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Black ops

Upstream developments across the Black Sea are moving forward, albeit at a slow pace.

Balanced approach

Norway's new government is setting up a commission to find a balance between the climate risk and monetary benefits of future oil exploration.

Fading fortunes

Cyprus' ambition to become a major natural gas hub is fading away, though the country could still play a part in a more diversified regional gas market.

TANAP on time

Turkey has said that construction work on the Trans-Anatolian Gas Pipeline (TANAP) might be finished ahead of schedule.

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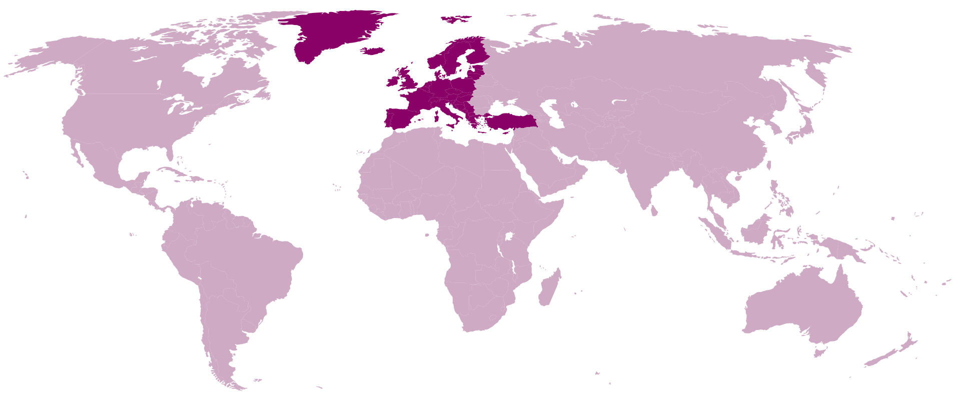

Have a question or comment? Contact the editor – Ryan Stevenson ryans@newsbase.com)

Norway's new government looks to reconcile oil industry benefits with climate commitments

The government wants the commission to examine how the country can strike a balance between managing climate risk and maintaining the economic benefits of oil development, Tim Skelton **reports**

NORWAY

WHAT:
The commission is chaired by Martin Skancke, an economist and former bureaucrat.

WHY:
The general election campaign featured much debate about the future of Norway's oil industry.

WHAT NEXT:
The commission will report on its findings in late 2018.

NORWAY'S new government has set up a commission tasked with examining the balance between climate risk and the monetary benefits of future oil exploration. The initiative forms part of a wider green competitiveness strategy that was presented on October 12. But the findings could have a considerable impact on the oil and gas business, which is the lifeblood of the country's economy.

Prime Minister Erna Solberg's centre-right Conservative-led coalition retained power in the general election in September, albeit with a reduced minority. During the campaign there was intense debate on the future of oil and gas exploration on the Norwegian Continental Shelf (NCS), especially in the wake of the oil price crash and the resulting loss of 50,000 jobs.

Before the election, the Green Party had called for an end to all new oil exploration on the NCS, and had proposed to phase out the sector within 15 years. While the ruling coalition will not go that far, minor coalition partners the Liberals and Christian Democrats do have policies that want to limit exploration and production (E&P) in environmentally sensitive Arctic regions. Moreover, according to a 2017 survey, a majority of Norwegians also favour leaving some oil in the ground if it benefits the climate.

Apparently taking note of the public mood, Environment Minister Vidar Helgesen has now said a commission of experts will examine where Norway stands in terms of its competitiveness in the green economy, and how it can make the country's economy more "climate resilient" by reducing dependence on oil and gas.

"The energy transition to renewables is going faster than anyone thought. And almost any scenario is being out-competed by reality," Helgesen said, noting that potential future moves such as bans on diesel and the ongoing roll-out of electric vehicles could affect the long-term value of the oil sector.

Under scrutiny

The commission will be chaired by Martin Skancke, an economist and former Finance Ministry bureaucrat who previously led an investigation into Norway's investment of its sovereign wealth fund in fossil fuel industries. He will lead a seven-member team of academics.

Their work will follow on from the recommendations of a 2016 investigation led by MEPs Idar Kreutzer and Connie Hedegaard, who concluded that the country could not simply look to greenwash its oil and gas and think that was a positive enough contribution to global climate efforts. "Norway's contribution to the world's climate cannot be to deliver cleaner oil and gas," the 2016 report argued.

Although it has been given no specific areas to investigate, it is anticipated that the new commission will adopt a broad inclusive approach. Nothing is said to be off-limits, and it has been told to take every risk factor into consideration. This implies it will also have a remit to evaluate issues such as environmental taxes on petroleum should it wish to.

The opposition Labour Party, a former staunch support of the oil industry, has also called for the review to include a scrutiny of tax breaks on oil exploration expenses.

While the commission will have an "access all areas" mandate, however, its remit will not extend to proposing actual changes to the tax system, the Finance Ministry has made clear.

"The commission will consider climate risk broadly, and that means they can make considerations of different risk factors for Norway, nothing excluded," Helgesen confirmed. "But it's not a commission that will make recommendations for climate or tax policy or other things."

What next

According to most estimates, Norway still has known and undiscovered oil and gas resources amounting to around 47 billion boe. But as part of the Paris Agreement, which took effect in November 2016, Oslo has pledged to cut its national greenhouse gas emissions in 2030 by 40% compared to 1990. And according to national statistics, levels were still 3.3% above the baseline in 2016.

With oil and gas E&P moving further into environmentally sensitive Arctic regions, Western Europe's biggest hydrocarbons producer is debating with itself how much it needs the industry that made it rich, or whether it wants to pave the way for a greener future.

Helgesen has also said Norway must look for more opportunities in emerging technologies such as battery technology for shipping. And perhaps ironically, the sovereign wealth fund – built up with oil and gas revenues over almost half a century, and now worth in excess of US$1 trillion – could prove pivotal in paying the way for this economically risky transition.

The commission now has until mid-December 2018 to report back on its findings and conclusions, which could have wider implications. If Oslo were to reduce oil and gas exports, the effect on the European energy market would be substantial, not least in the post-Brexit UK, which is a major importer of Norwegian gas. Lower Norwegian gas volumes entering the European market might also necessitate increased purchases of Russian gas, which would run counter to Brussels' energy security objectives.

