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In Brief

Data Snapshot

Conoco Wins Final Stake in Qatar LNG Expansion

Qatar has surprised industry watchers by selecting ConocoPhillips over dominant LNG investor Exxon Mobil to take the final equity position — a 6.25% stake — in the second phase of its giant North Field LNG expansion.

Several weeks ago, QatarEnergy had stated that "three new partners will be entering" the 16 million ton per year North Field South (NFS) project in addition to TotalEnergies.

The assumption was that this would be Exxon Mobil, Shell and either Eni or ConocoPhillips, the other two short-listed firms. Exxon had won a stake in the North Field East (NFE) project, the 32 million ton/yr Phase 1 of the expansion, in June.

The first sign that Exxon might not play a leading role in Phase 2 of Qatar's expansion came with the award of a 9.375% stake in NFS to Shell on Oct. 23.

Given a previous announcement that 25% of the equity would be made available to strategic international investors, and the prior award of 9.375% to Total, that left just 6.25% — in effect a junior stake.

But Exxon is a heavyweight in Qatar. The US major pioneered the 7.8 million ton/yr megatrains and QatarMax tankers that helped revolutionize Qatar's LNG industry.

The US major is an investor in nine of Qatar's existing 14 LNG trains and lead partner on two major Qatari pipeline projects.

And in addition to being one of the three biggest international investors in the Phase 1 NFE, Exxon is also partnered with QatarEnergy in the 18.1 million ton/yr Golden Pass LNG project in Texas.

The NFS news comes hard on the heels of a decision to separately market Golden Pass LNG volumes, doing away with a specially created joint marketing vehicle, Ocean LNG, that QatarEnergy and Exxon had created.

Tight Terms

It could be that the bar for entry was set too high. Qatar is understood to have leveraged the North Field project's natural advantages to squeeze exceptionally tight terms out of investors. In addition to economies of scale and low-cost gas, profitability is boosted by large volumes of valuable associated liquids (see table).

Speaking to Energy Intelligence in August, Exxon Head of Global LNG Peter Clarke described Qatar as "probably the world's most competitive LNG supplier."

Further, QatarEnergy has invested over $250 million in a range of decarbonization technologies, including carbon capture and storage and solarization of utilities, to deliver what it is touting as the lowest-emissions LNG on the market.

"This will enable our LNG to play an important role in supporting a pragmatic, equitable and realistic energy transition," Saad al-Kaabi, Qatari energy minister and QatarEnergy CEO, said at Sunday's signing ceremony with ConocoPhillips.

ConocoPhillips' Qatar Focus

ConocoPhillips has looked at investing in the Middle East a few times over the past 20 years. It considered participating in Saudi Arabia's strategic gas opening in the mid-2000s, and it performed due diligence on Iraq's 2009 upstream bid rounds.

It actually signed a $10 billion agreement in 2008 with Abu Dhabi to develop the Shah ultra-sour gas field, only to controversially pull out of the project two years later.

In short, ConocoPhillips has largely signaled that it does not view the region as a natural investment fit — with the exception of Qatar.

The company has always valued its historical investment in the Qatargas 3 project, and won a 3.125% stake in the Phase 1 NFE expansion in June. Furthermore, sources say, CEO Ryan Lance enjoys good personal relations with Qatar's emir.

QATAR'S LNG EXPANSION BY PRODUCT AND VOLUME

	Phase 1	Phase 2
LNG (million tons/yr)	32	16
Condensate (b/d)	254,000	122,000
LPG (tons/d)	11,000	5,260
Ethane (tons/d)	4,500	2,000
Sulfur (tons/d)	1,825	1,130
Targeted Start-Up	2026	2027
North Field Strategic Partners		
TotalEnergies	6.250%	9.375%
Exxon Mobil	6.250	0.000
Shell	6.250	9.375
Eni	3.125	0.000
ConocoPhillips	3.125%	6.250%

Source: QP Bond Prospectus July 2021, QatarEnergy

Rafiq Latta, Istanbul

Traders Brace for Russia Price Cap, EU Embargo

Oil traders are navigating the December crude market with major uncertainties looming over the impact of new sanctions on Russian oil exports.

G7 countries are planning to implement a price cap, intended to ease the impact of a new prohibition on companies in their jurisdictions providing shipping and related services, such as insurance, to companies handling Russian oil. If the price of a cargo falls under the cap, G7 firms will be able to provide those services.

But there are still major uncertainties, including the price level at which Western officials will set the cap.

So far, G7 officials have said there will be one for crude and two for products; that they will be reviewed regularly; and that the prices will be fixed, not set as a differential to a benchmark. US officials have said they want the price to be in line with previous levels accepted by Moscow, and have occasionally hinted at the $60/bbl range for crude.

Even with such major questions unsettled, the forthcoming price cap and an EU embargo on imports of Russian crude — both slated to take effect on Dec. 5 — are changing traders' way of doing business. An EU embargo on Russian products will follow on Feb. 5.

While most December crude priced off North Sea benchmark Brent has already traded, spot Urals cargoes typically trade about two weeks ahead of loading — meaning that spot cargoes loading after Dec. 5 won't be traded until late November.

Some buyers in India have agreed to semi-term contracts, but they have been taking Russian oil on a delivered basis since Moscow's invasion of Ukraine, meaning that the responsibility for arranging shipping and insurance falls on the seller.

Chinese independent refiners, which make up a significant chunk of Chinese buying of Russian crude, also buy on a delivered basis.

Still, the introduction of the cap is "shaking buyer confidence," which is compounded by the uncertainty over the price cap's details, said an Indian market source.

A Chinese market source also underlined uncertainty about the impact of the price cap on Chinese and Indian buying of Russian crude, but noted that the impact would fall harder on buyers without access to their own fleet of tankers to carry crude.

Tanker Shortage?

Traders say the main issue will be whether there are enough tankers available to execute crude and product transactions, especially as trade routes become longer with Russian oil no longer finding a home in nearby Europe.

The lack of tankers will be felt particularly in product markets, ship brokers say.

"Are there enough clean product ships to take diesel around the world from Russia while taking Arab Gulf and US diesel to Europe? To me, it looks like there aren't enough ships," one source said.

It's also unclear if there is enough ice-breaking tonnage available for northern ports beyond Sovcomflot — Russia's sanctioned state-owned tanker operator.

At least half of the tankers offloading Russian crude in India and China are owned by Sovcomflot, port data show. There are also Turkish and Chinese-owned vessels serving the Asian route.

Redirected Flows

Western traders largely believe Indian and Chinese refiners will be happy to continue receiving heavily discounted Russian crude, and they are said to be pushing for steeper discounts.

"Russia has been subsidizing their systems, so why wouldn't they want to carry on" buying, one trading source said. But he says they may be reluctant to increase their intake, which has risen to record levels in recent months. "They may have reached their limit -- neither wants to become too dependent on Russia for their own good."

Some sources suggest that India could take another 600,000 b/d of Russian crude, while others suggest that volume for Asia as a whole. Finding new markets for Russian products will be harder, as both India and China are long on diesel.

