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CONTENTS

In Brief

Data Snapshot

Gulf Producers Take Position Ahead of COP27

Gulf producers led by Saudi Arabia and the United Arab Emirates are positioning themselves to reclaim more of the narrative on the low-carbon transition in the run-up to November's COP27 climate summit in Egypt.

At the Future Investment Initiative summit in Riyadh this week, Saudi Arabia's Energy Minister Prince Abdulaziz bin Salman vowed that the kingdom would help make COP27 a success.

At the event, state Saudi Aramco added to earlier initiatives with an announcement that it would set up a $1.5 billion sustainability fund managed by its venture capital arm. The new fund will invest globally in technologies that have the potential to support both a "stable and inclusive" energy transition and Aramco's goal of net-zero emissions from its wholly owned assets by 2050.

At the same time, producers are keen to show that it is possible — and required — to continue investing in upstream oil and gas in parallel.

Establishment of the fund is part of Saudi Arabia's efforts to ensure that fossil fuels with a relatively low carbon footprint — such as its own — remain an integral part of the global energy mix.

'Inclusive' Approach

Aramco Chief Executive Amin Nasser this week also criticized Western states for often looking at supply issues from their own point of view and taking the position that "the rest of the world needs to adapt." He added, "No. It doesn't work like that."

Such sentiments are expected to play out in COP27 discussions as developing countries such as India push back on a perceived Western-led energy agenda, and call for more financial support for their decarbonization efforts.

In an opinion piece for Energy Intelligence this week, Aramco Chairman Yasir al-Rumayyan cited statistics that 730 million people globally — about 1 in 10 — lack access to electricity, and 90 million people in Asia and Africa with access could no longer afford to pay for basic needs.

Al-Rumayyan called for a speedier transition, but with "an inclusive and pragmatic approach" that nurtures "multiple transition pathways to ensure the pace of change does not trigger global energy shocks, or punish those least able to adjust."

Responsible Partners

Ahead of last year's COP26 summit in Glasgow, Saudi Arabia and the UAE declared a target of reaching net-zero carbon emissions — moves seen as essential to position themselves as credible actors in the global climate debate.

But fossil fuel producers were still sidelined from last year's discussions, particularly at the corporate level.

Gulf states want to ensure that producers have more of a voice and are seen as constructive participants in the intensifying effort to tackle climate change at both COP27 and next year's COP28 meeting in the UAE.

Global Energy Mix

Gulf producers have continued to argue that global demand for oil and gas will remain for decades and will have to be met by increased investments, while transition efforts will need to be more pragmatic to avoid creating an increasingly unstable energy system.

“Little thought has been paid to how we manage energy supply and demand during this crucial period of transition,” al-Rumayyan wrote.

“But as events over the past few months demonstrate, maintaining the equilibrium of energy markets will be critical as the world gradually recalibrates energy production systems and moves to a lower-carbon future. Exiting conventional energy pathways prematurely risks upsetting that balance.”

The world is already facing an energy crisis amid high oil and gas prices, while questions around energy security, in Europe in particular, are looming large as a result of Russia's invasion of Ukraine. This has prompted producers such as Saudi Arabia and the UAE to invest further in expanding production capacity to meet demand.

With supply balances uncertain and the health of Russia's oil sector in doubt, Gulf states' upstream investments could put them in a stronger position as long-term suppliers of low-cost, low-carbon oil and gas — even in a world in which demand is eventually constrained by the energy transition.

Commitment in Focus

While some skeptics question Gulf producers’ commitment to net-zero targets, they have made significant progress on decarbonization plans.

Renewable energy projects, blue and green hydrogen initiatives, and carbon capture and storage (CCS) projects are gaining momentum. In Saudi Arabia, the $5 billion Neom green hydrogen scheme will set a global benchmark once completed around 2026.

Saudi Arabia’s move towards net zero is seen by officials as a way to achieving the economic diversification plans under its “Vision 2030” program.

Oliver Klaus, Dubai and Amena Bakr, Riyadh

Exxon CEO Touts ‘Constructive’ Government Policies

At a time of unprecedented and increasing government intervention in global energy markets, Exxon Mobil CEO Darren Woods sees a clear dividing line between “constructive” policies and those that will “make the problem worse.”

In prerecorded remarks accompanying Exxon’s third-quarter results, Woods laid out his unvarnished views of some of the policy machinations governments in Europe and the US are advancing that will have major implications for the energy sector over the short- and long-term.

The Exxon boss sounded the warning bell first. Woods acknowledged the difficult position European governments are in as they try to manage a “very real” energy crisis in the wake of the Ukraine conflict, which has saddled consumers with crippling electricity and fuel bills as the continent rushes to cut its dependency on Russian energy supplies.

“But whether it’s a tax on profits, or a price cap and a buying cartel currently under discussion in Brussels, we believe these ideas can have only one effect: they will make the problem worse,” he said, referencing the various windfall tax and gas price intervention proposals that have emerged in the EU, as well as the G7’s pending price caps on Russian crude and products.

“They lose sight of the fact that there are only two proven ways to reduce price,” Woods said: to increase supply or to reduce demand.

Woods is not alone in voicing concerns about the myriad market interventions being discussed — particularly in Brussels — to curb prices for consumers and/or drive geopolitical outcomes.

TotalEnergies CEO Patrick Pouyanne, for example, didn't mince words at the recent Energy Intelligence Forum when calling the Russian oil price cap “a bad idea” that would likely end up benefitting Russian President Vladmir Putin. He also expressed a preference for voluntary rebates over windfall taxes to aid consumers to avoid perverse incentives that could cut investment or encourage facilities to shut down.

Shell CEO Ben van Beurden took more of a middle ground, acknowledging at the same conference that windfall-type taxes are an "inevitability" the industry should come to terms with — although he shares concerns about "unintended consequences" of market price intervention.

Woods' contributions to the debate emphasized concerns that European policies were reaching for tools that were more likely to exacerbate the continent's declining oil and gas output and refining capacity, "forcing greater reliance on imported energy and fuel products," he warned.

The Exxon boss meanwhile suggested that the company's $15 billion in dividends are equivalent to returning some profits directly "to the American people" — given the company's 40% retail investor base — cutting the need for forced intervention. Windfall taxes have also been a hot topic in Washington and some US states.

The Good List

Woods' airing of concerns was not a blanket call to end government participation in the energy sector.

Instead, he called for "stable policies designed to attract large and stable investment in an 'all-of-the-above' energy future," and used the recently passed US Inflation Reduction Act (IRA) as an example of such "constructive" policies.

Specifically, Woods applauded the IRA's expanded 45Q tax credit for carbon capture and storage (CCS). In the Houston area alone, the enhanced incentives roughly double the amount of "immediately available" CCS opportunities that are now economic to pursue, he said. Future cost reductions and policy supports should further widen the umbrella.