Striking a balance between economic and energy security benefits against environmental gains is what the commission will be expected to do when it announces its findings late next year.❖

"The commission will be chaired by Martin Skancke, who previously led an investigation into Norway's investment of its sovereign wealth fund in fossil fuels.

Steady progress in the Black Sea

While the pace of development has been hindered by the oil price crash, projects are still moving ahead

BLACK SEA

WHAT:
Development of the Black Sea's oil and gas resources is proceeding, albeit slowly and with mixed results.

WHY:
Bulgaria and Romania have led the way in developing their offshore resources, while other littoral states such as Turkey, Georgia and Ukraine have achieved limited results.

WHAT NEXT:
There are several promising projects in the pipeline, although production will be restricted until at least the end of the decade.

RECENT years have seen a flurry of exploration activity in the Black Sea.

But while the region could one day emerge as a key hub for oil and gas production in Europe, moving ahead with projects has been a markedly slow process. The oil price crash of 2014 prompted IOCs in the region to scale back spending and postpone drilling plans. A myriad of other factors has also impeded upstream development in the sea, including issues with taxation, political instability and mixed exploration results. Furthermore, much of the oil and gas identified so far has been found in deep water, driving up the cost of drilling.

The Black Sea's six littoral states – Bulgaria, Georgia, Romania, Russia, Turkey and Ukraine – have had varied success in overcoming these challenges.

Romania

Exploration in Romania's offshore zone began as early as 1969, although it was confined for many decades to shallow waters only. This changed after ExxonMobil and Austria's OMV made the Domino discovery at the Neptun Deep block in 2012, now estimated to contain somewhere between 42 and 84 bcm of gas. Low oil prices have stalled progress at the site, however, and the pair have yet to confirm they consider the project commercially viable. A decision on their investment here is expected before the end of this year.

There are more promising signs at OMV's Istria block: the company recent pledged to invest 70 million euros (US$83 million) in a drilling campaign over the next two years. Two wells are planned in shallow waters at the site before the end of 2017, with another pair to be sunk before mid-2018 at 2,000 metres below sea level. The future of this project will hinge on results from these wells.

OMV has referred to Romania's offshore zone as a core region, and recently hired GSP Offshore to carry out drilling services in the area over five years under a US$85 million contract.

In mid-2010, Russia's Lukoil and Vanco International – which later became PanAtlantic – paired up at Romanian offshore blocks EX-29 East Rapsodia and EX-30 Trident. Romania's Romgaz farmed into the projects two years later.

This collaboration yielded mixed results, with the group relinquishing rights to the Rapsodia block last year after a well came up dry. Romgaz and its partners have had better luck at Trident, with one of two wells drilled at the site in 2015 yielding a gas discovery of 30 bcm. They are currently debating further drilling options. If further exploration is successful, Trident is likely to be developed. However, it could be several years before Romgaz and its partners reach a final

Oil platform operating at the Trident oil block in Romania.

investment decision (FID) on the project.

Meanwhile, Black Sea Oil and Gas (BSOG), a subsidiary of private equity fund Carlyle Group, has reported finding 10-20 bcm of gas at two blocks in Romanian waters. BSOG suggested it could launch production at the sites by 2019 at an investment cost of as much as US$500 million. It remains uncertain whether this timeline will be kept, although reports that the European Bank for Reconstruction and Development (EBRD) may finance the project are an encouraging sign of its potential.

Romania's entrenched bureaucracy has been criticised by IOCs for holding back offshore development. However, Bucharest is keen to tackle excessive red tape to monetise these resources and export them to neighbouring states.

Bulgaria

Bulgaria has also seen renewed offshore interest in recent years, although projects in the areas have met with similar delays as those in Romania.

An example is the deepwater Han Asparuh block, where France's Total teamed up with OMV and Spain's Repsol in 2012. Drilling work at the site was originally slated to start in 2014 but was repeatedly pushed back and did not start until May last year.

However, the well made a discovery and Total and its partners recently spudded a second one, which is due for completion next year. The project partners have not disclosed resource estimates for Han Asparuh, making it difficult to assess its potential. But their desire to continue working at the site is encouraging.

Royal Dutch Shell, meanwhile, won a tender for Bulgaria's offshore Silistar block in September 2015, having promised to conduct US$21 million of seismic surveys at the site, which it began in October last year. This project is less advanced than Han Asparuh, and given that Shell has a five-year exploration permit for the site, it is likely to be sometime before a decision on development is made.

Bulgaria is much more reliant on imports for its energy needs than Romania, with almost all of its gas being sourced from Russia. Exploiting offshore reserves is therefore viewed as a national priority.

Ukraine

Ukraine was near to attracting IOCs at several Black Sea sites prior to its revolution in February 2014 and the subsequent annexation of the Crimean Peninsula by Russia.

ExxonMobil and Shell won a licence for the Skifska offshore gas field in 2012 but exited the project two years later before work began, amid increasing political instability. OMV, Italy's Eni and several other investors had also mulled offshore co-operation with Ukraine prior to 2014, but ended talks after former President Viktor Yanukovych's removal from power.

The loss of Crimea also deprived Ukraine of some of its most promising offshore oil and gas prospects. Chernomorneftegaz, a subsidiary of Ukraine's state-owned Naftogaz, had planned to produce as much as 3 bcm per year of gas from a group of fields off the coast of the peninsula by 2015. Under Russian control after the Crimean takeover, the company produced only 1.6 bcm from these sites last year.

Kyiv is trying to convince IOCs to return to Ukraine so it can continue with offshore exploration, although weak market conditions have made this difficult.

Russia

With access to abundant oil and gas resources elsewhere, Russia is in no hurry to develop its Black Sea resources.

Nevertheless, state-owned oil giant Rosneft recently confirmed plans to sink its first exploration well in the area in December. The well will be sunk at the West-Chornomorsky block, which spans sea depths of between 600 and 2,200 metres. A seismic survey has already been shot at the site and the upcoming exploration work will be fully financed by Italy's Eni, which holds a 33.33% stake in a joint venture with Rosneft set up in 2013 to oversee the project. Italian oilfield services group Saipem is reportedly supplying a rig for the work.