Western officials have emphasized from the start that the goal of the embargoes is to reduce revenues to Moscow. The price cap idea developed as a way to keep oil flowing despite the ban on shipping services. Some officials argue that the price cap will facilitate deeper discounts even for countries that do not formally participate in it.

Russian sellers, however, say they will not sell under the terms of the price cap, or to countries that impose it.

European Alternatives

Only Rosneft and Lukoil's subsidiaries in Europe are still buying Russian crude, according to trading sources and shipping data.

"I still don't have a good feeling if European Urals buyers have found an alternative for the Dec. 5 deadline," one source said.

Lukoil has traditionally fed its Zeeland refinery in the Netherlands and its Isab plant in Italy with Russian crude, and it's not clear what alternatives the company will buy.

Torbjorn Tornqvist, CEO of trading firm Gunvor said recently that a "re-routing" of crude flows is likely to occur.

"Russian crude oil goes to Asia, and the Middle Eastern crude that was going to Asia goes to Europe. US crude oil comes to Europe," he said.

The effects of the coming sanctions may also be blunted somewhat by fears of a recession.

Demand is thinning out as the end of the year approaches, traders say. Refiners are reluctant to buy crude that will not be processed until next year because of tax liabilities.

Emily Meredith, Washington and Julien Mathonniere, London and Freddie Yap, Singapore and Paul Sampson, London and Rakesh Sharma, New Delhi

US Officials Try to Ease Russia Price Cap Fears

Western officials are trying to allay industry fears that the trade in Russian oil will be severely disrupted from Dec. 5, when a proposed price cap is set to take effect.

The US released some details Monday, but key information — particularly the level of the cap — is still pending, just six weeks ahead of implementation.

The official goal is to keep Russian oil flowing after a European ban on shipping services is imposed, while still capping Moscow's oil income.

Member countries of the G7, which includes the European Union, and Australia have agreed to implement the price cap. Any transactions priced at or below the cap would be exempt from the shipping ban.

The US Treasury Department issued a clarification on Monday, noting that cargoes loaded before the Dec. 5 deadline will not be subject to the price cap, so long as they are unloaded before Jan. 19, 2023.

That clarification came in response to questions from companies' compliance officers, a senior Treasury Department official said.

Russia has several options to continue oil exports once the price cap takes effect, the official said. They include using vessels outside the jurisdiction of countries implementing the price cap or pricing cargoes in compliance with the cap.

However, Russia has said it will not cooperate with the cap, which forms part of international sanctions against Moscow in response to its war in Ukraine.

Blending Rules

Buyers of testing their appetite for Russian oil still face key uncertainties, including the price at which G7 countries will set the cap.

The cap is slated to take effect on Dec. 5 for Russian crude and on Feb. 5 for Russian oil products — dates that align with EU import embargoes.

Other issues that remain unclear include how the price cap would be implemented in cases where Russian crude is blended with crude from other countries, and whether the cap will include shipping and other transaction costs.

The price caps generally would not apply once Russian crude arrives onshore and is "substantially transformed," the Treasury Department's Catherine Wolfram told a conference in Singapore last month.

Refining is considered "substantial transformation."

Crude and products blended in onshore tanks or offshore tankers would not be considered to be transformed, so the price cap would still apply to the resulting blends, Wolfram told Energy Intelligence on the sidelines of the conference.

Status Unknown

There has been little public discussion of the EU's role in helping to determine how the the price cap would work since early October, when all 27 member states passed their eighth package of sanctions against Russia.

That package included a framework for implementing a price cap on Russian crude by banning the provision of shipping or insurance services for Russian oil sold around the world unless those transactions complied with the cap.

The work needs to be done in close coordination with the UK, home to the most powerful marine insurance body in the world.

Recent tumult in the UK prime minister’s office has left little time for questions regarding the status of the UK efforts to implement the price cap.

Emily Meredith, Washington and Freddie Yap, Singapore and Noah Brenner, London

Opec Trumpets Oil's Role in Long-Term Forecast

Opec has issued a clarion call for investment in the oil industry, warning in its annual World Oil Outlook (WOO) that chronic underinvestment is a major cause for concern, as it forecasts a rise in global demand of around 13 million barrels per day by 2045.

The report, presented in Abu Dhabi on Monday, comes at a time of growing divisions between the producer group and Western consumer countries, and also just one week before the UN's COP27 climate summit kicks off in Egypt.

Opec argues that, at a time of heightened geopolitical uncertainty, more resilient approaches to energy security are needed, including greater investment in oil and gas projects, without which developing nations face the scourge of energy poverty.

In its reference-case scenario, the WOO sees oil retaining the largest share of the global energy mix over the forecast period, with demand rising to 105.5 million b/d in 2025 and 109.8 million b/d by 2045.

The latest forecast for 2045 — 1.6 million b/d higher than last year's forecast — compares with demand of 96.9 million b/d in 2021.

"Today, our reality globally, as we know, is that there is a huge shortfall in investments to meet this expected demand growth. The sustainability of the global energy system is actually at stake," said Opec Secretary General Haitham al-Ghais.

To keep pace with demand, the oil industry alone will require investments totaling $12.1 trillion between now and 2045, according to the report — $1 trillion in the midstream, $1.6 million in the downstream, and $9.5 trillion in the upstream.

"This is not only to add new capacity, but also to manage annual average industry decline rates of nearly 5%, and this equates to over $500 billion each year, with recent annual levels significantly below this due to the industry downturns, the pandemic and increasing focus on ESG issues," al-Ghais said.

Widely Differing Scenarios

For comparison, in its World Energy Outlook published last week, the International Energy Agency projected that oil demand will reach 107.6 million b/d by 2050 under a "no-change stated policies" scenario.

But that would fall to 69.5 million b/d under the IEA's "announced pledges" scenario, while under its "net-zero by 2050" scenario, oil demand would slump to 34.1 million b/d by mid-century.

Opec's lowest demand or "advanced technology" scenario, tucked away at the back of the WOO report, envisages demand falling to 92 million b/d by 2045. The producer group has been pushing back against calls for a rapid transition away from oil and other fossil fuels towards renewables. But it also sees the share of renewables in the global energy mix growing faster than that of any other source of energy — at an average rate of 7.1% per year.

Nonetheless, it expects oil to remain the number one fuel in the world's primary energy mix through 2045, with the combined market share of oil and gas remaining above 50%.

For example, despite the swift progress made by electric vehicles, Opec expects internal combustion engines to remain dominant on the roads, with EVs representing around 22% of the global passenger and commercial vehicle fleet by 2045.

Winners and Losers

On the supply side, the war in Ukraine and related Western sanctions are seen causing Russian liquids production to decline by 700,000 b/d over the medium term.

US oil output is expected to lead the post-pandemic rebound, accounting for around 50% of the 7.8 million b/d of incremental output that the report envisages between 2021 and 2027.