He also called out the IRA's production tax credits for clean hydrogen for offering crucial early support for the fledgling industry.

"Again, this legislation is a good example of constructive policy with regard to the energy transition. It incentivizes companies to pursue a variety of low-carbon energy solutions," Woods summarized.

That said, he acknowledged a need for Washington to sew up outstanding regulatory permitting reforms if the IRA is to reach its true potential.

Casey Merriman, Phoenix

North American Oil Floods Into Asia

Exports of US and Canadian crudes into Asia could rise as by as much as one-third into the end of this year but the arbitrage window is narrowing as freight rates jump.

Between 40 million to 60 million barrels of US crude are expected to arrive in Asia in November and December, trading sources told Energy Intelligence. This is equivalent to around 1.33 million to 2 million barrels per day.

Another close to 30 million bbl of US crude are pointed at Asia so far and expected to arrive in January, one of the traders added. This would be close to 970,000 b/d.

This compares with average Asian imports for North American crudes of around 1.5 million b/d.

Buyers in recent months include refiners in South Korea, China, Taiwan, Japan, India, Singapore and Thailand, as well as Chinese trading house Unipec, said numerous trading sources.

The US crude arbitrage flow has been driven by a variety of factors, said four trading sources. Crude production has been increasing. Peak refinery turnaround season in the US over September and October freed up even more crude for export and planned maintenance in Europe reduced demand for US crude.

In addition, the US strategic petroleum reserve releases put downward pressure on the spot price differentials of US spot crude while Mideast and Asia-Pacific crudes were more expensive in comparison.

But recently, freight rates from the US have risen considerably, narrowing the flow of US arbitrage crudes to Asia, said five trading sources, including two at Northeast Asian refiners.

The arbitrage window is still open despite rising freight costs, two market sources said, though the window has shrunk for US light sweets like WTI. The arbitrage for heavy, sour Mars crude from the US Gulf Coast remains workable, one of them added.

Unipec and Japanese Buying

Unipec, the trading arm of China's biggest refiner Sinopec, bought around 3 million bbl of US Mars crude, 2 million to 4 million of light US crudes and at least 2 million bbl of Canadian sours, said three traders. These volumes load in November and arrive in Asia in January.

This comes out to at least 7 million to 9 million bbl of Unipec-controlled crude arriving in January, or equivalent to at least 233,000-300,000 b/d.

Unipec is also thought likely to have bought 2 million to 6 million bbl of US crude each month for November and December arrival, a trader added.

It is unclear if Unipec, a prolific trader, would bring all the volumes back to its Chinese refining system or resell some of the volumes.

The price for Mars must be cheap for it to come to Asia, said a refining source at a global market player. This is because Mars is "so hard to process" due to its high sulfur content and high chlorine levels, though some Chinese refineries are likely to be able to refine it, he added.

Japan typically takes at most one to two Very Large Crude Carriers (VLCCs) of US crude each month, said three Northeast Asian refiner sources. This is equivalent to 2 million to 4 million bbl.

Korea Most Consistent Buyer

Korean refiners have been the most consistent buyers of US crudes every month, said a trader. SK and GS Caltex can usually each snap up three to five VLCCs of US crude every month, equivalent to 6 million to 10 million bbl, said three traders.

Hyundai Oilbank can take one to two VLCCs of US crude each month, equivalent to 2 million to 4 million bbl, they added.

Typically, Korean refiners take seven to 10 VLCCs of US crude in total each month, depending on how open the arbitrage window is, said a trader. This is equivalent to 14 million to 20 million bbl, or 470,000-670,000 b/d.

Korean refiners enjoy additional benefits over other Asian buyers when it comes to US crude. Their costs are lowered by a free trade agreement with the US and freight rebates from the government designed to encourage refiners to diversify their sources of crude, said two traders.

Freddie Yap, Singapore

Iranian Oil Exports Remain Flat as Protests Rage

As protests triggered by the Sep. 16 death of a young woman in police custody continue to rage, Iranian crude and condensate exports have remained largely flat, mostly flowing to China, even as the Asian giant buys more discounted Russian crude.

Iranian crude and condensate exports have averaged "around 700,000-900,000 barrels per day" in recent months, of which condensates have accounted for around 200,000 b/d, a senior Iranian oil official told Energy Intelligence.

Iranian exports continue to head east to China, currently the Islamic republic's only major buyer, despite rising volumes of heavily discounted Russian barrels flowing to the world's second-largest economy that have partially displaced Mideast grades.

Chinese imports of Russian crude stood at 1.82 million b/d in September, down 149,000 b/d from their very high August level, according to customs data. However, September inflows were still 323,000 b/d higher than a year earlier.

Export Volumes

According to commodities data firm Kpler, Iran's crude and condensate exports averaged around 870,000 b/d for the three-month period from July to September, down from 990,000 b/d between June and August, but up from roughly 730,000 between May and July.

Iranian exports, shipped mostly via clandestine channels that include ship-to-ship transfers, have seen some variations, at times climbing as high as 1 million b/d or falling below 700,000 b/d, the official said.

Kpler numbers put Iranian crude and condensate exports for September at just below 600,000 b/d, a massive drop from the high so far this year of 1.2 million b/d in August, and down also from 830,000 b/d in July.

As of Oct. 28, exports for the month were as low as 420,000 b/d although that number could still change significantly in the remaining days of the month.

Conditions Sustain Protests

Six weeks following the death of 22-year old Mahsa Amini, allegedly at the hands of the country's morality police, the wave of nationwide protests has yet to lose momentum — despite being met with a harsh response by the country's hardline leadership.

The revolt has spread from the capital across the country to Iranian provinces with high populations of ethnic minority groups, but also to other major cities, driven by an explosive cocktail of anger over Amini's death, deteriorating economic conditions, social restrictions and government corruption. Amini hailed from Iran's Kurdish minority.

Crucially, the demonstrations have often directly challenged the Iranian establishment, calling for the fall of Supreme Leader Ali Khamenei and a total overhaul of the country's political system. The leadership has continued to crack down on what it has described as riots instigated by foreign actors.

Tehran's response to the latest wave of unrest, along with reported Iranian arms and gas-turbine transfers to Russia, may also deal a death blow to nuclear talks with the West that have dragged on for over a year and, by extension, reduce any chances for increased Iranian oil exports.

Oliver Klaus, Dubai

Putin: Energy Transition Not Counter to Russian Interests

The energy transition does not pose a threat to Russia's national interests but instead creates new opportunities for the country, Russian President Vladimir Putin said this week.

