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Trump making things difficult for Tehran

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Abu Dhabi sets sights on Shah

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Akkas back on the drawing board

Development of Iraq's Akkas gas field showed signs of renewed life in September with the award of a contract to draw up a revised project design.

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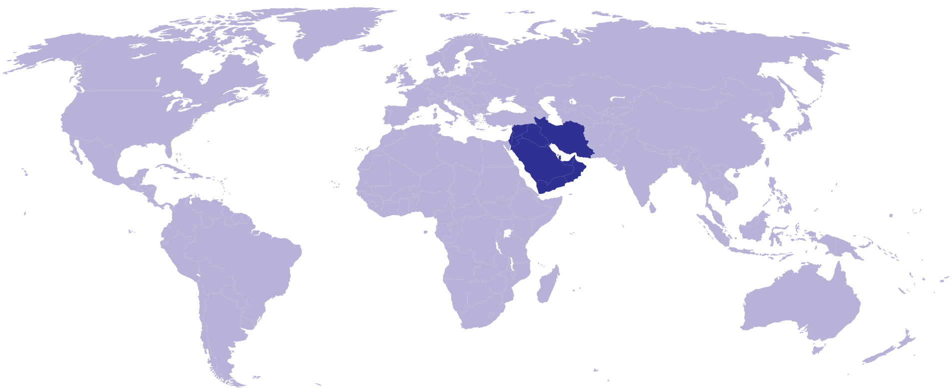

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Trump targets Revolutionary Guard in move to turn the screw on Iran

The designation by the US of Iran's Revolutionary Guards Corps as a terrorist organisation is now back on the table as part of Trump's strategy to revoke the JCPOA. Simon Watkins **reports**

IRAN

WHAT:
Washington is targeting the IRGC in a move to curtail foreign investment in Iran.

WHY:
The Trump administration is keen to force regime change in Iran, and with the IRGC embedded throughout the Iranian economy, would-be investors may become hamstrung by red tape.

WHAT NEXT:
Rouhani has sought to scale back IRGC involvement to protect Iran's immediate future, but the US appears to be intent on more punitive measures.

ACCORDING to senior sources close to the US and Iranian governments, US President Donald Trump has approved the idea of officially designating Iran's Islamic Revolutionary Guard Corps (IRGC) as a foreign terrorist organisation (FTO).

This would put it in the same legal bracket as Al Qaeda and Daesh or Islamic State.

This designation is part of the ongoing US plan to revoke the Joint Comprehensive Plan of Action (JCPOA) implemented in January 2016 that saw most sanctions dropped against Iran in exchange for the brakes being applied to its nuclear programme.

As the IGRC's influence, albeit often opaque, extends through all aspects of Iran's economy, the designation will hit Iran hard, and is part of the ultimate goal of regime change in Tehran that remains Trump's overall objective.

Revolutionary Guard reach

The sheer scale of the IRGC's business interests in Iran and beyond, both indirectly and directly through its economic arm (Khatam-ul-Anbia), is underappreciated by most, Christopher Cook, director of consultancy Wimpole International, told *NewsBase Intelligence (NBI)*.

"Originally, the crossover for the elite military unit [that numbers around 120,000] into Iran's economy began at the end of the Iran-Iraq war in the 1980s when its senior commanders were rewarded with contracts to build roads and bridges to help reconstruct the country," he said.

"Under the presidency of Mahmoud Ahmadinejad, who needed their support to stay in power, these initial infrastructure-related interests expanded rapidly., he added.

"The IRGC was awarded massive contracts in a range of economic sectors regarded as being of prime strategic concern for Iran, including oil, gas, petrochemical, automotive, transportation, telecommunications, construction, and metals and mining," Rapa said.

Now, according to estimates from a number of sources with close knowledge of IRGC interests, its business activities account for at least 15% of Iran's overall GDP.

It holds significant ownership stakes in 27 companies that are publicly traded on the Tehran Stock Exchange, and has placed senior commanders at the centre of more than 200 Iranian companies.

Evasive action

Aware of the dangers to the JCPOA deal that these issues represent, Iran's President Hassan Rouhani has already embarked on an initiative to scale back the role of the IRGC in the country, emboldened by the scale of his re-election in the May 19 polls.

"At that point, Rouhani made it clear to Supreme Leader [Ayatollah Ali Khamenei] that the country's ability to attract the US$350 billion in foreign investment that is still required to build out the economy is being imperilled by the extent of the IRGC's involvement in [the economy] that makes them [foreign investors] nervous about getting involved," a senior oil and gas industry source who works closely with Iran's Petroleum Ministry told *NBI* last week.

In fact, Rouhani has privately said that the guards had created "a government with a gun," which "scared" the private sector. With the blessing of Khamenei, Rouhani sanctioned a number of low-key arrests of some key figures related to the IRGC's businesses, including a brigadier general who is near the top of the IRGC's business empire, and has started the process of the IRGC transferring some of its assets into non-affiliated hands.

Ironically, though, it was Rouhani's actions to placate the IRGC for this crackdown – allowing it to go ahead with another ballistic missile test, in September – that has served to re-focus US attention on destabilising the country.

Legal concerns

As it now stands, Iran faces the prospect of the IRGC being designated as an FTO as well as the possibility that the Trump administration will not certify that Iran is complying with the terms of the JCPOA on October 15.

"Although the IRGC's Al-Quds Force [its elite unit responsible for foreign operations] was already designated by the US Treasury as an FTO in 2007, such a designation of the entire IRGC would have much broader and deeper implications for Iran," Anthony Rapa, a lawyer with international litigation and arbitration specialist ▸▸

The Islamic Revolutionary Guard Corps is tightly embedded in the Iranian government.

legal firm, Steptoe & Johnson, told *NBI*.

"First off, as required by the Anti-Terrorism and Effective Death Penalty Act [AEDPA] of 1996 and as implemented by the Foreign Terrorist Organizations Sanctions Regulations, US financial institutions are required to block the property and interests in property of FTOs, and to report to the Department of Treasury the existence of such blocked funds," he said.

"Furthermore, pursuant to Executive Order 13224 and the Global Terrorism Sanctions Regulations, practically all FTOs also are designated as Specially Designated Global Terrorists (SDGTs), meaning that all US persons – including US citizens, US lawful permanent residents, persons located within the US, and entities organised under US law and their foreign branches – are also required to block their property and interests in property," he added.

This, though, is by no means the worst of it, with the relevant legislation applying outside the US and threatening more than just financial penalties.

"What will really hit home is the fact that, under the AEDPA, it is a criminal offence to provide 'material support' to a designated FTO, and further that the statute explicitly provides that this prohibition has extraterritorial application," he said.

According to Rapa, this is significant for two reasons: first, because conducting business with an IRGC subsidiary conceivably can fall within the scope of "providing material support" to the IRGC; and, second, that the restrictions apply to individuals and companies acting outside the US.

"Specifically, with regard to extra-territoriality, in particular, this means that jurisdiction exists where after the conduct required for the offence occurs an offender is brought into or found in the US, even if the conduct required for the offence occurs outside the US," he said.

"The crux of the matter is that a violation of this warrants individuals facing up to 20 years' imprisonment and penalties of up to US$250,000 for every single violation or twice the monetary gain from the activity, while companies are subject to penalties of up to US$500,000 per violation or twice the monetary gain from the activity," he added.