West-Chornomorsky contains six promising oil structures with an estimated 10 billion barrels of recoverable reserves. It is one of three blocks operated by Rosneft in Russia's Black Sea zone, another being the adjacent Tuapsinsky plot,

A Saipem oil platform that has been hired to drill later this year in the Russian Black Sea.

believed to contain a similar volume of oil.

Rosneft signed a deal with US supermajor ExxonMobil for joint operation and financing of a drilling project at the site, with a first well slated to be spudded this year. US sanctions have likely impeded this project, however.

Russia is currently more concerned with developing lower-cost onshore fields and it is unlikely that substantial production will be seen from the country's Black Sea zone within the next five years.

Turkey

In early 2015, Turkey's TPAO and Shell embarked on a joint drilling project 100 km off the coast of Istanbul in the search for hydrocarbons. The pair are apparently still considering whether to move further with this project, and delays are likely tied to the oil market downturn.

It is in Turkey's interests to develop its offshore zone as a means of eventually reducing its heavy reliance on oil and gas imports. However, recent years have seen Ankara divert its attention away from exploration at home to new gas import projects, including pipelines from Russia and Azerbaijan and LNG regasification terminals.

Georgia

Activity off the coast of Georgia has been muted.

According to the website of Georgia Oil & Gas Corp. (GOGC), Netherlands-registered Marine Resources Exploration International secured a 30-year licence for an offshore block in Georgia in 2010. Neither the company nor the Georgian government have disclosed any updates on this project.

There is equally limited progress in the Black Sea waters claimed by the unofficial republic of Abkhazia, which broke away from Georgian rule in 2009. Rosneft gained rights to a block off the Abkhazian coast in 2009, initially for a five-year period. A second agreement was reached with Abkhaz authorities in June 2015 to extend the exploration period for three years. There are no signs of activity at the block, with the de facto government in Sukhumi criticising Rosneft last year for neglecting its responsibilities under the licensing agreement.

PIPELINES & TRANSPORT

TANAP may be finished ahead of schedule, says Turkey

TURKEY

The TANAP line is already 82% completed.

TURKEY'S Minister of Energy and Natural Resources Berat Albayrak said last week that construction work on the Trans-Anatolian Gas Pipeline (TANAP) might be finished ahead of schedule.

While conducting an on-site inspection of the vessel assigned to build the underwater segment of the gas link in Canakkale Province, Albayrak noted that work on this part of TANAP was moving forward quickly. The vessel's crews have already laid 1,261 sections of pipe across the bed of the Sea of Marmara, he stated.

"[The] work continues at full speed," the minister told the Anadolu news agency. "I hope the project will be completed earlier than calculated and planned if things go [forward in the same fashion.]"

The TANAP line is already 82% completed. Its subsea portion will consist of two 910-mm pipes. Both of these will follow the same 19-km route from the Biga district of Canakkale Province to the Sarkoy district of Tekirdag Province.

Albayrak described the underwater pipes as a critical portion of TANAP, noting that it would facilitate the transport of gas from Azerbaijan to European markets. He further stated that the pipeline, along with the other two components of the Southern Gas Corridor (SGC), would begin pumping Azeri gas to Europe in 2020.

In the meantime, he said, the expansion of the South Caucasus Pipeline (SCP), the easternmost part of SGC, is due to be finished next year, with gas flows to start in June or July. The westernmost section, the Trans Adriatic Pipeline (TAP), will be ready in the first quarter of 2020, he added.

TANAP will serve as the middle section of SGC, a delivery route linking Azerbaijan's offshore Caspian Sea fields to Southern Europe. As noted above, the corridor will include three pipelines – the enlarged SCP, which runs through Azerbaijan and Georgia to the eastern border of Turkey; TANAP, which will traverse from east to west across Turkey; and TAP, which will pass through northern Greece and Albania on its way to southern Italy.

Together, these linked pipelines will allow Azerbaijan to export gas from the Shah Deniz Stage 2 (SD2) project to Europe. SCP will handle all 16 bcm per year of gas from SD2, including 6 bcm per year for the Turkish domestic market and 10 bcm per year for delivery to Europe. TANAP will turn gas over to Botas, the national pipeline operator, for delivery to Turkish buyers and send the rest onward to Greece for transfer to TAP. The latter pipeline will then pump gas to Italy, where it can be transferred to pipelines serving customers in other European countries.

Cyprus scales down its gas goals

CYPRUS

"There is little prospect for the export of LNG from Cyprus for a very long time.

John Roberts
Senior Fellow
Atlantic Council

CYPRUS' ambition to become a major natural gas hub is fading away, though there are still hopes the country could play a part in a more diversified regional gas market.

The island has yet to find a natural gas resource that is large enough to be commercially viable. The Aphrodite field was discovered in December 2011 and holds 4.5 tcf (127 bcm) of gas. But the resource is stranded 200 km from the island and negotiations to pump gas from the field to Egypt via a subsea pipeline have yet to yield a commercial agreement.

The Cypriot government was dealt a further blow last month when French major Total announced the results of an exploration well that it had drilled in Block 11. The well did find gas, but the size of the resource was under 1 tcf (28 bcm). Total's well was one of only five that have been drilled to date. Eni and ExxonMobil both have plans for offshore drilling starting later this year or early in 2018, and their work might yield more positive results.

But even if they are successful, conditions on the international gas market raise questions about the commercial viability of developing Cyprus' offshore reserves.

"For gas, the commercial environment is becoming much more complicated and this is going to make it difficult for East Mediterranean gas [to] find markets outside its immediate region," Jonathon Stern of the Oxford Institute of Energy Studies (OIES) told the Cyprus News Digest. He added that the idea of Cypriot and East Mediterranean gas eventually making its way to the European market was now a "distant prospect".

"It would be better if Mediterranean gas holders concentrated on the region itself," he went on. "Now of course, there are difficult politics there, but you haven't got this real big problem of how to transport gas very long distances and sell it in very competitive market conditions."

