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Summary Of Top Stories

Aramco 'Can Monetize Reserves' in IPO

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India Plots Creation of Oil Giant to Rival Majors

India aims to create an integrated oil and gas giant that can compete with global majors, Finance Minister Arun Jaitley said on Wednesday.

Saudi Minister Praises Trump Energy Policies

Saudi Arabia's energy minister believes Donald Trump will be good for the oil industry after rolling back "excessively anti-fossil-fuel" policies.

Feature Stories

Aramco 'Can Monetize Reserves' in IPO

State-owned Saudi Aramco will be given the right to monetize its vast oil reserves in its planned initial public offering (IPO) in the second half of next year, the company's chairman said Wednesday.

"The intent is definitely to have the reserves as being part of the offering, so the reserves monetization will be a right within the concession of Aramco. It will be offered," Khalid al-Falih, who is also Saudi Arabia's energy minister, told reporters on the sidelines of an industry conference in Riyadh.

Ahead of the IPO, which will see up to 5% of Aramco listed, questions have been asked by potential investors about how the company will handle disclosure on its reserves, historically a closely guarded secret, especially if it lists on a large Western exchange like in New York or London, where rules on such matters are strict.

There were even suggestions Aramco may seek to exclude its reserves from the process altogether (PIW Dec.19'16).

Asked by *International Oil Daily* if the country's oil reserves would be offered as part of the IPO, al-Falih said that while, technically, the state is the owner of the reserves and has given Aramco the right to produce the oil, Aramco would, via the IPO, be able to monetize and book them.

Investors will hold shares in Aramco but not book the reserves themselves, the Saudi energy ministry says.

"The reserves under the ground are by constitution owned by the state but the state will give Aramco, through the concession, the exclusive right to monetize those reserves," Al-Falih explained.

Aramco wants the IPO to raise some $100 billion and give the company a valuation of $2 trillion. It puts its proved crude oil reserves at some 260 billion barrels.

Al-Falih also confirmed that independent audits of the company's reserves are currently being conducted, as earlier reported by IOD, in preparation for the listing (IOD Jan.27'17).

"The reserves are being certified and the certification process is ongoing and will be announced in due course ... we are well under way in the certification that is very, very reassuring in terms of confirming" the size of the company's reserve base, he said.

IOD earlier reported that UK-based Gaffney, Cline and Associates had been hired by Aramco for the auditing process, while some industry sources say US firm DeGolyer and MacNaughton is also involved. Al-Falih declined to reveal the names of the chosen firms.

"There are independent consultants that will be announced by the company in due course but I can assure you that nothing Aramco has said previously will be proven to be less than absolutely true about its reserves, its cost of doing business, safety record, environmental [and] technology excellence," he said.

"If anything, Aramco has been too conservative and too cautious in announcing what it is and what it has access to and what it can do," al-Falih added. "The offering process will be quite revealing of what a great company Aramco is."

Amena Bakr, Riyadh

India Plots Creation of Oil Giant to Rival Majors

India aims to create an integrated oil and gas giant that can compete with global majors, Finance Minister Arun Jaitley said Wednesday, suggesting that this could be achieved by combining existing state-run firms.

"We propose to create an integrated public sector oil major which will be able to match the performance of international and domestic private sector oil and gas companies," Jaitley said while presenting the federal budget for the next Indian financial year beginning Apr. 1.

India has several state-controlled oil and gas firms, focusing either upstream or downstream, but lacks an integrated energy champion along the lines of China National Petroleum Corp. (CNPC).

Speaking of state-run companies generally, Jaitley said India wanted them to be capable of taking on bigger risks and investment decisions. The current crop can be strengthened through consolidation and M&A, he said, without giving any further details.

Jaitley's proposal comes after Prime Minister Narendra Modi in December called for Indian energy firms to become multinational (IOD Feb.1'17). Furthermore, India's energy consumption is estimated to grow by 129% -- faster than in any other major economy -- by 2035, according to BP's latest Energy Outlook.

A bigger Indian energy company would have more clout when it comes to striking crude oil import deals and buying up overseas resources (IOD Aug.4'16).

Aside from some recent successes in Russia, which saw Indian refiners move upstream, the country's oil and gas M&A record has been disappointing, with its state-run firms losing out to bigger overseas rivals too often for New Delhi's liking.

At home, state-run refiners are consistently outperformed by private-sector Reliance Industries.

However, analysts aren't convinced there is a need for change. "I think the existing model is working fine," Amit Bhandari at Mumbai-based think tank Gateway House told *International Oil Daily*.