"The transition to carbon neutrality does not run counter to Russian interests, because we have opportunities to develop alternative energy sources ... including pure hydrogen, and here we have serious competitive advantages," Putin told a gathering of the Valdai discussion club on Thursday.

The widespread movement toward less emissions-intensive forms of energy has accelerated since Russia's invasion of Ukraine in February, according to the International Energy Agency (IEA), potentially weakening the resource-rich country's status as an energy superpower.

In its annual *World Energy Outlook,* published this week, the IEA paints a grim picture for Russia that would appear to contrast with Putin's statements, honing in on three specific trends: an acceleration of the energy transition globally; the end of Russia as the world's fossil fuel power, which could cost the country $1 trillion through 2030; and an end to what has been a golden age for natural gas.

On the latter point, Putin emphasized the role of gas as a transition fuel and Russia's role as a major global supplier, despite recent disruptions of Russian gas shipments to Europe.

Russia's Transition

Russia's war against Ukraine is also affecting Moscow's own energy transition plans, which had been mainly driven by its desire to keep key markets in the West accessible amid a greater push for low-carbon energy. Foreign majors, now blocked by sanctions, were also set to play a key role in Russian decarbonization initiatives.

Moscow insists that its net-zero plans remain unchanged, although the focus has now shifted to developing the country's own technologies and an internal market for tackling carbon emissions.

Russian Deputy Prime Minister Alexander Novak this week instructed the country by year's end to finalize plans for the development of a clean-hydrogen industry through 2035 and to reconsider plans for reduced hydrogen exports.

Russia's hydrogen development strategy had envisaged exports of 2 million-12 million tons per year by 2035, but that target could fall sharply since many planned projects involved Western partnerships that are untenable under current sanctions.

Trading Partners

Russia has seen an exodus of Western majors, with Exxon Mobil being the latest to report a complete exit.

But Putin told the Valdai forum that he expects these companies to eventually return.

In the meantime, Russia will be ready to replace Western partners with more willing players, he said, including companies from Asia, Africa and the Middle East.

Unsurprisingly, Putin blamed the West for the current "bacchanalia in the energy sector," noting the underinvestment in traditional energy sources and an overemphasis on the green agenda.

Putin reiterated his earlier remarks blaming the current energy crisis on the West's "system mistakes."

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

Staff Reports

Equinor Prioritizes Gas Value Over Volume

Norway's Equinor will tackle high volatility and price swings in European natural gas markets by using its flexibility to defer some gas volumes to periods where prices are higher and the gas is needed more.

Norway, which has displaced Russia as Europe's biggest supplier of pipeline gas, is providing record volumes to Europe.

Equinor's new CFO Torgrim Reitan said the state-controlled company has capacity available to continue to produce at a very high level.

But "I want to make that clear that we will prioritize value over volume in optimizing our gas production, both related to price and also to where the gas is needed," he said during Equinor's third-quarter earnings call.

Flexible Gas Output

Gas prices are fluctuating wildly, Reitan said, "and we will have days and … weeks with very low prices." He insisted that Equinor "will not be a swing supplier … but we have flexibility."

For example, the company has revised production permits to increase gas output from the Troll and Oseberg fields.

While Reitan did not give a price level at which Equinor would defer output, he noted that UK National Balancing Point prices had fallen significantly this week to around $6 per million Btu.

"Clearly that gives us opportunities to defer gas, and we are also in a period where there's not a big need for additional gas to the UK," he said.

Equinor beat analyst expectations on headline earnings in the third quarter, driven by record highs in upstream profits and gas production from Norway, plus strong trading results.

Gas Supplier

The company supplied 11% more gas to Europe year on year during the three months through September, partly due to the ramp-up of the Arctic Hammerfest LNG plant, which came back on line in June.

Last month, Equinor signed a long-term contract with Poland and has signed smaller bilateral deals as well, with different pricing structures that the company says could help stabilize prices.

"There's a broad range of discussions around bilateral contracts," Reitan said, without going into specifics.

He said talk of gas-price caps or other European market interventions currently under discussion would not address the fundamental problem of insufficient supply.

Cost Pressures

Equinor is also closely monitoring industry-wide cost inflation and cost pressures.

“This is a growing concern. We see bottlenecks and delays, lower efficiency and risks of a drop in quality in the global supply chains,” Reitan said.

He warned that Equinor’s non-sanctioned portfolio is particularly exposed.

Oslo’s proposed change to temporary oil and gas tax rules reducing the uplift for capital expenditure will increase breakeven prices for development projects by $2 to $5 per barrel, he noted.

Offshore inflationary pressures are particularly acute, hitting engineering and construction yards in Asia; offshore wind activities; and rig markets.

“We will have to prioritize in our portfolio so we can execute our investment program with quality, on time and [within budget]," Reitan said. "The overall capacity in the supply chain will be a key element in that discussion.”

Onshore Renewables

Reitan said the company sees good opportunity for renewables profits from the onshore sector amid stiff competition for offshore wind. To that end, Equinor has started looking to build more of an onshore portfolio in places like Europe and Brazil — "short-cycle investments with quicker returns and lower capital intensity.”

Equinor’s power trading arm and route-to-market for renewables, Danske Commodities, will play a key role in supporting its onshore push, for example in Poland.

But Reitan said it will be making changes to the way it runs its renewables business in order for it to be competitive, “giving sufficient freedom for that business to develop as needed.”

EQUINOR Q3'22 EARNINGS RESULTS

($ million)	Q3'22	Q3'21	%Chg.	Q2'22
Revenue	43,633	23,264	88%	36,459
Operating Cash Flow	6,578	8,039	-18	8,520
Net Income	9,371	1,409	>100	6,762
Adjusted Income	6,715	2,777	>100	5,000
Exploration & Production Norway*	21,079	6,762	>100	14,330
Exploration & Production Intl.*	942	556	69	1,111
Exploration & Production US*	889	288	>100	881
Marketing, Midstream & Processing*	1,452	2,197	-34	1,310
Renewables*	-46	-28	-63	-42
Liquids Production ('000 b/d)	1,012	1,048	-3	973
Gas Production (MMcf/d)	1,009	948	6	1,011
Oil and Gas Output ('000 boe/d)	2,021	1,996	1	1,984
Ren. Power Generation (GWh)	294	304	-3%	325

*Adjusted earnings. Source: Equinor

Deb Kelly, London

Eni Post Huge Gas-Trading Profit

Eni rode huge profits in its natural gas division to a solid earnings beat as the company races to replace Gazprom imports with its own production.

The Italian giant's global gas and LNG division saw its profits rise more than 20-fold compared to the same period a year ago to around €1 billion ($996 million), crushing analyst estimates.

"The beat is the main surprise this quarter and reflects Eni's ability to quickly diversify its supply away from Russia," analysts at investment bank Jefferies said, noting that the earnings were more than 400% higher than expectations.