Low global prices and the lack of gas export infrastructure also pose a problem for East Med gas entering the international markets.

"Prices are low and the infrastructure needed would be very expensive," Stern said. "And it is not clear how you would make profits by actually delivering gas at current price levels."

Stern then reaffirmed his view that developers should target the regional gas market, rather than looking further afield. "I think the key thing for Mediterranean gas holders to understand is: if you want to monetise this gas soon, it would probably be better to look at opportunities within the region rather than bank on long export pipelines or very expensive LNG export infrastructure to do it for you," he said.

Stern's views were backed up by John Roberts from the Atlantic Council, a US-based think-tank. "If Cyprus concentrates on its own market, gas can be very important," he said. "It can help improve the climate, provide relatively cheap domestic energy and possibly contribute to an improvement in relations between both parts of the island," he said, referring to the Turkish-Cypriot area. "But the key point is that the chances for exports are not very good. The only obviously realistic prospect is finding a way to get whatever gas Cyprus may discover through existing pipeline systems to Egypt and then be dependent on the existing Egyptian liquefaction facilities being brought back into use. But that is not an issue that is under Cyprus' control, that's an issue that depends on the Egyptian domestic market," Roberts added.

His conclusion was that there was little "prospect for the export of LNG from Cyprus for a very long time".

He said that for this to happen it would take either "phenomenal" cross-border co-operation on a scale not seen before between Cyprus, Egypt and Israel, or the discovery of major new reserves. Even in the latter scenario, it would still take a very long time to develop a LNG project.

Roberts dismissed the concept of a subsea pipeline to connect East Mediterranean gas producing sites to Greece and Italy on economic grounds. He estimated the cost of such a project to be prohibitive at up to US$7 billion.

In addition to cost concerns, an East Med gas pipeline would at some point have to involve Turkey, which would make the politics of the project as unappealing as its economics.❖

Majors to sell stakes in English oil terminal

UK

FRANCE'S Total, Italy's Eni and Norway's Statoil are reportedly looking to sell their stakes in northern England's Seal Sands oil terminal on Teesside.

Total currently owns 32.9% of the terminal, which receives, processes and stores crude oil and NGLs from the Greater Ekofisk and Valhall field clusters in Norway, as well as the Judy Platform in the UK North Sea. Statoil and Eni hold 27.3% and 10.3% respectively.

The three firms are seeking buyers for their stakes jointly and have hired investment bank Rothschild to manage the process, unnamed banking sources told Reuters, without detailing a reason. They say the stakes could fetch as much as US$400 million for the companies.

ConocoPhillips, which operates the terminal with a 29.3% stake, is not expected to sell its holding.

It is unclear whether Paris Orleans – which owns the remaining 0.2% stake in the terminal – is taking part in Eni, Statoil and Total's sales process.

Total, Eni, Statoil and ConocoPhillips have all declined to comment on reports of the planned sale.

The 1 million bpd terminal was completed and received its first oil in 1975, with a processing plant added four years later. It has facilities for crude oil reception, processing, storage and trans-shipment and also fractionates NGLs into ethane, propane and butane.

Teesside's suitability for deepwater quay facilities was one of the main reasons why the terminal was built there.

It has four quays for crude oil, one of which can also load NGL products, plus three dedicated quays for NGLs. The crude oil quays are capable of receiving tankers of up to 150,000 tonnes, while the NGL quays can receive vessels with a capacity of up to 60,000 cubic metres.

Oil and NGLs from the Norpipe pipeline are fractionated at the site to reduce vapour pressure. They are then stored, ready for shipment, at the facility's tank farm, which comprises 10 tanks that each have a 750,000 barrel capacity.

Ekofisk crude is one of the four grades that make up the Dated Brent benchmark. ❖

Gas Natural Fenosa moves HQ to Madrid

SPAIN

BARCELONA-BASED Gas Natural Fenosa decided late last week to move its corporate headquarters to Madrid.

The move followed a week of political unrest in Catalonia that culminated with the regional government taking initial steps to declare itself independent from Spain.

The Spanish government declared a referendum on independence that was held on October 1 as illegal and has used the full force of the state to thwart the secessionists. Over the past week there have been calls for Catalan officials to soften their position and negotiate with the government in Madrid.

Barcelona's Mayor Ada Colau said the referendum could not be used to justify independence and called for Catalan President Carles Puigdemont to pause for talks to commence. But with little room for compromise, the situation remains unclear and tense.

The political risk has prompted several Barcelona-based businesses to relocate their headquarters to the Spanish capital or other cities without Catalonia. Gas Natural Fenosa's board of directors decided during an extraordinary meeting on October 6 to follow the actions of its main shareholder, Caixabank, and relocate to Madrid. The company's gas distribution control centre is located in Barcelona and will remain in the city.

Gas Natural Fenosa is one of the main players in the Atlantic LNG industry.

It is the leading natural gas seller on the Iberian Peninsula and is a major gas distributor through pipeline systems that extend over 142,000 km. The company is invested in LNG projects in Qatar, Trinidad and Tobago, Nigeria, Egypt, Oman and the US.

It is also involved in gas production projects in Norway and Algeria, and transports gas from Algeria to Spain through the Maghreb-Europe and Medgaz pipelines. It owns stakes in two liquefaction plants – Qalhat in Qatar and Union Fenosa Gas in Egypt. It also has stakes on two regasification plants, Saggas in Spain and Ecoelectrica in Puerto Rico.

Announcing the decision to move to the capital, the board of directors cited the relevant Securities Market Law and said: "In view of the social and political events that are occurring in recent weeks in Catalonia and due to the legal uncertainty that this causes, the council has agreed to change its registered office from Barcelona to the current corporate offices in Madrid."

But the statement underlined that the situation was transitional and could change if circumstances allowed.

The board said it had taken the action in order to protect the interests of its customers, employees, creditors and shareholders.

Earlier this week, Spain's Council of Ministers approved a royal decree amending the Capital Companies Act that allows for the urgent change of corporate headquarters if companies choose to do so.❖

"The firm's board said it had taken the action in order to protect the interests of its customers, employees, creditors and shareholders.

