Energy Intelligence

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INTERNATIONAL OIL DAILY®

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Russian Crude Oil Exports Hit New Wartime Low

Russia's crude oil exports sank to their lowest level in October since Moscow's February invasion of Ukraine as EU sanctions make it difficult for Russian producers to find buyers.

Crude oil exports to countries outside the former Soviet Union (FSU) fell for a second straight month in October, according to sources with access to official data.

They were down 77,000 barrels per day from September at 4.668 million b/d — their lowest level since February.

Russian crude exports were also down by around 720,000 b/d from April, when exports peaked at almost 5.4 million b/d in anticipation of tough EU sanctions.

Shipments from Russia's Baltic Sea ports and the Druzhba pipeline to Europe bore the brunt of the decline in export volumes.

With the Dec. 5 launch date of the EU's ban on imports of Russian crude oil now just a month away, Russian oil companies are finding it more difficult to place their barrels with buyers.

Market sources say that one big Russian producer was recently forced to cancel some loadings because it was unable to find tankers.

Experts say this will likely happen more frequently in the coming weeks as EU sanctions ban shipments of Russian oil — as well as maritime insurance and other services — unless that oil is sold at or below a price cap, which still has to be set.

October exports via Russia's Baltic Sea and Black Sea ports both fell by more than 100,000 b/d versus September, while Druzhba exports fell by almost 150,000 b/d.

Russia continues to ramp up shipments to Asia, but that was insufficient to offset the decline in exports to Europe in October.

Production Steady for Now

Meanwhile, Russia's combined production of crude oil and gas condensate was little changed in October.

October crude production of 10.718 million b/d was down 0.4% from September and 1.1% lower than in October 2021.

Deputy Prime Minister Alexander Novak said output of crude oil alone — excluding condensate — stood at about 9 .9 million b/d — well below Russia's Opec-plus crude production quota of 11 million b/d.

Both of Russia's top two producers, Rosneft and Lukoil, saw their output decline by almost 30,000 b/d in October compared with the previous month (see table).

Output from projects governed by production-sharing agreements (PSAs) rose by some 20,000 b/d in October to around 500,000 b/d.

The PSAs have recently been transferred to Russian control as Western majors withdraw from the country in response to Moscow's war in Ukraine.

The Sakhalin-1 project — where output fell to just 1,000 b/d in September under previous operator Exxon Mobil — produced 20,000 b/d in October.

That project is now managed by a Rosneft subsidiary, with Exxon declining to participate under the new structure implemented by Moscow.

The neighboring Sakhalin-2 project — abandoned by Shell — produced almost 72,000 b/d in October versus 66,000 b/d in September.

Domestic Refinery Throughput

Deliveries of Russian crude oil to domestic refineries rose slightly in October compared with September.

Analysts expect Russian refineries' crude throughput to rise over the next three months ahead of an EU ban on imports of refined petroleum products that takes effect on Feb. 5.

RUSSIAN CRUDE OIL AND GAS CONDENSATE PRODUCTION

('000 b/d)	Oct '22	Sep '22	YTD	Oct '21
Rosneft	3,340.8	3,370.0	3,274.0	3,477.1
Lukoil	1,579.5	1,608.0	1,604.4	1,576.0
Surgutneftegas	1,173.5	1,192.7	1,199.3	1,147.8
Gazprom Neft	837.8	791.4	800.6	750.4
Tatneft	596.5	596.0	581.1	575.8
Bashneft	385.4	389.7	358.7	343.9
Slavneft	246.2	247.7	240.1	246.3
Other Producers	2,440.4	2,465.9	2,442.9	2,392.3
PSA Operators	118.1	97.7	191.6	330.8
Russia Total	**10,718.3**	**10,759.1**	**10,692.6**	**10,840.4**

Table is based on conversion rate of 1 metric ton = 7.32 barrels. Source: Energy Intelligence.

Staff Reports

UK Moves to Implement Price Cap for Russian Oil

The UK has presented a set of regulations that will serve as the country's framework for implementing the G7 price cap on Russian oil exports.

The government in London introduced legislation on Thursday that will ban UK companies from providing shipping and related services for exports of Russian crude oil from Dec. 5 and exports of Russian refined oil products after Feb. 5.

However, export cargoes of Russian oil that are sold at or below the price cap will be exempt from the ban.

The group of countries implementing the price cap — which includes the members of the G7 and Australia — are also banning imports of Russian oil.

The UK is a crucial part of the initiative because of its outsized role in the international maritime insurance industry.

UK firms provide 60% of such protection and indemnity coverage, according to the UK Treasury. The new legislation will amend previously adopted sanctions against Russia.

The UK will issue a general license to exempt cargoes of Russian oil sold at or below the price cap, once the cap is set by the G7 and Australia, according to the Treasury.

Down to the Wire

There are just a few weeks left before the crude price cap and the EU import ban are set to take effect, and major questions are still outstanding — including the level at which the cap will be set.

US officials have said they want the price to be high enough to keep Russian oil flowing to the global market at a time of tight supplies, but low enough to erode Moscow's revenues which help fund its war in Ukraine.

They have sometimes hinted at a price in the $60/bbl range for crude oil.

The price cap scheme has raised questions about whether there will be enough ships available to transport Russian crude and products, particularly as trade routes are set to become longer once Europe is off limits for Russian oil.