A landmark case in this respect – and important in terms of precedent for any judgements relating to the IRGC if designated an FTO – highlighted Rapa, was 'United States versus Al Kassar'. In this case, the US Court of Appeals for the Second Circuit affirmed the convictions of foreign nationals who were arrested in Romania and Spain and extradited to the US on charges of conspiring to provide material support to the Revolutionary Armed Forces of Colombia (FARC), a terrorist organisation.

The ongoing US financial sanctions have already been sufficient to deter a meaningful influx of US interests into Iran.

However, designating the IRGC as a whole to be an FTO would also mean that if a European company were to engage in a major transaction with an Iranian company indirectly owned or controlled by senior IRGC officers, the question would hang over it as to whether that company could be charged with providing material support to an FTO, as the AEDPA does definitively shed light on this, defining 'material support' only broadly, said Rapa.

This, in turn, fits neatly into Trump's ultimate strategy of presenting a new proposal to the UN Security Council before the spring of 2018 that will prompt the abandonment of the JCPOA based specifically on Iran's ballistic missile tests instead of its nuclear programme, and as a precursor to regime change in Iran.

The next step in this strategy falls on October 15, when Trump will decide whether to authorise Secretary of State Rex Tillerson to sign the certification to the US Congress that Iran is complying with the terms of the JCPOA, a procedure that is required every 90 days.

If certification does not occur – as now seems likely, according to senior US sources – then the issue goes to the largely anti-Iran US Congress to vote on whether the JCPOA deal should continue.

If it votes 'no' then the process to reinstate broad UN sanctions would automatically be triggered and, in this case, the Security Council would then have 30 days to pass a resolution to continue sanctions relief and halt the deal's 'snapback' mechanism.❖

UAE onshore gas work looms

Abu Dhabi's intensifying efforts to optimise stretched gas resources moved onshore in Q3 – with expansions launched of flagship upstream and midstream ventures, writes Clare Dunkley

UAE

WHAT:
ADNOC has begun proceedings to prequalify bidders for EPC work to build out gas assets in the emirate.

WHY:
Sour gas is a key pillar of Abu Dhabi's hydrocarbons development masterplan, with plans afoot to make the most of limited reserves.

WHAT NEXT:
EPC tenders for the expansion of Shah are likely to be issued in early 2018.

CONSTRUCTION contracting kicked off in September on the expansion of Abu Dhabi's landmark sour gas project at the onshore Shah field. The scheme is the most advanced of several on the slate of state-owned Abu Dhabi National Oil Co. (ADNOC) to tap the emirate's sour gas reserves.

The revival of such plans in the wake of a moderate oil market recovery and following a period of strategic review by the state firm has also galvanised the tendering process on the greenfield development of a trio of offshore fields. Meanwhile, the upgrade of facilities to handle the burgeoning volumes of associated and non-associated gas being generated by upstream development has likewise gained renewed momentum, with a shortlist drawn up for key midstream scheme.

EPC work

Expressions of interest (EoIs) were due in late September from contractors seeking to prequalify for two engineering, procurement and construction (EPC) packages on the planned expansion of the Shah sour gas project's capacity from 1 bcf (28 mcm) per day to 1.5 bcf (42 mcm) per day.

The client is Abu Dhabi Gas Development Co. (Al-Hosn Gas) – the 60:40 joint venture (JV) between ADNOC and the US' Occidental Petroleum (Oxy) that commissioned the original facility at a cost of US$10 billion in early 2015.

The first package is understood to comprise three new well pads at the field, three gas-gathering trunklines to the gas-processing plant, and a 128-km export pipeline carrying sales gas to the Habshan gas plant near Ruwais in the Western Region.

The second package covers the expansion of the gas-processing plant and of the sulphur-recovery facilities at Shah, including a new gas-sweetening train and the modification of existing sweetening and sulphur-recovery facilities.

The field, located around 210 km south-west of Abu Dhabi City, has a hydrogen sulphide (H_2S) content of around 23% and the existing project yields around 9,900 tonnes per day of granulated sulphur.

Among the contractors thought to be looking at the contracts are those involved in the original project.

Italy's Saipem was the largest contributor, winning three EPC contracts worth a total of US$3.1 billion in 2010 for the gas-processing plant, the sulphur-recovery unit, and the gas, condensate and natural gas liquids (NGL) export pipelines.

A team led by Spain's Tecnicas Reunidas (TR) alongside India's Punj Lloyd won the US$463 million package covering the gas-gathering pipelines, while South Korea's Samsung Engineering carried out the estimated US$1.5 billion offsites and utilities job. Prequalification is expected to be completed by the end of the year, with tenders likely to be issued in early 2018.

The front-end engineering and design (FEED) contract, let to the UK's Amec Foster Wheeler in December, is scheduled for completion in the fourth quarter.

Oxy said at the time of the design award that the studies would be used as the basis for a final investment decision (FID) but both parties have subsequently discussed the project in terms that imply near-certainty of intent to proceed.

The state firm is reconciled to the need to undertake the complex and costly development of sour gas reserves to bridge a widening domestic shortfall, and a brownfield onshore project offers a considerably less expensive option for doing so than the greenfield offshore schemes under consideration.

▸▸

Shah reservoir

The Shah Field produces from a large anticline along a NE-SW axis, 210 km southwest of Abu Dhabi City, within a Late Cretaceous – Miocene sedimentary sequence.

Shah has a sour gas reservoir with average levels of 23% H2S and 20% CO2.

The underground reservoir temperature is around 150 degrees Celsius and pressure is 5,500psi. The discovery well flowed 30 degree API gravity oil in Cretaceous carbonates at 2,438 metres, while the gas condensate is in the deeper Jurassic Arab formation.

The oil in the Late Cretaceous Simsima Formation is sourced from the Middle Cretaceous Shilaif Formation and possibly from the mature Jurassic Dukhan Formation.

The Maastrichtian Simsima Formation, part of the Late Cretaceous Aruma Group, is a layered heterogeneous limestone and dolomite with horizontal and vertical variations in lithology.

The field has undergone structural growth, resulting in a fracture network and faults.

For information about NBI's proprietory reservoir dataset, contact Ian Simm: ian@newsbase.com

Offshore

Nonetheless, after a pause last year during a spending review conducted across the company's operations, ADNOC has this year restarted the tendering processes for two sour gas developments in the North-West Offshore zone – one targeting the Hail and Ghasha fields and the other at the Dalma field in the far west.

Oxy and Austria's OMV are jointly managing the projects with ADNOC, having signed a three-year agreement in March 2016 to carry out technical studies at all three fields – with developer roles yet to be assigned.

The two foreign firms are also dividing the work of handling the contracting. In mid-August, Oxy selected the US' KBR for the project management consultancy (PMC) contracts on the FEED phase of the Dalma project and on the detailed design and surveying phase of the Hail/Ghasha scheme. Meanwhile, the awards were followed later in the month by OMV's appointment of the same firm for the PMC contract on the FEED phase of Hail/Ghasha.

The latter is by far the larger of the two developments, envisaged having raw gas-processing capacity of around 1 bcf per day and encompassing 11 artificial islands. Indications last year suggested that the initial capacity of the Dalma development would be some 300-350 mmcf (8.5-9.9 mcm) per day.

Sour gas growth

ADNOC's 2030 Strategy, approved by the government's Supreme Petroleum Council in November, accords sour gas development the central role in a wider masterplan aimed at increasing and optimising the emirate's relatively scarce reserves of the resource. A statement from the firm in July mooted investment of US$20 billion in such projects.

