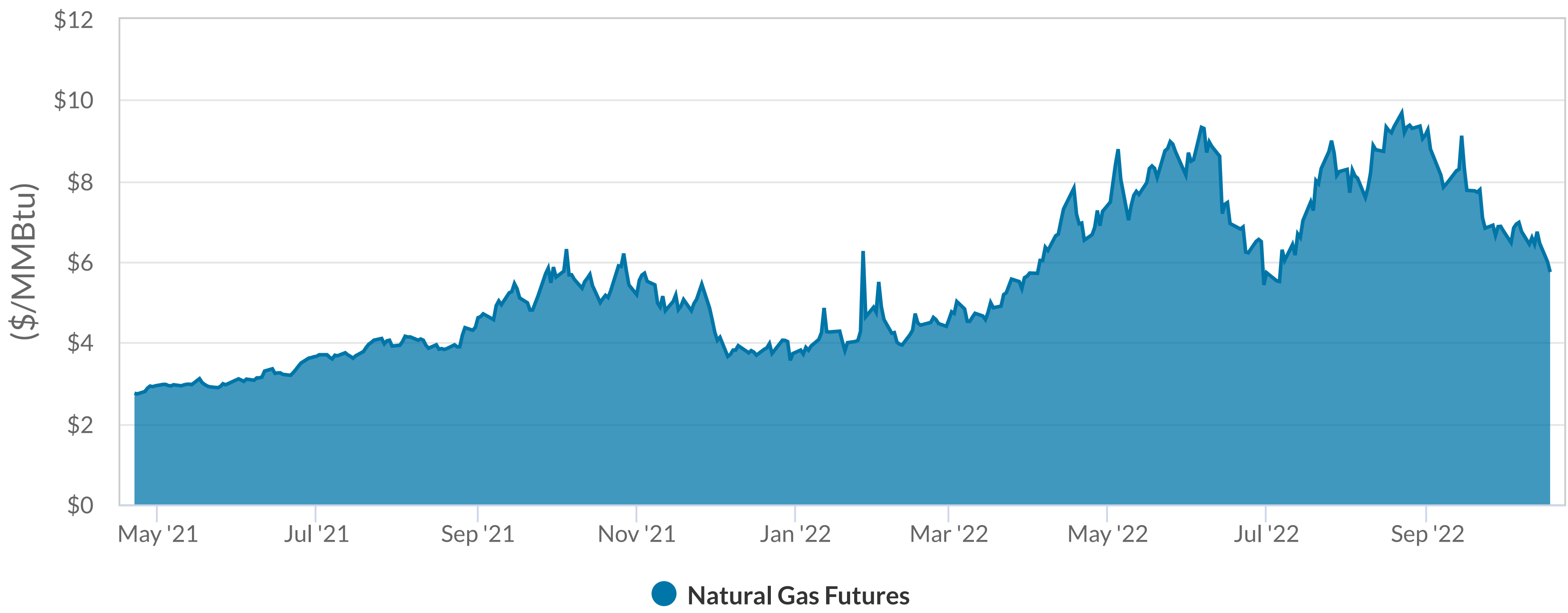
New York (¢/gal)	Chg.	Price	Prior Close
Regular Gasoline	+0.12	286.95	286.83
No.2 Heating Oil	-10.98	453.40	464.38
No.2 ULSD Diesel	-10.98	473.40	484.38
No.6 Oil 0.3% *			95.50
No.6 Oil 1% *			84.25
No.6 Oil 3% *			58.90
Gulf Coast (¢/gal)			
Regular Gasoline	-14.38	265.45	279.83
No.2 ULSD Diesel	-15.23	393.90	409.13
No.6 Oil 0.7% *			80.35
No.6 Oil 1% *			80.35
No.6 Oil 3% *			53.20

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

INTERNATIONAL SPOT REFINED PRODUCTS

Rotterdam ($/ton)	Chg.	Price	Prior Close
Regular Gasoline	-31.70	877.30	909.00
ULSD Diesel	-25.75	1261.75	1287.50
Singapore ($/bbl)			
Gasoil	+1.33	130.81	129.48
Jet/Kerosene	+1.46	127.62	126.16
VLSFO Fuel Oil ($/ton)	+6.73	680.90	674.17
HSFO Fuel Oil 180 ($/ton)	+12.20	382.91	370.71