But from the early 2030s, non-Opec liquids supply will start to fall as US output peaks at just over 16 million b/d due to resource constraints, and additions from the likes of Guyana, Kazakhstan and Brazil fail to offset declines in other non-Opec countries.

In parallel, Opec liquids output is forecast to increase from 31.6 million b/d last year to 42.4 million b/d by 2045, with the organization growing its share of global liquids supply during this period from 33% to 39%.

For Mideast Gulf producers, the future distribution of global energy demand will be favorable, because it will be driven exclusively by non-OECD countries, and India in particular, according to the report.

OECD oil demand is projected to decline after 2024, falling by almost 11 million b/d by the end of the forecast period.

But non-OECD demand is seen more than offsetting that decline, rising by 24 million b/d by 2045, driven by an expanding middle class, high population growth and stronger economic growth potential in those countries.

Simon Martelli, Abu Dhabi

Russia Poised to Push Diesel Exports in November

Russia is planning to ramp up diesel exports by 40% in November, sources familiar with the situation tell Energy Intelligence.

Exports of diesel are tentatively scheduled to average 750,000 barrels per day, an increase of about 225,000 b/d from October, based on preliminary shipping data.

That would be the highest level since March — the first full month of the war in Ukraine — when Russia exported some 780,000 b/d of diesel.

Just five weeks remain until some 1.2 million b/d of Russian crude is barred from entering Europe.

So Russian oil companies, facing a glut of crude, plan to boost refinery throughput and export more products like diesel and naphtha, while they still can, analysts say.

Europe's diesel stocks are very low for this time of year, so the region should welcome the additional volumes.

European diesel cracks — the gross profit a refinery can make by converting crude into diesel — remain at sky-high levels of around $70/bbl, pointing to robust demand.

Looking further ahead, there is little clarity where alternative supplies will come from once the region bans imports of Russian products from Feb. 5.

Analysts say imports from the US and East of Suez would be insufficient to restore balance to the diesel market.

Throughput Ready to Roar

Russia itself will likely have a glut of diesel next month, now that inventories have risen, refiners have wrapped up maintenance, and European buyers are cutting back on purchases in advance of the Dec. 5 crude embargo.

Even though Russia's refineries underwent annual maintenance in September-October, domestic diesel stocks soared by about 1.5 million bbl to around 21.5 million bbl toward the end of October — the highest level since April.

Russian refinery throughput, meanwhile, is set to grow to some 5.7 million-5.8 million b/d — up about 200,000-300,000 b/d from the July-October period when throughout was largely flat.

Importantly, Russian refiners will focus on producing middle distillates, the one part of the barrel where Russian refineries can still make some decent money.

A critical subsidy known as the "buffer mechanism" currently pays refiners about 28,000 rubles per metric ton ($61.50 per barrel) for domestic sales of diesel. By contrast, the subsidy for gasoline is just $17 per barrel.

Although this essentially means that the domestic market provides a premium, the export netback on diesel is also attractive — even though European buyers are still extracting a discount of about $13-$15/bbl for Russian diesel.

In January-October, Russia exported some 685,000 b/d of diesel, down some 150,000 b/d from average exports in 2021. The lion's share of those exports went to Europe, with a smattering winding up in Asia and Africa.

The country's overall diesel production in the first 10 months of 2022 was 1.7 million b/d.

Gary Peach, New York

China's Zero-Covid Policy Hits Refiners

Third-quarter results from China's big three national oil companies (NOCs) reflected the impact of the country's strict zero-Covid policy on downstream operations.

Sinopec — Asia's largest refiner — was hit particularly hard. Its third-quarter profit fell 38% year on year to 12.83 billion yuan ($1.78 billion), Energy Intelligence calculates from the company's published nine-month data.

But CNOOC Ltd. — the Hong Kong-listed upstream arm of China National Offshore Oil Corp. (CNOOC) — reported an 89% year-on-year profit surge thanks to high oil prices.

And PetroChina — the listed arm of China's largest oil and gas producer, China National Petroleum Corp. — posted a 71.5% year-on-year increase as earnings from its upstream segment more than made up for its struggling downstream segments.

Lingering Effects

On their respective earnings calls, Sinopec and PetroChina said weak refining results were partly attributable to losses on inventories as crude oil prices retreated during the third quarter.

But they also referred repeatedly to the dampening effect that Covid-19 restrictions had on domestic demand for refined products.

Both companies reported significant year-on-year declines in domestic sales of products — 4.6% for Sinopec and 4.8% for PetroChina — during the first nine months of 2022 as Covid-19 restrictions limited people's movements.

But they were more optimistic about the outlook for the fourth quarter, based on expectations that government stimulus measures will boost demand.

Managers refrained from making any predictions about the future of Covid-19 restrictions, but President Xi Jinping's address to the Communist Party Congress this month indicated that they would not be lifted any time soon.

Chemicals Take a Hit

Sinopec and PetroChina both said that their chemicals businesses also took a hit from Covid-19 restrictions and high feedstock prices

Sinopec in particular has bet big on chemicals, setting aside 66.1 billion yuan — a third of its overall capital spending budget — for its chemicals segment this year.

But China's determination to become a petrochemicals giant is stoking fears of oversupply for some products.

Sinopec executives hinted on Friday that the company may cut its chemicals capex.

"The chemicals industry currently faces serious challenges," a senior executive said.

"We arranged capex according to cash flow and future development. We are now conducting research to revise the capex for the chemicals segment."

Capex Revisions

Sinopec may also lower its overall capex for this year, which was initially set at a record-high 198 billion yuan.

"The market situation has changed and we will have weaker cash flows than expected," the executive said. "We will adjust capex plans."

Sinopec's capital spending for the first nine months of this year amounted to 104 billion yuan.

PetroChina's management said the company has already adjusted its capital spending plans, placing greater emphasis on domestic exploration, including seismic.

It spent 158 billion yuan in the first nine months of this year, or 65% of its planned capex of 242 billion yuan for this year.

CNOOC will likely hit the upper limit of its 2022 capex range, which it set at 90 billion-100 billion yuan at the beginning of this year, Chief Financial Officer Xie Weizhi said during a conference call on Thursday.

The company also expects to achieve, and possibly exceed its upstream production target of 600 million-610 million barrels of oil equivalent for this year, Xie said.

CNOOC LTD'S Q3 2022 RESULTS

	Q3'22	Q3'21	%Chg.
Revenue (Billion yuan)	108.79	63..22	71.0
Net Profit	36.88	19.51	89.1
Capex (Billion yuan)	27.12	20.93	29.6
Oil production ('000 b/d)	1,327	1,243	6.8
Gas production (MMcf/d)	2,184	1,864	17.2
Oil and Gas Output ('000 boe/d)	1,704	1,566	8.8

Note: $1=72 yuan. Source: CNOOC Ltd.