It's estimated that Russia will need to find a new home for about 1.1 million to 1.2 million barrels per day of exports.

All of the countries that are members of the price cap coalition are implementing their own regulations to enforce it.

Earlier this week, the US said that cargoes loaded before the Dec. 5 deadline would not be subject to the price cap, so long as they are unloaded before Jan. 19, 2023.

Secondary sanctions that would punish third countries for importing Russian oil are not on the table.

Major buyers of Russian crude — including India and China — are not expected to formally participate in the price cap scheme.

Moscow has repeatedly stated that it won't supply oil to countries that participate in the scheme.

However, US officials have said they believe the price cap will create leverage for buyers in those countries to negotiate steeper price discounts, thereby reducing Moscow's oil revenues, in line with the objective of the price cap.

Emily Meredith, Washington

Mobilization for War Hits Russian Gasoline Market

Russia's domestic gasoline sales have plummeted in the past two months and analysts say that is largely attributable to the Kremlin's mobilization for the war in Ukraine.

In the week before the Sep. 21 mobilization decree signed by President Vladimir Putin, domestic gasoline supplies amounted to just over 900,000 b/d, but five weeks later they have fallen by 13% to some 790,000 b/d.

For comparison, over the same period of last year the decline was a much more modest 3%.

While seasonality is a factor — gasoline consumption usually declines after the summer — observers say the steep decline this year is striking and mostly reflects the exodus of working-age men from the economy caused by the mobilization.

"The mobilization has had an undoubted effect on the gasoline market. Prices recently even broke below the lows seen during the Covid lockdowns," said one Russian products analyst.

Russia's defense ministry recently announced that it had completed the mobilization of the 300,000 reservists that Putin ordered.

Meanwhile, hundreds of thousands of men have fled Russia to avoid the fighting in Ukraine.

Estimates vary, but it is widely held that around 700,000 Russian men left the country and temporarily relocated to countries including Finland, Kazakhstan and Georgia.

Many more are believed to be keeping a low profile throughout Russia in the hope of avoiding a summons to military service, reducing their mobility and the country's gasoline consumption.

Other tell-tale indicators — such as local transport usage, as tracked by Sberbank — indicate that economic activity underwent an unusually sharp decline in late-September.

Exports Set to Grow

While Russia's domestic market has wilted, refineries have been selling more gasoline abroad.

Preliminary data show that exports of gasoline amounted to 120,000 b/d in October, up 70,000 b/d from August levels. A year ago, gasoline exports ticked up only 4,000 b/d over the same two-month period to 60,000 b/d. The country's total gasoline production in October was approximately 920,000 b/d, down 60,000 b/d from September.

Gasoline output typically declines during the fall refinery maintenance period, but this year the drop-off was unusually steep. Some refineries adjusted their operations to produce more naphtha, another product that Russia exports in large volumes.

Faced with the combination of weak domestic demand and the EU's Feb. 5 ban on imports of oil products from Russia, refiners are looking to increase their exports of all refined products, the analyst said.

An anticipated glut of products once the embargo kicks in is adding to the sense of urgency among Russian refiners.

Diesel exports, for example, are expected to grow by 200,000 b/d this month to 750,000 b/d, according to information made available to Energy Intelligence.

"In order to have some place to put these volumes, they have to export oil products right now, while they can. That means getting rid of the current gasoline surplus from tanks so fresh products can find a place on the domestic market," the analyst said.

Export netbacks for gasoline are also far more attractive than the domestic price, which was around $68 per barrel as of Nov. 3.

A refinery in the European part of Russia that sold gasoline in the European export market could fetch $115 for the same barrel.

Gary Peach, New York

Total to Sue Greenpeace Over Emissions Numbers

TotalEnergies said it plans to take legal action against Greenpeace after the environmental campaign group accused the French major of hugely understating its carbon emissions in 2019.

Greenpeace France published a report on Wednesday which found Total's 2019 emissions to be almost four times higher than those reported by the company.

The group estimated that Total's core activities — oil, gas, petrochemicals and electricity — had generated around 1.64 billion tons of CO2 equivalent emissions in 2019 compared with the 455 million tons reported by the company.

Greenpeace's calculations included Scope 1 emissions (161 million tons CO2e) and Scope 3 emissions (1.48 million tons CO2e) but they did not include Scope 2 emissions.

The environmental group said it had forwarded its findings to French market regulator AMF.

"These new estimates on the real climate impact of TotalEnergies and its misleading communication on its net zero 2050 commitments ... are likely to reveal contradictions, inaccuracies and sanctionable omissions," Greenpeace said.

"Fanciful and False"

Total dismissed Greenpeace's estimate of its Scope 1 emissions as "fanciful and false." The company reported Scope 1 emissions of 55 million tons of CO2e. Both numbers are based on Total's equity share in emissions from its operations.

The company said in a statement that it had decided to launch legal proceedings against Greenpeace's Scope 1 estimate to "repair the damage caused."

"Greenpeace's spreading of misleading information on this subject is serious in that it concerns the quality and reliability of TotalEnergies' disclosures concerning its direct greenhouse gas emissions over which it has control," it said.

