

# Euroil

## Europe Oil & Gas Monitor

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Week 03

### ❖ **Cold comfort**

Cold weather, nuclear outages, low wind and a tighter than expected LNG market have all contributed to driving up gas prices across Europe.

### ❖ **Refining retreat**

Rosneft has sold its remaining share in Italian refiner Saras to institutional investors.

### ❖ **Groningen gas limits**

Legal and technical issues affecting Europe's largest onshore gas field mean output will never return to its former peaks.

### ❖ **Maersk mulls DONG deal**

A P Moller-Maersk is eyeing the oil and gas division of its Danish compatriot DONG ahead of a public listing planned for its own Maersk Oil unit.



# SHELL, STATOIL AND CHEVRON PRESENT WELL INTERVENTION STRATEGY

## WHAT

4th Annual Offshore Well Intervention Conference Europe

The North Sea still holds considerable reserves, but economic recovery requires a new well intervention strategy that generates significant value by utilising the latest technology. 15 of the most innovative North Sea operators will share their well work strategies to 350 attendees at the [4th Annual Offshore Well Intervention Conference Europe](#), on April 25, 26 & 27 in Aberdeen.

## WHERE

Aberdeen, UK

A few highlights that will appeal to you include:

## WHEN

April 25, 26 & 27

- **Nexen** will present how their 'intelligent field development' is impacting well intervention activity, helping you to identify future reservoir management and downhole opportunities
- **Statoil** and **Chevron** will discuss how new RLWI technology will justify the business case for more interventions in 2017, offering insight into subsea programmes that are grabbing operator's interest
- **Shell** will outline how new operating models have lowered well work costs to offer faster returns on well projects, resulting in a greater appetite for workover activity.

OWI 2017 attendees will also hear case studies, activity forecasts and new approaches from Centrica, ConocoPhillips, CNR International, Dong Energy, Repsol and many more.

**Download the full agenda to access all the presentations at <http://tinyurl.com/EurOil-WI>**

I hope to see you in Aberdeen this April,

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April 25-26-27 | Aberdeen

# OWI2017

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OFFSHORE WELL  
INTERVENTION  
EUROPE CONFERENCE

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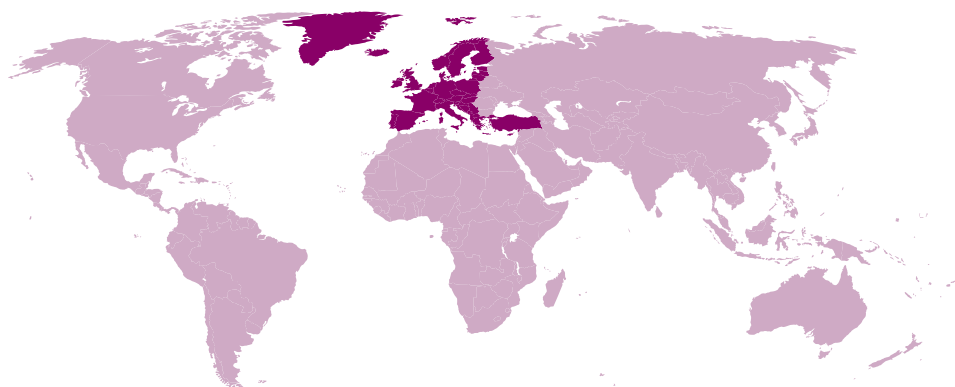
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Have a question or comment? Contact the editor – Ryan Stevenson [ryans@newsbase.com](mailto:ryans@newsbase.com)

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# Cold weather boosts European gas market

European gas prices have risen recently, adding to the growing debate about the need for the development of more indigenous resources such as shale gas, writes Jeremy Bowden

## EUROPE

### WHAT:

Gas prices have increased in the European market this winter.

### WHY:

A perfect storm of weather, technical and transition issues have combined to add tightness to the market.

### WHAT NEXT:

The volatility has highlighted the need for greater energy self-sufficiency.

COLD weather, nuclear outages, low wind and a tighter than expected LNG market have all contributed to driving up gas prices across Europe over recent months.

Demand had already been rising – reversing several years of declines – as had the risks of power price volatility, owing to the accelerating transition towards lower-carbon energy systems.

The cold weather has pushed up gas space-heating demand this winter, and, combined with lower than expected LNG availability, has resulted in a substantial drawdown in European gas stocks for the first time in several years.

Gas demand for power generation has also been enhanced by low wind output under what has been a persistent anticyclone that has dominated the weather for several weeks across much of Europe. Problems with French nuclear power plants (NPPs) have also increased reliance on gas over recent weeks, while the UK has seen continued disruption at its main storage site at Rough.

Gas supply has responded well, and overall there has been a 20% increase in the volume of gas transported in Europe in the first 20 days of January, compared with the average for the last three years, according to industry association Gas Infrastructure Europe (GIE).

Even so, prices have been driven higher, especially in southern France. Here it has been particularly cold and anticipated LNG deliveries failed to materialise owing to force majeure limiting local Algerian LNG deliveries at the Fos terminal to just four cargoes in January, its minimum contract commitment.

The southern France gas premium over the north reached record levels, with the day-ahead contract at 33 euros (US\$35.47) per MWh, almost 20 euros (US\$21.50) above the northern price of 13.35 euros (US\$14.35) per MWh on January 17. Congestion on the pipeline linking the two gas hubs prevented overland adjustment, and the situation was made worse by strong demand in Spain and Italy.

The high demand across Europe drew in

supply from the North Sea, Norway and Russia. Indeed, Russian flows through the three main export lines reached a very high level in January at above 4,100 GWh per day (387 mcm per day).

Demand for Russian gas had already been rising before the cold winter began, with the volume sold to the European market expanding by nearly 30% for the first nine months of last year – partly because of lower prices, which meant the value of sales increased only modestly by 3%.

Those additional sales now appear to have been made permanent, with many Russian long-term contracts through the three main lines recently believed to have been renegotiated at a higher take-or-pay level, with buyers accepting higher minimum take while Gazprom accepts more hub pricing.

### LNG short

LNG deliveries, on the other hand, have failed to meet expectations so far this winter. Cold weather and high demand in East Asia have drawn fresh US LNG exports there, rather than seeing them come to Europe as had been anticipated – at least until recently. Now that prices have risen sufficiently to be competitive with prices in Asia, more cargoes are forecast to arrive from February onwards.

In the UK, benchmark NBP gas prices have also risen, but the weather has been less severe and supply has remained ample despite ongoing problems at the major Rough storage facility, which resumed operations in December.

In addition, concern over the Brexit outcome, which some claim could affect cross-border trade, combined with a weak pound against the euro, has added to NBP market volatility.

The UK's winter 2017 contract rose by over 60% to around GBP0.52 (US\$0.65) per therm over the past year. At the time of writing, prompt prices were at similar levels – compared with a seven-year low of 22 ppt seen as recently as September.

However, prompt UK winter prices have ►►

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Gas exports from Europe to the UK are currently lower as a result, with the differential that normally favours export to the British market narrowing.





► not risen as much as on the continent, and gas exports from Europe to the UK are currently lower as a result, with the differential that normally favours export to the British market narrowing. Similarly, the normal flows of power from France have mostly reversed, with recent weeks seeing the UK exporting for most of the day, albeit through a damaged interconnector.

#### Rising risks

The bullish short-term environment comes against a backdrop of a growing risk of higher power prices as Europe's energy transition gets properly under way – in which fossil-fuelled power plants closures speed up and the markets struggle to fill the gap with intermittent renewables, demand management, storage, back-up and other techniques. Since September last year, markets have seen a period of increased volatility after years of relatively calm trade.