PETROCHINA Q3 '22 RESULTS

(billion yuan)	Q3'22	Q3'21	%Chg.
Revenue	840.78	683.76	23.0
Net Profit	37.88	22.09	71.5
Upstream Operating Profit/Loss	56.48	27.50	105.4
Refining Operating Profit	2.61	6.68	-60.9
Chemicals Operating Profit/Loss	-0.31	3.13	NA
Marketing and distribution Profit/Loss	-1.28	2.14	NA
Natural Gas and Pipeline Operating Profit	-0.17	2.00	NA
Oil Production ('000 boe/d)	2,458	2,382	3.2
Gas Production (MMcf/d)	11,811	11,109	6.3
Oil and Gas Output ('000 boe/d)	4,417	4,235	4.3
Refining Runs ('000 b/d)	3,241	3,324	-2.5

$1.7.2 yuan. Source: PetroChina

SINOPEC Q3'22 RESULTS

(billion yuan)	Q3'22	Q3'21	%Chg.
Revenue	841.20	741.75	13.4
Net Profit	12.83	20.67	-37.9
Upstream Operating Profit/Loss	18,863	2,475	662.1
Refining Operating Profit	-9,745	13,886	NA
Chemicals Operating Profit/Loss	-3,692	1,502	NA
Marketing and distribution Profit/Loss	4,904	6,348	-22.7
Natural Gas and Pipeline Operating Profit	NA	NA	NA
Oil Production ('000 boe/d)	774	766	1.0
Gas Production (MMcf/d)	3,259	3,209	1.6
Oil and Gas Output ('000 boe/d)	1,317	1,301	1.2
Refining Runs ('000 b/d)	4,738	5,163	-8.2

$1.7.2 yuan. Source: Sinopec Corp. and Energy Intelligence Calculations

Maryelle Demongeot, Singapore

Industry Leaders Call For Two-Track Approach

The world needs to keep investing in oil and gas in the short term while pursuing energy transition investments for the longer term in order to build an energy system that provides secure, affordable and clean energy, industry leaders argued Monday.

"Our strategy at BP ... is to invest in hydrocarbons today, because today's energy system is a hydrocarbon system and we're investing in that," CEO Bernard Looney told the Adipec exhibition and conference in Abu Dhabi.

"Obviously, we're trying to produce those with the lowest possible emissions and ... at the same time invest in accelerating the energy transition," he added.

"An energy system that works is an energy system that provides the world with secure energy, affordable energy and clean energy," Looney said.

That position was echoed by US energy security envoy Amos Hochstein, who stressed the need for further investment in oil and gas production and refining capacity. "And we need to do that at the same time that we are following on increased investments in the energy transition. They are not contradictory, they are just two different timelines," he said.

Energy Security in Focus

These comments come at a time when the global energy market is in turmoil, with persistently high oil and gas prices and grave concerns about energy security — particularly in Europe — as a result of Russia's war against Ukraine.

Energy security fears have strengthened the case for stepping up oil and gas exploration and development after years of underinvestment, even though companies remain highly selective about the projects they are willing to pursue.

"If this year has taught us anything, it taught us that energy security is the foundation of all progress — economic, social and climate progress," said Sultan al-Jaber, CEO of Abu Dhabi National Oil Co. (Adnoc). Al-Jaber — who is also the United Arab Emirates' industry and advanced technology minister — said that to meet the energy needs of a growing population, the world will need "all the solutions it can get," meaning hydrocarbons, renewables and other existing and future energy sources, including hydrogen.

Positioning for COP27

The tone at this year's Adipec conference represents a remarkable shift from last year, when hydrocarbon producers were on the defensive after being sidelined at the UN's COP26 climate summit in Glasgow.

At the time, producers said that the Glasgow summit should have focused more on decarbonization efforts and less on blaming fossil fuels for emissions.

Mideast Gulf oil producers such as Saudi Arabia and the UAE have subsequently been speaking up more, and want to be seen as constructive participants in discussions at the COP27 and COP28 climate meetings in Egypt (2022) and the UAE (2023).

"We are keen to demonstrate that we can develop our resources with less emissions. That's why we have always said, we want this COP to be an implementation COP," said Egypt's Energy Minister Tarek el-Molla.

Oliver Klaus, Abu Dhabi

Chevron's Wirth: Tengiz Expansion on Track

Work to increase production from Kazakhstan's giant Tengiz oilfield is 97% complete and the $45 billion project is on track to be wrapped up by 2024, according to Chevron CEO Mike Wirth.

The Tengiz onshore field currently produces around 650,000 barrels per day of crude oil and accounts for around one-third of Kazakhstan's overall output. It is the single most important non-US asset in operator Chevron's upstream portfolio.

If all goes to plan, the expansion will increase output from Tengiz beyond 850,000 b/d through a combination of extensive drilling and reinjection of associated gas.

Chevron holds a 50% stake in the Tengizchevroil (TCO) joint venture, alongside Exxon Mobil (25%), Kazmunaigas (20%) and Russia's Lukoil (5%).

"There's still a lot of work to be done," Wirth acknowledged on Friday during an earnings call with analysts. But he said the dangers of a major setback for the expansion project were receding.

"The risk and uncertainty are certainly narrowing and the remaining risks tend to be smaller," he said. All drilling has been completed, the final metering station has been installed and a new control center is fully functional, he said. Since Russia invaded Ukraine in February, there have been a series of disruptions in export flows via the CPC pipeline which links the Tengiz field in landlocked Kazakhstan to a terminal on Russia's Black Sea coast, near the port of Novororssiysk.

Kazakh President Kassym Zhomart Tokayev has ordered national oil company, Kazmunaigas to talk to Chevron and the other partners about developing an alternative transportation route across the Caspian Sea.

Wirth said on Friday that Tengiz crude is flowing normally via the CPC line, even though two of the marine terminal's three single point moorings are undergoing repairs. "There are no constraints on our ability to move barrels on that line," he said.

"We've flowed everything out that we've been producing," he said, adding that he expected the repairs — carried out by an affiliate of Russian pipeline operator Transneft — to be completed "shortly."

The Chevron CEO said that the TCO joint venture would still be able to export most of its barrels via other routes if there were serious problems with the CPC route. "TCO would be well positioned not to be disadvantaged, let me say that, if there were some sort of proration under way," he said.