The Transocean Spitsbergen rig drilled the Verbier well.

Statoil announces 'significant' UK discovery

UK NORTH SEA

NORWEGIAN oil major Statoil says it has made a significant oil discovery in the outer Moray Firth, in the UK North Sea, after drilling a sidetrack well at the Verbier prospect.

The Verbier main wellbore had earlier encountered water-filled sand, but the licence partners decided a sidetrack well was needed to assess the remaining potential. The decision to drill out was clearly vindicated, as Statoil said preliminary results showed the discovery could contain from 25 to 130 million boe in the immediate vicinity of the wellbore. The company added that the discovery proved there could also be significant remaining potential in the mature basin. Jez Averty, Statoil's senior vice president of exploration in Norway and the UK, described the discovery as "encouraging," and said the company had "proven oil in good quality sands with good reservoir properties." But he went on to warn that "significant work remains, most likely including appraisal, to clarify the recoverable volumes and to refine this range."

The licence partners will now assess the data further and will plan more appraisals to determine the extent of the discovery more exactly. They will also look at the potential commerciality of the discovery, as well as the possibility of maturing other opportunities within the same licence.

Setbacks

It was not all good news for Statoil, however. The company's summer aim on the UK Continental Shelf (UKCS) was to develop its regional position by testing three independent prospects. But the other two wells drilled – at Mariner Segment 9 and Jock Scott – have yielded "disappointing" results.

Mariner Segment 9 did encounter oil-filled sands in the Heimdal Formation and a thin oil column in the Maureen Formation, and data gathered will be used to establish the extent of the sand bodies and their impact on the resources. But the Jock Scott well was dry and no reservoir was encountered.

Statoil added in statement, however, that it remained convinced of the high-value potential on the UKCS, and said the Verbier result had given it the confidence to continue its exploration efforts.

Statoil holds a 70% stake in the Verbier project, which lies in the P2170 licence. Its partners are Jersey Oil and Gas (18%) and CIECO Exploration and Production (12%).❖

Gazprom set to launch Serbian UGS, refining projects

SERBIA

RUSSIA'S Gazprom aims to begin an overhaul of Serbia's main oil refinery before the end of the year and start an expansion project at the country's only underground gas storage (UGS) facility in 2018.

The Serbian government reported on the plans last week, following talks between its energy ministry and Gazprom officials in Moscow. Gazprom Neft, a subsidiary of Russia's natural gas champion, has been tasked with modernising Serbia's 96,000 bpd Pancevo oil refinery near Belgrade. At a cost of 300 million euros (US$352 million), the project will raise efficiency and refining depth at the facility, which was first commissioned in the late 1960s. It is slated for completion in 2019.

Gazprom Neft controls a 56.15% stake in the plant's operator, Serbian energy group NIS, while another 29.87% share is held by Belgrade. NIS also manages a 10,000 bpd refinery in Novi Sad, also in northern Serbia.

The company completed the first stage of modernisation at the Pancevo plant in late 2012, bringing its products in line with Euro-5 fuel standards. Under this stage, the facility's refining depth was lifted to 84% and its production of light petroleum fuels was expanded.

NIS has seen its performance flag in recent years as a result of low oil prices. However, the company managed a fourfold rise in profits in the first half of 2017 to 12.4 billion Serbian dinar (US$122 million), from 3.1 billion dinar (US$30.5 million) a year earlier.

The CEO of Gazprom, Alexey Miller, met with Serbian Energy Minister Aleksandar Antic to discuss gas market affairs. After the talks, Belgrade said it expected the Russian company to begin work expanding the Banatski Dvor UGS unit in northern Serbia in 2018. In June, Gazprom signed a memorandum of understanding (MoU) with Serbian gas company Srbijagas on studying the project's technical and financial feasibility.

The facility can currently store up to 450 mcm of gas, but its capacity is scheduled to be expanded to 1 bcm following an investment of around 70 million euros (US$82 million). Srbijagas has a 49% stake in Banatski Dvor, while Gazprom owns the remaining 51% holding. The expansion is aimed at boosting Serbia's energy security. In a Gazprom statement on October 3, it was noted that Russian gas deliveries to the country had risen 31.7% on the year in the first nine months of 2017. Under the ten-year supply deal struck in 2013, the country took 1.75 bcm of gas in 2016, up 4.3% year on year.❖

POLICY

Nicola Sturgeon announces Scottish energy firm

The Scottish government is to set up a publicly-owned, not-for-profit energy company, Nicola Sturgeon has confirmed. The SNP leader told the party's conference that the company will sell energy to customers at "as close to cost price as possible".

Sturgeon said it would be set up by 2021 and would give people – particularly on low incomes – more choice of which supplier to use.

BBC (UK), October 10, 2017

COMPANIES

Shell to divest stakes in two wind farm projects

European oil giant Royal Dutch Shell and co-partners Eneco Holding and Mitsubishi are set to divest a combined 45% stake in two Dutch offshore wind farm projects. Notably, the fourth co-partner in the projects, Van Oord, will retain its stake. The two wind farms, Borssele III and IV, are located off of the port city of Zeeland in the Netherlands and have a combined capacity of 700 MW. The total cost of development of the farms is estimated to be US$1.4 billion and the construction is expected to be completed by 2020. The vending will enable the companies to gain proceeds of around US$630 million. Subject to satisfactory closing conditions, the process is likely to complete by the end of this year.

Notably, these are the first large-scale offshore wind projects undertaken by Shell. The company intends to reduce its ownership in the projects due to their capital extensive nature. With the divestment, the company will be able to recoup half the investment it made in the projects. The move is also in sync with Shell's strategy to concentrate on the development of the primary stages of such wind farms and avoid holding them for the long term as returns tend to decrease. Thus the proceeds will enable the company to deploy funds in more profitable projects.

The move will help Shell proceed with its US$30 billion divestment programme, which is aimed at lowering debt arising from the US$47 billion acquisition of BG Group. The latest divestment is expected to enhance Shell's cash flows and return value to shareholders. The move is also in line with the company's aim to upgrade and streamline its portfolio.