Development of sour gas at the giant onshore Bab field – stalled in the short term following the withdrawal of Royal Dutch Shell as foreign partner in early 2016 – remained under consideration, the company said.

A project at the shallow-water Shuweihat field – currently under technical study by a team led by Germany's Wintershall alongside OMV – was also named among those planned.

The emirate's gas optimisation plans have also long encompassed the improvement of midstream facilities to handle the growing volumes of associated gas being produced as a corollary to ADNOC's oilfield expansions and to eliminate flaring.

The so-called Integrated Gas Development (IGD) – launched last decade and competed in 2013 – was designed to deliver a portion of the associated gas from offshore fields previously used to fuel the emirate's LNG industry to new onshore processing facilities at Habshan for subsequent domestic distribution.

Progress on a project to increase the IGD's scope to handle additional gas both from the giant Umm Shaif offshore field and from onshore oilfields undergoing expansion had been delayed since the award of three of the four main EPC contracts in early 2014.

Location of Abu Dhabi's onshore Shah field.

However, work on the scheme resumed during the third quarter with a call for EoIs in a revised version of the fourth package by Abu Dhabi Gas Liquefaction Co. (ADGAS) – one of three ADNOC subsidiaries collaborating on the initiative.

The contract – first tendered in late 2015 and cancelled in the middle of last year – covers the installation of new gas treatment units at Das Island, where ADGAS currently operates three LNG trains built before the federation's domestic gas scarcity became evident. The UK's Petrofac, Saipem and Tecnimont, both of Italy, and TR priced the original job. ADGAS has now drawn up a list of prequalifiers for the new contract – scaled back somewhat through the removal of offshore elements but nonetheless estimated to be worth in excess of USS$1 billion.

The revised scope covers three 120 mmcf (3.4 mcm) per day feed gas compression trains, two 60 mmcf (1.7 mcm) per day booster compression trains, two 70 mmcf (2 mcm) per day fuel gas treatment facilities and associated works at Das Island.

The shortlist awaiting approval by ADNOC is understood to include Greece's Archirodon, CB&I and Fluor, both of the US, GS Engineering & Construction and Hyundai Engineering & Construction, both of South Korea, India's Larsen & Toubro, Petrofac, France's TechnipFMC, Tecnimont and TR. A tender is expected by the end of the year.

Several of the prospective bidders are already involved in the second phase of the IGD project under the three EPC deals already awarded.

A team of Technip and Archirodon won a contract from ADGAS to expand gas-processing facilities at Das Island, while ADNOC's onshore gas-processing and distribution subsidiary Abu Dhabi Gas Industries Co. (Gasco) awarded TR a US$700 million contract to expand Habshan's processing capacity and install a new onshore pipeline.

The time is ripe for the revival of midstream development. Expansions at the onshore Rumaitha and Shanayel fields are nearing completion, while local contracting stalwart National Petroleum Construction Co. (NPCC) won a contract from Abu Dhabi Marine Operating Co. (ADMA-OPCO) in late 2014 to increase gas supply to the Umm Shaif Super Complex in preparation for the IGD expansion.❖

Riyadh squirms at recession news

SAUDI ARABIA

THE Saudi economy formally sank into recession during the second quarter, according to economic data published in late September. Sluggish non-oil growth has proved insufficient to compensate for the effect of voluntary crude production cuts.

A rare public statement from the authorities professing unconcern implied the opposite – with such poor economic news particularly unwelcome at a time when Riyadh is on an intensified drive to attract foreign investment.

However, independent observers concur that a modest recovery is imminent – on the back of loosening fiscal policy, a promised stimulus package, and an expected revival of oil output.

The government's General Authority for Statistics on September 30 published figures for the second quarter of this year showing real GDP shrinking by 1% year on year. This illustrates a sharper downturn than the 0.5% year-on-year contraction recorded in the first quarter and the first time that the kingdom has entered recession, typically defined as two consecutive quarters of negative growth, since 2010 during the aftermath of the global financial crisis.

The slump in overall GDP was relatively predictable. Saudi Arabia championed the OPEC-wide cut in oil production that came into effect in January – and has for periods reduced output in excess of the kingdom's 10,058 million bpd ceiling both to encourage other members' compliance and to achieve the desired outcome of higher prices.

Success in the latter regard was evident in 10.1% nominal growth in the oil sector – as global prices hovered around US$50 per barrel compared with barely above US$40 per barrel for much of the same period last year – but at the expense of a 1.8% real contraction.

As a result, the chances of the cuts by both OPEC and non-OPEC producers persisting beyond March would seem to be lessening – although Riyadh and Moscow have mooted an extension.

However, of greater concern as the government claims to be engaged in a far-reaching, high-profile programme of economic reform is the slow pace of non-oil – and particularly private-sector – growth. This climbed by a meagre 0.56% and 0.38% respectively compared to the corresponding period last year. The state non-oil sector expanded marginally more quickly – at a rate of 1%.

Economists, including those of the IMF, have been warning Riyadh to slow the pace of unprecedented austerity measures imposed as budget deficits ballooned in the years following the oil price crash of mid-2014. Cuts in energy subsidies and public sector pay have constrained consumer spending, while project postponements and cancellations helped drive income from the construction sector down by 1.61% in the second quarter alone.

The positive corollary to such long-counselled reforms has been a substantial reduction in the fiscal shortfall – which shrank by 20.3% year on year to 46.5 billion riyals (US$12.4 billion) in the second quarter, according to official data released in August.

Driven by political as well as economic imperatives – in the wake of unusual expressions of public discontent – the government in late April reversed many of the reductions in wages and benefits but the planned imposition early next year of long-awaited VAT of 5% will eat further into disposable income.

The IMF in July forecast roughly zero growth for the full year – less than the authorities' 1% prediction but nonetheless now appearing ambitious. The fund's projection of 1.7% non-oil growth seems particularly optimistic in light of first-half performance, while the crude production cuts are scheduled to remain in place until March.

Both the IMF and Riyadh anticipate recovery setting in during 2018 – a prediction strengthened by recent increases in oil revenues feeding through into the wider economy and by the likelihood of crude output rising again.

Riyadh has also promised to launch a four-year 200 billion riyal (US$53.3 billion) stimulus package by the end of the year and to begin implementing initiatives outlined in mid-2016 under the rubric of the much-vaunted National Transformation Plan to diversify and privatise the local economy.

Critics have begun noting the lack of concrete progress nearly 18 months after the programme's promulgation. A pay-off in the form of greater labour market participation is expected from the government's landmark decision in late September to permit women to drive for the first time.

Long-stated plans to privatise some state functions showed signs of bearing fruit last month with the selection of a financial adviser by the government's Saline Water Conversion Corp. on the proposed sale of a power and water plant – including the world's largest desalination facility – at Ras al-Khair in the Eastern Province.

Meanwhile, the Public Investment Fund has launched a series of major real estate projects across the kingdom in recent months.

However, Riyadh's concern at the latest economic data – and its extensive coverage in the international press – was evident in a rare press conference staged by the Saudi Arabian Monetary Agency (central bank) on October 4, during which the governor, Ahmed al-Kholifey, predicted an imminent improvement.