"ONGC hasn't been constrained in the past from acquiring assets overseas because of funding issues. In fact all state-run companies can easily raise funds as they are backed by the government," he added.

The presence of multiple downstream players has created healthy competition, Bhandari argued, pointing out that having several different management teams means more projects can be undertaken.

Even if their resources are combined, India's top state-run oil and gas companies can't match the biggest international and national oil companies for size, however.

Oil and Natural Gas Corp. (ONGC), Oil India, Indian Oil, Bharat Petroleum, Hindustan Petroleum and Gail India have a combined market capitalization of $102 billion, not even one-third of Exxon Mobil's near $350 billion.

They also have combined production of 508,000 barrels per day and 2.11 million b/d of refining capacity, excluding joint ventures, versus Exxon's 2.4 million b/d of upstream liquids output and 4.371 million b/d of refining throughput in 2016 (OD Feb.1'17).

ONGC is the highest placed Indian firm in the Energy Intelligence Top 100 Global NOC and IOC Rankings 2017, taking 25th spot behind Saudi Aramco in first and Exxon and CNPC in joint third. Refiner Indian Oil is the only other state-run Indian firm on the list, ranked 87th, although Reliance is placed 44th.

ONGC Chairman Dinesh Sarraf has previously admitted a merger with a refiner would make sense to shield his upstream-focused company's finances from any oil price fluctuations (IOD Aug.4'16).

K. Ravichandran, group head of the corporate sector at local ratings agency ICRA, said in a statement that the key challenge India would face in creating an oil and gas behemoth would be the integration process, especially in terms of human resources.

Meanwhile, Jaitley on Wednesday also proposed setting up strategic petroleum reserves (SPR) at two more locations in India -- Chandikhole in the eastern state of Odisha and Bikaner in the northwestern state of Rajasthan -- as part of a second SPR phase that would increase capacity to 15.33 million tons, or 118.5 million barrels.

India has already established 5.33 million tons, or 39 million bbl of capacity across three sites in the SPR's first phase; Jaitley didn't mention any other sites for a 10 million ton second phase.

He also said that customs duty on LNG imports will be halved from 5% to 2.5% with effect from Apr. 1, in a move aimed at boosting gas consumption (IOD Jan.30'17).

Rakesh Sharma, New Delhi

Saudi Minister Praises Trump Energy Policies

Saudi Energy Minister Khalid al-Falih believes US President Donald Trump will be good for the oil industry as he has steered away from "excessively anti-fossil-fuel" and "unrealistic" environmental policies.

"President Trump has policies which are good for the oil industries, and I think we have to acknowledge it," al-Falih, who studied in the US, told the BBC in an interview broadcast Wednesday.

After saying Trump was reversing "unrealistic policies by some well-intentioned environment proponents," al-Falih was asked if he was referring to the president's threat to pull the US out of the 2015 Paris climate agreement.

"I don't know about this. No, I think he wants a mixed energy portfolio that includes oil, gas, renewables and [to] make sure that the American economy is competitive. We want the same in Saudi Arabia," al-Falih answered, seeing "huge areas of alignment" on energy matters between the two countries.

The Saudis, the world's biggest oil exporters, have committed to weaning themselves off an economic dependence on oil but believe fossil fuels will remain a key to meeting global energy requirements for decades to come (IOD Nov.4'16).

Al-Falih's comments are a magnanimous response to a president who during his campaign threatened to stop US imports of Saudi crude if Riyadh did not provide troops to fight Islamic State militants. The US currently imports around 1 million barrels per day of Saudi crude.

Furthermore, a summary of the "America First Energy Plan" recently published on the White House website says Trump has committed to "achieving energy independence from the Opec cartel and any nations hostile to our interests."

Al-Falih, the de facto leader of the producer group, told the BBC. "We are not the foes. People are recognizing that Opec is a force for good and we will have a healthy dialogue with the [Trump] administration."

Indeed, Opec has already done US shale producers a favor -- its deal with non-Opec countries, not including the US, to cut supply has lifted prices and led to an uptick in US shale output.

Still, al-Falih said he wasn't concerned about the growth of rival US oil supply. "As long as they grow in line with global energy demand, we welcome them," he said.

"We have billions of dollars invested in refining and distribution in the US and we may be increasing that investment on the back of pro-industry and pro-oil and gas policies of the Trump administration."

Saudi Aramco, of which al-Falih is chairman, is dissolving its US refining joint venture with Royal Dutch Shell, Motiva, in a move that is set to give it control over the 603,000 barrel per day Port Arthur refinery in Texas (OD Mar.17'16).