Total did not explain why its move focused solely on Scope 1 emissions, given that Scope 3 emissions account for roughly 85%-90% of all emissions for oil and gas companies.

The company criticized the methodology used by Greenpeace, arguing that the estimates "did not take into account [Total's] integration throughout the oil and gas value chains," and therefore counted emissions several times over.

Total said the Greenpeace calculations overstated its emissions to such a degree that they equated to more than 8% of global emissions from oil and gas in 2019, while the company accounted for only 1.5%-2% of the global oil and gas industry.

Growing Challenges

The report comes on the eve of the UN's COP27 climate conference in Egypt, where the industry's credibility and commitment to decarbonization will be under intense scrutiny amid concerns about energy security and high prices.

Total confirmed to Energy Intelligence that CEO Patrick Pouyanne will attend the upcoming climate talks in Egypt with a delegation from Total.

The French major has been candid about what it thinks it can achieve in terms of its Scope 3 emissions target for 2030, which is limited to Europe and reflects that region's climate policy objectives.

This has drawn criticism from some investors who have pressed the company to set a more aggressive goal for reducing its Scope 3 emissions.

Compared to its peers, Total has moved relatively swiftly to transition to low-carbon energy. And the company said at its capital markets day in September that it was putting its interim Scope 1, 2 and 3 targets for 2025 under review.

While details were scant, Pouyanne told Energy Intelligence on the sidelines of the recent Energy Intelligence Forum that the review was "positive" for Scope 1 and Scope 2 targets in view of a €1 billion energy efficiency program that should lower emissions.

However, "Scope 3 is another thing," he added, referring to emissions caused by final consumption of the company's energy products.

Pouyanne implied that Total did not want to be restricted by arbitrary Scope 3 targets in other parts of the world like Asia because that would do little to advance the energy transition. "Why do we increase gas production? Because we displace coal," he said.

Greenpeace, meanwhile, said that in order to align its climate strategy and carbon neutrality objectives, Total should immediately stop investing in new oil and gas projects.

Deb Kelly, London

Court Hits Glencore With $310 Million in Penalties

A UK judge has ordered a subsidiary of Swiss commodities trading giant Glencore to pay around $310 million in penalties for bribing officials in Nigeria, Cameroon and other African countries over a period of more than five years.

Glencore Energy (UK) had previously pleaded guilty to seven counts of bribery after the UK's Serious Fraud Office charged the company with making illegal payments totaling $26 million from 2011 through 2016.

At the sentencing on Thursday, Justice Peter Fraser said the company had played a "leading role in organized and planned unlawful activity," which included using agents to pay bribes that were disguised as legitimate company expenses.

He said Glencore's actions showed "not only sustained criminality, but sophisticated devices to disguise it."

Glencore Chairman Kalidas Madhavpeddi — who attended the trial but was not a defendant — described the company's actions as "inexcusable" and said it had since built a "world-class" ethics and compliance program based on global best practices.

The company is not entirely out the woods, however, as it remains under investigation in Switzerland and the Netherlands for failing to prevent alleged corruption. Glencore says the timing and outcome of both those probes is uncertain.

Glencore — which trades more than 3 million barrels per day of oil — made a record profit of more than $3.2 billion in the first half of this year amid extreme volatility in global commodity markets. But its reputation has taken a battering.

In May it settled US charges related to illegal payments of around $100 million to intermediaries involved in dealings with Nigeria, Venezuela and Congo (Kinshasa). It also pleaded guilty to US charges of market manipulation.

The company also resolved a case in Brazil involving kickbacks paid to former officials of state-controlled oil company Petrobras.

Earlier this year it set aside some $1.5 billion to cover anticipated fines and penalties in the US, the UK and Brazil.

Glencore is one of several international commodities trading companies to have settled corruption charges in recent years, casting a shadow over the entire industry.

In 2020, Swiss giant Vitol agreed to pay over $135 million to US authorities for bribery related to Latin America.

And in 2019, Gunvor paid some $95 million in fines in Switzerland for failing to prevent bribery in Congo (Brazzaville) and the Ivory Coast.

