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Iran mitigates potential pipe issues

Increased tension with US prompts Iran to re-route gas export pipeline to avoid UAE.

Redefining IPIC's role in UAE downstream

Abandonment of plans for state investment vehicle IPIC to develop a refinery at Fujairah is not the end of the story – with the company's role being redefined.

Go-slow in East Africa

The East African state has sizeable gas volumes, but it lacks the commercial means to bring them to market.

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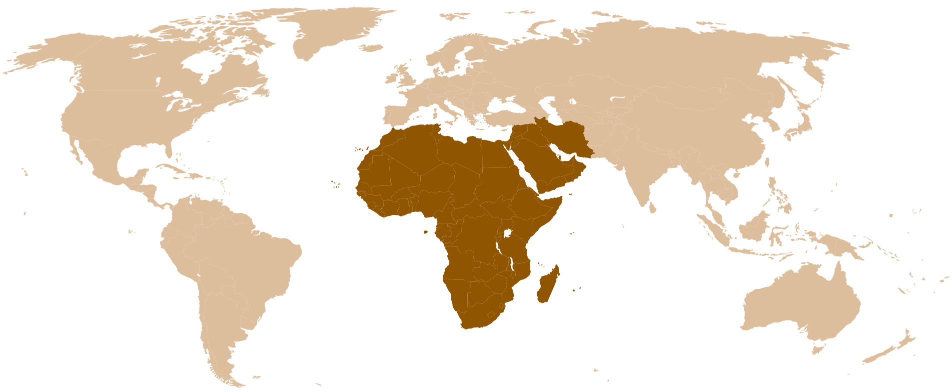


Have a question or comment? Contact the editor – Ian Simm (ians@newsbase.com)

Iran re-routes Oman gas pipeline to avoid US intervention

Increased tension with US prompts Iran to re-route gas export pipeline to avoid UAE, writes Simon Watkins

MIDDLE EAST

WHAT:
The pipeline will now avoid UAE waters because of concerns about US political intervention.

WHY:
Like much of the GCC, the UAE sides with the US when it comes to matters of policy, but Iran and Oman cannot afford to risk future conflict.

WHAT NEXT:
Once built, the pipeline will feed Iranian gas into the Omani market and the partially idle Qualhat LNG terminal, where it will be liquefied and exported as LNG.

WITH new US President Donald Trump having recently increased sanctions against Iran, Tehran has decided to re-route a planned undersea gas export pipeline to avoid waters controlled by the UAE.

The conduit is to take Iranian gas to Omani consumers and LNG plants in Oman that will re-export it.

"Iran regards the UAE as satellite entities of the US, so to safeguard its gas export plans – particularly its major LNG expansion strategy – it has decided that it cannot be subject to the whims of Trump on this matter," a senior oil and gas industry source who works closely with Iran's Petroleum Ministry told *NewsBase* last week.

Such fears do not look unfounded as, aside from the heightened sanctions imposed directly by the US in recent days, when Oman signed the original memorandum of understanding (MoU) to import its gas from Iran, the US ramped up pressure on Muscat not to go through with it and to increase supplies from Qatar instead.

"The US made it very clear to Oman that it should avoid Iranian gas altogether, and instead increase its take-up of gas from Qatar, via the existing Dolphin Pipeline or in LNG form, so Tehran's decision to re-route the pipeline looks prudent," a senior legal source in Abu Dhabi familiar with the matter told *NewsBase*.

"Oman didn't heed the threats but plenty of other countries in the Gulf Co-operation Council [GCC] have made their opposition to Iran increasingly apparent, with Saudi Arabia and Bahrain severing diplomatic ties with Tehran last year," he added.

This month, Kuwait toed the US political line by imposing its own suspension of issuing travel visas for Iranians in February of this year.

In the same vein, said the legal source, the UAE has been demanding an increasingly large fee for allowing the transit of gas from Iran through its waters, as a part of the US strategy to pressure Oman to take its gas from Qatar.

The greater gas benefit

Despite this, Iran and Oman signed a US$60 billion deal for at least 10 billion cubic metres per year of natural gas for 25 years.

The original plan was for the construction of a 200 km land pipeline from Rudan to Mobarak Mount in the southern Hormuzgan province and another pipeline running on the seabed between Iran and Sohar Port in Oman around 300 metres deep.

The new plan, though, whilst retaining the land pipeline specifications, now involves the laying of a 1,000 metre deep pipeline below the sea surface, which will avoid UAE waters.

This will begin after the awarding of engineering, procurement and construction (EPC) contracts for the two pipelines has been finalised, which should be within the next three months, according to the legal source.

Oman is already well advanced in negotiations with major companies from South Korea, Japan, China, Germany, France and the Netherlands.

Once these are in place – expected to be in mid-2020 according to Mahmood Khaghani, former director general of the National Iranian Oil Co. (NIOC) and director for Caspian Sea Oil and Gas Affairs in the Ministry of Petroleum – Iran will be able to transform some of the gas produced from the supergiant South Pars gas field into LNG by utilising Oman's existing facilities at Qalhat.

According to Alireza Kameli, managing director of the National Iranian Gas Export Co. (NIGEC), Tehran will utilise around 25% of Oman's total 1.5 million tonnes per year of liquefaction capacity that is currently unused. It will then be exported to European and Asian markets, in return for commission payments to Oman.

Financial hurdles

Iran's Petroleum Minister, Bijan Zanganeh last week said that talks are underway with France's Total, Royal Dutch Shell, South Korea's Korea Gas Corp. (KOGAS), Germany's Uniper and Japan's Mitsui, among others to finance the US$1.2 billion project.

Meanwhile, Oman's Minister of Oil and Gas, Mohammed bin Hamad al-Rumhy, added that with such companies interested in the project, "Finance will not be an issue … we won't have to go to the Ministry of Finance, as this will be a self-funding project."

The new route of the pllanned pipeline will avoid Emirati waters.

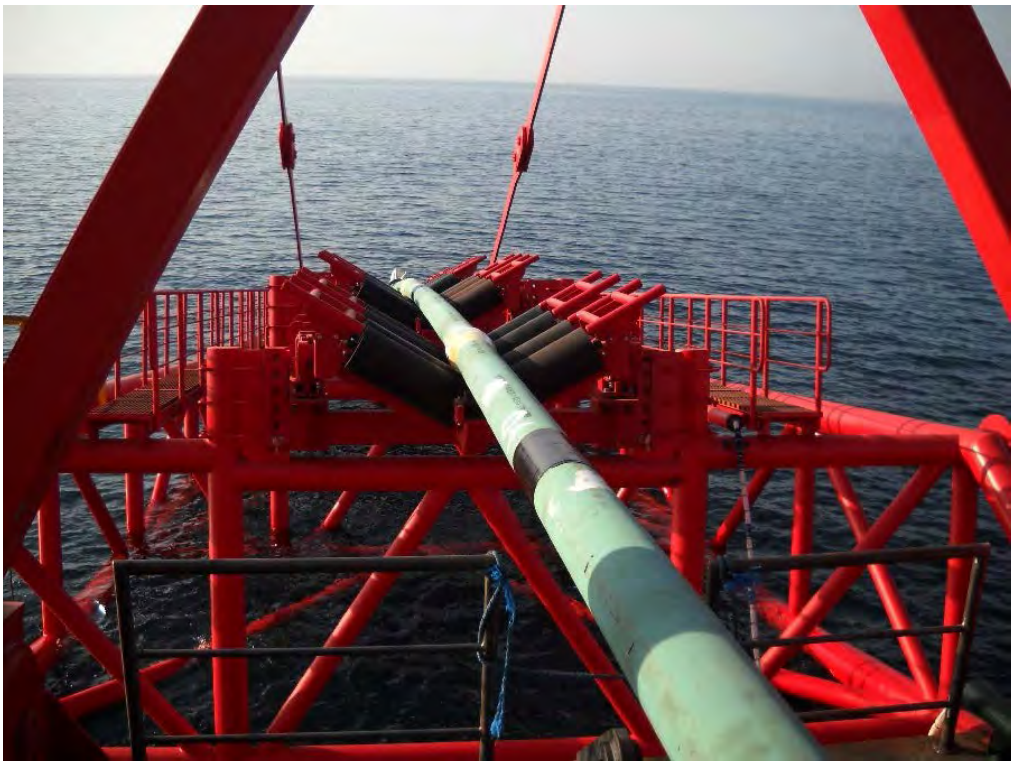
Oman itself would have little choice but to step in and provide any shortfall in funding from its side, given the imperative to secure additional gas supplies, the legal source added.

In this context, Oman's domestic natural gas consumption rose from 236 billion cubic feet (6.7 bcm) in 2004 to 721 bcf (20 bcm) in 2014, with only 73 bcf (2 bcm) in 2014 coming from Qatar through the Dolphin Pipeline, according to the EIA, with a similar rate of increase expected in the coming years.