"The non-oil sector's growth is still positive [and] from the indicators we saw, especially for consumption, they're also positive and I hope that will reflect [positively] on the non-oil sector," he said.❖

Abu Dhabi broadens funding options

UAE

ABU Dhabi issued a triple-tranche international bond in early October – the government's largest to date and including paper with the longest-ever maturity from the emirate.

The swiftly arranged deal follows a similarly-sized issue from Saudi Arabia just a week earlier – with both countries eager to tap into strong investor appetite born of higher oil prices inducing confidence in their respective economies coupled with low global interest rates.

Meanwhile, state oil conglomerate ADNOC prepared to syndicate the firm's first international loan as part of a wider shift in funding strategy.

Abu Dhabi sold paper worth a total of US$10 billion on October 3 in five, 10- and – for the first time – 30-year maturities. Subscription was reported to have been around US$30 billion, with the strength of demand enabling pricing to be tightened by around 20 basis points (bp) from initial guidance and reducing the 'new issue' premium paid to around 10-15 bp over the 2021 and 2026 bonds issued in April 2016.

That issue – the emirate's first for seven years – comprised equal US$2.5 billion tranches. In the latest auction, the US$3 billion, five-year paper was priced at 65 bp over US Treasuries, while the US$4 billion, 10-year portion had a margin of 85 bp and the US$3 billion, 30-year bonds were sold at 130 bp.

Bank of America Merrill Lynch, Citigroup, First Abu Dhabi Bank (FADB), HSBC and JP Morgan acted as joint lead managers and bookrunners.

The proximity of Riyadh's US$12.5 billion issue on September 27 allows a particularly close comparison of investors' reactions. The Saudi sovereign's five, 10- and 30-year securities were sold at 110 bp, 145 bp and 180 bp respectively.

Abu Dhabi's sounder public finances have allowed the emirate to retain ratings of Aa2 from Moody's and AA from Standard & Poor's (S&P) throughout the oil price slump of the past three years. Saudi Arabia has suffered successive downgrades to leave the kingdom's scores at A1 from Moody's and A- from S&P.

ADNOC has inevitably felt most directly the impact of the oil revenue slump, and was forced to postpone or cancel several major capital projects in 2015 and 2016 as a result.

The market downturn prompted a fundamental strategic review and plans for major corporate reform – emanating in July in the announcement of a new 'expanded partnership' approach comprising tie-ups with private and foreign investors in delivering the company's functions along the oil and gas value chain.

While emphasising that the shift was driven by long-term strategic imperatives rather than an immediate shortage of funds, executives also spoke at the time of planned changes in financing strategy and balance sheet structure – including possible bank debt and capital markets options.

In early October, the company delivered on such intentions – syndicating a US$6 billion revolving loan arranged by Bank of Tokyo-Mitsubishi UFJ, FADB, HSBC and JPMorgan. The three- and five-year tranches were said to be priced at 35 bp and 50 bp respectively over LIBOR.

The state oil company is also reported to be considering a maiden project bond and another syndicated loan through retail subsidiary ADNOC Distribution. The latter is expected to be the first to be partly sold under plans stated in the 'expanded partnership' announcement to stage initial public offerings (IPOs) of shares in some of the giant firm's services and downstream subsidiaries.

FADB, HSBC, Bank of America Merrill Lynch and Citigroup have been selected to manage the unit's auction – due next year and anticipated to raise up to US$2 billion.

Implementation of the new funding strategy comes at a time when ADNOC has emerged from the period of retrenchment with ambitious upstream and downstream expansion plans. Senior officials have spoken of investing some US$20 billion to develop offshore sour gas fields, while onshore oilfield expansions at the Bab and Qusahwira fields have been revived since the start of this year.

Meanwhile, a 2030 Strategy unveiled in November laid heavy emphasis on integration along the oil and gas value chain and mooted a near three-fold increase in petrochemicals capacity – with downstream plans since outlined as including a greenfield refinery and a liquids-based chemicals complex.

GCC bond markets had been relatively quiet in 2017 before the two recent issues – and the total raised is still not anticipated to exceed last year's record-breaking issuance.

Qatar appears unlikely to return to the market ahead of a resolution to the current crisis in relations with its Gulf neighbours – and the resultant economic blockade – while the credibility of Kuwait's recently stated plan to stage the state's second-ever issue by early next year is limited given a track record of lengthy delays between such statements and their execution.

Neither government is in urgent fiscal need. However, Oman is reported to be considering returning to international bond investors for a third time this year – having raising a total of US$7 billion thus far – to plug a deficit predicted to exceed even the 3 billion riyals (US$7.8 billion) projected in the state budget without the plump reserves cushion of Qatar or Kuwait to draw on.❖

UAE services firms warn of recovery lag

UAE

UAE-BASED rig fabricator Lamprell managed to return to marginal profitability during the first half of 2017. However, the company warned investors that the business slowdown induced by low oil prices was now expected to persist for longer than had previously been anticipated.

Nonetheless, early signs of the likely improvement thereafter coupled with geographical and capacity expansion were envisaged generating strong longer-term growth, the firm claimed in interim results released in late September. Meanwhile, more specialised compatriot Gulf Marine Services (GMS) – a supplier of offshore support vessels (OSVs) – also reported a slump in income amidst the industry depression and likewise pledged diversification.

London-listed Lamprell on September 22 published first-half results showing a narrow US$1.1 million net profit – compared with a US$4.4 million loss in the corresponding period in 2016.

Headline financials last year were dominated by the costs incurred for the late delivery of a rig to UK-based Ensco as a result of defective jacking equipment supplied by the US' Cameron LeTouneau. A settlement was announced in mid-August which was said to entail the Emirati firm recouping some of the expenses. It was also implicitly linked to a new contract to supply two land rigs to Schlumberger, Cameron's parent – a particular boon during a slow period for new orders.

The results presentation highlighted "an emerging land rig relationship with Schlumberger" as a projected source of increased future work. Revenues during the six months slumped to a mere US$159.2 million – "broadly in line with our expectations," according to Lamprell. However, they were barely a third of the US$451.3 million recouped in the first half of 2016 and roughly a quarter of the firm's income during the same period three years ago, just before the oil price crash.

The company blamed "continued low levels of walk-in work reflecting market conditions" and reduced full-year revenue guidance to US$370-390 million from the US$400-500 million predicted when delivering 2016 results in March. Revenues last year were US$705 million.

Worse was to come, Lamprell warned – with the 2018 figure anticipated to be around 10% lower and an encouraging recent upturn in bid opportunities unlikely to deliver renewed growth until 2019.

The forecasts tally with the known upstream plans of the company's core direct and indirect client, Abu Dhabi National Oil Co. (ADNOC). Field development project have been revived this year but the pick-up will take time to feed through into work for oilfield services companies.

Lamprell's order backlog had shrunk to US$300 million at the end of June – from US$393 million at the end of last year and from US$1.2 billion at the same point in 2014. However, the bid pipeline had widened to US$3.1 billion, "underpinned by opportunities in core markets as well as new strategic initiatives in the renewables and EPC [engineering, procurement and construction] sectors," according to the results statement.

Both avenues of diversification are central to the firm's long-term strategy and are already being followed in the form of a landmark contract on a North Sea wind farm project. Negotiations are also ongoing alongside an unnamed "installation partner" to obtain one of Riyadh-owned Saudi Aramco's prized long-term agreements, granting eligibility to bid for some of the billions of dollars of EPC work planned at the kingdom's offshore fields.