Aramco is also considering listing in the US as part of its planned initial public offering next year (related).

Al-Falih is not alone in thinking Trump will be good for the oil sector. Among Trump's first actions as president were the signings of executive orders to revive the Keystone XL and Dakota Access oil pipelines that were frozen under his predecessor, Barack Obama, and to "streamline and expedite" environmental reviews for infrastructure projects.

Officials with deep ties to the industry are set to serve in Trump's cabinet, notably former Exxon Mobil boss Rex Tillerson, the incoming secretary of state, and ex-Texas governor and climate change skeptic Rick Perry, the incoming energy secretary.

Al-Falih had warm words for both men, who, like himself, are graduates of Texas A&M University.

Oliver Klaus, Dubai

Upbeat Anadarko Unfazed by Rising Service Costs

Anadarko Petroleum Chief Executive Al Walker remains optimistic that US oil prices could average $60 per barrel this year, although capital spending plans for 2017 to be rolled out in March will be based on a much lower price.

Over the past month-and-a-half, Anadarko has exited the Eagle Ford (IOD Jan.16'17) and Marcellus shale plays, announced plans to put more rigs to work in the US onshore, and raised its long-term growth forecast.

With detailed plans for this year still under wraps for another month, that didn't really leave Walker and his management team with any big news to share on the company's fourth-quarter earnings call. Nevertheless, there were some interesting insights and plenty of operational color.

It was July of last year when Walker first talked about the ingredients being in place for a return to $60 oil in 2017. And looking at today's supply-demand fundamentals, he still feels there is "a very good chance" that WTI oil prices will pick up from current levels and average $60 this year.

In December, Anadarko announced plans to step up its rig count in the Delaware Basin of West Texas and the Denver-Julesburg (DJ) Basin of Colorado -- areas which it expects to drive production growth of 12%-14% over the next five years.

The company raised $4 billion through asset sales last year and acquired additional deepwater assets in the US Gulf of Mexico for $1.8 billion, ending the year with $3.2 billion in cash on its balance sheet.

The Eagle Ford and Marcellus divestments will bring in an additional $3.5 billion during the first quarter, prompting questions about what Anadarko will do with its more than $6 billion in cash.

Walker said further bolt-on acquisitions are possible in both the Delaware and DJ basins as well as in the US Gulf, but that the company would also maintain a cash buffer to provide some flexibility if oil prices take an unexpected tumble.

Chief Financial Officer Bob Gwin said a return of cash to shareholders via share buybacks or dividends was less likely because the company has plenty of lucrative opportunities to reinvest the money in its upstream operations.

Anadarko cut its quarterly dividend from 27¢ per share to just 5¢ in February of last year to conserve cash as oil prices briefly sank below $30.

In the year ahead, Anadarko will continue to allocate most of its capital to short-cycle projects -- like onshore shale wells and offshore tie-backs -- rather than long-cycle projects such as big new deepwater developments or its Mozambique LNG project.

The company has not yet indicated when it might take a final investment decision (FID) on Mozambique LNG or Shenandoah -- a major deepwater discovery in the US Gulf that is likely to become a new regional production hub.

Addressing speculation that Anadarko might sell its 26.1% operated stake in Mozambique Offshore Area 1, Walker said there were no talks with potential buyers and that a sale was unlikely before the LNG project was sanctioned because it probably would not deliver much value for Anadarko.

"Post-FID ... it's like any other asset in our portfolio. If somebody thinks more of it than we do, we're ready to sell it," Walker said.

On the topic of an anticipated rise in oil-field service costs in the US onshore business this year, Executive Vice President of Operations Darrell Hollek said Anadarko expects costs to rise and has some sympathy with service providers.

"It's clear that they are going to have to get a better margin so that they, too, stay in business," he said.

Walker said Anadarko would seek to limit the increase in service costs by negotiating long-term "win-win" deals with service providers, rather than procuring services on a well-by-well basis.

Andrew Kelly, Houston

Australian Firms Move to Head Off Gas Shortages

Australia's Senex Energy and Santos are pushing ahead with gas projects to head off possible fuel shortages on the country's east coast, where three LNG export projects are soaking up supply.

The Australian Petroleum Production and Exploration Association (Appea) has warned the east coast faces a gas supply shortfall as early as 2019 unless new reserves are developed. The country lacks the sort of trading market that facilitates flows to those in need of supply, with no pipelines in place to carry volumes some 4,000 kilometers across from the resource-rich western coast to the east.

Senex, however, has come to the rescue by securing up to US$300 million in funding from US minority shareholder EIG Global Energy Partners aimed at accelerating a coalbed methane (CBM) project in the Surat Basin in the northeastern state of Queensland.