ZACKS, October 4, 2017

WorleyParsons to buy AFW's former oil and gas assets for US$298 million

Australian engineering firm WorleyParsons Ltd said it would buy the former upstream oil and gas assets of Britain's Amec Foster Wheeler for GBP 228 million (US$298.22 million), marking its entry into the UK North Sea market.

WorleyParsons expects to tap Amec's maintenance, modifications and operations capabilities through the deal, which is to be funded by a 1 for 10 entitlement offer of approximately A$322 million (US$250.36 million) and existing WorleyParsons debt facilities at A$13 per new share.

The enterprise value will be A$303 million before adjustments for surplus working capital and cash in the AFW UK business, the statement said. The deal is expected to reduce net debt and be accretive to WorleyParsons' earnings per share in the first year of ownership, and is expected to be completed by the end of October. The sale is an attempt by Amec to get regulatory approval for its merger with John Wood Group. Britain's Competition and Markets Authority (CMA) said in August the merger could lead to competition concerns in the supply of engineering and construction services and operation and maintenance services on the UK continental shelf. The CMA said later that month that divesting almost all of Amec's upstream offshore oil and gas servicing assets may be adequate for regulatory approval for the merger.

REUTERS, October 9, 2017

Union Jack Oil doubles stake in Keddington in deal to acquire Cairn's onshore UK assets

Union Jack Oil has stuck a deal to acquire the onshore UK assets of Nautical Petroleum, a Cairn Energy subsidiary.

It delivers stakes in a number of onshore oil projects – including 10% of the Keddington oil field, 10% of the Louth prospect, 16.67% of the Kirklington oil project and 16.67% of the historic Dukes Wood oilfield. All the assets are operated by UJO partner Egdon Energy Ltd.

The AIM-quoted explorer is paying just GBP 25,000 to acquire the asset portfolio from the Cairn subsidiary, and it is due to receive production proceeds from Keddington from an effective date of September 1. UJO already has a 10% stake in Keddington which in the last financial year generated GBP 22,119 of revenue for the group.

"The opportunity for Union Jack to acquire Cairn Energy`s UK onshore hydrocarbon portfolio which comprise assets we hold in high regard, at nominal cost is an excellent result," said David Bramhill, UJO chairman.

He added: "The assets acquired are all located in Union Jack`s core area of interest in the East Midlands which include additional interests in the producing Keddington oilfield and the drill-ready prospects, subject to planning, at Louth and North Somercotes.

"This acquisition is a perfect fit to the company`s existing portfolio at minimum cost while allowing Union Jack to focus on growing its production and exploration business."

PROACTIVE INVESTROS, October 9, 2017

OIL

Lundin Petroleum spuds exploration well on the Hufsa prospect in the southern Barents Sea

Lundin Petroleum AB (Lundin Petroleum) has announced that its wholly owned subsidiary Lundin Norway AS (Lundin Norway) has commenced drilling of exploration well 7219/12-2 on the Hufsa prospect in PL533 in the southern Barents Sea. The well is located in PL533, south of the Filicudi oil discovery and the large Statoil operated Johan Castberg oil discovery.

The Hufsa prospect has multiple Jurassic and Triassic sandstone reservoir targets requiring a two-branch well to test the full extent of the prospect. The first branch will target the Nordmela and the Tubaen formations and the second branch will target the Sto formation. The Hufsa prospect is estimated to contain gross unrisked prospective resources of 285 mmboe.

The well will be drilled with the semi-submersible drilling rig Leiv Eiriksson and is expected to take approximately 70 days.

Lundin Norway is the operator of PL533 with a 35% working interest. The partners are Aker BP with 35% and DEA Norge with 30%.

LUNDIN PETROLEUM, October 9, 2017

Statoil announces dry well northwest of Johan Castberg

Statoil Petroleum AS, the operator of production licence 718, has completed the drilling of wildcat well 7317/9-1. The well is dry. The well was drilled about 100km northwest of the 7220/8-1 (Johan Castberg) discovery in the Barents Sea.

The primary exploration target for the well was to prove petroleum in Middle Jurassic to Late Triassic reservoir rocks (the Realgrunn sub-group). The secondary exploration target was to prove petroleum in Late to Middle Triassic reservoir rocks (Tubaen and Snadd formation), depending on the well result in the primary target.

Well 7317/9-1 encountered multiple sandstone layers in both exploration targets, totalling about 60 metres in the Realgrunn sub-group and about 50 metres that are preliminarily correlated to the Snadd formation. All sandstone layers have poor to no reservoir quality. Extensive data acquisition and sampling have also been carried out.

This is the first exploration well in production licence 718. The licence was awarded in the 22nd licensing round in 2013.

The well was drilled to a vertical depth of 1468 metres below the sea surface and was terminated in presumed Middle to Late Triassic reservoir rocks (Snadd or Kobbe formation). Water depth at the site is 460 metres. The well will be permanently plugged and abandoned.

Well 7317/9-1 was drilled by Songa Enabler, which will now proceed to drill wildcat well 35/9-13 in production licence 682 in the North Sea, where Bayerngas Norge AS is the operator.

NPD (NORWAY), October 9, 2017

Statoil gets approval for wildcat near Gina Krog

Statoil has been granted consent for a wildcat well north of the Gina Krog field in the central North Sea. The Norwegian operator will drill the well from the Maersk Integrator drilling facility, at position 58°34'19.36" north and 01°41'48.81" east.

Statoil is the operator on Gina Krog with an ownership interest of 58.7%. The other licensees are Total E&P Norge AS (15%), KUFPEC Norway AS (15%), PGNiG Upstream Norway AS (8%) and Aker BP ASA (3.3%). The area in this licence was awarded on October 17, 2012, after being carved out of PL 029, which was awarded in the 2nd licensing round in 1969.

This is the first wildcat well that has been drilled in the licence, but three exploration wells have previously been drilled within the licence area. The permit is contingent upon the operator securing all permits and consents required by other authorities prior to commencing the drilling activities.

ENERGY VOICE, October 6, 2017

GAS

Russia plays down us sanctions impact on Nord Stream-2 gas pipeline

The US financial sanctions will not delay the construction of Russia's Nord Stream-2 undersea gas pipeline to Germany, the project's technical director told reporters.