Operational highlights during the first half included delivery of the final modules for the so-called UZ750 project to expand ADNOC's supergiant offshore Upper Zakum oilfield – on which Lamprell has been working for UK EPC contractor Petrofac.

However, the centrepiece of the UAE firm's envisaged expansion – both geographically and in scale – is the shareholding finalised in June in the estimated US$5.2 billion Aramco-led project to develop a world-scale maritime yard at Ras al-Khair in Saudi Arabia's Eastern Province. Lamprell will take a 20% stake and the facility will become the company's regional base.

The scheme has become a core strategic project for the Saudi giant and its government owner, and is thus progressing swiftly – with the first major construction contract awarded in August and operations scheduled to begin in 2020. Lamprell described the joint venture as "transformational" for the company – while warning that the start of investments during the second half was expected to generate a net cash reduction from the US$309.5 million level at the end of June.

Publishing first-half results three days earlier, fellow UAE-based, London-listed oilfield services company GMS also blamed a "tough" and "turbulent" market environment for a collapse in net profits to US$700,000, from US$27.8 million during the corresponding period in 2016.

The company is primarily a provider of advanced self-propelled self-elevating support vessels (SESVs) to the offshore oil and gas and renewables industries in the Middle East, North Africa and Europe.

Revenues almost halved to US$58.5 million and fleet utilisation slumped to 56% from 89% a year earlier. However, the rate was higher than at the end of December and the company noted that three new long-term SESV contracts – due to take effect from 2018 and beyond – had been secured during the first half.

Like Lamprell, GMS declared plans for both geographical expansion – further into Saudi Arabia – and business diversification, by broadening the company's range of well-intervention services.❖

TENDERS

Contract award signals Iraq gas project revival

IRAQ

THE troubled development of the Akkas gas field in unsettled western Iraq showed signs of renewed life in late September with the award of a contract to draw up a revised project design.

The acreage, auctioned seven years ago as the authorities belatedly became mindful of the potential to tap the county's bountiful gas reserves, proved problematic from the outset owing to local opposition – and work was abandoned entirely in the wake of the Islamist militant invasion in mid-2014.

However, with Daesh largely defeated and with Baghdad's upstream attention now increasingly focused on gas, the timing of the resumption is propitious – and several other such schemes have made recent progress.

UK firm Petrofac in late September announced the award by Seoul-owned Korea Gas Corp. (KOGAS) of a contract to modify the front-end engineering and design (FEED) study for the Nasiriya Gas Treatment Plant (GTP) at the Akkas field in Anbar Province.

Neither the value nor the duration of the job were revealed, but Petrofac said that the scope included the modification and application of an existing field development design to incorporate the GTP's needs and the provision of a cost estimate for engineering, procurement and construction (EPC) work based on the revised plan.

Akkas was auctioned in 2010 during Baghdad's third upstream licensing round – the first to offer non-associated gas fields – but signature of an agreement with the winning consortium was delayed for months as the provincial and central governments argued over contract terms.

KOGAS's original partner, Kazakhstan's KazMunaiGas, withdrew in mid-2011 – with the South Korean firm finally signing an agreement in October 2011 to operate the field with 75% alongside state-owned North Oil Co. (NOC).

The 20-year technical services contract called for plateau production of 400 mmcf (11 mcm) per day from estimated reserves of 5.6 tcf (159 bcm) field – earning a remuneration fee of US$5.5 per boe.

A field development plan was agreed the following year which entailed a two-phase development – with first commercial production of 100 mmcf (2.8 mcm) per day to be achieved by the end of 2015 and the plateau due to have been reached this year.

A flurry of contracting activity in the second half of 2013 saw South Korean firms Daewoo Engineering and STX Heavy Industries awarded the EPC contracts respectively for the three-train central processing facilities (CPF) and for pipelines delivering the output to local power and LPG plants.

KOGAS had mooted investment of around US$2.7 billion over the project's life.

However, following the Daesh invasion in mid-2014 and the worsening security situation in Anbar, both contracts were cancelled – with no signs of movement until the militants' defeat in July, prompting Petrofac's deal.

The UK firm has worked extensively at the giant oilfields in the more peaceful south of the country – carrying out the EPC contract for the CPF at the 3 billion barrel Badra field in Wasit Province for a consortium that again includes

KOGAS as a minority partner to Russia's Gazprom. Two prestigious projects remain ongoing, according to the company's website – for engineering, procurement and construction management (EPCM) at the giant Rumaila field, Iraq's most prolific, and for operations and maintenance services at the southern export facilities off the al-Fao peninsula.

Development of all three of the gas fields apportioned in 2010 has been delayed.

Relatively free of security problems and most advanced is work at the Siba field, near Basra, where a consortium led by Kuwait Energy Co. (KEC) is due to bring production on stream in early 2018 and to ramp up to a plateau target of 100 mmcf per day.

However, development of the Mansuriya field in the restive eastern Diyala province by a team comprising Turkey's TPAO as operator alongside KOGAS and KEC has also been stalled by persistent security problems. An EPC contract floated in 2015 covering the 100 mmcf per day first phase was never awarded.

Petrofac was reported last year to be preparing to compete for a project management services contract on the project but likewise without result.

A statement in May from KEC described the development as being "on administrative hold".

Baghdad's belated moves to utilise the increasing quantities of associated gas being produced as a corollary to rising oil production have recently been more successful.

A milestone of first exports was reached in March 2016 and the authorities are targeting 1.3 bcf (37 mcm) per day by year-end, Oil Minister Jabber al-Luaibi said in August.

Central to such efforts is the US$17.5 billion South Gas Utilisation Project (SGUP) being carried out by a joint venture of government-owned South Gas Co., Royal Dutch Shell and Japan's Mitsubishi to process and distribute gas from the giant Rumaila, West Qurna 1 and Zubair fields.

Revealing plans last month to withdraw from the company's Iraqi oilfield investments – namely operatorship of the Majnoon field and a minority stake in West Qurna 1 – Shell reaffirmed its commitment to the gas scheme.❖

Akkas reservoir

Akkas field is an oval anticline with a NW-SE axial trend, 30 km in length and 12 km in width. The field is within Ordovician-Silurian sedimentary sequence. Akkas consists of the Ora Kaista Pirispiki Formation (Upper Devonian), Akkas Formation (Silurian) and Khabour Formation (Ordovician). All three formations are comprised of successive layers of sandstone and compact shales, while the Ora Kaista Pirispiki Formation also contains dolomite and limestone.

The main source rocks are considered the Khabour Formation and the oil shale of the Akkas formation. The Khabour formation presents source potential for wet gas and condensate at 2,750-3,000 metres and dry gas at 3,570-3,650 metres.

The Khabour Formation has shown its highest natural gas potential captured at depths below 2,310 metres, according to data obtained across SA-1, SA-2, SA-3 wells. The Khabour gas reservoir has a gross thickness of 80 metres, average porosity of 10% and permeability of 500mD. Hydrocarbons are sealed by the Lower Silurian shale.

Light oil has been encountered in the secondary reservoir Silurian Akkas Formation at depths of 1,465-2,326 metres. There are also traces of natural gas found in SA-4 well. The light oil reservoir has 42 degree API gravity, porosity of 17% and permeability of 500mD. The Silurian shale of the Akkas formation is a regional seal.