Paul Sampson, London

Crude, Products Prices Close Lower in Volatile Trade

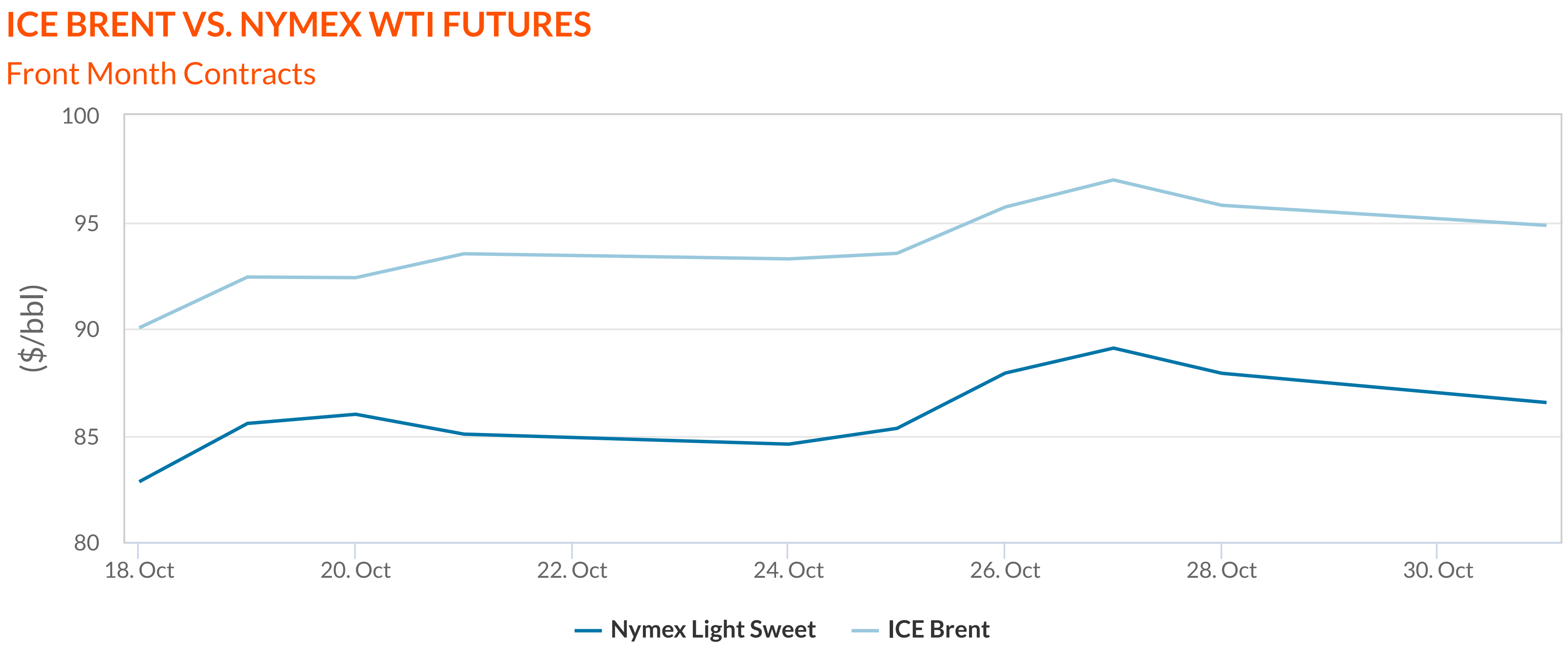
Crude and product prices spent most of Monday in negative territory and closed lower, with volatile Brent and US refined product contracts expiring amid low trading volumes.

No dominant themes changed the direction of the market, which was in wait-and-see mode regarding how the G7 will impose its price cap on Russian oil and natural gas.

Traders think that a lack of tanker availability will cause Russian crude flows to deflate a little — and product flows a lot — when the G7 settles on a price cap.

In Europe, Brent remained in its $90-$98 per barrel price band, with the expiring December contract dropping 94¢ to close at $94.83/bbl and the new front-month January contract falling 96¢ to finish at $92.81/bbl.

In the US, West Texas Intermediate (WTI) for December delivery fell $1.37 to close at $86.53/bbl.



The expiring US diesel contract for November was on a roller coaster ride on Monday after similar trading on Friday. It traded at a high of $4.62 per gallon and a low of $4.08/gallon before closing at $4.1909/gallon for a loss of 35.89¢.

The new December contract was down 7¢ at $3.67/gallon. If refiners were to sell diesel at that price and buy WTI at $86/bbl, they would make a profit of $68 on the diesel — three to four times what is considered a solid profit during regular times.

US RBOB gasoline futures contracts closed down 9.59¢ on Monday at $2.8107/gallon for November delivery. December deliveries are much cheaper at $2.557/gallon after dropping 3.5¢, and refiners would make some $20 per barrel making gasoline. US refiners can turn some 45% of a barrel of WTI into gasoline and some 40% into diesel and comparable jet fuel combined.

Some traders argued that rising US oil production in August put downward pressure on prices, arguing that US producers were pumping more than the US Energy Information Administration (EIA) was capturing in its weekly estimates.

The EIA's more accurate *Petroleum Supply Monthly,* published Monday, reported US crude output averaged 11.975 million b/d in August, while natural gas liquids production was just over 6 million b/d. Combined, US liquids production was 300,000 b/d higher than Energy Intelligence balances had indicated, but that was offset by higher-than-expected August oil demand in the US, per EIA data.

Putting another potential damper on prices, Chinese factory activity was unexpectedly down in October, according to a manufacturing purchasing managers' index from China's National Bureau of Statistics. Lower factory activity means lower oil demand.

But China has also committed to exporting more refined products, meaning the country is importing an estimated 1 million b/d more crude oil than before, regardless of the volume of domestic demand and business activity.

John van Schaik, New York

IN BRIEF

Inpex May Divest Iraq Stake

Inpex is considering divesting its 40% stake in Iraq's Block 10, which is operated by Russia's Lukoil, according to the Japanese company's CEO Takayuki Ueda.

"If the project is too slow to progress, then maybe we should have to consider divestment as one option," Ueda told reporters at the Adipec conference on Monday. He called the venture a "headache project" for Inpex but added that talks are still being held with the Iraqi government about development.

A final decision will depend on how quickly progress can be made under Iraq's new government.

Lukoil — which has a 60% interest in Block 10 — has preemption rights, if Inpex decides to withdraw, Takayuki said.

The two companies made the Eridu discovery in Block 10 in 2017, with the Iraqi oil ministry saying preliminary estimates suggest that it holds 7 billion-12 billion barrels of oil. Lukoil presented a development plan for the field last year, but it was not approved because of the political deadlock in Iraq.

Staff Reports

Indonesia to Drop Low-Octane Gasoline

Indonesia will end the sale of low-octane Ron 88 gasoline next year to help it reduce its carbon emissions.

Ron 88 accounted for about 5% of Indonesia's energy consumption in the transport sector in 2021, according to energy ministry data.

The government had planned to strop sales of Ron 88 and Ron 90 gasoline in 2022, to help lower carbon emissions and narrow the country's fiscal deficit, but it announced later that sales of Ron 90 would continue for an undefined transition period.

The government then backtracked completely, with President Joko Widodo signing a presidential decree on Dec. 31, 2021, authorizing further sales of both fuels.

Ron 88 is used to power motorcycles and is mostly purchased by poor people in rural areas.

Marc Roussot, Singapore

Japan's UAE Crude Imports Hit New High

Japanese imports of crude oil from the United Arab Emirates hit a record high in September but inflows from Saudi Arabia plunged.

Japan is one of the world's largest crude importers and a major buyer of oil from Abu Dhabi, which accounts for the bulk of UAE exports.