"Such is the rate of demand growth that Oman announced late last year that it would probably have to divert all of the natural gas that it currently can export towards domestic consumers by 2024 at the latest," concluded the legal source.

Iran would likely step in to fill any gap in financing, giving the critical importance of LNG to its overall export strategy in the next few years.

"Although Iran originally aimed to build five LNG plants by the end of the Iranian calendar year 2018 [ending on March 20, 2019], it has now settled on three," Mehrdad Emadi, senior economist for risk analysis and energy derivatives markets consultancy, Betamatrix, told *NewsBase* last week. This remains ambitious, considering the slow rate of progress to date, but Iranian efforts are now clearly focussed behind gas production and exports.❖



UAE in downstream flux

Abandonment of plans for state investment vehicle IPIC to develop a refinery at Fujairah is not the end of the story – with the company's role being redefined, writes Clare Dunkley

MIDDLE EAST

"In November, IPIC was also revealed to have withdrawn from a similar venture at Duqm on the Omani coast, where the company agreed four years ago to develop a 230,000-bpd refinery in joint venture.

THE plan by Abu Dhabi government-owned International Petroleum Investments Co. (IPIC) to develop a greenfield refinery at the eastern port of Fujairah has finally been scrapped in its most-recent form – after more than a decade on the drawing board.

The move to abandon the scheme is the latest in a series of cancellations of major downstream investments by the troubled parastatal – both at home and abroad – over the past year and coincides with the sovereign's decision to merge its operations with those of fellow state investment vehicle Mubadala Development Co., enshrined in law in late January, and with ongoing definition of the strategic role of the new behemoth thereby created.

Meanwhile, the years of deliberations over the possibility of adding refining capacity at the UAE's burgeoning oil hub in the east appeared poised to enter a new chapter in mid-February – as a new proposal for a facility double the size of that shelved was aired by the country's energy minister.

Ups and downs

Even by regional standards, IPIC's plan to develop a refinery at Fujairah – which has in the meantime flourished as an oil storage and trading hub – has had a long and chequered history.

The scheme was first launched in 2006 at a time of rising oil prices and industry bullishness, when the US' ConocoPhillips signed an agreement to partner the Emirati firm on a facility envisaged having capacity of around 500,000 barrels per day and requiring investment of US$5 billion.

The American firm withdrew a year later citing soaring costs and IPIC opted to pursue the project alone while scaling it back to its most-recently mooted capacity of 200,000 bpd, projected to cost around US$3.5 billion.

France's Technip completed front-end engineering and design (FEED) in 2013 and, after a wait of nearly a year, technical bids for the engineering, procurement and construction (EPC) contract were submitted the following summer by several South Korean firms.

However, a deadline was never set for commercial bids, as the oil price slump set in – causing the firm to record a US$2.6 billion loss in 2015 – and as IPIC became embroiled in the financial scandal engulfing the Malaysian government's 1MDB investment vehicle, against which a claim for billions of dollars in unpaid obligations remains before the international courts.

Contractors involved in the refinery project have now been informed of its cancellation.

Change-up

In November, IPIC was also revealed to have withdrawn from a similar venture at Duqm on the Omani coast, where the company agreed four years ago to develop a 230,000-bpd refinery in joint venture (JV) with the government's Oman Oil Co.

The takeover of the firm's holding by Kuwait's state-owned refiner Kuwait Petroleum International has seemingly galvanised progress on the scheme – still regarded as a key strategic priority by Muscat – while the planned plant would compete directly with any such facility at Fujairah, offering the same geographic advantages of position on main shipping routes outside the overcrowded Strait of Hormuz.

At home IPIC has seen the cancellation of two other major downstream projects in which it was an investor – although as a result rather of the Abu Dhabi government's evolving strategy for the gas and petrochemicals sectors, and for its energy-related parastatals, than of IPIC's particular difficulties.

Last year, a similarly much-delayed and revised project – known as Tacaamol – for a consortium of state oil company Abu Dhabi National Oil Co. (ADNOC), Abu Dhabi Investment Council and IPIC to develop a stand-alone aromatics complex in the Western Region was abandoned in favour of adding such capacity at ADNOC's flagship Ruwais refinery and expanding the nearby ethane-based petrochemicals complex of Abu Dhabi Polymers Co. (Borouge) through the addition of liquids-based production.

IPIC would remain indirectly involved as the main shareholder of Austria-based Borealis, ADNOC's partner in Borouge.

Meanwhile, the Emirates LNG joint venture of IPIC and Mubadala formed to develop an LNG import terminal at Fujairah – already beset by years of delays as the government debated between fixed and floating options – was acknowledged in early 2016 by senior government officials to be on indefinite hold as alternative, cheaper options for gas import were prioritised.

In early February, reports emerged that in refining as well as in petrochemicals, ADNOC

was now envisaged as taking the lead in further capacity expansion – two years after downstream subsidiary Abu Dhabi Oil Refining Co. (Takreer) completed a project at the Ruwais facility doubling output to around 830,000 bpd.

Back on the table?

Bechtel of the US was said to have been engaged to study the options of further expansion at the Western Region site or of a greenfield project at Fujairah in revised form to the IPIC venture.

Remarks by UAE Energy Minister Suhail bin Mohammed al-Mazroui on February 13 confirmed consideration of the latter plan – as he mooted the possibility of a 400,000-bpd refinery at the eastern port.

While he set the decision to modify the scheme in the context of the IPIC/Mubadala merger, it was unclear whether the new entity was envisaged as retaining development responsibility.

Strong logic remains behind placing a refinery at Fujairah – for its location and as the terminus since 2012 of the 1.5 million-bpd Abu Dhabi Crude Oil Pipeline (ADCOP) carrying crude from the main emirate's giant oilfields to the port. Developed by IPIC and designed initially as an alternative crude export outlet, the regional trend towards adding value at home would argue in favour of diverting a portion to a downstream facility.

However, consideration of the alternative option of building additional refining capacity at Ruwais – and leadership of such a project by ADNOC – would also fit well with the government's wider oil sector strategy as outlined in the oil company's five-year business plan and '2030 strategy' approved by the Supreme Petroleum Council (SPC) in November.

The documents formalised the increasing verbal emphasis by executives over the past year on the desire to rationalise downstream development and to move into liquids-based petrochemicals.

Diversified slate

The centrality to such plans of the existing hub in the Western Region was evident in the recent award of project management consultancy (PMC) and technology supply contracts on a scheme at the Ruwais refinery both to add the aromatics capacity formerly envisaged being developed under the Tacaamol venture and to expand gasoline production.

Revised EPC bids were also submitted in late 2016 on an estimated US$3 billion project to enable the plant to process 420,000 bpd of offshore crude in order to free up more-valuable onshore streams for export – exemplifying the drive to adopt a more holistic strategy towards the state behemoth's diverse up- and downstream assets.

The merger decreed in June between IPIC and Mubadala was seen as being born partly of the former's financial difficulties but also cohered strongly with the government's wider efforts to streamline the activities of its multifarious corporate interests and investment vehicles.

Both companies invest heavily in the energy sector – the latter with a more upstream focus – but Mubadala is by far the more-diversified, with only around 10% of assets being in the oil and gas sectors compared to IPIC's two-thirds – and thus more financially-robust even without the effects of its counterpart's extraordinary recent problems.

Combined hydrocarbons production is put at around 850,000 barrels of oil equivalent per day and refining capacity at 1.5 million bpd, mainly through IPIC's wholly-owned Spanish-based CEPSA subsidiary and 21% interest in Japanese refiner Cosmo Oil.

In petrochemicals at least – an IPIC speciality through the holdings in Borealis and CEPSA – the government has already indicated plans for the merged entity to play a leading role in plans to more than double capacity by the middle of next decade.

The tie-up was formalised on January 21 with the issue of a law creating the new Mubadala Investment Co. as a public joint stock company "specialising in ownership, development, building, financing, operating and investing in different sectors" – to which all of the two firms' existing assets, valued at US$125 billion, will be transferred.

The somewhat asymmetric nature of the union was signalled both by the name and by the appointment of Mubadala's current CEO Khaldoon al-Mubarak as managing director and CEO of the new firm. Al-Mazrouei had been serving as MD of IPIC since an exodus of senior personnel in early 2015.

"The scale, balanced portfolio and expertise of the combined entity will bring commercial opportunities across more strategic sectors all over the world, underpinning the emirate's long-term economic diversification," the official merger announcement claims.

Whether overseeing an expansion of the emirate's long-established refining sector is adjudged to fit the rubric remains to be seen.❖

QP plots global expansion

With demand and competition growing and opportunities for domestic expansion closed, QP is looking overseas for upstream growth to maintain its position, writes Clare Dunkley

MIDDLE EAST

WHAT:
QP is increasing its global footprint across the up- and downstream.

WHY:
A moratorium was placed on upstream activities in the North gas field in 2005 and there have since been few opportunities for growth at home.

WHAT NEXT:
QP has strong relationships with the super-majors and is likely to feature in consortia to develop more assets overseas.