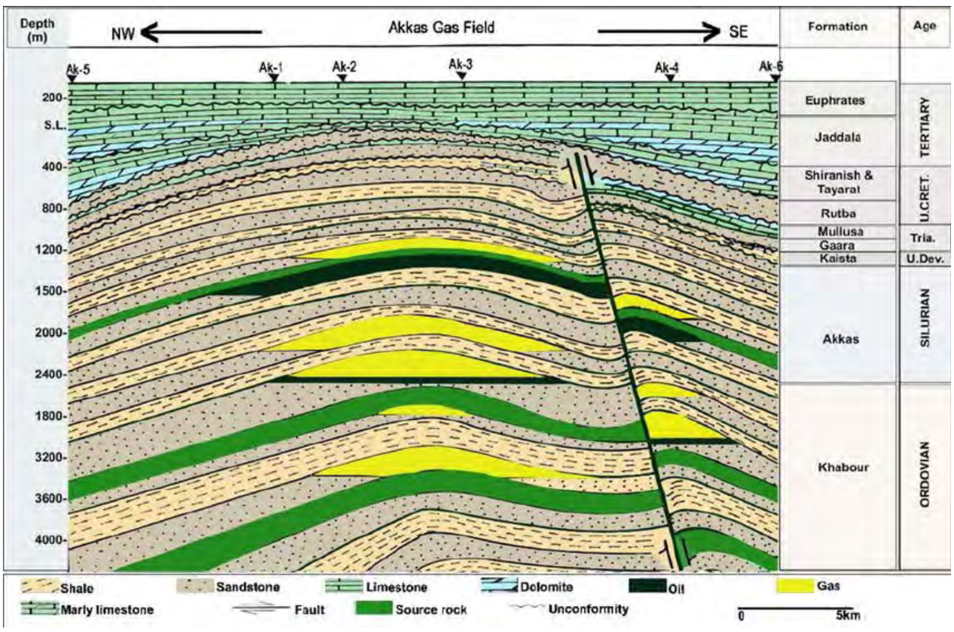

Illustration of the Akkas reservoir.

Source: Research Gate

Date	WTI (US$)	ICE Brent (US$)	DME Oman (US$)	ICE Dubai (US$)	OPEC Basket (US$)
3 October	50.42	56.00	54.45	54.50	54.28
4 October	49.98	55.80	54.33	54.30	53.93
5 October	50.79	57.00	55.50	55.50	54.62
6 October	49.29	55.62	53.85	54.12	54.47
9 October	49.58	55.79	54.06	54.02	53.70

NEWS IN BRIEF

POLICY

Baghdad threatens Kurds with more sanctions following referendum

Baghdad continues to threaten its Kurdish region two weeks after millions turned out for a pro-independence referendum held by the Kurdistan Regional Government in Iraq. In the last two weeks, it has banned flights to two international airports and attempted to restrict trade at the borders, seeking unprecedented sanctions against the autonomous region. In addition, it has sought to unite Turkey and Iran in its policies, leaving Kurds wondering who will stick by them in this difficult time.

On September 25 slightly over 3 million voters went to the polls in the Kurdish region of northern Iraq. With turnout at 72% and 93% supporting "yes" for independence, the region was bathed in Kurdish flags. However two weeks later the optimism and celebrations have been dimmed by the central government's attempt to strangle the region economically and politically.

First Baghdad sought joint military exercises in Iran and Turkey with a show of force. Baghdad has also demanded that it be handed control of the autonomous region's borders and airports. The airports at Erbil and Sulaymaniyah were closed on September 29 to international traffic, stranding thousands of international travelers who had to leave via Baghdad. Travel to Iraq via Baghdad requires a special Iraqi visa that is difficult to get, whereas the Kurdish region has generally granted visa on arrival for many travelers.

The Kurdish leadership, including President Masoud Barzani and Prime Minister Nechirvan Barzani have stressed the need for dialogue with the central government. "After the referendum we want to begin serious talks with Baghdad," Nechirvan told the local network Rudaw.

"The meetings [with Iraqi politicians] have to be in a way that no party suggests preconditions." He also stressed that the Kurdish region is not a threat to its neighbors Turkey and Iraq. "We want to maintain and make our friendly, economic, political and social relations with the countries around us better."

President Barzani met with the Iraqi parliament speaker Salim al-Jabouri. The death of Kurdish politician Jalal Talabani on October 3 and his burial near Sulaymaniyah on October 6 has symbolised the current crises. Talabani was the first non-Arab president of Iraq between 2005 and 2014, and won praise around the world.

He was the leader of the Patriotic Union of Kurdistan party, at times a partner and rival of the current President of the Kurdish region. Iraq allowed the plane carrying his body from Germany, where he had been receiving care before his death, to fly to Sulaymaniyah. However Iraqi TV stations cut the live feed of his funeral when his coffin was draped with the Kurdish flag.

Nevertheless there was a moment of unity at the funeral events attended by Iranian Foreign Minister Javad Zarif and Iraq's interior minister Qasim al-Araji.

JERUSALEM POST (ISRAEL), October 9, 2017

COMPANIES

US$5.5 billion in new oil, gas projects in central Iran

The Iranian Central Oil Fields Company is drafting an investment package for oil and gas projects estimated to value over US$5 billion, deputy for planning at ICOFC said. "Around US$5.5 billion worth of projects to develop oil and gas fields and build gas compressor stations are being planned by ICOFC," Shahriar Aqaei was also quoted as saying by the company's website.

"The investment opportunities include the development of at least 10 gas fields and construction of compressor stations for five fields in central regions," he added. A compressor station helps the transfer of natural gas from one location to another. The investment lineup is made up of mostly small gas deposits that have not been a priority for development, as Iran spends most of its resources on joint oil and natural gas fields in the south and southwest.

The ICOFC projects are to follow a major deal signed with French energy company Total earlier this year to develop Phase 11 of South Pars, the world's largest natural gas field shared between Iran and Qatar in the Persian Gulf. The official also said plans are in place to develop western oilfields, including Aban, Paydar, Danan, Cheshmeh-Khosh, Dalpari, Naft-Shahr, Dehloran and Khayyam, in Ilam and Khuzestan provinces that share borders with Iraq in the west. He did not elaborate.

"Some 250 projects are being implemented under the supervision of ICOFC, including 200 engineering and construction projects," he said. Aqaei also pointed to NGL 3100, an under-development venture to collect associated petroleum gases from oilfields in Ilam. Once operational, the facility will curb the burning of natural gas for injection in Cheshmeh Khosh as a measure to raise the field's extraction rate.

FINANCIAL TRIBUNE (IRAN), October 9, 2017

Canadian investor to inject US$35 million into ailing Alon Israel

Alon Israel Oil Company Ltd. reports that it has an investor who will save the company from being handed over to its bondholders. After the failure of its share offering on the TASE and just before the deadline, Alon Israel, controlled by Shraga Biran, has announced that Corbin Blume, the controlling shareholder in Jaguar Resources, a company listed on the Canadian Securities Exchange, has come to the rescue by signing an agreement to invest US$35 million in the Israeli company in exchange for 60% of the shares.

Alon Israel CEO Avi Geffen said, "The investment is designed to create value for Alon Israel's shareholders and bondholders. Alon Israel added, "After the investment, the company has 220 million shekels in cash, in accordance with the agreements reached with the bondholders in the company's debt arrangement. The investment agreement has been sent to the representatives of the bondholders in Israel… Corbin Blume will complete the investment through Jaguar Resources, a company listed in Canada. Blume has 24 years of experience in the energy and oil and gas exploration sector, and has been considering various investments in oil and gas in Israel for a long time, including an investment in the Tamar and Leviathan natural gas reservoirs. Corbin is being advised by the Imperial Capital investment bank about the investment."