This long-term backdrop is also bullish for gas prices, though ample supply could undermine the upward pressure from higher power prices, which in any case are time-sensitive – unlike gas prices, as gas can be stored relatively cheaply (unlike power).

Nevertheless, a rising proportion of wind in the fuel mix will reduce gas consumption, although it will also make gas' swing availability ever more important.

In the near term, once the cold weather has passed, the French nuclear outages and low LNG supply are also forecast to ease, which could reverse the gas price gains of recent months. Chevron's LNG plant in Angola, which had

suffered outages, and Australia's Gorgon, which restricted output from late last year, are already back on stream, and Algeria is also expected to resume deliveries.

BMI Research sees average NBP prices at 44 ppt this year, compared with an average 35 ppt last year, with levels supported over the first half of 2017, as "gas storage constraints and nuclear outages in France combine to increase exposure to demand-side shocks."

Later in the year prices may then fall back as pipeline and LNG supply catch up, especially if wind output is high. Strong Asian LNG demand is anticipated to ease back, freeing up more cargoes for European buyers as the year progresses. It is anticipated that 2017 will be a record year for global LNG growth and some forecasters are predicting LNG imports into northwest Europe could be double last year's levels.

While there have been some localised gas and power shortages, overall most of Europe is coping well with the cold, despite an almost perfect storm of technical and transition issues that combined to add further tightness to the market.

Milder weather appears to be on the way and supply sufficiency had never really been in question, despite a rising reliance on imports, as Dutch (*see Groningen commentary*) and UK supplies decline.

In an increasingly uncertain world, the importance of energy self-sufficiency is growing. This winter has highlighted how indispensable gas is to energy supply security, which makes the reasons to look again at European shale gas development even more compelling. ❖

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This winter has highlighted how indispensable gas is to energy supply security.

# Rosneft on the retreat in the Mediterranean

Western sanctions have upended one of Rosneft's most promising ventures in Europe, writes Joseph Murphy

## EUROPE

### WHAT:

Rosneft has sold its remaining stake in Italian refiner Saras to institutional investors.

### WHY:

The company has blamed sanctions that have prevented it from gaining a controlling stake in the Italian firm.

### WHAT NEXT:

Rosneft is refocusing its international downstream operations on Germany and Asia, as evidenced by recent deals with BP and Essar Group.

RUSSIA'S top oil producer, Rosneft, announced last week it would be offloading its remaining 12% stake in Italy's Saras, the owner of the sixth biggest refinery in Europe.

The rationale behind the move, according to Rosneft, was that Western sanctions had prevented it from pursuing its long-term plan to secure a controlling stake in the Italian firm. Critically, a majority share would have given Rosneft control over Saras' crude purchases, thereby ensuring a larger market for its own supplies. The Russian company had also banked on taking part in joint trading operations with Saras that would have further expanded its foothold in the region.

As such, Rosneft's divestment marks its partial withdrawal from the Mediterranean oil market.

### Sanctions

In a statement on January 18, Rosneft announced it had sold the share for 174.6 million euros (US\$188 million) to institutional investors.

Saras, founded in 1962 by Italy's Moratti family, owns the 300,000 bpd Sarroch refinery on Sardinia along with storage facilities in Italy and Spain and a network of filling stations in the south of Spain.

Rosneft agreed to a strategic pact with the Italian company in 2012 that called for the creation of a joint trading and refining venture.

In April 2013, the state-owned firm bought a 13.7% stake in Saras for 178.5 million euros (US\$191 million) and two months later snapped up a further 7.29% for 90 million euros (US\$96.7 million).

This plan to gradually expand ownership of Saras was upended abruptly in 2014, however, when Brussels and Washington imposed sanctions that effectively barred Rosneft from raising its stake any further.

Notably, these restrictions also prevented the Russian supplier from purchasing the oil trading unit of US investment bank Morgan Stanley.



"At that time, Rosneft was trying to form a global oil trading business, and Saras could have played a role in that strategy in the Mediterranean," Mauro Fiorucci, EMEA Transaction Services Leader at global energy consulting firm Opportune, told NewsBase.

Rosneft then sold an 8.99% stake in Saras to institutional investors for 162.4 million euros (US\$174 million) in October 2015, reducing its share to 12%. Fiorucci noted that while sanctions had been the main factor behind this decision, another issue was that the partners could not agree on what direction to take their joint business in.

According to the expert, Rosneft opted to sell its stake in two stages so that the equity could be absorbed by institutional investors more easily while maximising the company's proceeds. ►►



- Saras' refinery in Sarroch represents one of the best options for an oil producer looking to expand in the Mediterranean. Besides its strategic location and good logistics, the plant has a large throughput capacity and is flexible in its crude intake.

Indeed, while the company booked losses between 2012 and 2014 amid bearish conditions in European refining, its recent performance has been far better.

It managed to post a net profit of 223.7 million euros (US\$240 million) in 2015 and a further 151.9 million euros (US\$163 million) for the first nine months of 2016.

Overall, Rosneft has earned a profit of some 80 million euros (US\$86 million) from its equity investments in Saras since 2013.

But while the Russian company benefited financially from being a Saras investor, its ultimate goal was to direct more of its Urals blend crude to Italy. The Sarroch refinery processes oil from a variety of sources, with 31% coming from Russia and the Caspian region in 2015, along with 20% from the Middle East, 14% from North Africa and 35% from other areas.

Without a majority stake, Rosneft's ability to expand its own share of the refinery's crude intake was limited. Making matters worse, the removal of sanctions on Tehran allowed Sarroch to resume oil purchases from Iran in mid-2016.

Prior to sanctions, the refinery relied on Iranian crude for 10% of its annual supplies.

#### Strategy shift

All the while, there are signs that Rosneft is shifting its attention away from the Mediterranean.

"Rosneft is refocusing its international downstream strategy on core geographical areas – Germany and India," Fiorucci explained.

The firm has emerged as Germany's third biggest refiner, having recently sealed a deal to restructure its joint downstream venture with BP. As part of the agreement, Rosneft will raise its stake in Germany's Bayernoil and MiRO refineries to 25% and 24% respectively while increasing its share of the Schwedt refinery to 54%. In total, these shares will provide the company with a throughput capacity of 240,000 bpd, or 12% of the country's total.

It makes sense for Rosneft to consolidate its position in Germany, given that the country is one of the main destinations for Russian crude in Europe and is connected to Russia's Druzhba oil pipeline.

Meanwhile, the producer is in the process of finalising the purchase of a 49% stake in India's Essar Oil, the owner of the 400,000 bpd Vadinar refinery in Gujarat. But despite this strategy shift, Fiorucci stressed that the Mediterranean remained an important market for Urals crude.

"For now, it seems they don't have a downstream strategy for the Mediterranean," he said, noting that the options for decent refining assets in the area are limited. "The only meaningful options for Mediterranean refining capacity are in Greece," he said, speculating that Rosneft's possible targets in the future could be Hellenic Petroleum or Motor Oil Hellas.

"[But] I don't think this is a priority for them," he said, adding that Rosneft's downstream focus was likely to remain on Germany and Asia, particularly India, for the time being. ❖

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Rosneft is refocusing its international downstream strategy on core geographical areas – Germany and India.



# Groningen gas limits upheld

## Output from Europe's largest onshore gas field will never return to its former peaks

### NETHERLANDS

#### WHAT:

A legal challenge to slow or stop production at the field has failed.

#### WHY:

A court ruled that there was no urgent reason to put the brakes on output.

#### WHAT NEXT:

Groningen's long-term future will be decided at a trial scheduled to be heard in May or June.

A legal challenge to slow or stop production at the Groningen gas field in the northern Netherlands ahead of a full trial has failed.

Europe's largest onshore gas field was discovered in 1959, and for more than five decades has been supplying around half the country's needs and exporting to its near neighbours, in so doing providing welcome extra revenue for the national coffers.