NYMEX NATURAL GAS FUTURES



Refinitiv

NATURAL GAS PRICES

($/MMBtu)	Chg.	Price
Henry Hub, Nymex	-0.25	5.75
Henry Hub, Spot	-0.09	5.90
Transco Zone 6 - NY	+0.01	5.76
Chicago Citygate	+0.08	5.88
Rockies (Opal)	+0.15	5.58
Southern Calif. Citygate	+0.46	7.47
AECO Hub (Canada)	+1.74	2.78
Dutch TTF (euro/MWh)	+12.00	72.50
UK NBP Spot (p/th)	-18.00	40.00

US/Canada spot prices from Natural Gas Week

Equity Markets, Oct. 18, 2022

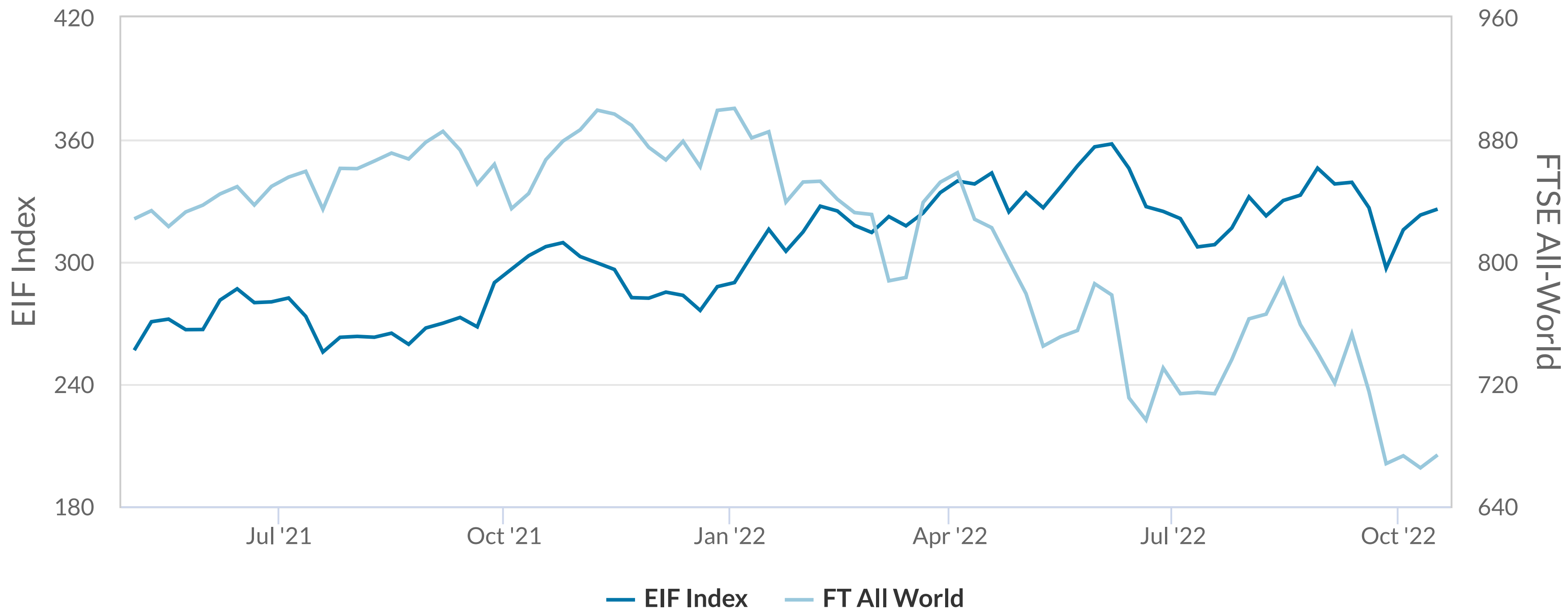
All data are produced by Energy Intelligence in cooperation with Reuters.

EQUITY MARKET INDEXES

	Chg.	Index	YTD %Chg.
EIF Global*	+3.33	325.87	+13.64
S&P 500	+42.03	3,719.98	-22.39
FTSE All-World*	+14.28	673.62	-25.25

*Index for previous day

EIF INDEX



EIF Global Oil and Gas Index of 21 traded equities