The company has also raised A$55 million (US$41.6 million) via a placement to certain EIG-managed funds and other institutional investors and is inviting eligible shareholders to participate in a share purchase plan which would be capped at A$40 million. EIG's stake in Senex will be raised to 12% from 2.7% upon completion.

Senex said Wednesday the transactions would provide the company the strength and momentum to develop and expand its upstream positions in both the Surat and Cooper Basins, addressing gas opportunities in the east coast market, where three export CBM-based LNG projects -- Queensland Curtis LNG, Australia Pacific LNG and Gladstone LNG (GLNG)-- have come into operation.

Australia is set to be exporting over 80 million tons per year by the end of the decade, which would see it overtake Qatar as the world's largest LNG exporter, but possible gas shortages on its east coast have prompted end-users such as AGL Energy to consider building an LNG import terminal to feed local markets (IOD Nov.15'16).

Key to Senex's growth is its 100%-owned Western Surat project, whose first appraisal wells were brought on line at the end of 2016.

"The Western Surat gas project is in prime position to supply gas into the structurally short east coast gas market...we believe now is the opportune time to develop these assets as fundamentals are supportive," said EIG Chief Executive R. Blair Thomas.

Senex is targeting up to 50 terajoules (1.3 million cubic meters) per day of gas production from the Western Surat gas project, which would alleviate shortages, and has already signed up Santos-operated GLNG to take that volume for 20 years.

Separately, Santos said Tuesday it has submitted the environmental impact statement (EIS) for its Narrabri gas project to the authorities in another eastern Australian state, New South Wales.

The firm said it will make the gas available to New South Wales and the east coast market via a pipeline connecting with the existing Moomba-Sydney pipe.

The Narrabri CBM project previously faced strong resistance from minority shareholders, which called on Santos to abandon the project due to concerns about the impact on water (IOD May19'14).

Santos CEO Kevin Gallagher said the local Narrabri community and stakeholders can be confident the environment and water will be protected. "The EIS has concluded the project can proceed safely with minimal and manageable risk to the environment," Gallagher said.

The submission was welcomed by Appea. "There can ... be no doubt that all gas users on the east coast urgently need new supply to be brought into the market," said CEO Malcolm Roberts.

"Unless new projects are developed quickly, customers will face higher prices and tighter supply...The need for more supply is more pressing in [New South Wales] than in any other state."

Clara Tan, Singapore

Market Eye: US NGLs Off to Strong Start in 2017

Resurgent drilling activities in US shale gas and tight oil plays are not only boosting oil and natural gas production, they also are bringing up significant volumes of natural gas liquids (NGLs), especially ethane and propane, statistics from the US Energy Information Administration show.

Ethane and propane are the primary feedstocks for petrochemicals plants as well as the source of growing exports to international markets.

Not only are US NGL supplies rising, so are prices, according to the January 2017 Wells Fargo NGL Snapshot. The average NGL gallon was up by 21.3% to 63¢ ($26.46 per barrel) in December from 52¢ the previous month. The price of ethane alone climbed by 28%, while propane rose by 19%.

Investment firm Tudor Pickering Holt reported that the trend is continuing into 2017, with year-to-date prices for ethane up 53% from levels seen 12 months ago and propane 65% higher. The company attributed the rise to higher demand for petrochemical feedstock.

Still, the prices are well below the peaks earlier in the decade, when the average NGL gallon sold for 60% of the price of oil. If crude oil was $50 per barrel, an NGL gallon would have a price of $1.98.

The recent recovery has brought the ratio back up to around 50% from the nadir of roughly 20% in 2014.

Ethane production and consumption are expected to continue at a strong rate, the EIA forecasts in its most recent *Short-Term Energy Outlook* (OD Jan.11'17). The EIA says ethane output will rise to 1.7 million barrels per day in 2018 from 1.25 million b/d in 2016.

The increase reflects demand from a batch of new steam crackers that will use ethane as feedstock for ethylene, a basic petrochemical building block. The first will begin commissioning in the second half of 2017.

Growing volumes of ethane and propane will be exported, the EIA said. Sunoco Logistics began shipping ethane to Europe in March 2016 from its 35,000 b/d Marcus Hook terminal in Pennsylvania, while Enterprise Products Partners sent the first ship from its

200,000 b/d ethane terminal at Morgan's Point on the Houston Ship Channel in September. It is contracted at 90% of capacity, but shipments have yet to reach that rate.