The field is operated by Nederlandse Aardolie Maatschappij (NAM) – a 50:50 joint venture between Royal Dutch Shell and ExxonMobil. But a series of earthquakes in the region that have caused billions of euros of damage to buildings have been blamed on gas extraction and have forced a rethink of strategy.

The Dutch government has reduced production at the field several times since it reached a peak of around 54 bcm in 2013. And it has become particularly cautious since it was censured by national safety authorities for failing to make an adequate assessment of the risks posed to people living in the affected region.

Its latest decision, taken in June last year and confirmed in September, capped annual output at 24 bcm for 2016 and for each year until September 2021, down from a previous limit of 27 bcm. That decision includes the possibility to raise production back up to 30 bcm in the event of unusually severe winter weather threatening gas supplies to homes in the Netherlands, Germany and Belgium.

At the request of the Dutch Parliament, the cap will also be reviewed annually by the government to determine whether circumstances make it possible to reduce production more quickly.

#### Long-term future

But concerns remain over the spate of earthquakes. As a result, the long-term future of the Groningen gas field will be decided at a trial, scheduled to be heard in May or June this year by the Dutch Council of State, the country's highest administrative court.

The Council will rule on several factors. These will include a decision on whether gas extraction at the field is in line with all laws and regulations, and whether the government has carried out enough research and adequately mapped the security risks.

In November, the Council of State also revealed it had received 25 appeal applications against the 24 bcm production ceiling. Eight parties in particular, however, predominantly local farmers concerned that their properties were in danger of collapsing, took things one step further. They filed an emergency petition seeking an

injunction to slow or even stop gas production before the main trial is held in the spring.

But the farmers' group action has failed. On January 5 the court announced that it had upheld the government's 2016 decision. The presiding judge said no new facts had emerged and no severe earthquakes had occurred since that time, and thus he saw no urgent reason to further restrict or stop production ahead of the main trial.

This is not the end of NAM's or the government's woes, however. The farmers who lodged the emergency injunction have also filed a lawsuit against NAM seeking 6 million euros (US\$6.4 million) in compensation for the damage caused by drilling. Moreover, the Dutch State, in the form of Economic Affairs Minister Henk Kamp, has received a demand to stop gas production on the grounds it does not comply with the country's obligations under the European Convention on Human Rights.

Though confusion surrounds the legalities, what is clear is that production at Europe's largest gas field will never return to its former peaks. And such a drop in upstream capacity in the Netherlands and northwest Europe is going to leave a big gap to fill. This could have knock-on effects in other areas. The cuts will severely limit Groningen's former role as the region's largest and most flexible seasonal supplier. The Netherlands has already been forced to import gas for the first time in decades. It is also increasing pressure on the country and its immediate neighbours to find other sources, with shale gas backers spotting an opportunity to make their case again.

The situation will provide a boost for the Gate LNG Import Terminal at Maasvlakte near Rotterdam. There have also been suggestions – albeit unconfirmed – that the government in The Hague might be considering talking to Russian gas export monopoly Gazprom to buy some volume from the Nord Stream pipeline in the Baltic, although since this terminates in Germany, other parties would have to be involved.

NAM itself remains bullish about the situation, and confident that even in the long term, its gas will still be needed. During his annual statement in January, company director Gerard Schotman called for "realism," and said the Netherlands remained heavily dependent on fossil fuels. According to his figures, even when they are all operational in 2023, the combined power production of the five major Dutch offshore wind farms currently in development will still only be the equivalent of "23 days of Groningen gas production." ❖



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The drop in upstream capacity in the Netherlands and northwest Europe is going to leave a big gap to fill.”





# Bulgaria, Serbia agree to build gas interconnector

## BALKANS

BULGARIA and Serbia on January 19 signed a memorandum of understanding (MoU) for the construction of a pipeline that will connect their gas networks. The project will expand gas supply in Southeastern Europe (SEE) and reinforce energy security in the region.

The MoU calls for work to begin on the 150-km pipeline in May 2019 and come into operation by the end of 2020 with a view to reducing both countries' heavy reliance on Russia for gas supplies. The pipeline will have reverse flow capability with capacity to ship 1-1.8 bcm per year from Bulgaria to Serbia and 150 mcm per year from Serbia to Bulgaria.

Bulgaria has drawn up a technical plan for its 62-km section and allocated 45 million euros (US\$48 million) for the project under the EU's Innovation and Competitiveness programme. Serbian Energy Minister Aleksandar Antic said Belgrade would receive funding from Brussels to cover the cost of building its section of the pipeline, which is included on an EU list of priority energy projects. The Serbian section of the pipeline could cost around 60 million euros (US\$65 million). Serbia is due to complete its negotiations to join the EU in 2019.

Bulgarian Energy Minister Temenuzhka Petkova, who is a member of the outgoing government of Boyko Borissov, urged the next administration to support the interconnector

project and the diversification of gas supplies to the region. She added that the pipeline meant "security of deliveries and competitive prices."

By 2020 Bulgaria will be receiving gas through the 3-5 bcm per year capacity Interconnector-Greece-Bulgaria (IGB) pipeline extending from the Trans Adriatic Pipeline (TAP) that will cross northern Greece and is part of the Southern Corridor project that will deliver Azeri gas to Central Europe. The IGB could also be supplied in future with gas delivered to a proposed LNG terminal at Alexandroupolis in northern Greece.

Bulgaria is pursuing an energy policy that could see it emerge as a gas hub in the region. It is working to extend its gas distribution system into neighbouring countries and so far has completed an interconnector with its northern neighbour, Romania.

Serbia had been a key transit country in Russia's South Stream pipeline plan, which was cancelled in 2014 after Moscow refused to comply with EU regulations allowing third-party access. South Stream was designed to transport Russia gas across the Black Sea and make landfall in Bulgaria and from there cross SEE to the Central Europe Gas Hub in Austria.

Russia has subsequently proposed the Turk-Stream project, which would send gas across the Black Sea to western Turkey and terminate at the Turkish-Greek border. ❖

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Bulgaria is pursuing an energy policy that could see it emerge as a gas hub in the region.

# Lundin to spend over US\$1bn on E&P this year

## NORWAY



LUNDIN Petroleum will spend US\$1.3 billion this year on a development, appraisal and exploration programme that is primarily focused on the Norwegian Continental Shelf (NCS).

The Swedish explorer announced on January 19 that it would channel roughly 99% of its 2017 development budget into Norwegian projects, including 70-80% to be spent on its 22.6% stake in Johan Sverdrup.

Statoil-operated Johan Sverdrup, home to an estimated 1.8-2.9 billion boe in reserves, is on track for launch in the fourth quarter of 2019.

Lundin said eight production wells had been completed at the project so far, with another six water injection wells scheduled this year.

Development will also focus on its operated 65% stake at Edvard Grieg, where production started in November 2015.

Edvard Grieg is currently operating from four production wells and two injection wells, but five more will be drilled this year ahead of the full slate of 14 being completed in 2018.

In terms of exploration and appraisals, Lundin has budgeted US\$210 million compared with US\$145 million last year.

The company demonstrated robustness during the industry depression for its strong

exploration record in Norwegian waters, including at Alta in the Barents Sea, the largest NCS discovery of 2014.

Last week, the firm said it had organically upped its reserves during 2016 by 55.3 million boe. Another 29.5 million boe was added from net acquisitions, resulting in a final tally of 743.5 million boe, compared with 685.3 million boe at the end of 2015.

Five exploration wells are planned for the NCS, including the operated Filicudi well and one targeting the Borselv prospect, both of which are situated in the southern Barents Sea.

Borselv will be drilled as part of the Alta-Gotha campaign, where Lundin hopes to establish a "new core area" after striking an estimated 25-60 million boe resource at Neiden in November 2016. Lundin will unveil its full-year results on February 1.