Japan's imports of UAE crude rose by 190,000 b/d from August to 1.24 million b/d in September, according to data from the Ministry of Economy, Trade and Industry (Meti). That was the highest level in Energy Intelligence records dating back to January 2008

The increase from August was mainly driven by a 148,000 b/d jump in imports of Abu Dhabi's medium sour Upper Zakum crude and an increase of 94,000 b/d in imports of Abu Dhabi's light sour Murban crude.

Japan's imports of Saudi crude plunged by 270,000 b/d from August to 921,000 b/d in September. Inflows of medium sour Arab Light tumbled by 172,000 b/d while inflows of light sour Arab Extra Light fell by 60,000 b/d.

Japan's total crude imports tumbled by 225,000 b/d from August to 2.76 million b/d in September.

JAPAN'S TOP CRUDE SUPPLIERS

('000 b/d)	Sep '22	Aug'22	Chg.	Sep '21	Chg.	Jan-Sep'22
UAE	1,240	1,049	190	895	345	1,019
Saudi Arabia	921	1,191	-270	855	66	1,031
Qatar	251	221	30	208	43	221
Kuwait	127	310	-183	199	-72	210
Ecuador	55	73	-18	46	9	53
Bahrain	50	5	45	83	-33	32
Oman	33	42	-9	17	16	32
Vietnam	20	8	12	19	0	7
Angola	16	0	16	0	16	2
Neutral Zone	15	0	15	30	-15	8
Others	30	83	-54	116	-86	100
Total	**2,757**	**2,981**	**-225**	**2,467**	**289**	**2,716**

Source: Ministry of Economy, Trade and Industry (Meti)

Freddie Yap, Singapore

DATA SNAPSHOT

Oil and Gas Prices, Oct. 31, 2022

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

CRUDE OIL FUTURES

($/bbl)	Chg.	1st Mth.	2nd Mth.
ICE Brent	-0.94	94.83	92.81
Nymex Light Sweet	-1.37	86.53	85.40
DME Oman	-1.29	89.54	89.77
ICE Murban	0.00	93.62	92.70

INTERNATIONAL SPOT CRUDES

($/bbl)	Chg.	Price	Prior Close
Brent (Dated)			94.63
Dubai	-2.00	90.60	92.60
Forties	-0.95	93.14	94.09
Bonny Light	-0.77	96.04	96.81
Urals	-0.77	75.04	75.81
Opec Basket*			94.73

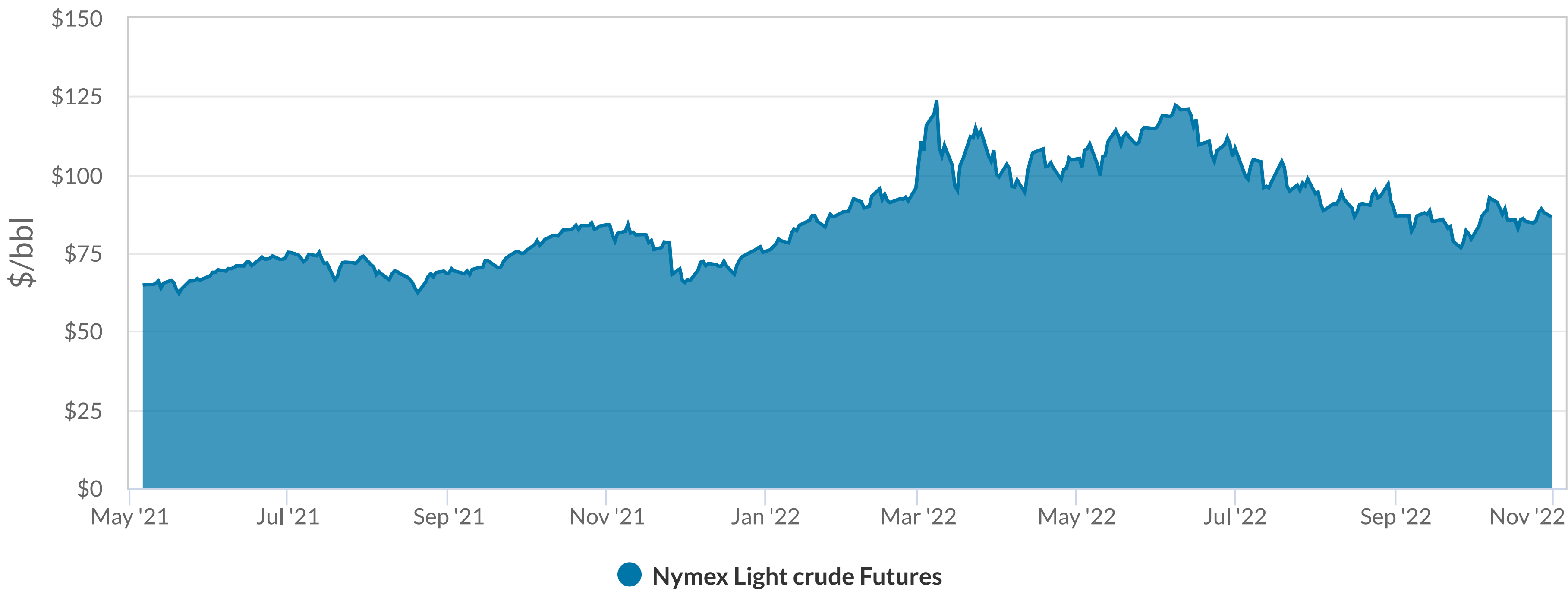
*Opec price assessed.

NORTH AMERICAN SPOT CRUDES

($/bbl)	Chg.	Price	Prior Close
WTI (Cushing)	-1.31	86.54	87.85
WTS (Midland)	-1.46	84.74	86.20
LLS	-1.31	89.24	90.55
Mars	-2.01	81.04	83.05
Bakken	-1.31	91.34	92.65