Petrochemical demand for light feedstocks is growing around the world. Switzerland-based Ineos has converted steam crackers in Sweden and Scotland to operate on ethane, and Reliance Industries has constructed very large ethane carriers to move ethane from Texas to India (IOD Apr.12'16).

In the US, more than 90% of the steam cracker feedstock is now "light," either ethane or propane, compared to less than 70% in 2003.

Ethane has garnered most of the growth, with ethane consumption representing 67% of all NGLs used last year. While some older petrochemical plants have dual feedstock capability to take advantage of price movements, most of the newer facilities will operate on ethane only.

As many as 10 grassroots crackers are under construction or in development in the US, all but one on the Texas or Louisiana Gulf Coast, and their average capacity exceeds 1 million tons per year. An equal volume of new capacity is coming through expansions, upgrades and re-openings of existing facilities.

US exports of propane and butane, or liquefied petroleum gas (LPG), increased to a high of 973,000 b/d in December as the fifth LPG export terminal along the Texas Gulf Coast opened.

The newest terminal is Phillips 66's dock at Freeport, Texas. The others belong to Enterprise and Targa Resources, both on the Houston Ship Channel, Sunoco at Nederland, and Occidental Petroleum at Ingleside, near Corpus Christi.

The US has been the world's largest LPG exporter since 2012 and Enterprise is the largest exporting company. The EIA put Enterprise's LPG shipments at almost 300,000 b/d last year, which exceeded the exports of any other country except Qatar.

Barbara Shook, Houston

Oil Rises as Opec Cuts Offset US Stockbuilds

Oil futures moved up more than $1 Wednesday, encouraged more by early data showing high levels of Opec compliance than discouraged by larger-than-expected stockbuilds in the US.

"The petroleum markets are probing the upside for a second day on early estimates pointing to Opec production cuts representing 82% of promised January 2017 reductions, generally perceived as sufficient to keep a floor under oil prices," said Tim Evans of Citi Futures.

In London, Brent gained $1.22 to settle at $56.80 per barrel. In New York, Nymex West Texas Intermediate (WTI) gained $1.07 at $53.88/bbl.

While the focus remains on Opec, the US national security adviser, Michael Flynn, issued a statement regarding Iran's test of ballistic missiles, saying the country had been put "on notice." The statement did not appear to have any impact on daily price moves, however.

Opec production so far is down 1.16 million barrels per day from the group's December output and 958,000 b/d from October. Of that, most of the cuts have come from Saudi Arabia and its neighbors in the Gulf (IOD Feb.1'17).

Those cuts have helped lift prices for medium, sour Mideast crude and pulled additional light, sweet crude from the North Sea, and have been accompanied by a tightening physical market. But without full compliance, the reductions may not be enough to avoid overall stockbuilds in the first half of 2016 -- one of the key signals that the market has rebalanced.

"Any hopes of a sustained recovery in price will depend on increasing efforts by Opec to curb output, though the prospect of an upside breakout will be undermined by the budding revival in US crude production," Stephen Brennock of PVM Oil said.

US crude stocks provide some of the earliest indicators of inventory health and showed an outsized increase for both crude and products this week, coupled with more imports and reduced refinery throughputs.

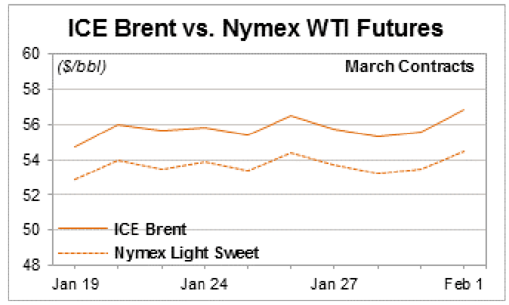
Domestic commercial crude stocks grew 6.5 million barrels, gasoline gained 3.9 million bbl and diesel 1.6 million bbl on the week, leaving total stocks -- excluding strategic reserves -- up 41 million bbl on the year at 1.3 billion bbl.

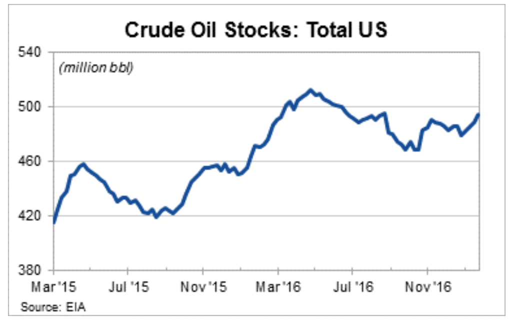
This was slightly offset by draws in Cushing, Oklahoma, where Nymex WTI is physically delivered.