The firm has advised investors that a decision to discount its inactive assets in Malaysia and the Russian Caspian will result in a US\$549 million paper charge.

During the December-quarter, Lundin averaged production of 83,400 boepd, helping the firm towards the middle of its full-year guidance at 72,600 boepd. ❖

# Maersk Oil mulls move for DONG assets

## DENMARK



A P Moller-Maersk could look to snap up the oil and gas division of its Danish compatriot DONG ahead of a public listing planned for its own Maersk Oil unit.

Maersk Oil was the "obvious buyer" for DONG's oil and gas assets, said Sydbank analyst Morten Imsgard last week. DONG is shedding its oil and gas portfolio to focus on offshore wind instead. Calculations cited by Bloomberg last week indicated that DONG's sale could bank as much as US\$2.8 billion, as long as the industry recovery stabilises.

"Maersk Oil is the most obvious buyer on a list that has very few names," Imsgard told Bloomberg on January 19, "Both parties are very much interested in the business idea of the deal, but the obvious problem is the price."

Maersk Oil is currently discussing tax issues with Copenhagen related to its Danish North Sea operations, and Imsgard conceded talks with DONG were, therefore, likely to be on ice at present. However, his logic for the tie-up sees Copenhagen take a favourable position on selling to a Danish firm, which would also minimise the cultural transition of an eventual merger.

A P Moller-Maersk's CEO Soren Skou said on January 18 that separate IPOs were likely

for each of the conglomerate's energy divisions, which also include the drilling, services and tanker businesses.

An approach for DONG prior to the sell-off could add upside for investors and offset the challenges facing Maersk Oil's portfolio.

Maersk produced 325,000 boepd during the third quarter of 2016, compared with 303,000 boepd in the same period during the previous year. But the firm will lose output from a major concession in its portfolio once the licence for Qatar's Al Shaheen oilfield is handed over to Total in July. Maersk also faces decommissioning at Tyra by October 2018 after failing to reach an economic proposition for the Danish North Sea field's continued production.

Tyra is Denmark's largest gas field, and more than 90% of Danish gas production is processed through its facilities.

DONG anticipates selling its oil and gas division by the end of this year, and will classify the unit as "discontinuing" when it discloses its 2016 results on February 2. DONG produced 115,000 boepd during 2015, enough to cover roughly one-third of Maersk's output, with around 90% of the figure extracted from Norwegian assets and the remainder produced from Denmark. ❖

# UKEF steps out with Ghana support

## UK

THE decision from UK Export Finance (UKEF) to provide a direct loan of US\$400 million to GE Oil & Gas, for work on Ghana's Offshore Cape Three Points (OCTP) project marks a step change for the export credit agency, a Mayer Brown partner, Tom Eldridge, told NewsBase this week.

UKEF announced its loan for the GE unit on January 16. The decision from the UK's export credit agency (ECA) would help support jobs in Aberdeen and Bristol, it said – and was UKEF's first direct loan for an African project.

GE is working on subsea production systems for the OCTP project, which will involve the development of oil and gas fields around 60 km offshore Ghana. Oil production should begin in August, with first gas starting up in 2018. The gas from the project will go to meeting onshore Ghanaian demand over more than 20 years.

The OCTP project will “greatly improve Ghana's energy security. Thanks to the UK government's support, via [UKEF], and our global leadership in oil and gas, UK companies are ideally placed to support Ghana's future development and seize the huge export potential that brings,” said UK Minister for Trade and Investment Greg Hands.

GE Oil & Gas' president and CEO, Lorenzo Simonelli, said the deal reflected his company's ability to invest in the support of local partnerships. It will use “engineering and manufacturing expertise from the UK, across the supply chain. [ECA] financing is an important source of support for our customers,” he said, going on to highlight a memorandum of understanding (MoU) signed with UKEF in 2015.

Gas from the project will help provide 1,100 MW of power for Ghana, displacing the use of fuel oil for generation.

### UK lending

The deal is significant on a number of fronts, Mayer Brown's Eldridge said. He noted the use of a hybrid finance structure, involving both project finance and reserve-based lending (RBL), for the deal, in addition to the use of a direct loan and the deal being the first such arrangement made in support of an African project.

Perhaps most significantly, though, Eldridge said this represented a significant show of support from the UK government for its export

industries. “Recent ECA lending in the oil and gas sectors has typically been driven by investments from Asian or North American bodies utilising government-supported finance programmes in the oil and gas sectors. Japanese and Korean ECA finance, in particular, has been used to win international contracts for local companies.”

That UKEF is now participating in the provision of direct lending for the oil and gas business on the scale of the OCTP project demonstrates the UK government's policy, which is “putting its money where its mouth is,” he said. The precondition for such lending is that a certain amount of the “capital or goods source must come from the UK”. The UKEF deal on OCTP must also be seen in the context of the UK's decision to leave the European Union, Eldridge continued, amid industry's search for a greater show of support from the UK government.

### Totting it up

Total spending on the OCTP project has been estimated at US\$7.9 billion. GE's contract is worth US\$850 million.

The UKEF statement said its support came as part of a broader US\$1.35 billion package involving the International Finance Corp. (IFC) and the World Bank's Multilateral Investment Guarantee Agency (MIGA). It also involves commercial banks such as HSBC Bank, Standard Chartered Bank, Societe Generale, ING Belgium, Natixis, Bank of China, Mizuho Bank and MUFG (Europe).

The UKEF statement noted that the Autumn Statement in 2016 had doubled the ECA's capacity to GBP5 billion (US\$6.24 billion), while also increasing its country limits and ability to provide support in local currencies. The ECA has a stated aim of ensuring that “no viable UK export should fail for want of finance or insurance from the private market. It provides finance and insurance to help exporters win, fulfil and ensure they get paid for export contracts”.

Citing the US examples of the IFC and the US' Overseas Private Investment Corp. (OPIC), Eldridge raised the possibility that the UKEF would be willing to provide support to UK exporters companies with a broad range of deal sizes, suggesting smaller companies would also be eligible for similar support. ❖



# Romania reports disappointing output figures for 2016

## ROMANIA

ROMANIA'S oil and gas industry endured a difficult year in 2016, recent production and import data have shown.

According to Romania's National Institute of Statistics, domestic production of gas slumped by 13.5% to 6.768 million tonnes of oil equivalent (8.6 bcm) from 7.928 million tonnes (9.94 bcm) in the corresponding period of 2015. This caused the country's gas imports to climb to 876,100 toe (1.11 bcm), an increase of 614.6% on the 122,600 toe (155.7 mcm) that was procured between January and November of 2015.

Meanwhile, the country's top hydrocarbon producer, OMV Petrom, reported last week a 3.4% year-on-year slide in oil and gas output in the fourth quarter of 2016 to 170,000 boepd. The Romanian arm of Austria's OMV said in a report that both oil and gas production had fallen over the year, with gas yields dropping from 96,000 boepd to 92,000 boepd.

### Drilling plans

However, there was also some good news for Romania's oil sector this week, however, with Canada's East West Petroleum announcing the launch of a two-stage drilling operation in the west of the country.

The Vancouver-based explorer has paired up with the Serbian subsidiary of Russia's Gazprom Neft, Naftna Industrija Srbije (NIS), to hunt for oil and gas at four blocks in the Pannonian

Basin. In a statement this week, the firm said that drilling had started at the EX-7 Periam block on January 21. The well will reach a depth of 2,500 metres, taking 50-60 days to complete, East West said. The project partners also control the EX-2 Tria, EX-3 Baile Felix and EX-8 Biled blocks. Together the four blocks, formerly under the control of Romania's Petrom, span some 4,000 square km of acreage near Romania's border with Hungary.