ICE BRENT CRUDE FUTURES

NYMEX LIGHT CRUDE FUTURES

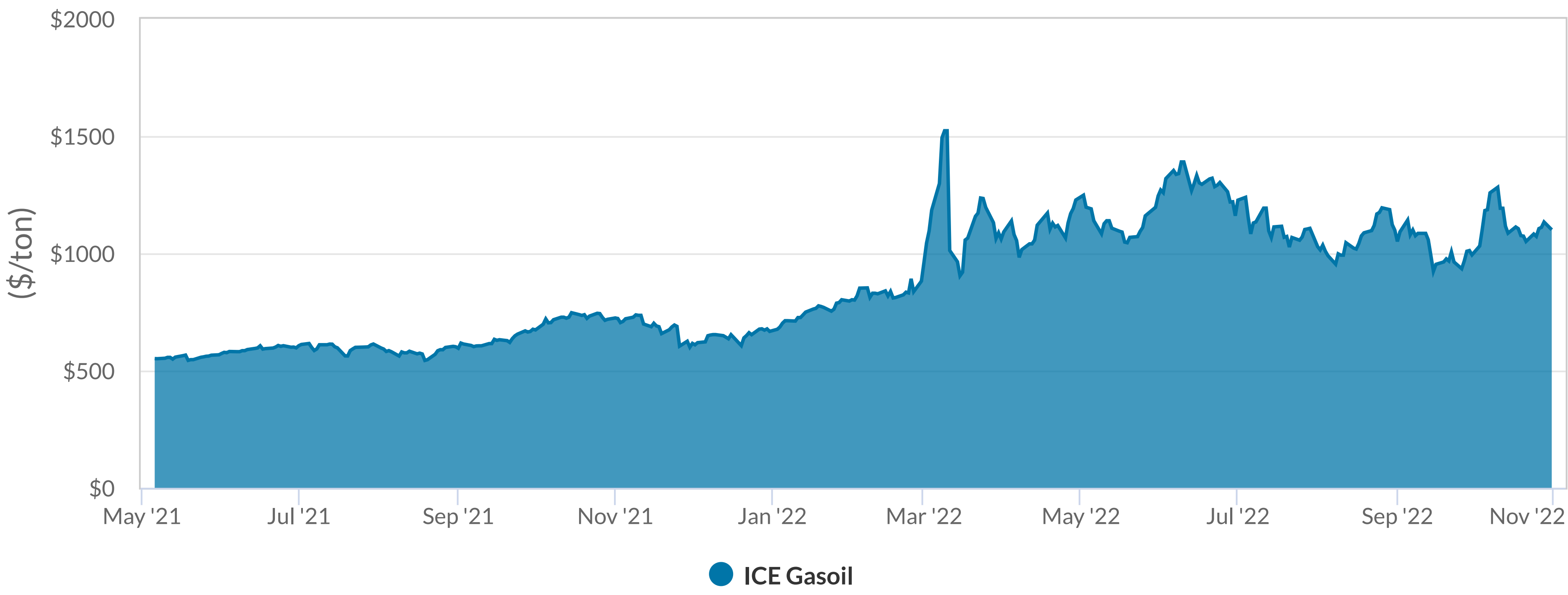


Energy Intelligence

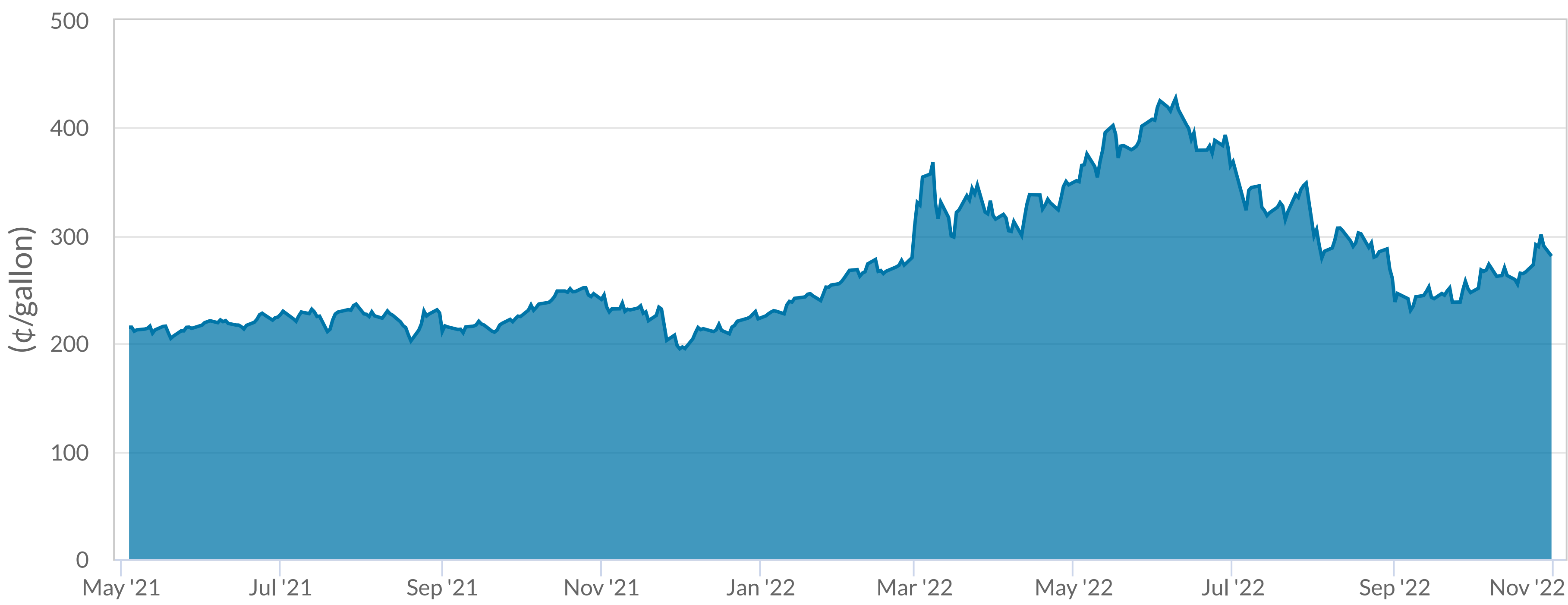
REFINED PRODUCT FUTURES

Nymex	Chg.	1st Mth.	2nd Mth.
Gasoline (¢/gal)	-9.59	281.07	252.57
ULSD Diesel (¢/gal)	-35.89	419.09	367.41
ICE			
Gasoil ($/ton)	-33.25	1100.25	1019.75
Gasoil (¢/gal)	-10.61	351.16	325.47