STATE-OWNED Qatar Petroleum (QP) intends to step up international gas investment in partnership with global majors in the face of limited opportunities for domestic expansion in the short-term.

The strategy, which was announced by CEO Saad Sherida al-Kaabi during a press conference in early February, has been evident over the past year in ventures with two American heavyweights in North Africa and the Mediterranean, and was confirmed a day later by signature of a deal to invest in a gas project in Pakistan.

The final domestic gas project approved since a moratorium on new developments is due for delayed commissioning this year and QP's shift in focus overseas was signalled by the first and last events in the parastatal's ongoing restructuring.

This began with the absorption of a dedicated international subsidiary back into the parent company with a commitment to expand activities abroad, and was most-recently manifested in the merger announced between the two main operating companies in the state's world-leading LNG industry for rationalisation and efficiency purposes.

LNG reach

Speaking to reporters in Doha on February 6, Al-Kaabi outlined the reasons behind the current international drive.

"Now, with how big the market is, and the limitation on how much you can develop in Qatar, we want to go external to further develop our strength in LNG," he explained – adding that he was confident of the strength of demand for gas for many years to come. "I am not worried at all about the glut … gas is going to be needed for a very long time."

At present, QP is the world's largest exporter of the increasingly in-demand resource supplier – with production capacity of 79 million tonnes per year – but recently-commissioned and upcoming projects elsewhere, in particular in the US and Australia, are threatening Doha's dominance and putting efficiency in supply chain management at a premium.

Increasing global competition was a key motivator behind the decision announced in December to combine the Qatargas and RasGas operating companies, which are at present separate QP-led joint ventures (JVs) with a roll-call of heavyweight international oil companies (IOCs), including ExxonMobil and ConocoPhillips, both of the US, Royal Dutch Shell and France's Total, which, together, own a total of seven LNG trains at Ras Laffan.

Their combination – under the name Qatargas – is aimed at streamlining activities and realising savings that Al-Kaabi estimated at "hundreds of millions of dollars."

The following day, the CEO demonstrated the company's foreign expansionary ambitions with the conclusion of a deal to invest in an LNG import project in Pakistan with private locally-based developer Global Energy Infrastructure Ltd (GEIL) as part of a consortium including the Exxon, Total, Japan's Mitsubishi, and Norway's Hoegh.

The project comprises a floating storage and regasification unit (FSRU) and associated jetty and pipelines at Port Qasim port near Karachi, to provide import capacity of 750 million cubic feet (21 million cubic metres) per day by 2018.

The creation of the venture follows a 20-year sales and purchase agreement signed in June last year covering the supply of a minimum of 1.3 million tpy of LNG to GEIL from 2018 from the Qatargas 2 JV between QP, Exxon and Total. Four months earlier, Doha's growing prominence in Pakistan's nascent LNG import industry was buttressed by a long-negotiated 15-year deal for the supply of 3.75 million tpy to Pakistan State Oil, also by the Qatargas 2 partnership.

While the desire to broaden the company's customer base is longstanding, a more strategically-important step in QP's evolution was progress on the initiative to diversify LNG production geographically.

In December, the US Federal Energy Regulatory Commission approved the construction of a three-train, 15.6 million-tpy LNG export terminal integrated with the existing import terminal at Sabine Pass in Texas, owned and operated by Golden Pass – a QP-led JV with Exxon and ConocoPhillips.

At present, the venture operates regasification facilities with capacity of 2 billion cubic feet (57 mcm) per day, to which the new plant would be connected by means of a bi-directional pipeline.

Abdullah al-Attiyah, a former Qatari oil minister and now a government energy adviser, told a media briefing in May that the first US cargo could be shipped from the terminal by 2020-21 and would enable QP to "become more dynamic in the energy market" – allowing the company to tap into now-abundant US shale gas feedstock for the first time.

Things looking upstream

Exxon, the largest foreign player in Qatar's domestic gas sector, appears set to play a similarly-key role in QP's expansion into the international upstream arena.

Late last year, the two firms were the surprise winners of the most-prized concession on offer in the Cypriot offshore bid round – being awarded block 10, alluringly located close to Egypt's recently-discovered supergiant Zohr gas field. The Qatari and American behemoths have also been widely rumoured to be planning to team-up to invest in the much-delayed development of Mozambique's offshore gas fields to feed planned LNG projects.

As is the case at home, however, the Qatari parastatal is inclusive in its choice of international partners – and in February last year acquired stakes in three Moroccan deepwater licences operated by the US' Chevron Corp.

When QP folded the operations of its dedicated foreign investment subsidiary Qatar Petroleum International (QPI) back into the parent in early 2015, the company's insistence that a determination to expand abroad remained in place and that the integration was designed to enable QP to embark upon "the next phase of international growth" was deprived of some credence by the consolidation's timing just months after the oil revenue crash and resultant need for urgent cost-cutting.

However, with prices now recovering, gas competition intensifying and with opportunities lacking for the expansion of domestic production, the overseas drive now makes more strategic sense.

"We are confident that this integration will further support QP's vision to become a world class oil and gas corporation, with its roots in Qatar, and a strong international presence," Al-Kaabi said at the time.

Meanwhile, Royal Dutch Shell – which had been QPI's international partner since its creation a decade ago – is undertaking deeper and more-fundamental retrenchment even than its international peers in response not only to the price slump but also to the need to streamline the business in the wake of the merger with the UK's BG, rendering the super-major's involvement in future QP expansion less likely.

A planned US$6.4 billion JV petrochemicals project – known as Al-Karaana – between the two firms was cancelled in early 2015 – at the presumed instigation of the foreign partner. In addition, QPI's investments had been primarily in downstream rather than upstream assets.

Opportunities for more-bullish IOCs to expand operations within Qatar's upstream gas sector, which offered a novel and exciting play throughout the 1990s and early 2000s, have now closed for the foreseeable future.

The US$10 billion Barzan gas project, a QP/Exxon JV that was the last project to be approved before a moratorium was imposed last decade on further development of the supergiant North Field, is due for delayed commissioning later this year – supplying 2 bcf per day to the domestic market.

QP has become accustomed over the course of two decades to working with the majority of the global majors by dint of their shares in the various Qatargas and Ras Gas ventures.

Buoyed by the enormous financial resources of the Qatari state, the company should encounter few difficulties in finding partners willing to accompany it in forthcoming overseas adventures. "You will see us going internationally with some of the partners we have in Qatar, this year and next year," Al-Kaabi concluded. "We are in growth mode." ❖

Mozambique on hold

The East African state has sizeable gas volumes, but it lacks the commercial means to bring them to market, writes Nicholas Newman

AFRICA

WHAT:
Mozambique has world-class quantities of gas in its offshore but development is slow.

WHY:
Appetite for megaprojects is low and concerns about Mozambique's investment environment are rife.

WHAT NEXT:
Progress should be made on Coral FLNG this year, demonstrating the appeal of the country's resources.

MOZAMBIQUE'S natural gas resources, at 180 tcf (5.1 tcm), could make the country a leading light as a gas exporter in Africa, and the world. Much of this endowment lies offshore, in the Rovuma Basin in the north. An onshore liquefaction plant is planned, in addition to an early stage floating LNG (FLNG) unit, which would transform the country into a major exporter.

Rovuma Basin

Eni and Anadarko Petroleum are in the final stages of completing fundraising for the development of the 85 tcf (2.4 tcm) Mamba field in Area 4 and the 75 tcf (2.12 tcm) Prosperidade field in Area 1. Their plans include a US $17 billion two-train LNG export facility, with capacity of 12 million tonnes per year.

Commenting on progress, Standard Bank's director of oil and gas in Southern Africa, Paul Eardley Taylor, said the Italian company had "largely concluded its debt raising and is working through documentation". He anticipated Eni's final investment decision (FID) would be made in March, with financial closure as soon as June. In contrast, Anadarko is some way behind, with financial closure expected in a year's time.

Eni

To help pay for the Mamba development, Eni sold down shares in its licence. In 2013, Eni sold a 20% stake to China National Petroleum Corp. (CNPC) for US$4.2 billion. The company is widely reported to have struck a further deal, in August 2016, with ExxonMobil, raising an undisclosed sum. Qatar Petroleum is also said to be considering participation.

Also in Area 4 lies Eni's Coral field, estimated to hold 5 tcf (142 bcm) of gas, which will cost around US$8 billion to develop. Lying in water depths of 1,500 to 2,300 metres, approximately 50 km from the coast, gas will be extracted by six subsea wells and fed to an FLNG plant.

Approved for development in February 2016, prospects for its development have been significantly enhanced by BP's 20-year agreement to buy production from Coral.

Eni is currently arranging the funding from potential investors, reported Maritime Executive earlier this month.

Onshore

Most of Mozambique's current production, of 198 bcf (5.6 bcm) per year of gas, comes from Sasol's owned and operated onshore Temane and Pande gas fields. This is transported to the Gauteng industrial region around Johannesburg by Sasol's 860-km pipeline. The remainder is delivered to local gas-to-power plants.