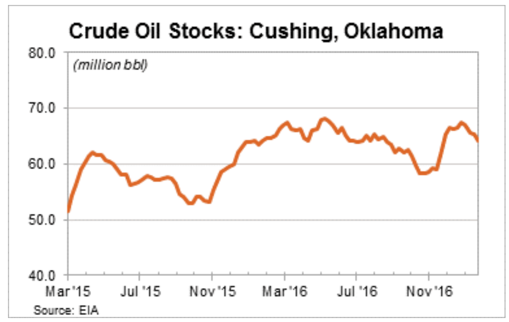
"The draw of 1.2 [million bbl] from the Cushing, Oklahoma, delivery point is something of an offset to the overall bearish vibe, but we consider it of limited impact in a wider world of plentiful stocks," Evans added.

One data point offered market bulls cover -- a slight drop in domestic output of 46,000 b/d on the week down to 8.91 million b/d. As crude prices go up, US output is threatening to bring more surplus crude back on the market.

Ian Stewart, New York







Top Briefs

Tillerson Confirmed as Top US Diplomat

The US Senate confirmed former Exxon Mobil Chief Executive Rex Tillerson's nomination as secretary of state, making the 41-year veteran of the world's largest publicly listed oil company the nation's top diplomat.

A handful of Democrats crossed party lines to support the nominee, including US Sens. Mark Warner (Virginia) and Joe Manchin (West Virginia), bringing the vote to 56-43. But concerns over how the oil man will approach climate issues and his history of dealings with Russian officials made his vote relatively contentious.

The closest votes for the position in the past 50 years had been 85-13 for Condoleeza Rice and 78-7 for Henry Kissinger, *The New York Times* reported.

While some critics had expressed skepticism about Tillerson's ability to translate four decades of business experience to running the State Department, Warner said that experience helped mitigate his concerns over the Trump administration's direction.

"I believe that he will bring a more experienced, measured voice to an administration that has so far struggled to demonstrate any rational approach to foreign policy," Warner said this week.

Trump's nominees are proving contentious. On Wednesday, Democrats stalled a vote on Oklahoma Attorney General Scott Pruitt's nomination to be the head of the Environmental Protection Agency by abstaining from a scheduled Environmental and Public Works Committee meeting and denying Republicans a quorum.

Mideast/Africa

Mozambique Awards Downstream Gas Deals

Mozambique has awarded the first three contracts for downstream projects that will use gas from the offshore Rovuma Basin, even though the start of gas production is still several years away.

Royal Dutch Shell, Norway's Yara International and UK-based GL Africa Energy have won tenders for gas-to-liquids (GTL), fertilizers and a power station, respectively, after 14 companies bid for the government's natural gas development projects, the Ministry of Mineral Resources and Energy announced Monday.

The Shell venture will produce an estimated 38,000 b/d of diesel, naphtha and kerosene, and generate 50-80 MW of electricity, according to Mozambique news reports.

Yara, the former Norsk Hydro, is to produce 1.2 million-1.3 million tons per year of fertilizer, plus 50-80 MW of electricity, while GL Africa was awarded a tender to build and operate a 250 MW gas-powered plant at Nakala in Nampula province.

None of the giant Rovuma gas finds on licenses operated by the US' Anadarko and Italy's Eni has yet reached a final investment decision (FID).

Eni's Coral floating LNG venture could go to FID this year, supplying an eventual 3.3 million tons/yr of LNG, all of it presold to BP, starting in the early 2020s (IOD Jan.25'17).

Europe/FSU

Lundin Earnings Hit by Impairment

Norway-focused Lundin Petroleum's profitability in 2016 was hit by a $549 million upstream impairment charge related to contingent resource write-downs in Malaysia and the Russian Caspian, despite a jump in revenues courtesy of record output (IOD Jan.20'17).

Stockholm-listed Lundin posted a full-year net loss of $499 million, narrower than the $866 million loss reported in 2015. In the fourth quarter, the firm was $739 million in the red, having recorded a net loss of $494 million during the same period a year earlier.

Full-year revenues jumped to $1.16 billion in 2016 from $569 million a year earlier, as output more than doubled to 72,600 boe/d -- within Lundin's guidance range of 70,000 boe-75,000 boe/d -- from 32,000 boe/d in 2015. Operating cash flow was up 44% at just over $1 billion.

Production was partly buoyed by the additional 15% stake Lundin bought from Statoil in the Edvard Grieg field, and the "exceptional performance of producing assets," achieved at a record-low cash operating cost of $7.80/bbl, it said.