Paul Sampson, London

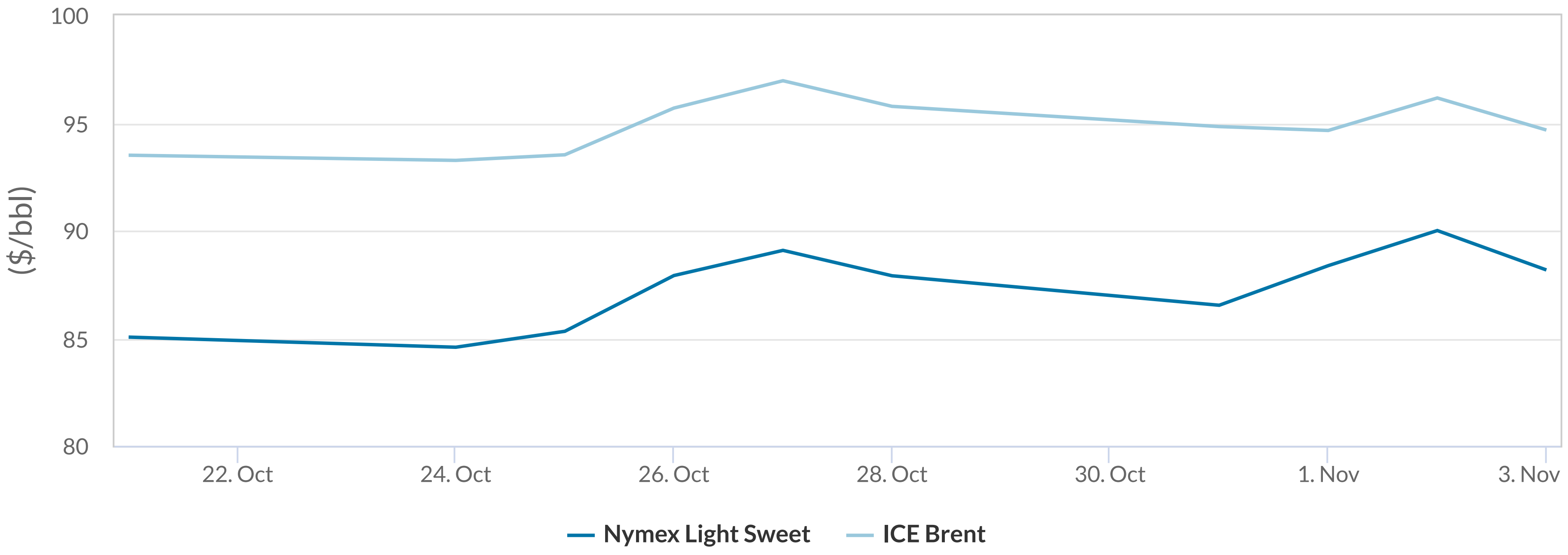
Crude Futures Fall Amid Market Cross Currents

Brent crude futures failed to break through a key technical level on Thursday, erasing the week's gains in a stubbornly directionless market.

In London, the January Brent contract lost $1.49 and settled at $94.67 per barrel, retracing 16¢ below its Monday close. In New York, the front-month Nymex West Texas Intermediate (WTI) December contract was down $1.83 to close at $88.17/bbl.

ICE BRENT VS. NYMEX WTI FUTURES

Front Month Contracts



Rattled by Rates

Brent is trapped in the mid-$90/bbl range and seems unable to break through higher, even if some analysts think Opec-plus producers want to see a $100/bbl floor.

While tight middle distillate supply underpins the current price strength, the timing of a possible recession has kept market bulls on a tight leash.

Investors are busy reading central banks' signals and trying to figure out what sorts of credit risk and growth damage may stem out of monetary tightening. The US Federal Reserve dropped the hammer on Nov. 3, raising its short-term borrowing rate by 0.75 percentage points to a 3.75%-4% range. A similar decision by the Bank of England brought rates to 3%.

These aggressive hikes are meant to root out inflation, which was still at 8.2% in the US in October, 10.1% in the UK and 10.7% in the Euro area. But they pose a risk to investment in new oil and gas supplies when more is needed to fill the vacuum left by a decade of underinvestment and now the effects of the Ukraine war.

Tipping Point

This does not bode well for oil, as given the current supply shortages, demand erosion will be the only way out.

On one hand, governments need to raise interest rates to fight inflation because there are not enough real goods to go around. On the other, if more investment is required to solve that problem, raising borrowing costs will be an issue.

Two months ago, Saudi Oil Minister Prince Abdulaziz bin Salman said that historical data pointed to weak causality between recessions and oil demand contractions. The last time prices strayed too far north of $100/bbl, however, Opec-plus made a token gesture and raised output by 100,000 b/d.

This shows that if the recent decision for a 2 million b/d cut was a cold shower for the oil market, the group is still concerned that given adverse economic conditions, too high a price may prove a tipping point and erode demand for its crude.

Meanwhile, an oil price closer to $70/bbl would be preferred by both OECD and non-OECD consumers, if only to fend off energy inflation and ease the pain. Central banks cannot print oil.

Julien Mathonniere, London

IN BRIEF

German Utility Uniper Posts Big Loss

Struggling German utility Uniper posted a €3.2 billion ($3.1 billion) net loss for the first nine months of 2022, mainly because it was forced to buy expensive spot market gas to replace contracted volumes from Russia that were not delivered.

Uniper said it faced mounting costs for spot market gas from mid-June when contractual pipeline volumes from Russia's Gazprom were seriously curtailed. By the end of September pipeline gas deliveries from Gazprom had stopped altogether.

Uniper holds long-term supply contracts with Gazprom for around 20.5 billion cubic meters per year of gas until mid-2030 and also holds an LNG offtake agreement with Freeport LNG in the US.

Uniper is also involved in a German floating storage LNG project that could start operations in the coming months.

The German government is finalizing a deal to take 98.6% control of Uniper, buying out majority owner Finland's Fortum.

Jason Eden, London

Nigeria Plans to Boost Oil Production

Nigeria hopes to raise its oil production to 1.8 million barrels per day by the end of this year from current levels of around 1.45 million b/d, the chief executive of state-owned Nigerian National Petroleum Corp. told Energy Intelligence this week.

"The current production is 1.45 [million b/d] and heading towards 1.8 [million b/d] before the end of the year and 2.2 [million b/d] in 2023," Mele Kyari said on the side-lines of the Adipec conference in Abu Dhabi.