In the past year South African-based Sasol has begun its US$1.4 billion development of five gas and seven oil wells and the construction of a liquid processing facility near its Temane and Pande fields. The additional gas output will be shared between a new local 400-MW power plant and South Africa.

Sasol expects as much as 15,000 bpd of light oil, and 20,000 tonnes of LPG per year, from its first phase. These investments confirm Mozambique "as the heartland of Sasol's oil and gas strategy in sub-Saharan Africa", according to a public statement by the company.

Tembo-1, a discovery by Wentworth Resources, is currently undergoing 2D seismic surveying to identify the best location for an appraisal well prior to the start of drilling in 2018. "With all the data gained to date through our exploration drilling and seismic interpretation, we believe this area of onshore Mozambique to be highly prospective," Wentworth's executive chairman, Bob McBean, said.

Three companies have won tenders to monetise gas in Areas 1 and 4. Norway's Yara International will manufacture fertilisers and generate 50 MW of electricity, while Shell Mozambique aims to produce diesel and 80 MW of electricity. GL Africa Energy, a Kenyan company based in London, will produce 250 MW of electricity from natural gas.

Market issues

Still up for consideration is a US$6 billion proposal for the 2,600-km Rovuma-Gauteng pipeline.

This would link the northern Mozambique gas fields with markets in South Africa. Leaving aside the construction difficulties, questions of funding and "bankability" predominate.

Energy Aspects' head of gas, coal and carbon research, Trevor Sikorski, was hesitant to endorse the plan. "As a rule of thumb, if the distance is greater than 2,000 km, a LNG solution is likely to have a lower cost than a pipeline solution – and it gives both the buyer and the seller greater flexibility."

Moreover, during the three years of construction, it is likely that South Africa will start to import US LNG via floating storage and regasification units (FSRUs).

The future for LNG – and Mozambique's offshore Rovuma Basin gas projects – is clouded.

The near-term outlook for LNG is not wholly promising, given the present supply glut, lower prices and aggressive competition from other for customers to consider.

Projects in Australia and the US will also result in an unprecedented boom of LNG to the world, the like of which has never been seen. As such, current and medium term prices are under pressure and financiers are inevitably cautious.

Mozambique's government debt at 90% of GDP, with a Standard and Poor rating of CC, has made investors and lenders cautious. The 2016 discovery of undisclosed debt of US$1.4 billion, amounting to 10.7% of GDP, combined with exchange rate depreciation, not only increased the debt service burden but shook investor's confidence in the country.

Faced by the intrinsic difficulties of working in Mozambique and the collapse in LNG prices, the initial euphoria of a Mozambique gas rush has subsided. The pace of development has slowed to a crawl as a result of the current boom elsewhere. LNG from the Rovuma Basin's onshore plant is unlikely to start until 2022. At this point, the US and Australian boom should have slowed, while demand for gas is expected to continue rising – particularly for countries eager to reduce their coal consumption.

Demand for LNG will pick up again. The problem for Mozambique is that it will require a substantial leap of faith – involving operators, financiers and policy makers – to take advantage.❖

SAMIR bidding opens, 20 offers received

AFRICA

THE court-appointed administrators for bankrupt Moroccan refiner SAMIR have invited prospective investors to express interest by early March in acquiring the firm, the main asset of which is the kingdom's sole refinery at Mohammedia on the Atlantic coast.

Confirming earlier indications, the buyer will be required to commit to maintaining refining operations – still considered strategically-important despite the proven ability of the country's fuel import and distribution system to cope with the loss of local production since the facility's enforced shutdown more than 18 months ago. SAMIR's liquidation was ordered last year amidst billions of dollars-worth of debt and a refusal by its majority shareholder to inject additional funds.

An invitation for expressions of interest (EoIs) in buying SAMIR was issued by trustee Mohammed el-Krimi and official receiver Abderrafii Bouhamria on February 8, with parties given 30 days to respond.

Prospective investors will be required to submit a five-year business plan for the company, a financial offer with guarantees and proposed payment mechanisms, projections of envisaged economic, social, environmental and financial value to be added to the firm's assets, and employment prospects.

A breakdown and valuation of the company's diverse assets – worth an estimated total of around 21.5 billion dirhams (US$2.1 billion) – has been drawn up and reported on in the local press, with the 200,000 barrel-per-day refinery adjudged to be worth 15 billion dirhams (US$1.5 billion). Second most-valuable are real estate holdings at the Atlantic coast site and across the kingdom.

SAMIR also owns stakes in variety of petroleum-related companies – including Salam Gaz, Société Marocaine de Stockage (SOMAS), Societe de Distrubution de Carburants et Combustibles, Société de Transport et de Stockage des Produits Pétroliers, and Africbitumes –calculated to be worth a total of around 800 million dirhams (US$80 million).

The EOI notice made no explicit mention of the company's crippling debts: when the refinery ceased operating in August 2015 – as a result of inability to raise finance for additional crude feedstock – total outstanding dues to banks, traders, other creditors and the Moroccan tax authorities were estimated at 44 billion dirhams (US$4.4 billion).

The liquidation was ordered in March last year by the Commercial Court of Casablanca after the main shareholder – controversial Saudi/Ethiopian billionaire Mohammed al-Amoudi through Sweden-based Corral Petroleum Holdings – reneged on a promise of a 10 billion-dirham (US$990 million) capital injection and publicly clashed with Rabat over refusal of his demand for a waiver of unpaid taxes worth around 13 billion dirhams (US$1.3 billion).

Speaking to the local press the day after issuing the notice, El-Krimi confirmed reports that 20 preliminary written offers had already been made – the first, of US$2.5 billion, was received in July, and three more subsequently tabled – while emphasising that these bidders would now be required to submit formal offers under the EOI terms.

"They must submit a formal dossier meeting the criteria set out in the call for expressions of interest," he told the local TelQuel weekly. "We preferred to issue [the EOI notice] with strict criteria to be met by all potential investors."

"There are 20 interested including 18 that are already ready," El-Krimi told reporters gathered at Casablanca's commercial court on February 21. All of the interested parties are foreign.

Two offers have been publicly reported – one of around 31 billion dirhams (US$3.08 billion) submitted through Italian law firm Studio

Mazzanti & Partners and one by UK-based Anglo Energy of 31.5 billion dirhams (US$3.13 billion).

Such obscure investors would seem unlikely to appeal to Rabat as the putative new owners of a strategic national asset, especially after the experience with Corral – which led to widespread calls for SAMIR's renationalisation and acknowledgement by Prime Minister Abdelilah Benkirane that the original privatisation process in 1997 had been flawed.

El-Krimi was adamant that the EOI process was designed to ensure selection and was conducted on suitability rather than on price alone. Local fuel distributor Afriquia Gaz was mooted last year as a possible buyer but subsequently ruled itself out, while the local subsidiary of France's Total – among the country's largest fuel importers and distributors – also denied interest.

Several prominent international oil trading companies have professed a desire to expand their African operations in recent years. The sale initiated in January last year of the 110,000-bpd Cape Town refinery of the US' Chevron Corp. has reportedly attracted offers from Swiss-based traders Glencore, Gunvor and Vitol as well as Total and China's Sinopec.

Suggestions that a new investor might seek to cease refining at Mohammedia and attempt to profit instead from the ancillary storage facilities and pipelines at the site led to public statements by El-Krimi of the requirement to continue the core activity ahead of the condition's inclusion in the formal invitation.

Before closure, the refinery met around two thirds of national refined product requirements but a liberalisation process begun last decade created a diversified import and distribution system that has proved able to cope with the stoppages with minimal disruption to national supplies.

However, aside from the perceived strategic advantage for the hydrocarbons-poor country in having domestic capacity to refine crude, pressure to keep the refinery running also stems from its centrality to the wider economy of the Mohammedia region and the thousands of jobs thereby at stake.❖

Nigeria moderates tone on illegal refiners

AFRICA

NIGERIA will work with illegal oil refiners in the restive Niger Delta, rather than just seeking to destroy their plants, Nigerian Vice President Yemi Osinbajo said last week.

A military crackdown on thousands of unofficial refineries, which process crude that has been stolen from majors and state-run National Nigerian Petroleum Corp (NNPC), has raised tensions in the region, Osinbajo acknowledged.

In order to restore calm and allow the oil to flow, Nigeria needs to help provide work for people who currently make a living from illegal oil refining, he said.

"We must engage them [the illegal refiners] by establishing modular refineries so that they can participate in legal refineries," Osinbajo said during a visit to the Niger Delta's Rivers State. "We have recognised that young men must be properly engaged."

The poor condition and severe under-capacity of Nigeria's ageing state-run refineries has helped create fuel shortages in the country – and economic opportunities for anyone able to plug the gap.

Because of this, illegal refining is one of the few thriving locally run businesses in the otherwise impoverished Niger Delta, where many residents are angry that they have not shared the economic benefits of oil and gas exploitation but have borne the brunt of the environmental degradation it has created.