Much of the success of Eni's gas business was attributed to trading, as the company took advantage of prices that ranged from €150 per megawatt hour (MWh) to as much as €350/MWh.

"We have seen huge spreads around different markets between LNG and gas, between time, so prompt delivery vis-a-vis forward delivery," Eni Deputy COO Cristiano Signoretti said. "We were able to take advantage clearly of the flexibility that we have in our asset base, both in gas and LNG and basically going after all this arbitrages in time, geographical or commodities arbitrages."

Ditching Russian Gas

On the supply side, Eni is hoping to reduce the natural gas volumes it buys from Russia by 50% this winter and 80% next winter, with a goal of being completely off Russian gas by 2025.

Eni's urgency to replace its remaining Russian volumes with new sources is being driven by worries about Italy's energy security as well as the company's own finances. "This is going to actually deliver more value than we used to get from importing Russian gas just because we are going to integrate, along the value chain, all the profits," Signoretto said on a third-quarter conference call.

In North Africa, Signoretti said Eni is already getting an additional 2.5 billion cubic meters of additional gas supply from Algeria under a plan to increase its pipeline imports across the Mediterranean by some 6 Bcm in the coming year.

Some of Eni's urgency is due to simple necessity. In July, Gazprom was delivering about 30 million cubic meters per day of gas to Eni under its long-term contracts, Signoretto told investors. Now, Gazprom has reduced flows to Italy through the Turk Stream pipeline to 20 MMcm/d.

Signoretti said Eni was forced to curb some of its gas sales elsewhere in Europe so it has enough gas to sell in Italy to make up for the drop in Russian imports.

ENI Q3'22 EARNINGS RESULTS

(€ million)	Q3'22	Q3'21	%Chg.	Q2'22
Revenues	37,569	19,254	95%	31,809
Operating Cash Flow	5,469	3,339	64	5,191
Net Income	5,883	1,208	387	3,815
Adjusted Income	3,730	1,431	161	3,808
E&P	4,272	2,444	75	4,867
Global Gas & LNG	1,083	50	2,066	-14
R&M and Chemicals	537	186	189	1,104
Plenitude & Power	172	64	169	140
Liquids Production ('000 b/d)	707	805	-12	740
Gas Production (MMcf/d)	4,583	4,688	-2	4,447
Oil and Gas Output (million boe/d)	1,578	1,688	-7%	1,586

Source: Eni

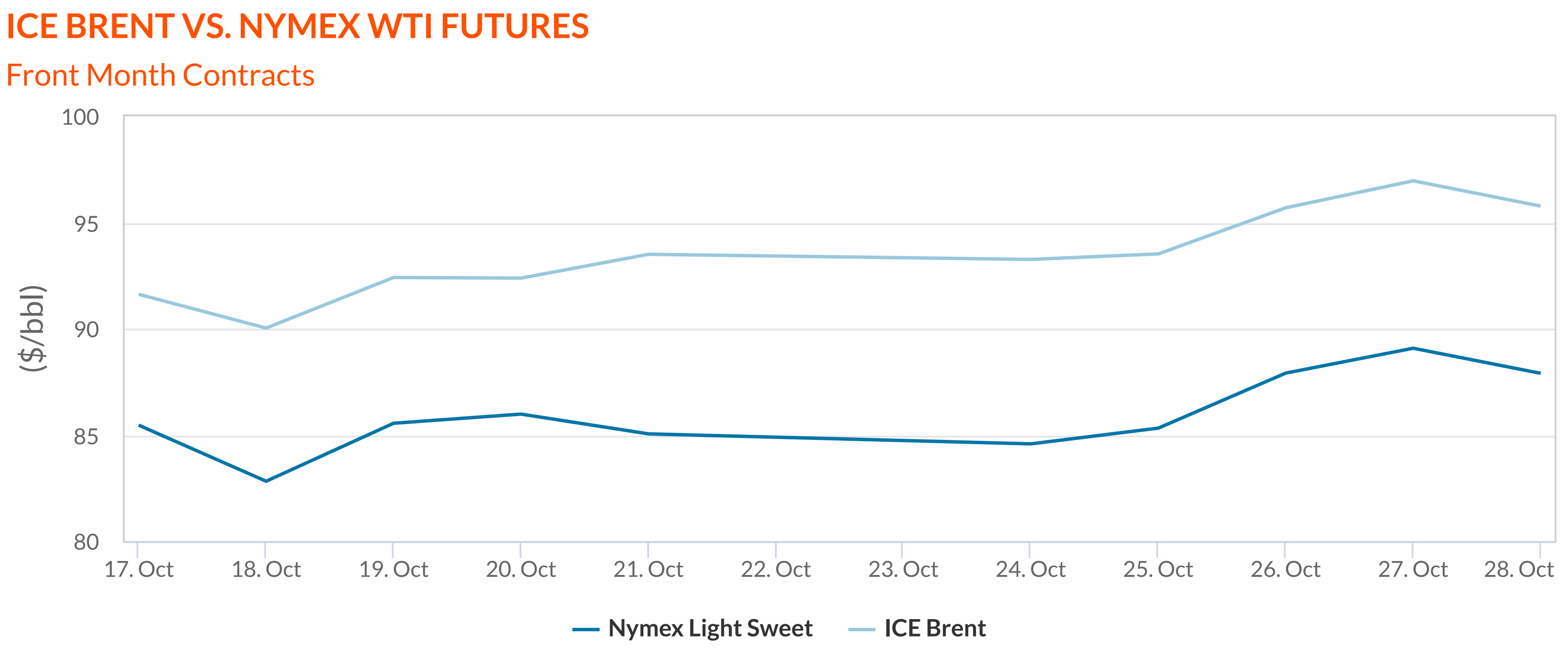
Noah Brenner, London

Oil Prices Slide, Diesel Skyrockets on Short Squeeze

Oil futures shed about a dollar on Friday while prices for diesel and gasoline moved in opposite directions in what could be a tell-tale trend for the Northern Hemisphere winter.

The November contract for heating oil underwent an intense spike of 25¢ during the session, although this was likely due to an end-of-month squeeze often occurring when product contracts expire.

In London, the front-month December contract for ICE Brent fell by $1.19 to close at $95.77 per barrel, while in New York, the December contract for West Texas Intermediate (WTI) dropped $1.18 to finish the session at $87.90/bbl.



After posting considerable gains in the prior two sessions, the oil market's focus shifted to China's economy and another batch of reports regarding Covid-19-related mobility restrictions.

Meanwhile, the heating oil contract on Nymex — essentially a New York harbor contract that is a proxy for diesel in the world — ended the day nearly 22¢ higher at $4.5498 per gallon. The contract, which expires on Monday, was trading an exuberant 85¢ over the December contract.