Lundin reported a 208% reserve replacement ratio for 2016, with 743.5 million boe of proved plus probable reserves at end-December 2016 and a reserves/production ratio of 28 years.

Lundin boss Alex Schneiter suggested during an earnings presentation on Wednesday that the firm could find itself in the thick of the M&A market this year. Not only his team is scouring for bargains on Norway's Continental Shelf, but it may also be looking to whittle down noncore assets in Malaysia and elsewhere.

"Over 90% of our business is Norway-based, so we are looking at options to delink the Norwegian assets from the rest of the world," Schneiter said.

The firm will provide more details on its plans for 2017 at its capital markets day on Feb. 13.

Russian Gas Flows via Opal Drop

As expected, the European Commission's decision to suspend wider capacity usage in the Opal pipeline in Germany resulted in a 35% decrease in Russian gas flows via the pipe on the first day of February (IOD Dec.29'16).

Physical flows dropped to around 28.9 gigawatt hours per hour, or roughly 66 MMcm/d, on Wednesday from some 44.8 GWh/h, or roughly 100 MMcm/d, on Monday and Tuesday at Opal's entry point of Greifswald, where it receives gas from the Gazprom-led 55 Bcm/yr Nord Stream pipeline, according to data from Opal Gastransport, the operator of the 36 Bcm/yr Opal pipe.

A spokesman for Opal Gastransport confirmed to *International Oil Daily* that the reduced flows were because auctions for additional capacity were not held for February after the European Court of Justice suspended wider Opal utilization on request from Poland in late December. The case is now expected to be heard by a German court in Dusseldorf.

Gazprom Deputy CEO Alexander Medvedev said last week that he hoped the Dusseldorf court wouldn't uphold the injunction to suspend wider Opal usage, particularly because supplies via Poland haven't decreased despite bigger deliveries via Nord Stream.

Auctions for January had been held before the suspension was introduced, which is why Gazprom piped as much gas via Opal and Nord Stream as possible during the month (IOD Jan.11'17).

A wider Opal utilization was approved last October, when the European Commission allowed Gazprom to bid for roughly 30% of Opal capacity in addition to the 50% it exclusively used (IOD Oct.31'16).

Supplies via Poland remain at maximum levels, which means that if Gazprom doesn't increase deliveries via Ukraine -- something it did not do on Wednesday -- lower supplies via Nord Stream could result in a decrease in exports.

Tables

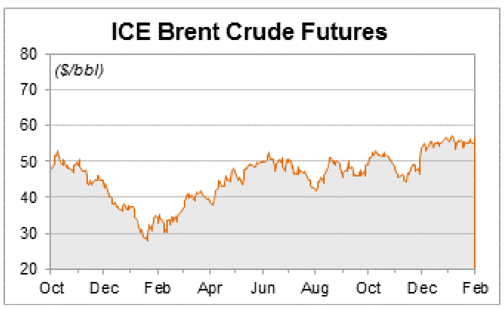
Oil and Gas Prices, Feb. 1, 2017

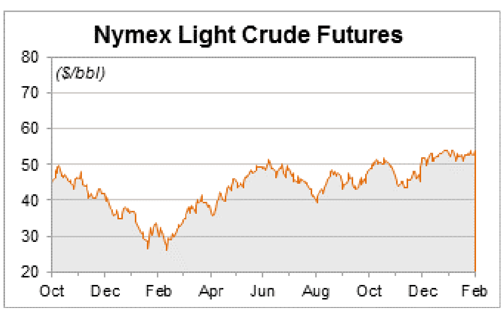
All data are produced by Energy Intelligence in cooperation with Reuters.

CRUDE OIL FUTURES			
($/bbl)	Chg.	1st Mth.	2nd Mth.
ICE Brent	+1.10	56.80	57.12
Nymex Light Sweet	+1.07	53.88	54.49

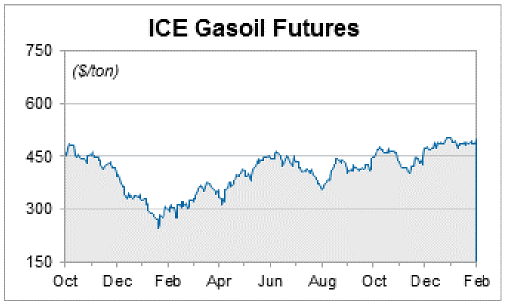
INTERNATIONAL SPOT CRUDES			
($/bbl)	Chg.	Price	Prior Close
Brent (Dated)	+0.55	55.79	55.24
Dubai	0.00	53.20	53.20
Forties	+0.47	55.82	55.35
Bonny Light	+0.54	56.19	55.65
Urals	+0.54	54.49	53.95
Opec Basket*			52.19