Militant attacks on oil pipelines cost Nigeria up to US$100 billion in lost oil revenues in 2016, Nigerian Minister of State for Petroleum Resources Emmanuel Ibe Kachikwu said recently. While the amount of cash lost to sabotage is substantial, it is unclear how Kachikwu arrived at that figure.

Osinbajo also promised more resources for an amnesty scheme for former militants who laid down their arms in 2009 in exchange for job training and cash stipends. "We have to make more provisions for amnesty and provisions for social intervention," he said.

There are signs that production is starting to recover. During January, Nigeria's oil output grew to 1.576 million bpd – up about 102,000 bpd from December – according to an OPEC report published last week. While the country is still struggling to regain production levels, new attacks have fallen recently, perhaps suggesting the various groups in the Niger Delta are appreciating the increasingly conciliatory tone from the government.❖

Al-Zour pipeline job suffers further delay

MIDDLE EAST

KUWAIT'S Supreme Petroleum Council (SPC) in early February cancelled the tender for a long-awaited contract to install a pipeline to carry crude from northern fields for processing at the planned greenfield refinery at Al-Zour in the south

The SPC, the state's highest oil sector decision-making body, made the decision at the request of the government-owned operator, with politicians alleging improprieties in the original tendering process, launched more than two years ago.

The scheme is physically and symbolically vital in linking two key elements of the long-term strategy being pursued by state energy conglomerate Kuwait Petroleum Corp. (KPC) to exploit heavy reserves in the north to meet crude capacity targets, and to boost the quantity and quality of local refined products output.

It is moderate in value relative to the associated multi-billion-dollar up- and downstream construction packages apportioned at the conclusion of similarly-protracted upstream tendering processes in 2015.

Urgency is increasing – with the date confirmed in December to be imminent for first output from the main heavy oil project and construction under way of the refinery.

UAE-based Dodsal had been close to being awarded the engineering, procurement and construction (EPC) contract through the government's Central Tenders Committee (CTC) for a reported price of 265 million dinars (US$866.2 million) to install a 250-km pipeline carrying heavy crude produced at the northern fields from the South Tank Farm to the new refinery.

The deal was originally tendered by Kuwait Oil Co. (KOC), KPC's main upstream operating subsidiary, in 2014 but – in common with the five main packages on the refinery itself, which were tendered for a third time by KOC's downstream counterpart Kuwait National Petroleum Co. (KNPC) during the same year – bids came in well over the state client's budget.

India's Larsen & Toubro (L&T) had submitted the cheapest price of US$753 million but allowed its bid bond to expire, leaving Dodsal in pole position with the second lowest offer. South Korea's Daelim Industrial, the UK's Petrofac and Italy's Saipem also competed.

A long delay then ensued as KOC mulled a retender and as those contractors originally involved argued over which of them remained eligible. Dodsal's apparent victory based on the original bid placings had become controversial – with some MPs alleging collusion with other bidders and doubting the UAE-based firm's fitness for the contract on the grounds of previous performance: KOC was also reported to have requested a retender and to be being resisted by the CTC.

The SPC finally came down on the side of the operator and announced the tender's cancellation on February 2 – the seriousness that the dispute had assumed signalled by the statement being attributed to Oil Minister Essam al-Marzouq.

Resolution of the lengthy dispute has been becoming ever-more urgent as the refinery project finally takes shape.

In 2015 – having retendered one of the main EPC contracts on the refinery and failed to achieve a lower price – KNPC's request to the SPC for an increase in the outdated budget to 4.87 billion dinars (US$16 billion) was granted and all five packages were awarded later that year. Construction is now under way and completion is scheduled for 2019.

The refinery will process 615,000 barrels per day of crude – of which just under half is envisaged being heavy oil, according to statement in December from the Kuwait Institute for Scientific Research, which is carrying out a joint project with KNPC to study the process of refining such crude streams.

Output will comprise chiefly 225,000 bpd of low-sulphur fuel oil for supply to local power plants and some 340,000 bpd of high-value light products adhering to international fuel specifications and thus suitable for export.

Petrofac is carrying out the first phase of the upstream development – the so-called Lower Fars Heavy Oil project at the Ratqa field near the Iraqi border – under a US$4.2 billion EPC contract awarded in early 2015, and KOC CEO Jamal Jaafar confirmed in December that first oil from the scheme was on schedule to come on stream in 2018, with output to be ramped-up to 60,000 bpd during the following year.

Subsequent phases of the development – which has, like the refinery, been mooted in various forms over the course of many years – are envisioned raising output to a total of 270,000 bpd by the end of next decade.

An overall increase in capacity at the North Kuwait production zone of around 300,000 bpd to 1 million bpd is central to KOC's target of raising overall output from roughly 3 million bpd to 3.65 million bpd by 2020.

Accompanying the upstream projects, the state company has been working on improving the northern production infrastructure – with Dodsal having come to play a major role. The Dubai-based firm won a 228 million-dinar (US$745.3 million) contract in 2014 to build one of three new gathering centres serving the area and in the same year landed a US$946 million deal to construct an effluent water treatment and injection plant located between the Sabriyah and Raudhatain fields.❖

Puma starts up storage and fuel supply hub

AFRICA

PUMA Energy has begun commercial operations at a new petroleum products storage facility and aviation fuel supply hub to OR Tambo International Airport at Johannesburg in South Africa.

Puma's chief operating officer Jonathan Molapo said the firm outlined an aggressive growth strategy when it entered South Africa at the beginning of 2016 and the new facilities had started operating in the first anniversary of Puma's arrival.

"These represent flagship operations for Puma infrastructure to link local demand with international supply. Investments demonstrate presence in South Africa through sustained economic and infrastructural development," he said.

The Richards Bay facility is a premium products terminal with a storage capacity of 46 million litres of diesel with a minimum 50ppm, mogas 95, Jet A-1 fuel and liquid paraffin.

Puma said the terminal will help unlock the potential of Richards Bay Port, the neighbouring Industrial Development Zone and the wider KwaZulu-Natal region, allow for fuel to be distributed by rail and road, thereby catering to increased demand for higher grade fuels.

OR Tambo is the hub of South African Airways and in 2016 handled a total of 21 million passengers with 224,191 aircraft movements, generating an estimated economic impact of US$3.2 billion.

As a result of the development, Puma's Global Head of Aviation division Seamus Kilgallon said customers will benefit from increased supply security, competitive pricing and high quality jet fuel. "This is an important milestone for our business in Africa as we aim to expand at key locations with high growth potential such as Johannesburg. We are starting 2017 with this entry and look forward to serving new commercial airlines," he said.

Security of supply for Jet A-1 to OR Tambo has improved due to new supply routes from two state of the art oil terminals at Maputo in Mozambique and Richards Bay in South Africa.

Puma has become one of the largest independent storage and downstream firms in sub-Saharan Africa and now operates at 68 airports. It is present in 19 countries and is looking to expand its footprint from West to East from its current African storage capacity of 1.1 million cubic metres.❖

Vopak to increase SA oil storage capacity

AFRICA

DUTCH oil and petroleum products storage operator, Royal Vopak, announced plans on February 17 to expand its operations in South Africa.

The group already has a stake in a fuels storage terminal in Durban, held through Vopak Terminal Durban, a 70:30 joint venture with local partner Reatile Chemicals. The two partners reached the final investment decision (FID) to expand the Durban facility and to start work on building a new fuels storage terminal at another site inland.

Vopak said the new "state-of-the art" plant will be located at Lesedi, Gauteng province near Johannesburg. The terminal will have total capacity of 100,000 cubic metres over six storage tanks, with eight truck-loading bays and a vapour recovery system.

The company said that as part of the project, a pipeline connection will also be built to the state-owned New Multi Product Pipeline (NMPP) to transport gasoline and diesel. The NMPP links Durban to Gauteng where currently around 70% of South Africa's fuel demand is concentrated.

It added that the new pipeline would cut the need for road transport from Durban to Gauteng with trucks, giving customers more cost-effective, and environmentally friendly supplies to the region. It did not give details about either the cost of the project or any projected completion date.

The expansion programme at Vopak Terminal Durban will add 10 new storage tanks with total capacity of 162,000 cubic metres. The demolition of 38 small older tanks will be conducted simultaneously, leading to a net increase in storage capacity of 130,000 cubic metres. Vopak said that three additional truck-loading bays would be connected to the existing vapour recovery system, and additional berth pipelines and a new marine loading arm would also be built at the Durban site.

Upon completion of the new terminal and expansion of the existing terminal, total oil products storage capacity held by Vopak Terminal Durban will amount to 371,926 cubic metres.❖

Posco in front for Sohar polyester contract

MIDDLE EAST

THE long-planned project to develop a polyester plant as part of the growing downstream cluster at the northern industrial city of Sohar appears set to move forward in the coming months. South Korea's Posco Engineering & Construction Co. has emerged as the frontrunner for one of the main construction packages and with state sponsor Oman Oil Co. (OOC) pledging last month to step up investment across its project slate in the year ahead.