"This reflects the cash market and the futures contract converging," one trader noted. The discrepancy with December, the trader explained, signaled a short squeeze, where traders looking for delivery need to pay up for physical cargoes.

The November diesel price in New York harbor was priced $103 over the WTI contract. By contrast, December diesel contracts were trading still nearly $70 over WTI.

The global diesel market is under pressure from lower Russian product exports, and prices have been rising disproportionate to crude oil values.

The trader said that low open interest and trading volumes contributed to prices jumping around. "Volumes are light and open interest is down," the trader noted.

Regardless, the heating oil crack — or what a refiner can expect to earn converting a barrel of crude into diesel — reached $69 for December WTI, a phenomenally high level.

For the month, oil is on track for a nearly $8 gain, although Monday's session could see a correction given the inherent volatility in markets.

Gary Peach, New York

IN BRIEF

New Government Formed in Iraq

Iraq's parliament has approved a new government, putting an end to more than a year of deadlock.

The new government, approved late Thursday, will be headed by Prime Minister Mohammed Shia al-Sudani, who previously served as Iraq's human rights minister and minister of labor and social affairs.

The deadlock was broken earlier this month when the parliament elected Kurdish compromise candidate Abdul Latif Rashid as president, who in turn picked al-Sudani to form a government.

The prime minister has promised to enact economic reforms and to fight corruption. He says the country will hold parliamentary elections within the coming year.

Hayan Abful Ghani, the former head of state-run South Gas Co., will replace Ihsan Abdul Jabbar as oil minister.

The formation of a new government could unlock a number of projects that the caretaker government was unable to sign-off on, including potentially launching the megadeal signed last fall with TotalEnergies.

Al-Sudani will take office about a year after the election gave radical cleric Moqtada al-Sadr a plurality of parliamentary seats. Al-Sadr, however, failed to form a government and withdrew his 73 members earlier this year, prompting violent protests.

Tensions are still expected to remain high.

Yousra Samaha, Dubai

Mercuria and ChemChina Sever Equity Ties

Trading giant Mercuria is buying back a 12% equity stake in the trading giant from state-controlled ChemChina, ending a partnership that had once been expected to grow.

"After a successful six years of commercial and strategic cooperation consistent with the investment terms and time horizon initially contemplated," Mercuria said in a statement to Energy Intelligence without giving more details.

When ChemChina bought a 12% interest in Mercuria in 2016 it was widely believed that the relationship would give the trader greater access into China's downstream.

Back in 2018, Mercuria had said that ChemChina would further increase its stake in the trading company, in a deal that would have seen Mercuria gain a minority stake in ChemChina's domestic refineries. But the deal was never finalized.

Mercuria's decision to unwind its relationship with ChemChina comes as growing geopolitical tensions pitch China against the Western world, and China's oil demand looks set to fall this year for the first time in 20 years.

ChemChina merged last year with state Sinochem to create the world's largest chemicals company, with a combined refining capacity of 700,000 b/d.

Maryelle Demongeot, Singapore

Spain-France Piped Gas Capacity Set to Rise

Total natural gas pipeline capacity between Spain and France will grow by 18% from Nov. 1, gas transmission system operators from both countries said.

The pipeline crossing the Irun-Lussagnet border interconnection point will be able to flow 66% more gas to up to 3.5 Bcm/yr, Spain's Enagas and France's Terega said.

The pipe will now be able to flow 100 GWh/d, or 9 MMcm/d of gas.

This will expand total gas sendout capacity from Spain to France to 8.5 Bcm/yr.

The Iberian Peninsula has been relatively isolated from the rest of the European continent as Spain itself has six LNG terminals but just two bidirectional cross-border pipelines to France to take the gas eastward.

In the first nine months of 2022, Spain sent 1.03 Bcm of piped gas to France, Enagas data shows. In the same period in 2021, Spain imported 0.7 Bcm from France through the same route.

The governments of Spain, France and Portugal recently agreed to build a Green Energy Corridor to transport gas, and later hydrogen, eastward from the Iberian Peninsula.

Among the plans include building an offshore pipeline connecting Barcelona with Marseille and scrapping the long-proposed 7.5 Bcm/yr MidCat pipeline project planned to cross the Pyrennes.

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

Jaime Concha, Copenhagen

Third Blaze at Pengerang Complex

Petronas' refining and petrochemicals complex at Pengerang in southern Malaysia has been hit by a third fire in four years, an event that could impact commercial operations slated to start in December.

The blaze and an explosion occurred at the $27 billion Pengerang Integrated Complex (PIC) at around 3:40 p.m. local time (8:40 a.m. GMT) on Oct. 27, Petronas said in a statement, adding that the fire was completely extinguished at 4:50 p.m. local time.

PIC comprises the 300,000 b/d Rapid refinery which is owned by the PRefChem joint venture between Petronas and Saudi Aramco.

The fire involved the connecting pipelines for the N-OSBL project, the local fire department said in a separate statement. N-OSBL stands for Nutmeg-Outside Battery Limit. OSBL comprises anything outside the process unit.

"The effects of the fire have destroyed 50% of the pipeline involved," the fire department said.

Five pipelines have been impacted: the utility line, hydrocarbon line, flare line, diatomic carbon line and shell gas line.

Energy Intelligence understands the project is linked to the titanium nitrile butadiene latex facility, for which Dialog Group bagged a 248 million ringgit ($52.59 million) engineering, procurement, construction and commissioning contract in November last year.

Marc Roussot, Singapore

OMV Proposes Special Dividend

Austria's OMV plans to pay out a special dividend of €2.25 ($2.25) per share for 2022 as it continues to make bumper profits.

The special dividend, which will be proposed at the company's 2023 annual general meeting, would be paid out on top of OMV's usual yearly dividend.

OMV also said it intends to amend its dividend policy to accommodate special payouts in future years "as a means for shareholders to participate in extraordinarily positive business and financial performance."

Oil and gas producers have been able to reward investors handsomely thanks to high energy prices this year.

Indeed, OMV on Friday revised up its 2022 average realized gas price forecast to €55-€60 per megawatt hour ($16.10-$17.60 per million Btu), from €45/MWh previously, after prices spiked in the third quarter.

CEO Alfred Stern noted the company had used €1.5 billion-€2 billion of its cash flow this year to help fill Austria's gas storage.

Asked about a reported offer from a consortium including trading house Trafigura for a 51% stake in OMV's upstream business, Stern referred to the company's 2030 strategy, which aims to create a sustainable fuels, chemicals and materials company and cut oil and gas output by 20%.

"We are always open to conversations, although they must be in the direction of our strategy and must be commercially interesting for OMV," Stern said. "At the present time, I can't report on any concrete projects."