Under the first two-year phase of exploration, NIS will fully fund the drilling of 12 wells, estimated to cost an overall 60 million euros (US\$64.5 million), East West said. According to licencing rules, East West is also required to shoot 880 km of 2D and 600 square km of 3D seismic work at the sites.

NIS will finance the drilling of a further three wells at any block that the partners decide to include in a second stage of exploration. If a discovery is made, East West will bear its share of the cost of development and production costs. NIS commands an 85% stake in the block, with the remaining 15% held by East West.

Recent years have seen a revival in offshore drilling in Romania, culminating in the discovery by ExxonMobil and OMV Petrom of 42-84 bcm of gas at the Neptun block in 2012. More recently, a joint venture between Russia's LUKoil and local producer Romgaz reported a 30 bcm find last October at the EX30 Trident block. ❖

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The Romanian arm of Austria's OMV said in a report that both oil and gas production had fallen over the year.



# EU insists Greece privatise Desfa

The Greek government's plan to retain a 51% stake in the natural gas transporter has been rejected by European Energy Commissioner Miguel Arias Canete

## GREECE

THE EU has said that Greece must proceed with privatising 66% of state-owned natural gas transport operator Desfa as part of its agreement with international creditors.

European Energy Commissioner Miguel Arias Canete visited Athens last week where he met a number of Greek officials to discuss several pending energy projects.

Canete's remarks came after Greek Energy Minister Yiorgos Stathakis said his ministry was devising a new plan that would enable the Greek state to retain a 51% stake in Desfa, with only 14% being put up for sale to a private owner.

Under the privatisation programme that is part of Greece's international financial rescue plan, the government and refining company Hellenic Petroleum agreed to sell 66% of Desfa to a private investor.

"The Commission continues to believe that 66% of Desfa ought to be privatised in the best possible conditions," Canete said, adding that the bidders should be fully unbundled transmission system operators (TSOs).

Azerbaijan's state-run SOCAR, which is involved in the construction of gas pipelines that will make up the Southern Corridor system, won a tender in 2013 to purchase the Desfa stake for 400 million euros (US\$430 million). But the deal fell through in November after Greece passed a law that increased Desfa tariffs at a rate less than what SOCAR had anticipated, thus reducing revenues. SOCAR argued that this action had reduced the value of Desfa and offered to pay a smaller amount for the 66% stake, but Athens refused to reduce its asking price.

The Greek media reported after Canete's statement that Stathakis had told reporters that a new tender for Desfa was being prepared and that it would involve the sale of the full 66% as stipulated by the bailout agreement.

### IGB talks

Whilst in Athens, Canete also discussed the Interconnector-Greece-Bulgaria (IGB) pipeline. It will link into the Southern Corridor in north-eastern Greece and transport natural gas into Bulgaria and possibly further into the Southeastern Europe (SEE) market.

Work on the project is due to get under way this year and is part of the EU strategy to reduce the region's dependence on Russia for gas supplies. Also discussed was the proposed Aegean LNG project, which would see a floating



European Energy Commissioner Miguel Arias Canete visited Athens last week

regasification and storage unit (FSRU) installed at Alexandroupolis in the northern Aegean for the purpose of receiving LNG. Gas received by Aegean LNG could theoretically be pumped north into Bulgaria and other EU members through the IGB.

The Trans Adriatic Pipeline (TAP) was also discussed. TAP will connect with the Trans Anatolian Natural Gas Pipeline (TANAP) in north-eastern Greece near the Turkish border. These will link to pipelines and the expanded South Caucasus Pipeline (SCP) from the Southern Corridor, which will transport gas from Azerbaijan's offshore Caspian Shah Deniz gas field.

Shah Deniz is already producing around 8 bcm per year of gas, some 6 bcm year of which is delivered to Turkey. Once the Southern Corridor goes into operation in 2019-20, another 6 bcm per year will be delivered to Turkey and 10 bcm per year will be transported to Europe through TANAP, which crosses Turkey, and TAP, which crosses northern Greece, Albania and the Adriatic Sea to Italy.

Greece will play an important role in the future of EU energy security as it becomes the first member state to become a conduit for Caspian gas. Its emergence as a gas hub could also potentially be driven by the establishment of Aegean LNG, which would be the European delivery point for East Mediterranean gas to be processed into LNG.

There is also a proposal to build the subsea East Med Gas Pipeline across the Mediterranean to connect gas fields in Israel and Cyprus to Greece and then to Italy. The project is backed by Greek gas company DEPA and Italy's Edison. ❖

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A new tender is being prepared that would involve the sale of the full 66% stake in Desfa as stipulated by the bailout agreement.”

# Zagreb steps up INA bid

## CROATIA

CROATIA will ratchet up its bid for full control of INA, the company it owns jointly with Hungary's MOL, by forming a government committee to find the best way to proceed.

The special task force will be chaired by conservative Croatian Prime Minister Andrej Plenkovic and must produce a solution that does not further inflate the national debt, which stands at almost 85% of GDP.

MOL owns a 49.08% stake in INA alongside the Croatian state with 44.84% interest. Ties between the pair have deteriorated rapidly amid consecutive disputes. For instance, in 2009, MOL claims Zagreb demanded greater representation on the INA board, with the government taking three seats as well as a veto on strategic issues.

Other tensions have included the revocation of INA's exploration rights in the River Sava, and allegations levied against former Croatian Prime Minister Ivo Sanader by Zagreb regarding his impropriety when handing control to MOL.

The UN Commission of International Trade Law (UNCITRAL) ruled against Zagreb over the Sanader affair, MOL announced on January 13, having dismissed the government's evidence on the matter as inconclusive.

On the same day Zagreb said it would appeal against the verdict. Croatia is also waiting to hear

the verdict on its complaint at the International Centre for Settlement of Investment Disputes in Washington DC later this year.

The Hungarian government has stood in MOL's corner, insisting that if Zagreb were to retake control, it would have to compensate MOL for its entire investment stake. The Hungarian firm's stake would be worth around 1.9 billion euros (US\$2.04 billion) at market prices.

This suggests Zagreb would find it difficult to realise its ambitions without adding a hefty chunk to its debt load, which Moody's predicted in March 2016 could creep over 90% of GDP by 2018.

Moreover, the Croatian government has operated under a new administration since Plenkovic was returned to office following a snap election that was held in September 2016.

In October, however, newly appointed Croatian Energy Minister Slaven Dobrovic suggested he would consider the closure or modification of INA's Sisak refinery, a move which could cost hundreds of jobs.

This preceded an INA announcement on January 19 confirming it had appointed Deloitte to assess options for Sisak, and indicates that the administration is capable of aligning with MOL on operational issues. ❖

## PROJECTS & COMPANIES

# PGNiG and Lotus pick up Norwegian licences

## POLAND

POLISH explorers PGNiG and Lotus have bagged stakes in seven licences between them in Norway's Awards for Predefined Areas 2016 (APA 2016), it emerged last week.

PGNiG has acquired an interest in two licences, PL 887 and PL 891, both of which are situated south of the BP-operated Skarv field in the Norwegian Sea, where PGNiG already has an 11.9% stake.

It will operate PL 887 with a 40% stake alongside Petrolia, Skagen44 and Concedo, which own 20% each.

At PL 891, PGNiG will hold a 30% interest, with operator ConocoPhillips and partner Aker BP taking 40% and 30% stakes respectively.

Meanwhile, Lotus announced it had been awarded five non-operated licences on the Norwegian Continental Shelf (NCS): at PL866 (30%), PL871 (20%), PL873 (20%), PL874 (9.74%) and PL442B (9.74%).

PGNiG's awards could open up the prospect of fresh resources to tie into the Skarv and Idun fields.