Alon Israel collapsed under the burden of its debts, and had to reach a debt arrangement requiring it to raise at least 120 million shekels in a share offering by the beginning of October. The offering had to take place by tomorrow, less than five months after the debt arrangement was completed. The existing shareholders, Biran and the buyers organizations of the kibbutzim, were left 13.7% of the company.

Alon Israel is a holding company that has suffered many reverses in recent years as a result of its high leverage and a decline in the value of its assets. One such reverse was the collapse of the Mega retail chain, its sub-subsidiary, which led to Alon Israel's loss of control in Mega and Blue Square Real Estate Ltd.

Alon Israel's prospectus shows that following the completion of the debt arrangement, the group's debt to its bondholders was 1.5 billion shekels. The group also has debts of 30 million shekels to Bank Hapoalim and 103 million shekels to the Israel Tax Authority for income tax.

GLOBES (ISRAEL), October 1, 2017

Chevron, Total interested in Majnoon oilfield

Iraqi Oil Minister Jabar al-Luaibi has said that Chevron and Total are among the companies that have expressed interest in developing the Majnoon oilfield that Shell has said it wants to leave. Royal Dutch Shell said last month it had agreed with Iraq's oil ministry to relinquish operations at the Majnoon field to the government after unfavourable changes to fiscal terms. The announcement confirmed an earlier Reuters report.

Luaibi said Baghdad has not started negotiations with other international oil companies on Shell's stake in the oilfield, as there has been no final decision taken on Shell's plan to exit the field. Negotiations with Shell are ongoing, Luaibi said, adding he hoped to "reach a satisfactory deal for both parties".

REUTERS, October 9, 2017

Japanese companies in talks with UAE's ADNOC for oil concession

Japanese energy companies are in advanced talks with state-run Abu Dhabi National Oil Company (ADNOC) for a stake in the ADMA-OPCO offshore oil concession that is due to expire next year, a Japanese official said.

ADNOC was "seriously" considering the offers from the Japanese companies, because of the long-term relationship between Tokyo and Abu Dhabi, Masato Sasaki, director of the oil and natural gas division at Japan's Ministry of Economy, Trade and Industry, told reporters.

Japanese firms are also eyeing midstream and downstream investment opportunities in Abu Dhabi, he said. In August, ADNOC said that it would split its ADMA-OPCO offshore oil concession into two or more areas with new terms to unlock greater value and increase opportunities for partnerships. Existing shareholders in ADMA-OPCO are BP with 14.67%, Total with 13.33% and Japan Oil Development Co with 12%.

ZAWYA (UAE), October 9, 2017

OIL

New Bahrain oil pipeline ready in 2018, gas pipeline under study

A new 350,000-bpd oil pipeline between Saudi Arabia and Bahrain will be completed next year to serve the planned expansion of Bahrain's refinery capacity, while construction of a gas pipeline is being considered, Bahrain's oil minister said.

Bahrain is in final negotiations with a preferred bidder to expand its only oil refinery

and a contract is expected to be awarded before the year-end, Sheikh Mohammed bin Khalifa al-Khalifa said. He did not identify the bidder, but sources told Reuters in August that a consortium including TechnipFMC, Samsung Engineering and Spain's Tecnicas Reunidas had submitted the lowest bid.

The kingdom is also building its first LNG terminal, which will allow it to import LNG for domestic use. Saudi Aramco could potentially use the terminal as part of a wider scheme to connect Gulf Arab countries with a gas pipeline, Sheikh Mohammed said. "With flexibility like that, Saudi Arabia, Kuwait and others will have access to LNG infrastructure in Bahrain, for example. The idea is to eventually have everybody linked up by gas. That is a concept under consideration," he said.

"But I think the interesting part is that if there was a line between us and Saudi, Aramco can start using the LNG terminal, the one we are building." Saudi Arabia does not currently import gas, but its energy minister said last year that it might eventually do so to increase the use of gas in its energy mix.

"If Saudi Arabia opts to use the LNG project, the project could easily be expanded to allow larger LNG imports and a portion of the re-gasified fuel gas would flow by pipeline to Saudi," said Sadad al-Husseini, a Saudi energy analyst and former executive vice-president at Saudi Aramco.

REUTERS, October 10, 2017

Iran's exports steady as US targets oil revenues

Iran exported 2.25 million bpd of crude oil to customers in Asia and Europe in September, data released by the Ministry of Petroleum showed. The country also shipped 430,000 bpd of condensate to its clients in Asia where South Korea alone took half of the cargoes of the superlight form of crude, it added.

China and India remained the prime recipients of crude from Iran, lifting more than 1 million bpd combined, despite reports that New Delhi was cutting purchases from the Islamic Republic. The ministry figures did not give a breakdown of how much oil each country bought from Iran.

India bought an average of 450,000 bpd of Iranian oil between the beginning of 2017 to the end of August. Indian oil imports from Iran hit a record high in July, when the country's refineries purchased 500,000 bpd. Refineries in India are reported to have been told to cut imports from Iran in possible retaliation for Tehran not awarding a gas field development to Indian companies. However, the figures showed the purchases are rather steady.

US Energy Secretary Rick Perry announced that the first-ever cargo of US crude oil had arrived in India as part of President Donald Trump's energy dominance agenda. US Interior Secretary Ryan Zinke said last week the agenda would consider using US oil to supplant Iran's oil wealth. US "economic leverage," he said, would work to "supplant every drop of crude that Iran produces ... and energy dominance is part of that".

PRESS TV (IRAN), October 7, 2017

Oil climbs above US$50 before US data as Saudis curb exports

Oil rose above US$50 per barrel in New York before data forecast to show a third weekly drop in US crude inventories, while Saudi Arabia said it will sell customers considerably less crude than they're asking for.

Futures advanced 1.4% after rebounding 0.6% on October 9 from a weekly loss. Crude stockpiles probably slid by 750,000 barrels last week, a Bloomberg survey showed before an Energy Information Administration report due Thursday.

Oil last week fell the most since May on speculation rising global output may offset supply curbs led by members of OPEC. The output-cuts deal is set to expire at the end of March and the group is likely to discuss an extension at its next meeting on November 30. Its de facto leader, Saudi Arabia, said state oil company Saudi Aramco will ship 560,000 bpd less than customers are requesting in November.

"In their attempt to reassure the market of their determination to bring global stocks down, the company has decided to take the unusual step of going public with their November export plans," said Tamas Varga, an analyst at PVM Oil Associates Ltd. in London. "The kingdom's intention is clear. Concrete and practical steps are being taken."

West Texas Intermediate for November delivery was at US$50.28 per barrel on the New York Mercantile Exchange, up 70 cents, at 8:39 a.m. local time. Total volume traded was about 24% below the 100-day average. Prices climbed 29 cents to US$49.58 on October 9 after falling 4.6% last week.

Brent for December settlement advanced 57 cents to US$56.36 per barrel on the London-based ICE Futures Europe exchange, and traded at a US$5.75 premium to WTI for the same month. The global benchmark crude rose 17 cents to US$55.79 on October 9 after falling 3.3% last week.