Sergei Serdyukov also said that Russia has an alternative route for the pipeline under the Baltic Sea bed if Denmark blocks the construction in its territorial waters.

The US sanctions over Moscow's alleged interference with the 2016 presidential elections as well over its role in the Ukraine's crisis limits western fundraising for the Russian companies.

REUTERS, October 6, 2017

Norway's PSA approves modifications relating to gas lift at Tambar

PSA has now given Aker BP consent to perform modifications relating to gas lift at Tambar. The gas lift project is part of a major field development project at Tambar. The field development project involves a drilling campaign of two new wells, gas lift for existing and new wells, an operating life extension, and some minor modifications.

The gas lift project will use an existing pipeline between Ula and Gyda to supplement Tambar with gas lift from Ula.

The consent covers gas lift equipment for wells at Tambar. It also includes installation of a new gas lift module and associated control functions. The gas lift is being installed because the reservoir pressure at Tambar is no longer sufficient to ensure satisfactory production. The gas lift project is therefore highly important for further recovery of remaining reserves in the field.

PTIL (NORWAY), October 12, 2017

SERVICES

Statoil awards long-term insulation, scaffolding, surface treatment contracts

Statoil is awarding renegotiated framework agreements to Bilfinger Industrier Norge and Kaefer Energy for ISO services (insulation, scaffolding and surface treatment). Valued at a total of more than 7 billion kroner, the contracts will run until the end of 2030.

"We aim at predictability in our interaction with the suppliers. Thanks to our close and good dialogue with Bilfinger and Kaefer we have now established long-term contracts that both ensure good technical solutions, and are commercially sustainable for the companies. This provides us with the necessary basis for long-term collaboration to drive safety and efficiency improvements, which we look forward to," says Statoil's chief procurement officer, Pal Eitrheim.

The framework agreements cover ISO services for the Norwegian continental shelf (NCS), with flexibility for use across all facilities on the NCS and onshore in Norway. The agreements facilitate increased innovation and technology development within the ISO services performed at Statoil facilities. This also includes stimulating further upgrading of specialist skills and increased percentage of apprenticeship certificates.

"We look forward to continuing our partnership and improvement work with Bilfinger and Kaefer. The ISO disciplines help ensure safe and efficient operations at our facilities. This work is important in order to achieve a sustainable cost level, thus supporting long-term production on the NCS," says senior vice president for operations technology in Development and Production Norway, Kjetil Hove.

Bilfinger and Kaefer have been responsible for the ISO services on the installations where renegotiated framework agreements have now been signed since 2010. An exception from this is Draupner, where change of supplier opens for a more flexible utilisation of resources across Sleipner Multifield.

WORLD OIL, October 9, 2017

PDS expands Ava Clastics SaaS product

Petrotechnical Data Systems (PDS Group) has announced that their 2017 release of Ava Clastics sedimentology and analogue database software which now includes access to the Shallow-Marine Architecture Knowledge Store (SMAKS), a new sedimentary analogue database created by world-leading researchers at the University of Leeds.

The database incorporates both quantitative and descriptive data from the scale of sedimentary facies to the depositional architecture of sequences in shallow-marine environments and complements the popular Fluvial Architecture Knowledge Transfer System (FAKTS) database currently available with a subscription to Ava Clastics.

The SMAKS database includes sedimentological data of varied nature and scale including attributes that characterise their type, geometry, spatial and hierarchical relationships. SMAKS covers modern and ancient shallow-marine and paralic clastic depositional systems and is steadily growing.

Making this database accessible through Ava Clastics provides an environment where geoscientists can build a complete understanding of depositional settings, and where they can rapidly test their assumptions against hundreds of analogues to estimate a probability of occurrence. Ultimately Ava Clastics helps asset teams reduce field development uncertainty by providing more robust and plausible facies models that directly integrate with the Petrel* E&P software platform *Mark of Schlumberger.

For E&P operators that need to rapidly reassess their portfolios, access to high-quality analogue databases such as FAKTS and SMAKS can save their geologists and reservoir engineer's significant time; particularly during research prior to modelling, history matching and variogram analysis. Using Ava Clastics, asset teams will benefit from the ability to create multiple analogue-based models (enabling more than one concept to be history matched), and will further benefit from the automatic audit trail captured within the software that stores the context of how the model was created. This ensures knowledge sharing across teams (and disciplines) and thereby provides a consistent modelling methodology.

PDS (NETHERLANDS), October 10, 2017

BiSN announces North Sea commitment

BiSN, the global leader in innovative metal-to-metal downhole sealing solutions, continues to expand its services to North Sea clients, by announcing the expansion of its corporate headquarters.

Based in Warrington, the GBP 2 million premises will see BiSN expand into a 2,000 sq/m site, which brings its research and development activity under the same roof as a newly-acquired machine shop.

BiSN's innovative Wel-LOK M2M technology range has attracted investment from some of the world's major oil and gas operators, and the company is now growing its UK operations in order to specifically service the completions, interventions and abandonment markets.

Chief executive officer, Paul Carragher explains: "The international demand for BiSN's unique downhole technology has increased exponentially. The purpose of our most recent UK investment is two-fold; firstly, it allows us to continue our ground-breaking alloy development, whilst dramatically improving product availability to those operating across the Eastern Hemisphere.

"Secondly, our technology, which utilises a bismuth-based alloy and modified thermite heaters, is turning traditional downhole sealing methodology on its head; we are opening up a range of applications previously thought impossible. With that in mind, our improved headquarters provide the ideal setting in which our clients can witness the technology for themselves.

"This has already proved highly effective at our Houston assembly facility, and we look forward to welcoming our clients to Warrington."

In tandem with the launch of its new manufacturing facility, BiSN aims to increase its UK workforce by 100%. Whilst two key appointments, including UK Workshop Manager, have already been made, the company is currently recruiting for a total of 10 senior engineer and technician roles.