The fields lie 35 km south of Norne, where operator Statoil recently announced a new

satellite discovery with an estimated 2-80 million boe of recoverable reserves.

Upon sanctioning, Skarv held 105.6 million barrels of oil plus 43.3 mcm of gas. It started production in January 2013 from a turret-moored FPSO capable of handling 85,000 bpd of oil, 19 mcm of gas plus 18 mcm for export.

Sixteen wells have been drilled at Skarv to date, with the project's lifespan estimated at 25 years.

Elsewhere in Norway, PGNiG holds an 8% interest at the Statoil-operated Gina Krog project in the Norwegian Sea, which is scheduled to launch early this year with an estimated 225 million boe of reserves.

The importance of PGNiG's Norwegian strategy has grown as the expiry of its gas supply contract with Russia's Gazprom in 2022 draws closer. It hopes to develop a pipeline from Norway to Poland via the Baltic Sea by 2022 that would help wean the latter off Russian imports. Statoil has confirmed it will not participate in the project.

PGNiG currently buys around 10 bcm per year of gas from Gazprom, or two-thirds of Poland's 15 bcm consumption as of 2015. ❖

# Total sets new drill date for first offshore Cyprus well

## CYPRUS

FRANCE'S Total is now expected to drill its first exploration well offshore Cyprus in June or July, a source close to developments told NewsBase this week.

Last October, when it signed a service contract to use facilities in the port of Limassol, the company said it intended to spud the well in April. But complications caused by uncertainty over which port on the island it might use as an onshore logistics base meant the French firm had to postpone its first well twice.

It had originally intended to drill in Block 11 in September, but that plan was interrupted when a licence for access to the port in Larnaca was not renewed by the municipal council there. After taking steps to operate out of the island's main port in Limassol and launch the well in April 2017, a service licence signed with a local oil service company was found to be in violation of the government's contract for management of the port by a consortium headed by Dubai's DP World and including local partners.

The Cypriot government had signed the contract with DP World and partners earlier in the year, but had apparently overlooked a clause that extended full management of the port to the private contractor, including onshore services used during the course of offshore drilling.

The obstacles presented by working out of Limassol were overcome through negotiations at the end of December, but the length of the talks has forced Total to delay hiring a rig and finalising health, safety and environment (HSE) requirements.

"A rig contract should be awarded by the end of this week. With the rig secured, Total will award all the other contracts necessary for the drilling campaign," the source said, adding: "As one might imagine, it was a challenge to keep the tendering process alive and valid during the three months' interruption."

Total must now compile the HSE requirements, which have to be submitted to the various competent authorities in the Cypriot government three months prior to the start of drilling. Once drilling starts, the well, which has been named Onisiforos by the Cypriot government, will take about two months to complete, the source said.

Total, which was awarded Blocks 10 and 11 in February 2013, will drill the well in a geological stratum described as a carbonite platform that could be an extension of the geology in which Egypt's Zohr gas field was discovered by Eni in August 2015.

The Zohr field, which has a gas reservoir of

30 tcf (850 bcm), lies in the Shorouk Block only 6 km from the Cyprus-Egypt maritime border. The field's discovery prompted the Cypriot government to launch its third licensing round early last year and in December it announced the preferred bidders for the three blocks tendered.

ExxonMobil and Qatar Petroleum were named for Block 10, Eni was awarded Block 8 and a Total/Eni partnership was awarded Block 6. Although awarded Block 10 in February 2013, Total relinquished the asset in early 2015 before Zohr was discovered because it could not find a low-risk target. Total requested from the Cypriot government after the Zohr discovery that it retrieve the block, but Nicosia decided that the block had to be retendered. In the 2016 bidding round Total bid on Block 10, but lost out to the US/Qatari partnership.

### Activity ramp-up

It is anticipated that work offshore Cyprus will ramp up in the second half of 2017. Total should finish its well by September and Eni is expected to return during the second half of the year to resume a drilling programme that it suspended in late 2014 after it drilled two dry holes in Block 9. It was awarded a licence for the block, along with Blocks 2 and 3, in January 2013.

Should Eni be awarded Block 8, it will have a sizeable portion of exploration area in the eastern region of the Cyprus Exclusive Economic Zone (EEZ).

Only four wells have been drilled in Cyprus' EEZ: two dry holes by Eni, and the Aphrodite discovery and appraisal wells by US explorer Noble Energy in Block 12.

Discovered in December 2011, the Aphrodite fields holds a gas resource estimated at 4.5 tcf (127 bcm), but plans to monetise the gas have yet to take shape. Negotiations have been carried out with Egypt to send the gas there by subsea pipeline with the intention of processing it into LNG at Royal Dutch Shell's idle Idku facility for export to foreign markets. ❖



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# Providence plans Druid exploration work

## IRELAND

PROVIDENCE Resources has secured permission from Irish regulators for an exploration campaign at its offshore Druid prospect in the southern Porcupine Basin.

Druid lies in around 1,750 metres of water in Paleocene sequences, and will be targeted with the Stena IceMax drilling rig in mid-2017.

Providence claims to have contracted the IceMax on a reduced day rate for a possible two-well campaign in the southern Porcupine.

The 53/6-A exploration well will spud in FEL 2/14, which also holds the Drombeg prospect at deeper Lower Cretaceous sequences of around 2,750 metres below sea level.

Providence estimates the Druid probe will cost US\$35 million, plus an additional US\$15 million should the explorer choose to deepen the hole and target Drombeg as well.

The London-listed firm owns an 80% interest in FEL 2/14 alongside UK-based junior Sosina Exploration with a 20% stake.

Providence first identified two fans at Druid and Drombeg during the pre-licensing phase, on 2D seismic data mapped in 2008.

Subsequent to 3D processing and collaboration work with Schlumberger, Providence announced pre-drill resource estimates for Druid and Drombeg of 3.18 billion barrels and 1.91 billion barrels of oil respectively.

Analysts at Davy Research commented positively in a December 12 filing, arguing that Providence was also likely to penetrate Drombeg to utilise the Porcupine's suitability for "fast top-hole drilling". "The group will obviously want to maximise the number of metres drilled in the current environment," the brokerage said.

Momentum in the Irish sector appears to be stagnant despite record applications in the 2015 Atlantic Margin licensing round and Royal Dutch Shell's launch of the Corrib gas field in December 2015. In November last year, a PwC survey forecast that firms would invest just 300 million euros (US\$322 million) between 2017 and 2018, down from the 1 billion euros (US\$1.07 billion) estimated one year earlier.

Providence has disappointed investors by failing to seal farm-in agreements for key projects, particularly at its flagship Barryroe in the Celtic Sea, which contains an estimated recoverable oil resource of 311 million barrels.

Following a US\$70 million equity injection last year, however, Providence's CEO Tony O'Reilly said he was confident that investment was finally on the way.

"Essentially, counterparties were waiting for us to go bust so they could deal with the administrator, but thanks to our shareholders that obviously didn't happen," he said in November. ❖

## NEWS IN BRIEF

### POLICY

## Davey calls for review of decommissioning rules

A former UK energy secretary has called for a review of rules that require most infrastructure from North Sea installations to be removed at the end of their life. Sir Ed Davey said there was growing evidence that platforms provided a natural reef for marine life. He argued there was "growing concern" that the "clean seabed principle" might harm the marine environment.

WWF Scotland said oil firms should not be allowed to dodge their obligations. The UK government said the decommissioning process was "already flexible" but "in the vast majority of cases" installations must be fully removed. Under existing rules, which include the Petroleum Act 1998 and the Oskar convention governing the North Sea, operators are obliged, under most circumstances, to leave no trace of their operations after installations have reached the end of their lives.