He also played down speculation OMV may split into two companies, focused on E&P and materials/chemicals, respectively.

OMV Q3'22 EARNINGS RESULTS

(€ million)	Q3'22	Q2'22	%Chg.	Q3'21
Revenues	17,170	14,793	16	8,512
Operating Cash Flow	3,182	461	590	1,608
Net Income	1,359	2,513	-46	484
Adjusted Income*	1,206	1,418	-15	781
Production ('000 boe/d)	381	345	10	470

€1=$1 * Clean CCS net income attributable to stockholders of the parent. Source: OMV

Tom Daly, London

Repsol Boosts Payouts in Third Quarter

Repsol is accelerating returns to investors following a bumper third quarter, continuing a trend among western oil companies of sharing their newfound wealth through increased dividends and share repurchases.

Madrid-based Repsol increased its dividend payments by 11% and is accelerating its stock buyback program by 26 million shares for a total repurchase of 200 million shares this year.

In total, the company is showering an additional $700 million on shareholders, according to estimates from investment bank Jefferies. The Spanish giant also cut its net debt by more than half in the quarter to $2.2 billion.

Repsol's results came in slightly below analyst estimates because of lower-than-expected upstream earnings due to a higher tax rate.

But the Spanish major nevertheless saw its net income more than double compared to year-ago levels as prices for its oil, natural gas and products soared.

REPSOL Q3'22 EARNINGS RESULTS

(€ million)	Q3'22	Q3'21	%Chg.	Q2'22
Revenues	**21,746**	**13,931**	**56%**	**22,003**
Operating Cash Flow	3,189	1,439	122	1,839
Net Income	**683**	**704**	**-3**	**1,147**
Adjusted Income	**1,477**	**623**	**137**	**2,121**
Production ('000 boe/d)	**549**	**530**	**4%**	**540**

Source: Repsol

Noah Brenner, London

Glencore Predicts Dip in Trading Profits

Swiss commodities giant Glencore says operating profits from its trading operations will fall "significantly" during the second half of the year to around $1.6 billion, but the company is still expecting long-term income of $2.2 billion-$3.2 billion per year from its marketing efforts.

The lower expected trading profits are due to a range of factors, including the knock-on effects of the war in Ukraine, Glencore said.

London-listed Glencore is one of a group of traders to make a fortune from market volatility that began in early 2020. During the first half of 2022, the company's trading desk smashed all records with an operating profit of $3.7 billion, largely on the back of huge margins from its coal-trading division.

Glencore is one of the largest coal miners in the world, but also has a small presence in upstream oil and gas, limited to West Africa. During the first nine months of the year, production from fields in Cameroon and Equatorial Guinea averaged around 18,000 b/d, representing a year-on-year increase of 16%.

Like the other big traders, Glencore has slashed its trading activities in Russia to a bare minimum because of EU sanctions.

Paul Sampson, London

Singapore Stocks Dip

Singapore onshore oil product inventories dipped by 0.3% from a week ago to 43.06 million bbl on Oct. 26, according to data released by government agency IE Singapore. The stocks levels are one of the indicators of the products supply situation in Singapore, the Asia-Pacific's trading and pricing hub.

SINGAPORE ONSHORE PRODUCT STOCKS

('000 bbl)	Oct 26	Oct 19	Vol.Chg.	%Chg.
Light Distillates	15,027	15,184	-157	-1.0%
Middle Distillates	6,890	6,963	-73	-1.0
Fuel Oil	21,145	21,040	105	0.5
Total	**43,062**	**43,187**	**-125**	**-0.3%**

Source: IE Singapore

Freddie Yap, Singapore

DATA SNAPSHOT

Oil and Gas Prices, Oct. 28, 2022

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

CRUDE OIL FUTURES

($/bbl)	Chg.	1st Mth.	2nd Mth.
ICE Brent	-1.19	95.77	93.77
Nymex Light Sweet	-1.18	87.90	86.61
DME Oman	-1.07	90.83	90.96
ICE Murban	-1.55	93.62	93.32

INTERNATIONAL SPOT CRUDES

($/bbl)	Chg.	Price	Prior Close
Brent (Dated)	+0.48	94.64	94.16
Dubai	+0.25	92.60	92.35
Forties	+0.01	94.09	94.08
Bonny Light	+0.01	96.81	96.80
Urals	+0.01	75.81	75.80
Opec Basket*			94.73

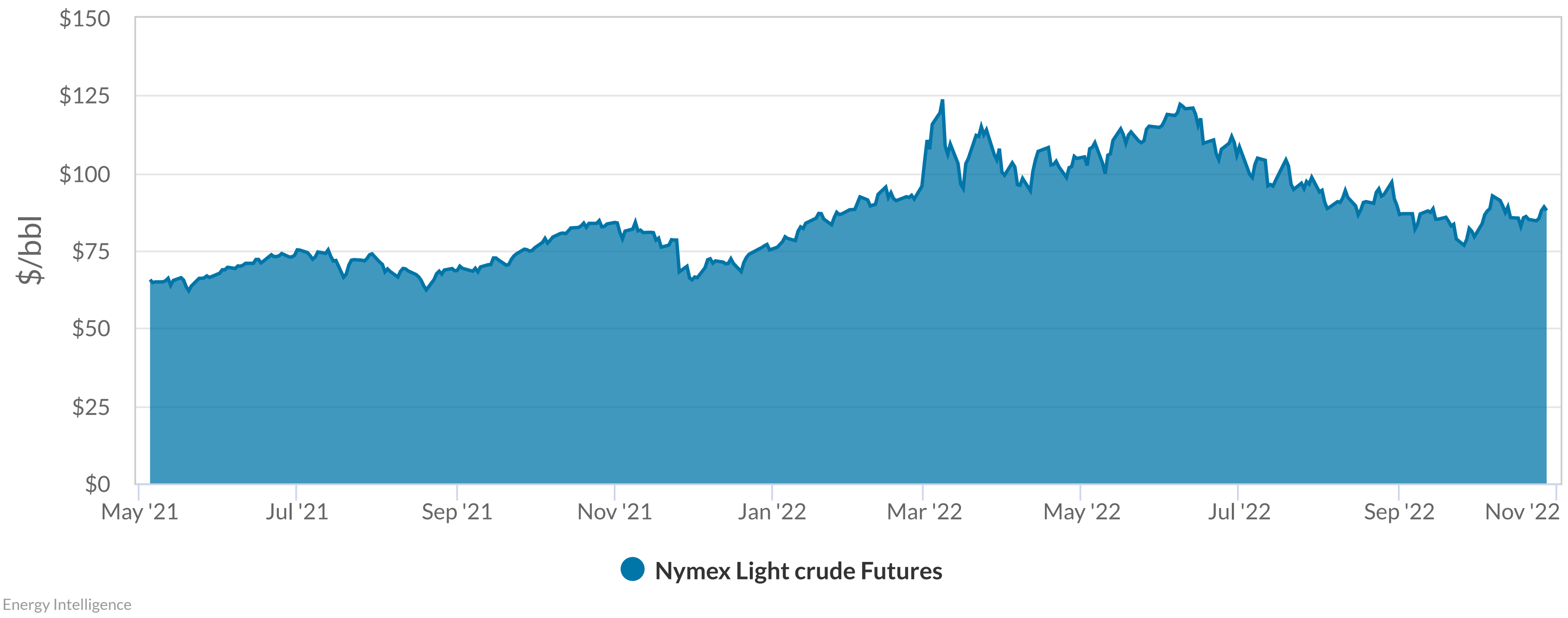
*Opec price assessed.