BISN (UK), October 9, 2017

Randgrid FSO begins work at Gina Krog field

Teekay Offshore Partners announced the Randgrid FSO, which was converted from one of the Partnership's shuttle tankers at Sembcorp's Sembawang shipyard in Singapore, has commenced its charter contract with Statoil on the Gina Krog oil and gas field in the Norwegian sector of the North Sea. "Today marks a significant milestone in Teekay Offshore's FSO franchise with the start-up of our largest FSO project to-date," commented Teekay Offshore Group Ltd President and CEO Ingvild Saether. "The Randgrid FSO further builds on our strategic partnership with Statoil and is expected to contribute annual cash flow from vessel operations of approximately US$60 million during the firm period of the charter contract."

TEEKAY (UK), October 6, 2017

Fugro divests non-core trenching and cable laying business to Global Marine Group

Fugro and Global Marine Holdings LLC have signed an agreement under which GMG will acquire Fugro's trenching and cable laying business in exchange for an equity stake of around 24% in the combined business valued at US$65 million, and a one-year secured vendor loan of US$7.5 million.

GMG is a global, leading supplier of subsea cable installation and maintenance services in four market segments: telecoms, offshore renewables, power and oil & gas. The company has several longstanding partnerships which include SB Submarine Systems (a joint venture with China Telecom offering cable installation and maintenance services in Asia Pacific) as well as Huawei Marine Networks (a joint venture with Huawei Technologies focused on manufacturing marine telecom components and cable integration to provide complete turnkey subsea telecom systems).

The acquisition of Fugro's trenching and cable laying business provides GMG with high-end capabilities, significantly strengthening its service offering. Fugro will participate in a more diversified business in which cable installation services are complemented with long-term telecom cable and wind farm maintenance services and sales of subsea telecom systems. In addition, Fugro will become the preferred provider of marine site characterisation and asset integrity services to GMG.

FUGRO (NETHERLANDS), October 12, 201

REFINERIES

Refinery blazes to dent Shell 3Q earnings

A recent string of fires at Royal Dutch Shell's refineries, including at Europe's largest, is expected to hit the oil and Gas Company's third-quarter profit and deal a setback to its efforts to improve the segment's performance.

Shell's refining, trading and marketing division, known as downstream, was the driver of the Anglo-Dutch company's strong recovery in profits over the past year, as soaring demand for fuels offset a sharp drop in revenue from the production of crude oil and natural gas amid a three-year price slump.

However, downstream profit in the third quarter of 2017 is expected to drop to US$1.5 billion from US$2.5 billion in the previous quarter due to the refinery disruptions and Hurricane Harvey, which crippled many refineries in the US Gulf Coast for weeks, said Anish Kapadia, senior research analyst at investment bank Tudor, Pickering, Holt & Co.

The company's overall downstream earnings could be boosted by stronger output from its chemicals, trading and marketing operations, according to Barclay's analysts, who forecast Shell's profit reaching US$3.8 billion in the quarter.

In its second-quarter results, Shell said it expected refinery availability to increase in the third quarter due to lower planned maintenance.

REUTERS, October 5, 2017

Wood wins multi-million dollar oil refinery contract with Total

Wood has been awarded a new multi-million dollar contract by Total, supporting their Lindsey Oil Refinery located in North Killinghome, Lincolnshire, UK. The five-year contract is to provide onshore maintenance services and includes the option to be extended up to two years.

Chief executive of Wood, Robin Watson, said: "We are strategically focused on leveraging our proven offshore track record of strong service, to broaden our downstream footprint in the UK; and this contract win achieves this.

"It was secured by the clear demonstration of our commitment to safety through efficient delivery of our innovative range of services to the oil and gas industry.

"Our extensive capabilities in offshore maintenance gained from over two decades of working with Total, position us uniquely to maximise the productivity while maintaining the integrity of this significant asset."

The new contract will commence on 1 January 2018.

It builds on Wood's support of Total's assets across the globe, including their UK offshore portfolio. In 2015, the company

secured a five-year contract to deliver engineering, procurement, construction and commissioning services to four of Total's offshore assets and two onshore facilities in the UK continental shelf; the Alywn, Dunbar, Elgin and Franklin platforms, St Fergus Gas Terminal and Shetland Gas Plant (SGP).
WOOD GROUP (UK), October 11, 2017

Shell, Varo end talks on Germany refinery stake sale

Royal Dutch Shell and Varo Energy have ended talks on Varo's potential purchase of Shell's 37.5% stake in the 220,000 bpd PCK refinery in Schwedt, Germany.

The two companies said last December that they had entered advanced talks on the stake sale, but the negotiations have been "discontinued", a spokeswoman for Varo stated. Shell confirmed that negotiations on the refinery and its Arhem terminal in the Netherlands "have now concluded and an agreement has not been reached."

Neither company would say why the talks had ended.
REUTERS, October 6, 2017

FUEL

NorSea Group fuelling the future in Peterhead

NorSea Group UK has completed Phase I of its multi-million pound investment at its Shore Base within Peterhead Port with the opening of a new custom-built Marine Gas Oil (MGO) facility on Smith Quay. Two MGO tanks, which hold a combined total of 3,000 cubic metres of fuel, are now operational. This represents an expansion in the range of services currently provided directly to clients by NorSea Group at Peterhead as project support and supply vessels can now be fuelled directly at the quay.

NorSea Group Managing Director Walter Robertson said, "This investment delivers a much needed fuelling option for vessels supporting offshore activities. Project related vessels now have a full one stop shop capability. The project met the strict timeline with Global Energy being the main contractor manufacturing the tanks in Aberdeen while the large concrete bund was being built at Smith Quay in Peterhead simultaneously. Upon completion, the tanks were taken to Peterhead by PSV and lifted into position within the bund at NorSea Group."

"NorSea Group has formed a fuel supply alliance with the largest independent marine fuel supplier in the UK, to service the MGO facility. The modern, new-build tanks are directly linked by highly-sophisticated telemetry to the fuel supplier's offices providing round-the-clock fuel stock monitoring which automatically triggers a resupply delivery before stocks run low."

"In addition to the direct fuelling of berthed vessels, the tanks are also equipped with automatic road loading facilities which can supply fuel to road tanker wagons for onwards delivery to the marine fuel market including Peterhead's fishing fleet," said Robertson."
ENERGY GLOBAL, October 9, 2017