Under the current Opec-plus agreement, Nigeria's crude oil production quota is 1.742 million b/d, but over the last year or so the West African country has consistently fallen well short of its permitted production levels.

Energy Intelligence estimates that Nigeria's September production of crude and condensate amounted to around 1.15 million b/d. The recent reopening of the Forcados oil terminal, which has been closed for more than three months, could add more than 210,000 b/d to output if producers return to levels seen in early 2022.

Kyari said that higher oil prices are helping Nigeria to improve its oil infrastructure and beef up security against theft, while also providing the country with an incentive to increase its production.

"We know today that there is a supply challenge in the world, so we see that $80-$90 oil for a while to come. That means when you produce more, you will make more money and you can invest more money," he said.

Amena Bakr, Abu Dhabi

Singapore Stocks Fall

Singapore onshore oil product inventories fell by 6.2% from a week ago to 40.41 million bbl on Nov. 2, according to data released by government agency IE Singapore.

SINGAPORE ONSHORE PRODUCT STOCKS

('000 bbl)	Nov 2	Oct 26	Vol.Chg.	%Chg.
Light Distillates	14,650	15,027	-377	-2.5%
Middle Distillates	6,809	6,890	-81	-1.2
Fuel Oil	18,949	21,145	-2,196	-10.4
Total	**40,408**	**43,062**	**-2,654**	**-6.2%**

Source: IE Singapore

Freddie Yap, Singapore

DATA SNAPSHOT

Oil and Gas Prices, Nov. 3, 2022

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

CRUDE OIL FUTURES

($/bbl)	Chg.	1st Mth.	2nd Mth.
ICE Brent	-1.49	94.67	93.07
Nymex Light Sweet	-1.83	88.17	87.18
DME Oman	-2.20	90.04	88.58
ICE Murban	-1.10	93.83	91.83

INTERNATIONAL SPOT CRUDES

($/bbl)	Chg.	Price	Prior Close
Brent (Dated)	-0.77	95.29	96.06
Dubai	-1.15	89.80	90.95
Forties	-1.03	95.28	96.31
Bonny Light	-1.28	98.12	99.40
Urals	-1.03	77.37	78.40
Opec Basket*			94.74

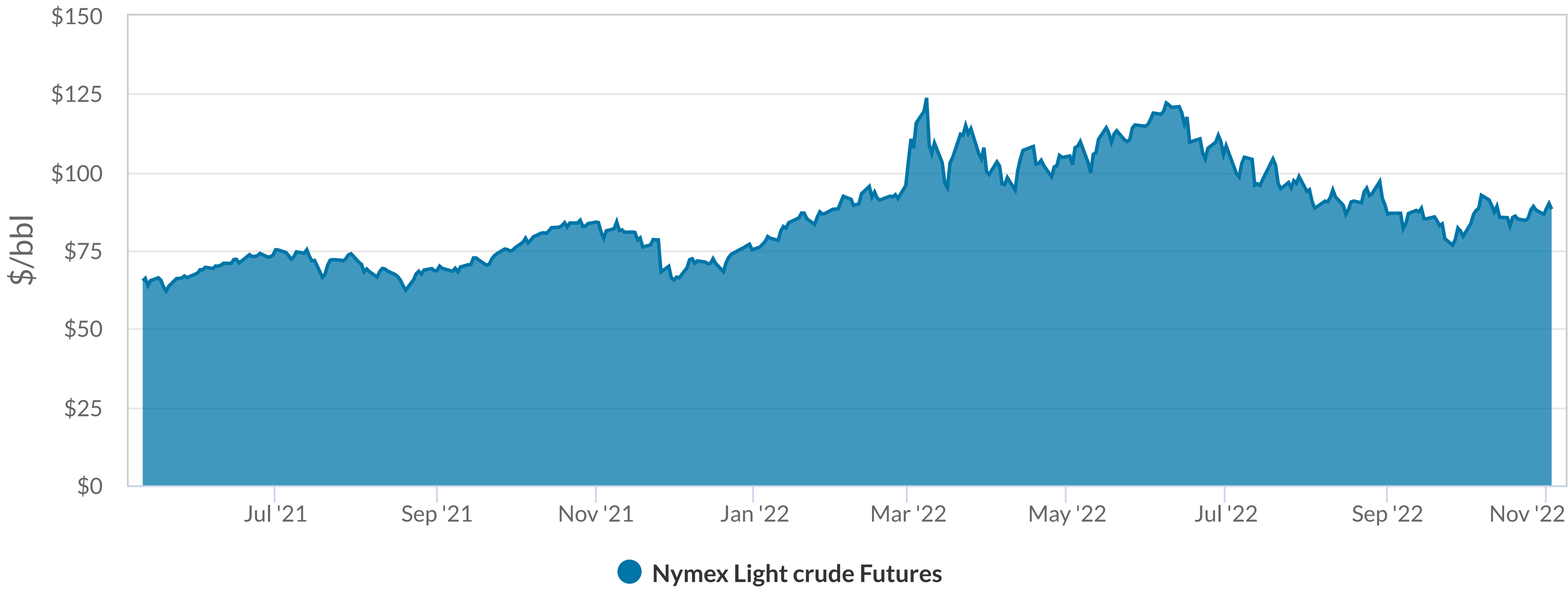
*Opec price assessed.