NORTH AMERICAN SPOT CRUDES

($/bbl)	Chg.	Price	Prior Close
WTI (Cushing)	-1.21	87.85	89.06
WTS (Midland)	-1.46	86.20	87.66
LLS	-1.01	90.55	91.56
Mars	-0.91	83.05	83.96
Bakken	-1.21	92.65	93.86

ICE BRENT CRUDE FUTURES

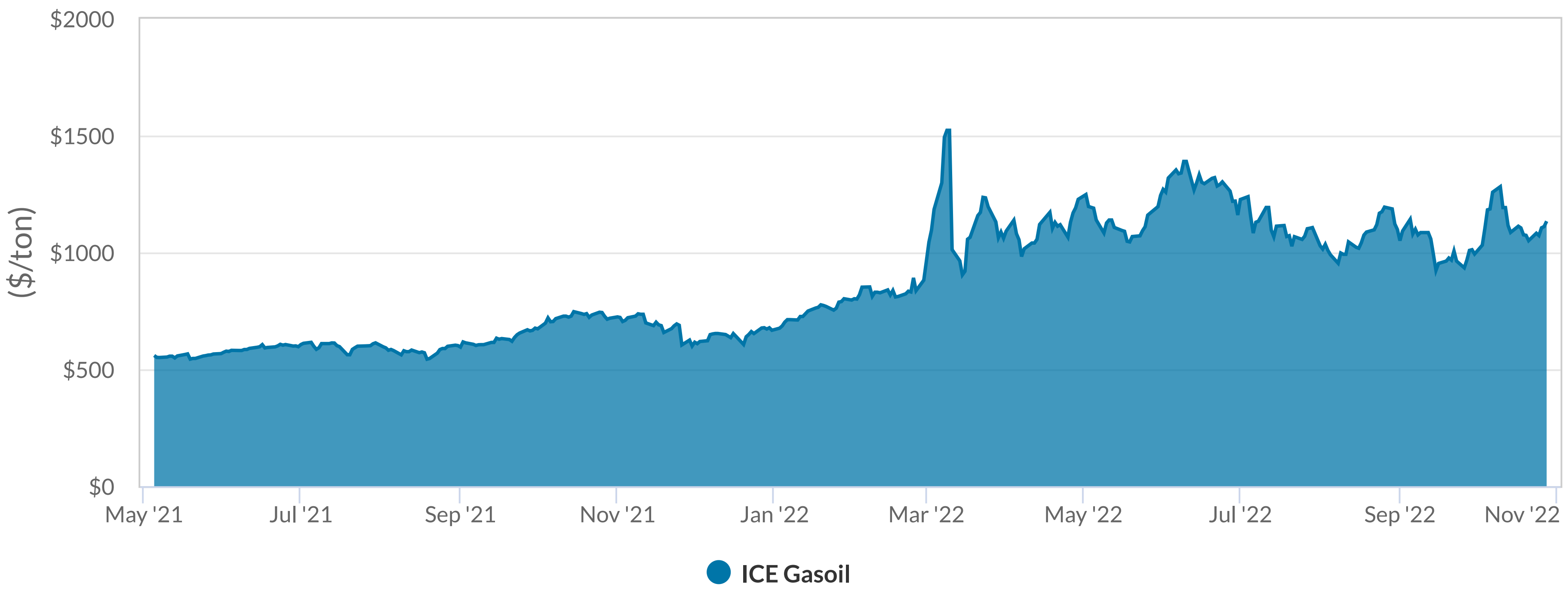
NYMEX LIGHT CRUDE FUTURES



REFINED PRODUCT FUTURES

Nymex	Chg.	1st Mth.	2nd Mth.
Gasoline (¢/gal)	-10.50	290.66	256.29
ULSD Diesel (¢/gal)	+21.59	454.98	374.55
ICE			
Gasoil ($/ton)	+23.00	1133.50	1038.50
Gasoil (¢/gal)	+7.34	361.77	331.45