The scheme has been on the drawing board since well before the slump in oil prices – which slowed down the government's project plans and necessitated prioritising of more strategically-vital ventures both at Sohar itself and especially at the envisaged new hub at Duqm on the east-central coast.

However, healthier public finances and an improving industry outlook have coincided with substantial progress in recent months on several delayed projects. Meanwhile, other elements of the government's plans for further development of the northern industrial centre are well-advanced – with the crucial expansion of the Sohar Refinery said by officials in early February to be just months away from a marginally-delayed commissioning date.

Posco is reported to have submitted the lowest bid for the engineering, procurement and construction (EPC) contract covering the purified terephthalic acid (PTA) unit of the PTA and polyethylene terephthalate (PET) complex planned at Sohar by Oman International Petrochemical Industries Co. (OMPET). OMPET is a joint venture led by OOC alongside its downstream investment subsidiary Takamul and South Korea's LG International which was formed to develop the project in 2013.

Technical bids were submitted in early 2016 from firms understood also to include South Korea's Hyundai Engineering & Construction, Italy's Saipem and Spain's Tecnicas Reunidas.

The estimated US$1 billion project calls for production of 1.1 million tonnes per year of PTA and 250,000 tpy of PET – the production unit for which has yet to be tendered.

The PTA would use paraxylene from the nearby Oman Aromatics plant owned by OOC's sister parastatal, Oman Oil Refineries & Petroleum Industries Co. (ORPIC), as its primary feedstock.

PET would then be manufactured using the PTA and purified isophtalic acid (PIA) from a 100,000-tpy plant envisaged being developed separately by Takamul – the progress of which is unknown.

Super-major BP – which is leading the sultanate's largest upstream project at the Khazzan tight gas field – signed an agreement in late 2015 to supply proprietary PTA technology to the plant, while Germany's Uhde Inventa-Fischer is contracted to provide the PET technology.

Australia's WorleyParsons is OMPET's project management consultant (PMC).

The monoethylene glycol and acetic acid additionally required as raw materials would initially be sourced on the open market, although on signing the deal for the Khazzan project in 2013 BP also committed to developing an acetic acid plant at Duqm. PTA is primarily deployed in the manufacture of polyesters for textiles and plastic bottles – with the sultanate's PET to be designed for the latter use.

The OMPET project coheres perfectly with Muscat's vision of creating a downstream hub at the northern industrial city – with more-specialised ventures now being developed following completion of the first wave of refining and petrochemicals facilities last decade.

ORPIC's flagship US$6.5 billion Liwa Plastics Industries Complex project – calling for an 800,000-tpy ethane cracker and derivatives units – is the flagship exemplar, with its importance reflected in the award of the five main EPC contracts in late 2015 when the oil price was approaching its nadir.

Feedstock for the complex will be supplied partly from Oman Aromatics and partly from new production coming online under the US$2.1 billion Sohar Refinery Improvement Project (SRIP) – also being implemented by ORPIC – which calls for the upgrade and expansion from 116,000 barrels per day to 187,000 bpd of the 10-year-old facility.

In early February, the company announced completion of three critical components of the scheme – the crude distillation, vacuum distillation and kero-merox units – and said that full commissioning would occur by the end of the first quarter. It had been delayed by several months in late 2016 from a previous target of the end of that year.

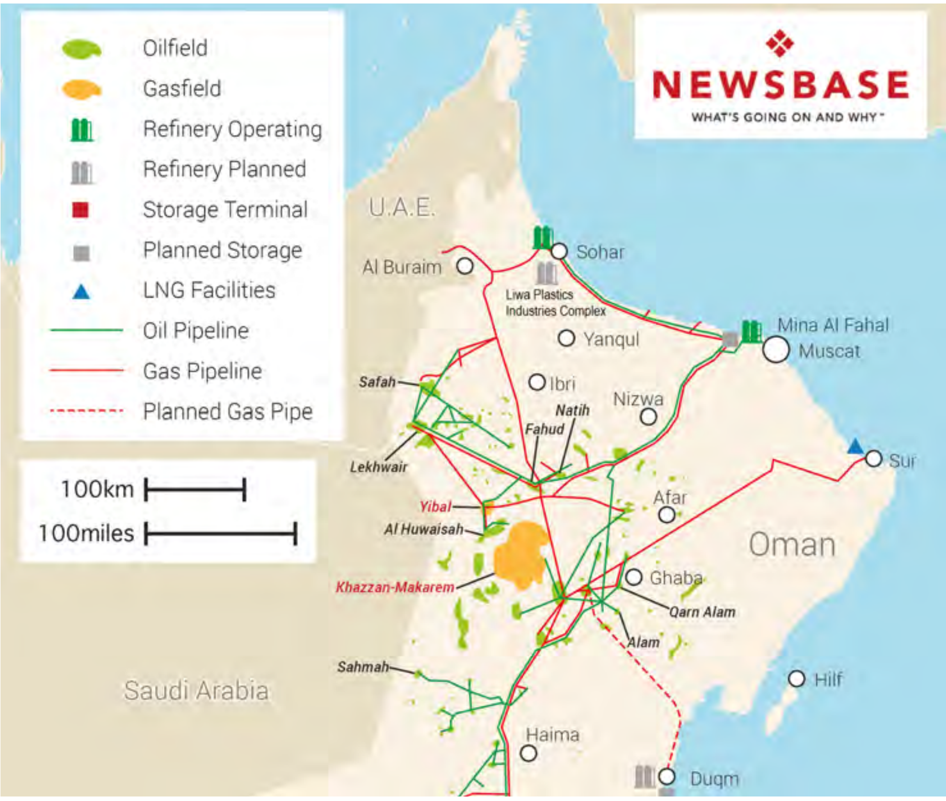
The scheme will increase gasoline output by 26% and double jet fuel and gas oil production, while enabling the facility to process heavier domestic and foreign crudes.

Less positively for OMPET's prospects, the scheme failed to warrant a mention by OOC CEO Isam al-Zadjali in his run-down in late January of major midstream and downstream investments due to make progress in the year ahead.

Instead, he affirmed that the first to move forward would be the estimated US$600 million LPG extraction project at Salalah in the south – on which the EPC contract was awarded to the UK's Petrofac earlier in the month. He added that it was due to reach financial close within weeks, with negotiations currently under way with banks and board approval having been granted.

The scheme is being implemented by OOC's Oman Gas Co. subsidiary. A recommendation to proceed with the development of an ammonia plant at the southern industrial hub through the former's Salalah Methanol Co. subsidiary would be submitted to the board shortly, Al-Zadjali said. Salalah Methanol operates an existing 1 million-tpy methanol plant at the site with which the new facility will be integrated.

Construction of a gas pipeline linking the gas fields of the north to the nascent hub at Duqm and to the planned Ras Markaz crude storage park nearby would also progress in 2017, he said – putting total capital investment in excess of US$1 billion.❖



POLICY

Egypt aims to reschedule debt payment to IOCs in 2017

An official source in the Egyptian oil sector stated to Egypt Oil & Gas that Prime Minister Sherif Ismail's cabinet wants to reschedule the debts to foreign oil companies operating in Egypt during 2017 in order to be able to pay out the entire debt by 2019. The source also mentioned that the Egyptian government is determined to reduce the debts of foreign oil companies to US$2.8 billion by the end of 2017, to be able to pay off part of the debts of foreign oil companies every three months. The process will consists of 60% being paid in US dollars and 40% in Egyptian pounds.

The debts to foreign oil companies are currently standing at US$3.5 billion, while it was US$3.6 billion in November 2016. The cabinet aims to ensure the continuation of pumping new foreign investments in the oil sector during the upcoming years, and securing the completion of development and exploration plans in all of the Egyptian concession areas.

EGYPT OIL & GAS (EGYPT), February 20, 2017

COMPANIES

Saudi Aramco taps JPMorgan, Morgan Stanley for IPO

Oil giant Saudi Aramco has asked JPMorgan Chase and Morgan Stanley to assist with its upcoming mammoth IPO and could call on another bank with access to Chinese investors, a source with direct knowledge of the matter said. The US banks have joined boutique investment bank Moelis in being tapped for coveted roles in what is expected to be the world's biggest initial public offering worth some US$100 billion.

HSBC has emerged as the leading contender for a role among a list of five banks that could provide a pipeline to Chinese investors — an important part of the offering, the source said, adding that the other four are Chinese banks. The final lineup for banks could still be adjusted, the source said, declining to be identified due to the sensitivity of the matter.

The IPO is the centrepiece of the Saudi government's ambitious plan, known as Vision 2030, to diversify the economy beyond oil. Up to 5% of the world's largest oil producer is likely to be listed on both the Saudi stock exchange in Riyadh and on one or more international markets.