But in an article in the Times, Sir Ed Davey, a Liberal Democrat minister in the former coalition government, and environmentalist Jonathon Porritt argued that environmental science "now questions this legal framework". They wrote: "The evidence is that the foundations of oil and gas platforms and wind turbines, rather like shipwrecks, can provide important habitats for valuable marine species. From hard surfaces acting like a natural reef to de facto marine conservation areas, helping to replenish some fish stocks, many offshore installations have helped to nurture marine eco-systems as biodiverse as natural reefs.

"There isn't yet consensus on a 'new best decommissioning practice' to take account of this science. But before we spend billions removing potentially valuable habitats, we should find out."

**BBC NEWS (UK), January 23, 2016**

## Unite pledges to make sure BP workers are protected

BP has announced that it plans to transfer

operations at the Magnus oil field and Sullom Voe Terminal to the independent oil and gas producer EnQuest. Around 100 BP staff are currently associated with Magnus and associated infrastructure, and approximately 240 with the Sullom Voe Terminal.

Unite regional officer John Boland said: "Many people will look on this news as the end of an era, given BP's long association with the Sullom Voe Terminal and the Magnus field. It was discovered by BP way back in 1974 when the company was still owned by the public. BP has said it will now start consultations and Unite is pledged to making sure the rights of our members are protected in any transfer. We are clear – there should be no change to the terms and conditions of any worker moving over to employment by EnQuest.

"When transfers like this happen, there is often a concern about potential job losses. We strongly hope that is not the case here, and we will be talking with BP and EnQuest to get a clear idea of their plans for the future so our members are fully informed."

**UNITE (UK), January 24, 2017**



## COMPANIES

## EnQuest takes over 25% interest in Magnus field

EnQuest has agreed to acquire from BP an initial 25% interest in the Magnus oil field representing around 15.9 million boe of additional net 2P reserves (gross reserves of 63.4 million boe) with net production of 4,200 boe per day in 2016 (gross production 16,600 boe per day) as well as a 3% interest in the Sullom Voe oil terminal and supply facility (SVT), 9% of Northern Leg Gas Pipeline (NLGP), and 3.8% of Ninian Pipeline System (NPS) (collectively the Transaction Assets). EnQuest currently has existing interests of 3% in SVT, 5.9% in NLGP and 2.7% in NPS.

EnQuest will become the operator of the transaction assets; the transaction is subject to certain regulatory, government authority, counterparty and partner consents. The transition for the change in operatorship is anticipated to take between six and 12 months.

The consideration for these interests is US\$85 million (subject to working capital and other adjustments), which will be funded by deferred consideration payable from the cash flow of the transaction assets. There are no requirements for cash from EnQuest other than as generated from the transaction assets. In addition, EnQuest has an option to acquire the remaining 75% of Magnus and BP's interest in the associated infrastructure. EnQuest also has the option to receive US\$50 million from BP in exchange for undertaking the management of the physical decommissioning activities for Thistle and Deveron and making payments by reference to 6% of the gross decommissioning costs of Thistle and Deveron fields.

ENQUEST (UK), January 24, 2017

## OIL

## Europe takes most Iranian oil in years with supertankers due in days

Europe is poised to receive the most Iranian crude in about five years this month in a sign that the Persian Gulf nation may be regaining its share of a market it had lost to sanctions. Arrivals on supertankers will reach 622,581 bpd in January, the biggest flows for a single month since at least November 2011, according to ship-tracking and EU data compiled by Bloomberg. Two Iranian supertankers, Huga and Snow, are en route, bringing about 4 million barrels between them. Sanctions halted all deliveries back in 2012 and they only restarted early last year as the measures were eased.

"Iran's been trying to regain their traditional clients, in countries like Greece and Italy, as a priority," said Robin Mills, CEO of Dubai-based consultant Qamar Energy, who tracks the nation's oil trade. "Beyond that, it's an opportunistic push to win additional customers."

Until OPEC agreed to restrict output on November 30, producers had been competing for market share globally by pumping as much as they could, driving down prices as inventories swelled. It is too soon to say whether the flows from Iran mark a permanent push to regain European market share because most of the ships arriving this month left the country's ports before January 1, when OPEC's restrictions took effect.

Iran's sales to Mediterranean countries such as Italy, Spain and Greece are dominated by shipments of heavy grades, according to an official at the National Iranian Oil Co., who asked not to be identified in line with his employer's policy. It is also selling more

of its Iranian Light crude, useful in making fuels like gasoline, on an opportunistic basis to buyers in North West Europe, including via one time spot-cargo sales, the person said.

BLOOMBERG, January 25, 2017

## GAS

## Croatia floating LNG terminal taking a year longer to finish

Croatia's floating LNG terminal in the northern Adriatic will take a year longer to complete, Energy and Environment Minister Slaven Dobrovic told an energy conference. The capacity of the terminal, now expected to be finished in 2019, is seen at around 2 bcm of gas per year, with Croatia targeting central European markets as well as domestic. "Our current plan is to realise the project in 2019," Dobrovic said without elaborating further. Croatia had aimed to finish the project in 2018.

The terminal, to be built on the northern Adriatic island of Krk, is among projects the EU sees as important to its efforts to enhance energy security and reduce dependence on Russian gas. Croatia had originally aimed to construct a land-based terminal with three times higher capacity than the floating one, but such plans were now left for a later stage depending on future gas demand in the future.

REUTERS, January 25, 2017

## RasGas delivers debut LNG cargo to Dunkerque terminal in France

RasGas has delivered its first LNG cargo to the Dunkerque LNG regasification terminal, France. Under the sales and purchase agreement (SPA) signed between Ras Laffan LNG Company and EDF in June, 2016, the former will supply up to 2 mtpa of Qatari LNG into Dunkerque, complementing the existing long-term SPAs between RasGas ventures and EDF Group subsidiaries, Edison and EDF Trading.

The cargo, aboard RasGas' LNG tanker Murwab, was delivered to the EDF Group on January 23, following the successful commencement of commercial operations of the Dunkerque LNG regasification terminal on January 1, 2017. "RasGas is proud to commence delivery with this first LNG cargo ▶▶





► under our SPA with EDF. This is another milestone for RasGas and the EDF Group, as well as for the relationship between Qatar and France for the safe, reliable and clean supply of LNG for France and Europe,” RasGas chief executive Hamad Mubarak al-Muhannadi said. This will be the first commercial unloading of LNG carriers in the facility, which has an annual regasification capacity of 13 bcm and is owned and operated by Dunkerque LNG, a company 65%-owned by EDF, 25% by Fluxys and 10% by Total. “RasGas is a long-term partner of EDF Group and we are delighted to step up our relationship following the successful commencement of commercial operations of the Dunkerque LNG Terminal,” according to Marc Benayoun, EDF Group executive vice-president with responsibility for gas and Italy. **GULF TIMES (QATAR), January 25, 2017**

## Teekay LNG completes Norwegian bond issuance

Teekay LNG Partners has successfully issued 300 million Norwegian kroner (equivalent to approximately US\$35 million) in new senior unsecured bonds through an add-on to its existing Norwegian bonds due in October 2021. All payments will be swapped into a US dollar fixed-rate coupon of approximately 7.75%. The net proceeds from the bonds are expected to be used for refinancing of existing bonds and/or general partnership purposes, which may include funding instalment payments on future newbuilding deliveries.

Danske Bank Markets, DNB Markets, Nordea and Swedbank acted as joint lead managers of the new bond issuance.

Teekay LNG Partners is one of the world's largest independent owners and operators of LNG carriers, providing LNG, LPG and crude oil marine transportation services primarily under long-term, fixed-rate charter contracts through its interests in 50 LNG carriers (including 19 newbuildings), 29 LPG/Multigas carriers (including four newbuildings) and six conventional tankers.