ICE GASOIL FUTURES



NYMEX GASOLINE FUTURES

US SPOT REFINED PRODUCTS

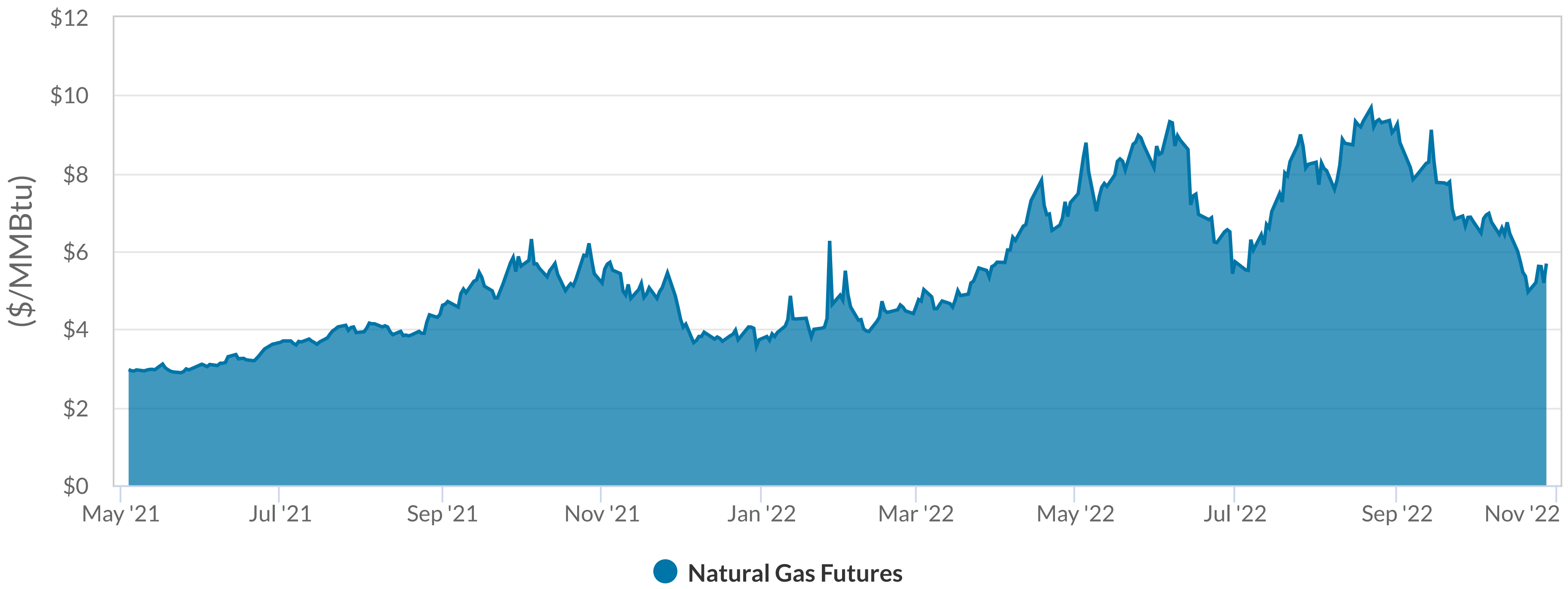
New York (¢/gal)	Chg.	Price	Prior Close
Regular Gasoline	-14.04	315.21	329.25
No.2 Heating Oil	+12.09	454.00	441.91
No.2 ULSD Diesel	+34.09	487.00	452.91
No.6 Oil 0.3% *			93.88
No.6 Oil 1% *			89.07
No.6 Oil 3% *			62.41
Gulf Coast (¢/gal)			
Regular Gasoline	-25.79	292.96	318.75
No.2 ULSD Diesel	+22.59	457.00	434.41
No.6 Oil 0.7% *			85.57
No.6 Oil 1% *			85.57
No.6 Oil 3% *			57.22

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

INTERNATIONAL SPOT REFINED PRODUCTS

Rotterdam ($/ton)	Chg.	Price	Prior Close
Regular Gasoline	-14.90	932.50	947.40
ULSD Diesel	-7.25	1234.75	1242.00
Singapore ($/bbl)			
Gasoil	+2.49	129.48	126.99
Jet/Kerosene	+1.34	126.66	125.32
VLSFO Fuel Oil ($/ton)	+2.04	681.65	679.61
HSFO Fuel Oil 180 ($/ton)	+13.02	416.39	403.37

NYMEX NATURAL GAS FUTURES



Refinitiv

NATURAL GAS PRICES

($/MMBtu)	Chg.	Price
Henry Hub, Nymex	+0.50	5.68
Henry Hub, Spot	-0.38	4.92
Transco Zone 6 - NY	-1.12	3.34
Chicago Citygate	-0.48	4.46
Rockies (Opal)	-0.29	5.28
Southern Calif. Citygate	-0.10	5.75
AECO Hub (Canada)	+0.74	1.61
Dutch TTF (euro/MWh)	-3.48	33.82
UK NBP Spot (p/th)	+14.00	79.00

US/Canada spot prices from Natural Gas Week

Equity Markets, Oct. 28, 2022

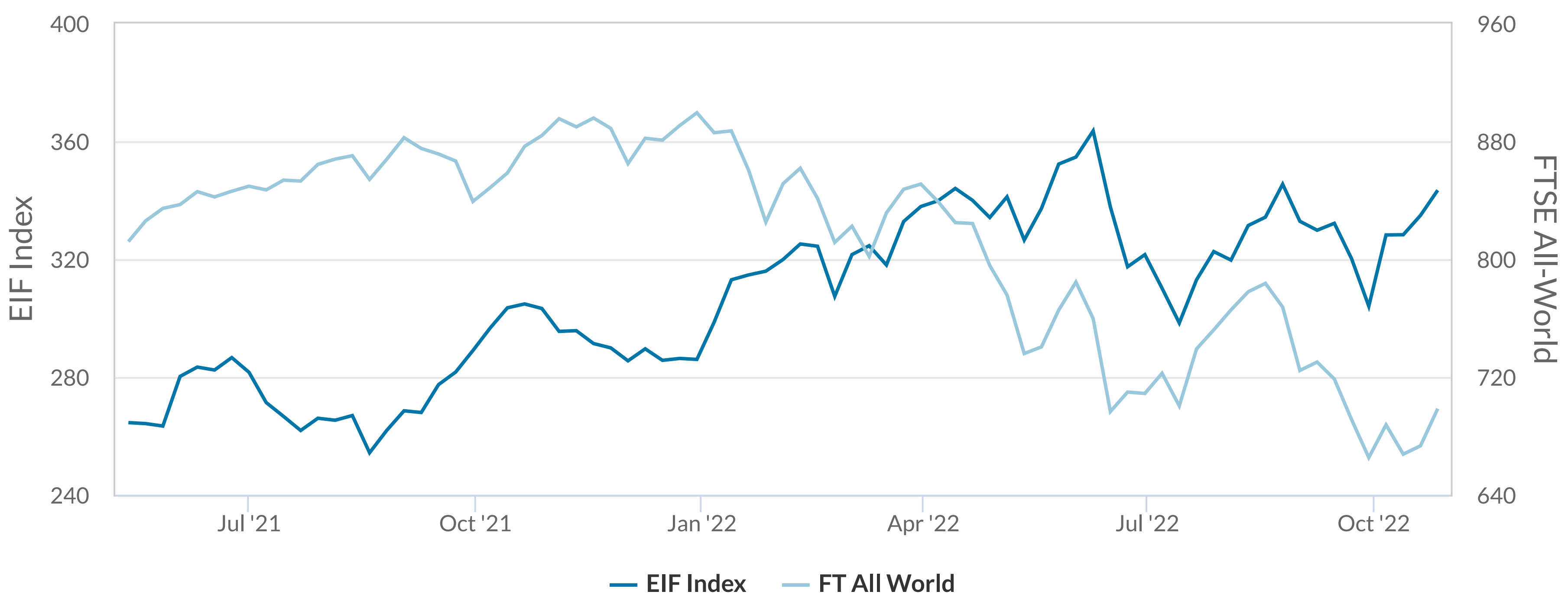
All data are produced by Energy Intelligence in cooperation with Reuters.

EQUITY MARKET INDEXES

	Chg.	Index	YTD %Chg.
EIF Global*	+1.76	343.39	+19.75
S&P 500	#N/A	3,901.06	-18.61
FTSE All-World*	-2.50	698.48	-22.49

*Index for previous day

EIF INDEX



EIF Global Oil and Gas Index of 21 traded equities

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