CNBA (US), February 22, 2017

Malaysia's Petronas, Saudi Aramco to sign deal on refinery project

Malaysia's state oil firm Petronas and Saudi Aramco are expected to sign an agreement to collaborate in Malaysia's Refinery and Petrochemical Integrated Development (RAPID) project, two industry sources said. Petronas and Saudi Aramco, the state-owned oil company of Saudi Arabia, appear to be closer to agreeing to terms after sources told Reuters last month that Aramco was suspending a planned partnership in RAPID, a US$27-billion refining and petrochemical complex in Malaysia's southern state of Johor.

An agreement is expected to be signed on February 27, said one of the sources who has knowledge of the matter and declined to be identified, during a visit by Saudi Arabia's King Salman to Malaysia. Neither of the sources had any firm details on the particulars of the agreement. Saudi Aramco declined to comment and a Petronas spokesman said the company could not "offer any comment at this point in time". The RAPID project is designed to process 300,000 bpd of crude oil and produce 7.7 mtpa of petrochemicals. The facility is planned as part of Petronas' Pengerang Integrated Complex that will include RAPID and oil storage facilities.

STRAITS TIMES (SINGAPORE), February 22, 2017

US General Electric expresses desire to invest in Sudan's oil and gas sector

Sudanese Minister of Oil and Gas Dr. Mohamed Zayid Awad has revealed the desire of US General Electric Corporation in access to Sudan to invest in a number of vital areas such as energy, transport, aviation, health and oil as well as the work to provide necessary funds as the company enjoys high global expertise in all the mentioned fields. This came when he received a high-level delegation from the General Electric Corporation, headed by its chief executive for North East Africa Ayman Khatab.

The minister pointed to the investment boom in the oil and gas sector in the coming period as a result of the improvement in the global oil prices and the lift of the US embargo on Sudan, reviewing the most promising opportunities in the oil and gas sector in the field of exploration and production as well as the processing of the gas associated with the oil productive fields, construction of refineries and storage as well as the construction of oil installations including pipelines to transport crude oil and petroleum productions to link all the cities of Sudan and the places of consumption such as the agro-industrial sector according to the ministry's plan.

Dr. Awad stressed that the ministry has prepared all the data and feasibility studies for all the investment projects in the oil and gas sector, touching on the ministry's plan to bid the global tender in the coming period. For his part, Khatab called for getting acquainted with the priorities of the oil and gas sector in order to invest in it, revealing they possess modern technologies and capabilities for staff training and capacity building.

SUDAN NEWS AGENCY (SUDAN), February 20, 2017

REFINING

Algeria attracts 49 initial international offers for new refineries

Algeria has attracted 49 offers from international energy companies to build four refineries worth a total US$6 billion, a state energy firm Sonatrach source said. Algeria is also considering a petrochemicals partnership with the Saudi Arabia's SABIC, details of which are expected to be unveiled shortly, the source told Reuters. Sonatrach has already increased its refining capacity in the past few years by renovating three plants including the Skikda, Arzew, and Algiers refineries and is trying to raise revenues after the crash in oil prices cut its energy earnings by half.

Oil and gas sales provide about 60% of state revenues for the OPEC producer, which produces an estimated 30 million tonnes of refined products per year. "Our plan is to stop importing refined products by 2018," said the source, who asked not to be named. "Selling refined products rather than crude oil is a good way to boost revenues."

Skikda, Algeria's biggest refinery, produces 17 million tonnes of refined oil products per year, Arzew's plant refines 3.75 million of crude oil, and Algiers' refinery will reach 3.5 million of products in 2018 versus 2.7 million per year now. In the south, Sonatrach has two refineries. One in Hassi Messaoud with a capacity 1.1 mtpa, and a second in Adrar, which refines 600,000 tonnes of oil per year.

Two other new refineries, one in Tiaret and a second in Hassi Messaoud, are on scheduled to start refining 5 million tonnes of crude oil each per year. Those two refineries are still in the bidding phase for further construction work.

REUTERS, February 20, 2017

Bandar Abbas Refinery to produce Euro-4 gasoline

Bandar Abbas Refinery in the southern Hormozgan Province will begin production of 4 million litres per day of gasoline compliant with Euro-4 standards in the third quarter of 2017, the managing director of National Iranian Oil Engineering and Construction Company (NIOECC) said. Hamid Sharif-Razi said the construction of the refinery's storage facilities are expected to be completed by the end the current fiscal year in March, Mehr News Agency reported.

Asked about naphtha production, Sharif-Razi said that the refinery's naphtha processing unit will come on stream next month. Commenting on the capacity of the gasoline production unit, the official added: "As soon as the new unit is operational, Iran's Euro-4 gasoline production capacity will increase by 4 million litres per day, reaching 36 million litres."

Data show that an average of 70 million litres of gasoline is consumed daily in the country, around 8 million litres of which are imported. According to Sharif-Razi, the development project is also aimed at producing 8 million litres of Euro-4 compliant diesel. "Almost US$700 million has been invested to optimise the Bandar Abbas refinery and expand its output capacity," the official said.

Pointing to the project's environmental objectives, Sharif-Razi added that the new gasoline production unit will significantly reduce the output of benzene and sulphur which are regarded as harmful chemicals.

FINANCIAL TRIBUNE (IRAN), February 21, 2017

20 offers for Moroccan refiner Samir

The court-appointed manager of Morocco's oil refiner Samir said he had received about 20 offers for the company from foreign investors. The 200,000-bpd refinery was shut down in 2015 due to financial difficulties and a court placed the company under administration. Restarting production will be a prerequisite for investors interested in buying Samir but attempts to do so have been frustrated so far by difficulties in getting crude oil supplies. Mohamed El-Krimi, the Moroccan court-appointed administrator for Samir, has set March 10 as a deadline for prospective buyers to submit bids.

"There are 20 interested including 18 that are already ready," El-Krimi told reporters in Casablanca's commercial court. "All the interested ones are from foreign nationalities," he said without giving details of the bids. Investors interested should submit their price with guarantees and a five-year business plan, he said.

Court-appointed experts value the company at 21.6 billion Moroccan dirhams (US$2.1 billion). Samir, in which Saudi billionaire Mohammed al-Amoudi's Corral Holdings had a 67.26% stake, has been battling creditors ranging from oil traders to banks. The Moroccan government says Samir owes 13 billion dirhams in taxes and its total debt stands at about 44 billion dirhams.

At just under 300,000 bpd, Morocco's national petroleum consumption is Africa's fifth highest, according to data from the US Energy Information Administration.

REUTERS, February 20, 2017

Nigeria's Kaduna refinery resumes crude supply after pipeline fire

Nigeria's Kaduna Refining and Petrochemical Company has resumed crude oil pumping after a disruption that was caused by pipeline fire at Aku, near Lokoja in Kogi State. Managing director of the company Idi Mukhtar disclosed this to members of the House of Representatives Committee on Petroleum Downstream, who visited the facility.

The pipeline transports crude oil from Warri in Delta State to Kaduna. The fire, believed to have been set by vandals, caused damages to the pipeline at Aku near Lokoja in Kogi State. "The good news is that the lines have limited damages and crude oil pumping has resumed as production continues," he said.

Mukhtar said the major challenges facing the refinery were disruption of crude oil supply and the activities of vandals. Another challenge is that the refinery is still running on analogue equipment. "There are also the challenges of budget constraints and encroachment of houses on KRPC right of way of water line," he said.

He added that the refinery was losing over 100,000 cubic litres of water per hour along the water intake line to the plant, due to illegal tapping of the water lines. "These water tapped are not fit for human consumption," he warned.

PREMIUM TIMES (NIGERIA), February 21, 2017

Qatar's Ras Laffan Refinery 2 to focus on jet fuel

Jet fuel will be the most widely used product from Qatar's Ras Laffan Refinery 2 and a pipeline connecting it to Doha's Hamad International Airport is expected to be completed by next year, Qatar Petroleum chief executive Saad al-Kaabi said on Monday. Kaabi was speaking to reporters. The condensate refinery, in which Qatar Petroleum, France's Total and Japan's Marubeni Corp, Idemitsu Kosan, Cosmo Energy and Mitsui & Co hold stakes, began production towards the end of last year.

The refinery has a total processing capacity of 146,000 bpd and makes products such as jet-A1, naphtha and ultra low-sulphur diesel, according to Marubeni.

REUTERS, February 20, 2017

FUELS

Egypt to reschedule factories' petroleum dues

A source from the Egyptian Natural Gas Holding Company (EGAS) stated to Egypt Oil&Gas that EGAS will hold a meeting with factories that have late dues in order to reschedule payments to get monthly gas, mazut, and diesel required to rerun. The source added that Prime Minister, Sherif Ismail, officially approved rescheduling the late payments over five years with the facility of paying quarterly installments instead of the monthly installments. The quarterly installment will be of EGP 400 million depending on the amounts consumed by the factories.