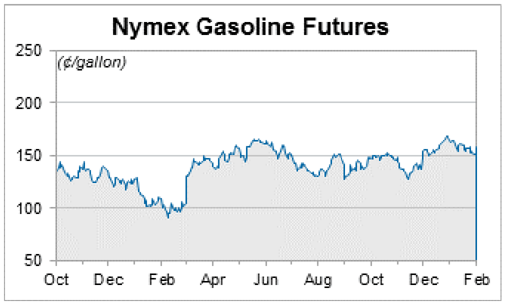
NORTH AMERICAN SPOT CRUDES			
($/bbl)	Chg.	Price	Prior Close
WTI (Cushing)	+1.15	53.90	52.75
WTS (Midland)	+1.15	52.30	51.15
LLS	+1.15	55.53	54.38
Mars	+1.15	51.55	50.40
Bakken	+1.15	52.70	51.55





REFINED PRODUCT FUTURES			
Nymex	Chg.	1st Mth.	2nd Mth.
Gasoline (¢/gal)	+5.35	157.91	179.71
ULSD Diesel (¢/gal)	+6.23	167.40	167.97
ICE			
Gasoil ($/ton)	+4.50	498.25	501.75
Gasoil (¢/gal.)	+1.44	159.02	160.14

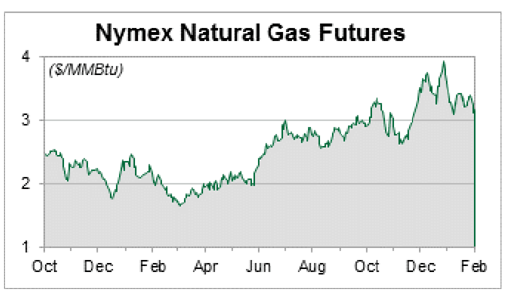




US SPOT REFINED PRODUCTS			
New York (¢/gal)	Chg.	Price	Prior Close
Regular Gasoline	+4.95	160.47	155.52
No.2 Heating Oil	+5.41	156.82	151.41
No.2 ULSD Diesel	+5.41	164.82	159.41
No.6 Oil 0.3% *			57.10
No.6 Oil 1% *			49.90
No.6 Oil 3% *			47.08
Gulf Coast (¢/gal)			
Regular Gasoline	+1.93	156.97	155.04
No.2 ULSD Diesel	+3.54	163.07	159.53
No.6 Oil 0.7% *			54.20
No.6 Oil 1% *			54.23
No.6 Oil 3% *			50.18

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

INTERNATIONAL SPOT REFINED PRODUCTS			
Rotterdam ($/ton)	Chg.	Price	Prior Close
Regular Gasoline	+13.00	558.00	545.00
ULSD Diesel	+12.88	498.00	485.13
Singapore ($/bbl)			
Gasoil	+0.03	64.36	64.33
Jet/Kerosene	+0.34	64.65	64.31
Fuel Oil 180 ($/ton)	+0.60	311.46	310.86



NATURAL GAS PRICES		
($/MMBtu)	Chg.	Price
Henry Hub, Nymex	0.05	3.17
Henry Hub, Spot	+0.13	3.13
New York Citygate	+0.41	3.41
Chicago Citygate	+0.07	3.08
Rockies (Opal)	+0.07	2.93
Southern Calif. Citygate	-0.01	3.29
AECO Hub (Canada)	+0.03	1.96
UK NBP Spot (p/th)	+2.35	57.75

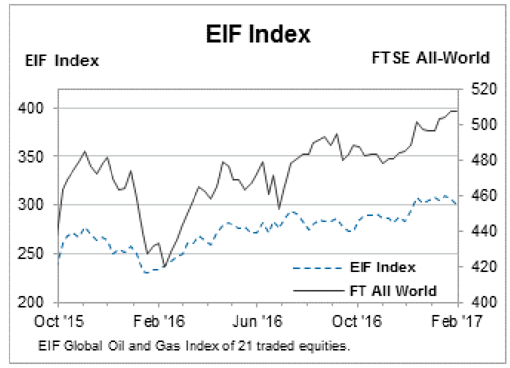
US/Canada spot prices from Natural Gas Week

Equity Markets, Feb. 1, 2017

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

EQUITY MARKET INDEXES			
	Chg.	Index	YTD %Chg.
EIF Global*	-0.79	299.96	-1.67
S&P 500	+0.68	2,279.55	+11.53
FTSE All-World*	-0.09	507.51	+7.73

*Index for previous day



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