NORTH AMERICAN SPOT CRUDES

($/bbl)	Chg.	Price	Prior Close
WTI (Cushing)	-1.92	88.14	90.06
WTS (Midland)	-1.82	86.74	88.56
LLS	-1.92	90.84	92.76
Mars	-1.72	83.59	85.31
Bakken	-1.92	92.94	94.86

ICE BRENT CRUDE FUTURES

NYMEX LIGHT CRUDE FUTURES

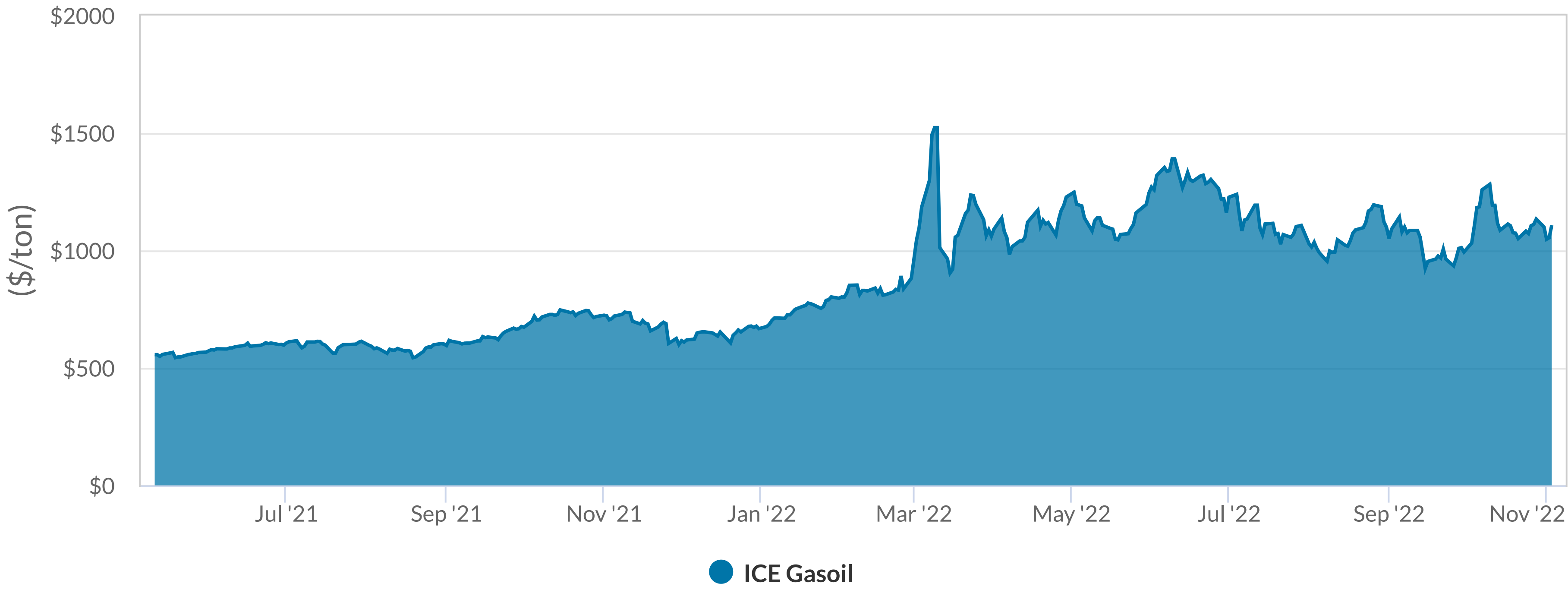


Energy Intelligence

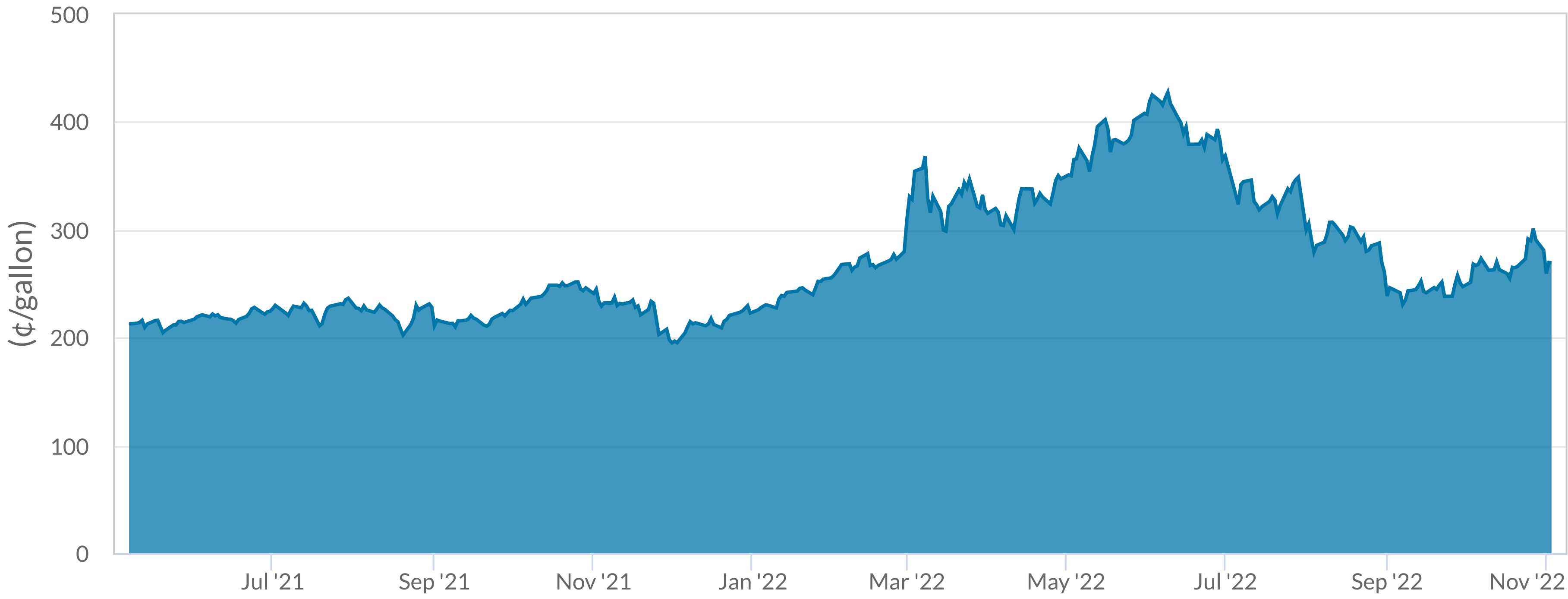
REFINED PRODUCT FUTURES

Nymex	Chg.	1st Mth.	2nd Mth.
Gasoline (¢/gal)	-0.33	269.39	258.28
ULSD Diesel (¢/gal)	+18.79	386.53	364.90
ICE			
Gasoil ($/ton)	+53.00	1107.25	1052.50