ICE GASOIL FUTURES



NYMEX GASOLINE FUTURES



US SPOT REFINED PRODUCTS

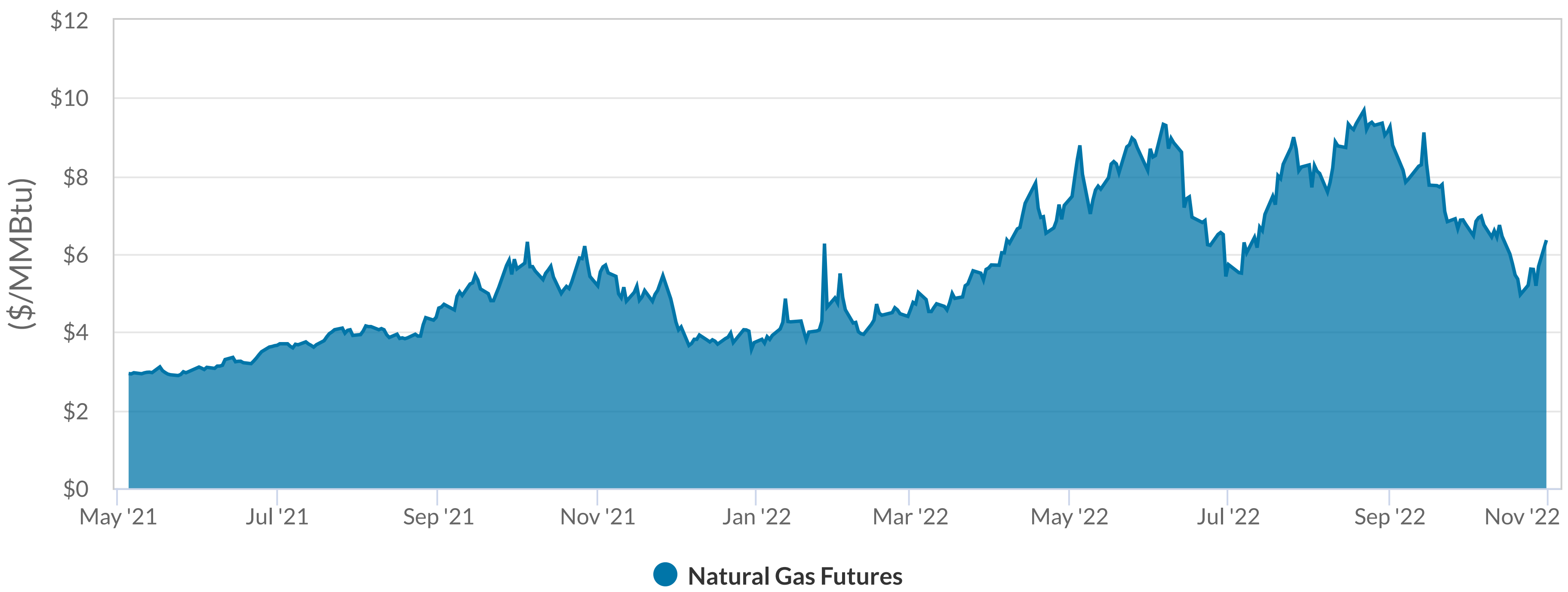
New York (¢/gal)	Chg.	Price	Prior Close
Regular Gasoline	-2.53	312.68	315.21
No.2 Heating Oil	-24.70	429.30	454.00
No.2 ULSD Diesel	-7.70	479.30	487.00
No.6 Oil 0.3% *			93.98
No.6 Oil 1% *			87.96
No.6 Oil 3% *			62.61
Gulf Coast (¢/gal)			
Regular Gasoline	-8.03	284.93	292.96
No.2 ULSD Diesel	-10.70	446.30	457.00
No.6 Oil 0.7% *			84.56
No.6 Oil 1% *			84.56
No.6 Oil 3% *			57.16

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

INTERNATIONAL SPOT REFINED PRODUCTS

Rotterdam ($/ton)	Chg.	Price	Prior Close
Regular Gasoline	-41.50	891.00	932.50
ULSD Diesel	-98.25	1136.50	1234.75
Singapore ($/bbl)			
Gasoil	-1.53	127.95	129.48
Jet/Kerosene	-2.20	124.46	126.66
VLSFO Fuel Oil ($/ton)	-17.33	664.32	681.65
HSFO Fuel Oil 180 ($/ton)	-13.64	402.75	416.39

NYMEX NATURAL GAS FUTURES



Refinitiv

NATURAL GAS PRICES

($/MMBtu)	Chg.	Price
Henry Hub, Nymex	+0.67	6.36
Henry Hub, Spot	+0.12	5.04
Transco Zone 6 - NY	-0.09	3.25
Chicago Citygate	-0.32	4.15
Rockies (Opal)	-0.23	5.04
Southern Calif. Citygate	+0.09	5.84
AECO Hub (Canada)	+2.58	4.18
Dutch TTF (euro/MWh)	-5.37	28.45
UK NBP Spot (p/th)	-12.90	66.10

US/Canada spot prices from Natural Gas Week

Equity Markets, Oct. 31, 2022

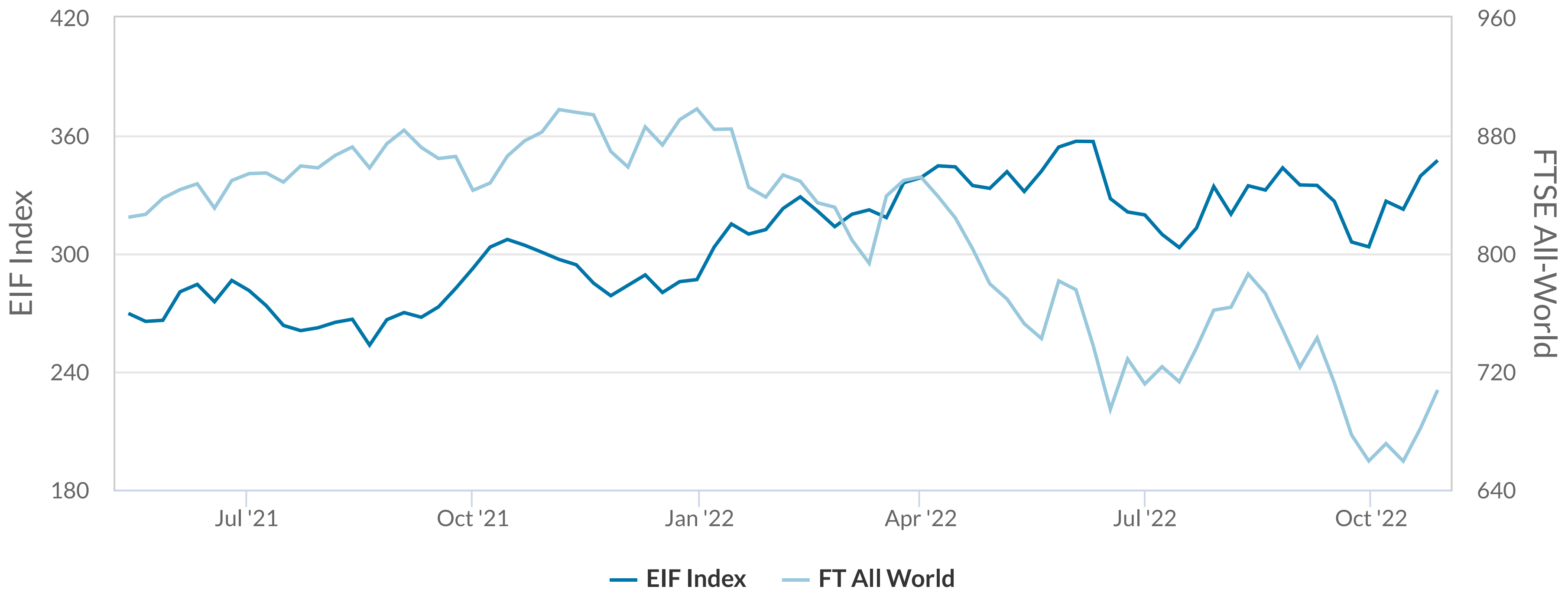
All data are produced by Energy Intelligence in cooperation with Reuters.

EQUITY MARKET INDEXES

	Chg.	Index	YTD %Chg.
EIF Global*	+3.68	347.36	+21.13
S&P 500	-29.08	3,871.98	-19.22
FTSE All-World*	+9.11	707.59	-21.48

*Index for previous day

EIF INDEX



EIF Global Oil and Gas Index of 21 traded equities