**TEEKAY LNG (BERMUDA), January 23, 2017**

## Poland to take final decision on Norway gas link in 2018

Poland will take final investment decision on the planned construction of a gas connection to the Norwegian shelf next year, a Polish government official said. The ruling conservative Law and Justice party (PiS) announced its plan to revive the project to build a gas link to Norway at the end of 2015, after it won the parliamentary election in October. Poland, which imports most of the 15 bcm of gas it consumes from Russia's Gazprom, plans to have the link ready by 2022, when the long-term agreement on gas supplies with Gazprom terminates.

The plan assumes that part of the link will be the Baltic Pipe – a gas connection linking Poland and Denmark. Piotr Naimski, who supervises Polish gas and power infrastructure said the feasibility study recently completed by Poland and Denmark's gas grid operators – Gaz-System and Energinet.dk, has indicated the Baltic Pipe would be feasible.

The open season, a procedure in which shippers provide operators with their potential investment signals, is expected to start this year. “The investment decision will be taken in 2018,” he said. As part of its plan to reduce the reliance on Russia's gas Poland started in June its first LNG terminal in Swinoujscie at the Baltic Sea.

**REUTERS, January 20, 2017**

## SERVICES

### Total awards Central Graben to Prosafe, Cyprus

Total E&P UK, Aberdeen, has awarded Prosafe, Cyprus, a contract for the provision of the Safe Caledonia semi-submersible accommodation vessel at the Elgin-Franklin facility in the UK sector of the North Sea. The firm period of the contract is 134 days plus

an additional 30 days option to extend, with on-site operations planned to commence on May 15, 2017. Total value of the contract is estimated at US\$10 million including mobilisation, demobilisation and associated services.

Prosafe is an owner and operator of semi-submersible accommodation vessels, headquartered in Larnaca and listed on the Oslo Stock Exchange.

**PROSAFE (CYPRUS), January 26, 2017**

## Dolphin Drilling gets one-well extension from Statoil for the Bideford Dolphin rig

Dolphin Drilling, Norway, a subsidiary of Fred Olsen Energy, has entered into a one-well contract extension with Statoil for the use of the semi-submersible drilling rig Bideford Dolphin for operation on the Norwegian Continental Shelf, with commencement in direct continuation of the current contract. The one-well programme is estimated to take 35 days and the estimated contract value is approximately US\$6.1 million.

**DOLPHIN DRILLING, January 24, 2017**

## Ocean Installer awarded a contract for riser installation work in Australia

Stavanger-headquartered Ocean Installer has been awarded a contract in Australia. The firm work scope encompasses the installation of flexible risers and flowlines as well as options for additional support work. Ocean Installer is conducting the work as a subcontractor to McDermott International.

“This is Ocean Installer's first job in a region where we aim to establish ourselves,” said Ocean Installer CEO Steinar Riise. “This is also the first job we have been awarded by McDermott. Ocean Installer and McDermott complement each other's capabilities in a very good way, and we believe this type of co-operation will be important going forward in what is still a challenging market.”

The project will be managed in close co-operation with McDermott, and Ocean Installer will have its project team based in Perth, Australia. Offshore operations will be performed by the construction support vessel Normand Vision and commence in the second quarter of 2017.

**OCEAN INSTALLER, January 26, 2017**

## ► Xodus wins subsea contract with Apache

Xodus Group has won a contract with North Sea operator Apache to deliver subsea engineering services for two new infill well developments at the Nevis and Skene fields in the Northern North Sea. The project includes a novel idea of designing and fabricating spools with no requirement for metrology focusing on time and effort savings. The latest win follows a number of successful projects delivered for the operator over the last 18 months, including the concept, front end engineering design (FEED) and detailed design studies for the Beryl field's Far North Triassic (FNT) subsea tie-back, which was four kilometres in length.

This consisted of a production flexible, gas lift flexible and an electro-hydraulic controls (EHC) umbilical tied back to the Beryl Bravo platform. In addition to performing the detailed design, Xodus also package managed the delivery of the production flexible on behalf of Apache and helped the operator to achieve first oil just 11 months after drilling the well, ahead of schedule and over 30% under budget.

**XODUS GROUP (UK), January 23, 2017**

## GulfMark Offshore takes delivery of Arctic class PSV

GulfMark Offshore has announced that its Norway subsidiary, GulfMark Norge AS has taken delivery of Arctic class PSV, christened the North Barents, from Simek AS Shipyard in Norway. North Barents, a ST-216 Arctic design by Skipsteknisk AS is the third of this type to be built for GulfMark. This dynamically positioned 5,000 dwt vessel is classified with DNV Clean Design, Winterised, Ice Class, and Oil Recovery (NOFO 2009) notations. The vessel has accommodations for 40 persons, holding Comfort Class, Standby rescue certification (NMD 300) and is compliant with the Special Purpose Ships Code.

The North Barents was built by Simek in Flekkefjord, Norway for 360 million Norwegian kroner (approximately US\$42 million) and has commenced trading in Norway.

GulfMark Offshore president and CEO Quintin Kneen commented: "The North Barents represents GulfMark's commitment to operating a technologically advanced fleet of vessels with this class-leading delivery. She is ideally suited for harsh environment operations and further strengthens our market position in the North Sea, where we

remain the largest operator of Platform Supply Vessels."

**GULFMARK OFFSHORE (US), January 23, 2017**

## DNV GL research finds more efficient oil and gas sector set to widen portfolio to secure growth

New research by Oslo-based DNV GL showed oil and gas companies seeking to rebalance business portfolios and reorganising for a new era. In a period of drawn-out recovery, almost half (49%) of senior oil and gas professionals surveyed said they expect their businesses to diversify into, or invest more in, opportunities outside oil and gas. Still, almost eight out of ten see long-term opportunities for gas.

'Short-term agility, long-term resilience' is DNV's seventh annual benchmark study on the outlook for the oil and gas industry. The research, drawing on a survey of 723 senior sector players, reveals 26% of industry leaders expect their business to invest or increase investments in renewable energy in 2017. As many as 59% see investments in renewables as a shift in long-term business strategy.

Oil and gas professionals expect investments to continue across the value chain in 2017, though at a lower level than last year as the percentage of respondents expecting to maintain or increase capex dropped from 43% to 39%. Notably, 77% believe gas will become an increasingly important component of the global energy mix over the next 10 ten years.

A third of respondents (33%) say their organisations will be increasing M&A activity in the next 12 months (up 10%), and 78% expect increased industry consolidation in 2017. Some 85% have cost management as a top or high priority for 2017 and 63% see their

current cost-efficiency measures as marking a permanent shift towards a leaner way of working. Organisational restructuring (37%), reducing operating expenditure (35%), and improving efficiency from existing assets (29%) are the top three priorities for cost control in 2017.

Two-thirds (66%) say the cost pressures are driving more industry collaboration, a positive effect of recent market challenges. And 66% of respondents say their organisation will seek greater standardisation of tools and processes in 2017, up from 59% last year.

**DNV GL (NORWAY), January 26, 2017**

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Poland's biggest refiner, state-run PKN Orlen, expects to post around 9.4 billion zlotys (US\$2.31 billion) in 2016 adjusted operating profit, the so-called LIFO EBIDTA, which removes the impact of crude oil prices. Earlier, the company said that it sees its earnings before interest, tax, depreciation and amortisation (EBITDA), calculated on the last in, first out (LIFO) basis, which assumes that the assets produced or acquired last are the ones used, sold or disposed of first, at 8.8 billion zlotys in 2017-2018.

The company also said that capital investment last year reached 4.7 billion zlotys, including 2.7 billion zlotys spent on growth and development. Financial gearing, the company's debt level related to its equity capital, amounted to 11.5%, PKN Orlen said in its statement.

**REUTERS, January 24, 2016**







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