The total debts of the factories increased from EGP 13 billion in November 2016 to be EGP 18 billion in February 2017, because the factories were unable to pay monthly installments since August 2016. The new agreement guarantees petroleum derivatives in exchange for the payments.

EGYPT OIL & GAS, February 19, 2017

Japan to receive first naphtha cargo from Iran since 2011

Japan is set to import a naphtha cargo from Iran this month, a source said, marking the first import from the Middle Eastern country since 2011. Japan's Mitsubishi is to receive a naphtha cargo from Iran, a source with direct knowledge of the matter told S&P Global Platts. Asked to confirm whether Mitsubishi is taking a cargo from Iran, the source said "not untrue," declining to elaborate further, Platts reported.

This will be Japan's first import of Iranian naphtha since the country last imported 47,212 tonnes in 2011, according to the ministry of economy, trade and industry data. Japanese trading houses and refiners did not import any Iranian naphtha since the EU imposed in mid-2012 its ban on P&I reinsurance cover for Iranian oil shipping, market sources said. The EU restrictions made it difficult for Japanese importers to take in Iranian oil products, although local refiners have maintained their crude and condensate imports from Iran, using the Japanese government insurance, which only covers very large crude carriers, sources said. Despite the lifting of US and EU nuclear sanctions against Iran in January last year, Japanese importers did not take any oil products from the producer because of the unavailability of protection and indemnity coverage from US insurers and ambiguity over reinsurance coverage, Platts said. News of Japan's Iranian naphtha imports emerged as the country's major Persian Gulf Star Refinery shipped its second naphtha cargo.

FINANCIAL TRIBUNE (IRAN), February 21, 2017

Fuel levy is going up in South Africa

Motorists will have to pay quite a bit extra for a full tank of fuel come April, after Finance Minister Pravin Gordhan announced a hike in the fuel levy. The general fuel levy will increase by 0.3 rand per litre on April 5, 2017. This will push the general fuel levy up to 3.15 rand per litre of petrol and to 3.00 rand per litre of diesel. The road accident levy will increase by 0.09 rand per litre of petrol and diesel on April 5, 2017, the minister said in his budget speech for 2017. Motorists have already experienced two consecutive petrol price hikes in the first two months of 2017.

Petrol has increased by 79 cents so far this year, while diesel is already up by 60 cents per litre amid rising oil prices. The current price for 95 Petrol inland is 13.62 rand, while 0.05% Diesel (wholesale) is 11.63 rand.

BUSINESS TECH (SOUTH AFRICA), February 22, 2017

PETROCHEMICALS

US shale gas no menace to Iran's petchem industry

Deputy Iranian oil minister said American shale gas cannot be deemed a threat to development of Iran's petrochemical industry for at least a decade. On dangers and shale gas expansion in the US for development of Iranian petchem industry, Marzieh Shah-Daei said "for the coming 10 years, shale gas will not pose threats to the Iranian market thanks to the careful planning made by National Petrochemical Company (NPC)".

NPC managing director stressed that in the long run however, a broader perspective will be required towards increased production and supply of shale gas and its effect on evolution of the country's petrochemical industry. "In view of available 10-year plans in the Iranian industry, majority of investments will be made on the basis of gas feedstock," she continued. The official reiterated that gas feedstocks used in the Iranian petchem industry are

currently less expensive than shale gas of US and unconventional gas produced from shale rock fragments presently poses no hazard to the industry. The US has recently lifted gas output from unconventional resources and is allocating an increasing amount of the fresh feedstock to existing industries as well as constructing new petrochemical complexes. On the other hand, with development of Panama Canal, America seeks to export gas and even ethane to European and Asian states as evidenced by the fact that displacement time for transfer of gas from the US to Europe and Asia has been sliced to about 25 days.

MEHR NEWS AGENCY (IRAN), February 19, 2017

ECHEM to implement four projects worth US$5 billion

The Egyptian Petrochemicals Holding Company (ECHEM) is studying the execution of four projects worth US$5 billion. The projects will produce derivatives of propylene, ammonium, formaldehyde, and medium density fiberboard (MDF), reported Daily News Egypt. Business Development Engineer at ECHEM, Nouran Salah, stated that the company is going to finalize the technical and financial studies for the propylene production projects in March 2017, in cooperation with the consulting firm Technip.

Salah further added that the investments of the project are estimated at US$2 billion. The project will start in the second quarter of 2017, as the company will begin negotiations with financiers as soon as studies are completed. ECHEM is now studying the ammonium, formaldehyde, and MDF projects, in which it will contract a consulting firm in order to prepare the technical and financial feasibility studies within three months, and will take 12 months to complete the projects.

Additionally, Salah pointed out that the company is negotiating with Alexandria National Refining and Petrochemical Company to buy hydrogen.

EGYPT OIL & GAS (EGYPT), February 19, 2017

Saudi plastics and petrochemical industries growing exponentially

Saudi Arabia is undergoing major redirection in its industrial orientation in line with the current income diversification strategy that constitutes a fundamental pillar in achieving the country's Vision 2030. The country is also working on enhancing public-private partnerships in addition to encouraging, supporting and attracting foreign investments that enables it to become the "plastic consumer goods" manufacturing hub, and create employment opportunities for the Saudi youth.

Recent research has shown that Saudi Arabia's share in the petrochemicals world supply is currently 6% with the possibility of growing at exponential levels due to its hydrocarbons wealth. Moreover, the Gulf Petrochemicals & Chemicals Association (GPCA) report stated that Saudi Arabia's plastics capacity is also expected to see a 3.2% rise per year till 2020. Accordingly, the 14th edition of the Saudi Print & Pack and The Saudi Plastics & Petrochemicals exhibitions comes as an excellent platform to highlight this promising market, and to stress on the importance of the research efforts and recent trends carried out by leading national companies that drastically contribute to boosting the industries, enhancing the productivity, and maximizing the exports.

ZAWYA (UAE), February 19, 2017

PIPELINES

Egypt to pump gas to East Qantara industrial zone

A press release to Egypt Oil & Gas stated that the Egyptian oil and gas sector has completed the main portage of the pipeline designed to pump natural gas to the industrial zone located in East Qantara City. The sector has also finalised a contract with the first factory in the zone and will complete the pipeline and start running the factory in the upcoming period. These data was included in the report that was submitted by Sinai Gas' CEO, Adel Khalil, to the Minister of Petroleum and Mineral Resources, Tarek El Molla. El Molla pointed out that the project for pumping gas to the East Qantra Industrial Zone is a part of the petroleum sector's programme to supply clean energy to factories instead of liquid fuel. This aims to encourage industrial and commercial projects as well as touristic projects in the area. The programme comes in parallel to the ministry's plan to deliver natural gas to households in the area in order to provide citizens with excellent services. To date, the ministry has pumped gas to around 3,500 households. Meanwhile, Khalil, stated that Egypt has finished indexations for three factories in order to contract them to deliver gas. He added that Sinai Gas runs pressure-reducing station in New Ismailia and it has established pipelines in order to facilitate delivering gas to households in the city.

EGYPT OIL & GAS (EGYPT), February 19, 2017

Iraq and Iran consider building pipeline to export Kirkuk crude

Iraq and Iran have signed a memorandum of understanding to study the construction of a pipeline to export crude oil from the northern Iraqi fields of Kirkuk via Iran, the Iraqi oil ministry said in a statement. The agreement, signed in Baghdad by the oil ministers of the two countries, also calls for a commission to solve a conflict about joint oilfields and the possible transportation of Iraqi crude to Iran's Abadan refinery, it said.

The pipeline would help Iraq diversify the export routes of crude produced in Kirkuk and reduce its reliance on transit through the Kurdish Region Government's territory. Baghdad has a troubled relationship with the Kurdish authorities that control the route of the existing pipeline from Kirkuk to the Turkish Mediterranean port of the Ceyhan. The flow of Kirkuk crude was interrupted for several months last year as the Iraqi government disagreed with the Kurds on their share in the national oil revenue and budget.

Iraqi Oil Minister Jabar al-Luaibi said in the statement that he also agreed with visiting Iranian counterpart Bijan Zanganeh to co-operate on the policies of OPEC. The two neighbours are OPEC's second- and third-largest producers after Saudi Arabia. Iraq produces and exports most of its crude from the southern region.

REUTERS, February 20, 2017

TERMINALS & SHIPPING

Iraq plans to acquire 'large fleet' of oil tankers

Iraq plans to acquire a "large fleet" of oil tankers to transport the OPEC nation's crude to global markets, Oil Minister Jabar al-Luaibi said in a statement. The nation's tanker fleet was largely destroyed during the US -led offensive to dislodge Iraq from Kuwait in 1991, according to the state-run Iraqi Oil Tankers Company's website. The company owned as many as 24 tankers in the 1980s.

"The ministry is keen to restructure the company and develop its operations by building and buying a large fleet of tankers," Luaibi told the company's management, according to the statement. Iraq is OPEC's second-largest producer, after Saudi Arabia.

REUTERS, February 17, 2017

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