Gasoil (¢/gal)	+16.92	353.39	335.92

ICE GASOIL FUTURES



NYMEX GASOLINE FUTURES



US SPOT REFINED PRODUCTS

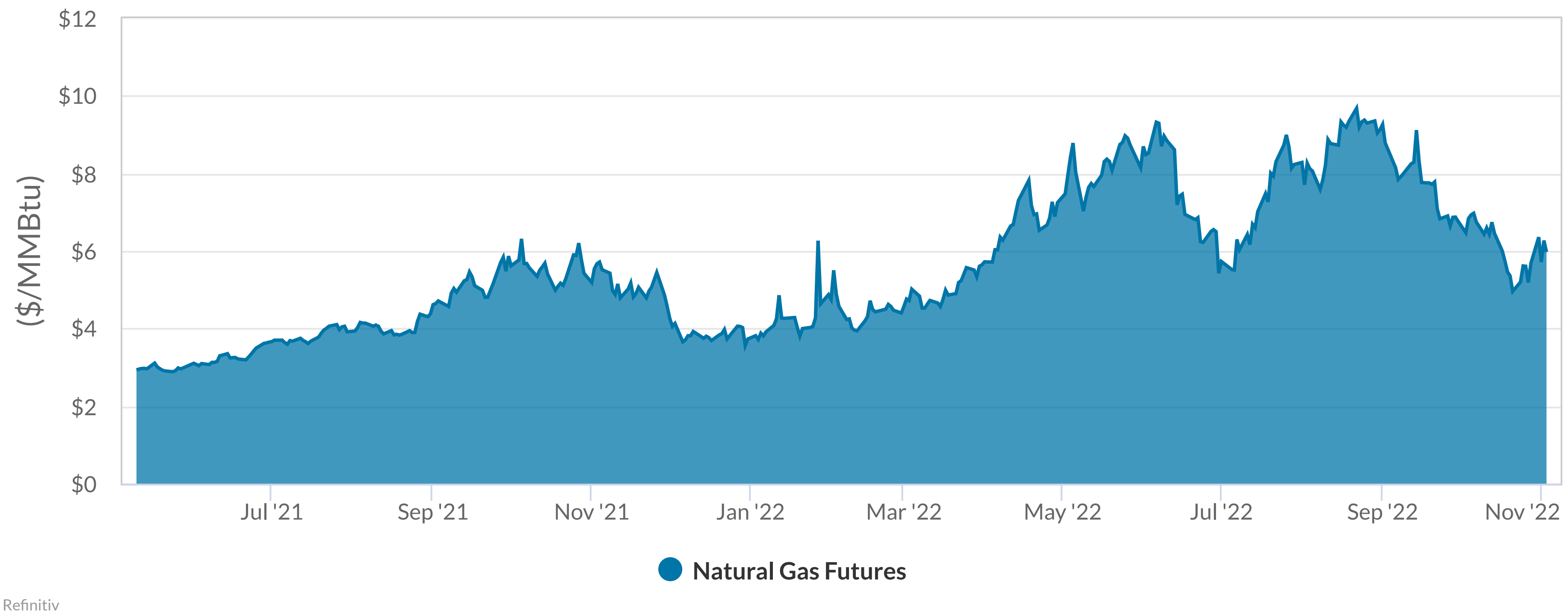
New York (¢/gal)	Chg.	Price	Prior Close
Regular Gasoline	+19.38	318.59	299.21
No.2 Heating Oil	+97.44	445.77	348.33
No.2 ULSD Diesel	+67.69	465.77	398.08
No.6 Oil 0.3% *			96.29
No.6 Oil 1% *			90.06
No.6 Oil 3% *			65.26
Gulf Coast (¢/gal)			
Regular Gasoline	-1.12	272.34	273.46
No.2 ULSD Diesel	+20.94	385.27	364.33
No.6 Oil 0.7% *			86.76
No.6 Oil 1% *			86.76
No.6 Oil 3% *			59.76