Saudi Aramco plans to supply 7.15 million bpd "despite very strong demand" that exceeds 7.7 million bpd, the Saudi Energy Ministry said in a statement.

BLOOMBERG, October 10, 2017

Iran's Azadegan oilfield tender delayed to 2018

A tender for developing Iran's Azadegan oilfield has been delayed again, a senior Iranian oil official said on Tuesday, adding that it will not take place in 2017. Tehran is looking to increase its crude output, and with 37 billion barrels of oil, the Azadegan field is Iran's largest, shared with neighbouring Iraq.

Iran said in June that international energy companies including France's Total, Malaysia's Petronas and Japan's Inpex, have presented technical surveys for the development of the Azadegan field for the tender. "The companies are still assessing the technical surveys. The tender will not take place in 2017," managing director of the National Iranian Oil Company (NIOC), Ali Kardor, was quoted as saying by ISNA news agency.

The tender for developing the Azadegan oilfield, Iran's first such tender since the lifting of international sanctions more than a year ago, has been postponed several times for unspecified reasons. Kardor said the tender has not been affected by US President Donald Trump's policies against Iran and added that the Chinese, Russian and European companies were still committed to investing in Iran.

Trump is expected to "decertify" this week a landmark 2015 deal Iran struck with world powers to curb its nuclear programme in return for the lifting of most international sanctions.

REUTERS, October 10, 2017

Iraq's talks with Exxon on southern oilfields project reach final stages

Iraq's talks with US oil major Exxon Mobil to develop a multi-billion-dollar project to boost output from several southern oilfields are nearing completion, its oil minister Jabar al-Luaibi said. "Talks are in advanced final stages with Exxon to develop and finance the important south project," Luaibi told reporters after a meeting an Exxon delegation in Baghdad.

The enhanced recovery project targets the Luhais, Nassiriya, Tuba, Nahr Bin Umar and Artawi oilfields. Iraq, OPEC's second-largest producer, had approached PetroChina and Exxon Mobil about investing in the project, Iraqi officials have said.

ZAWYA (UAE), October 9, 2017

Iraq plan to fix oil pipeline to Turkey bypasses, isolates Kurds

Iraq's oil minister ordered urgent repairs to a disused pipeline from northern fields to a Turkish port, a step that could eliminate the central government's need to export crude via Iraq's Kurdish region and further isolate the independence-seeking Kurds.

Minister Jabbar al-Luaibi directed the North Oil Co. and State Co. for Oil Projects to complete repairs on the pipeline from Kirkuk to the Mediterranean port of Ceyhan, the ministry said in an emailed statement. The link, once an artery for crude exports from Iraq's oldest producing fields, hasn't operated for years due to sabotage in areas occupied until recently by Islamic State militants.

Iraq wants to restore the pipeline's export capacity of 250,000 to 400,000 bpd and possibly boost volumes in the future, the ministry said. Iraqi security forces regained control of the pipeline and surrounding territory after advancing against Islamic State late last year. The oil ministry didn't say when repairs on the link, which would connect at the border with a Turkish pipeline, would be completed.

Iraqi Prime Minister Haider Al-Abadi said last month that neighboring Turkey supports Iraqi central government control over all crude that the OPEC nation exports to Ceyhan though the Turkish-controlled pipeline. His comments suggested that the Turks may be reviewing their policy of letting Iraq's landlocked Kurds export oil independently through the Turkish network. Relations between the semi-autonomous Kurds and the central government in Baghdad have frayed since the Kurds voted on September 25 for independence.

The non-binding independence referendum puts at risk the Kurdistan Regional Government's own oil exports via Turkey. The central government has been using the Kurdish link to ship crude from deposits it controls at Kirkuk.

The central government has long insisted that its crude-marketing agency SOMO has sole authority to export oil produced anywhere within Iraq's borders. Iraq is the second-biggest producer in OPEC.

Crude has been flowing normally through the Kurdish link to Turkey. The KRG-operated pipeline currently exports 600,000 bpd, a person with knowledge of the situation said, asking not to be identified because he's not authorised to speak to news media.

BLOOMBERG, October 10, 2017

GAS

TANAP to be completed earlier than planned

TANAP is a significant project in terms of energy security of Europe, Turkish Minister of Energy and Natural Resources Berat Albayrak told Anadolu agency. According to him, the work continues at full speed: "I hope the project will be completed earlier than planned. TANAP is the joint project of Azerbaijan and Turkey. 80% of the project has been completed. Undoubtedly, Turkish section of the TANAP will be completed in the first quarter of 2018. TAP will be handed over in 2020. So we'll witness delivery of Azerbaijani gas to Europe".

The Southern Gas Corridor is one of the priority energy projects for the EU. It envisages the transportation of gas from the Caspian region to the European countries through Georgia and Turkey.

The gas to be produced as part of the Stage 2 of development of Azerbaijan's Shah Deniz field is considered as the main source for the Southern Gas Corridor projects.

As part of the Stage 2 of the Shah Deniz development, the gas will be exported to Turkey and European markets by expanding the South Caucasus Pipeline and the construction of Trans Anatolian Natural Gas Pipeline and Trans Adriatic Pipeline.

First gas transportation to neighbour country within TANAP will start in 2018. The planned capacity of the pipeline would be 16 bcm of natural gas per year at initial stage

and would be increased later up to 23 bcm by 2023, 31 billion cubic metres by 2026. 1,802 km-TANAP will be linked to TAP from 2020 and deliver natural gas that will receive via South Caucasus Pipeline to Europe through Greece, Albania and Italy.

The pipeline is expected to cost US$9.2 billion. Azerbaijan will spend US$6.1 billion. TAP will transport natural gas from the giant Shah Deniz II field in Azerbaijan to Europe. The approximately 878 km long pipeline will connect with the Trans Anatolian Pipeline (TANAP) at the Turkish-Greek border at Kipoi, cross Greece and Albania and the Adriatic Sea, before coming ashore in Southern Italy. The Leviathan gas field is a large natural gas field located in the Mediterranean Sea off the coast of Israel.

The gas field, located roughly 130 kilometres west of Haifa in waters, was discovered in 2010. The potential reserve size is being estimated at 500-600 bcm.

APA, October 6, 2017

SERVICES

Tendeka wins Kuwaiti lower completion contract

Tendeka, a global leader in advanced completions and production optimisation, has been awarded a project to supply the Kuwait Oil Company (KOC) with its Inflow Control Device (ICD) technology, which will enhance production through more effective reservoir management. The multi-million-pound deal will involve Tendeka installing Advanced ICD equipment in 55 horizontal wells over two years in Northern Kuwait.

Tendeka will perform reservoir simulations for each well, working closely with KOC to ensure optimum reservoir performance. Scott Watters, chief operating officer with Tendeka, said: “This marks the first independent service company to win such a significant lower completion contract in the GCC. It’s a significant milestone in our growth in the Middle East and is, I am sure, the first of other such awards.”

Saad Al Ganbar, chairman with Tendeka’s local business partner, Joint Scientific Group (JSG), added: “It is a great achievement for the future business of Tendeka and JSG in Kuwait, as it is in line with the KOC strategy for the long-term management of reservoirs with innovative technology. It was the result of great teamwork between the two companies and I am sure will be the beginning of similar wins in Kuwait.”

Tendeka is the world leader in ICD technology and has installed over 7,000 passive ICDs and 20,000 autonomous ICDs globally.

TENDEKA (UK), October 10, 2017

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