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

INTERNATIONAL SPOT REFINED PRODUCTS

Rotterdam ($/ton)	Chg.	Price	Prior Close
Regular Gasoline	+23.00	983.00	960.00
ULSD Diesel	+44.00	1112.50	1068.50
Singapore ($/bbl)			
Gasoil	+1.12	122.74	121.62
Jet/Kerosene	+1.71	120.82	119.11
VLSFO Fuel Oil ($/ton)	-3.95	653.65	657.60
HSFO Fuel Oil 180 ($/ton)	-5.33	422.66	427.99

NYMEX NATURAL GAS FUTURES



NATURAL GAS PRICES

($/MMBtu)	Chg.	Price
Henry Hub, Nymex	-0.29	5.98
Henry Hub, Spot	+0.11	4.65
Transco Zone 6 - NY	N/A	N/A
Chicago Citygate	-0.13	3.35
Rockies (Opal)	-0.03	6.53
Southern Calif. Citygate	-0.14	7.26
AECO Hub (Canada)	-0.29	3.57
Dutch TTF (euro/MWh)	+35.50	78.00
UK NBP Spot (p/th)	-14.50	115.00

US/Canada spot prices from Natural Gas Week

Equity Markets, Nov. 3, 2022

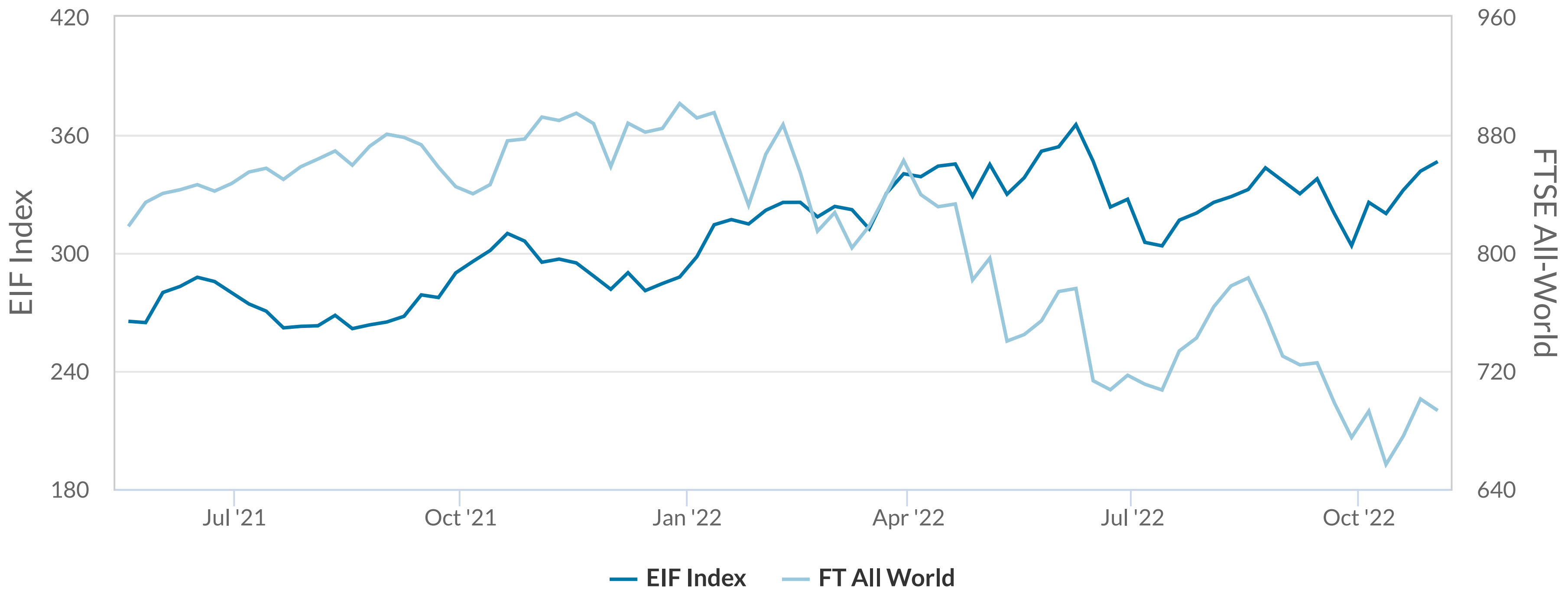
All data are produced by Energy Intelligence in cooperation with Reuters.

EQUITY MARKET INDEXES

	Chg.	Index	YTD %Chg.
EIF Global*	-1.04	346.38	+20.79
S&P 500	-39.80	3,719.89	-22.39
FTSE All-World*	-11.79	693.17	-23.08

*Index for previous day

EIF INDEX



EIF Global Oil and Gas Index of 21 traded equities