TOP NEWS

China's crude oil imports from Saudi Arabia up 43% y/y in April

China's crude oil imports from Saudi Arabia rose 43% last month, making the Middle Eastern OPEC kingpin once again the top supplier to the world's second-biggest economy, boosted by demand from new private refiners.

Saudi imports grew to 6.30 million tonnes, or 1.53 million barrels per day (bpd) on a daily basis, compared with 1.07 million bpd in the year ago period, according to data from the General Administration of Customs released on Saturday.

Saudi shipments were supported by higher refinery run rates at Hengli Petrochemical Co Ltd, with production at the 400,000 bpd-capacity refinery in northeast China expected to reach optimal levels in late June. About 70% of the feedstock for Hengli came from Saudi Arabia.

Meanwhile Russian supplies were 6.12 million tonnes, or 1.49 million bpd, up from 1.35 million bpd in April last year.

China imported 3.24 million tonnes of crude oil from Iran, or 789,137 bpd, up from March's 541,100 bpd, as companies ramped up buying before the scrapping of sanctions waivers the United States had granted to big buyers of Iranian oil.

China Petrochemical Corp (Sinopec Group) and China National Petroleum Corp (CNPC), the country's top state-owned refiners, are halting Iranian oil purchases for loading in May, three people with knowledge of the matter said.

Venezuela shipments stood at 1.9 million tonnes, or 462,813 bpd in April, up 85% versus 249,700 bpd in March, while crude imports from Iraq were 3.31 million tonnes, or 806,372 bpd, down from 904,500 bpd the previous month.

EXCLUSIVE-Russia to pump dirty oil back from Belarus -sources

Russia will pump dirty crude oil back from Belarus as it tries to clear a major pipeline of the contaminated oil that has caused the worst ever disruption to its oil exports, sources and officials said on Friday.

Some 5 million tonnes of oil were contaminated in April with organic chloride and the dirty crude is now stuck in pipelines in Belarus and further West - in Poland, Germany, Ukraine, Hungary and the Czech Republic.

The sources said it could take months to fully resolve the crisis.

The crude is blocking the 1 million barrels-per-day Druzhba pipeline, shut since late April, and the evacuation of dirty barrels is complicated by the fact that no firm wants to pay for or refine them as organic chloride can damage refining equipment.

Four industry sources familiar with the latest Russian plan told Reuters Moscow would reverse the Druzhba pipeline and pump back around 1 million tonnes of contaminated oil from Belarus, thus cleaning up the link all the way through to Belarus's border with Poland.

Another 1 million tonnes stuck in Poland and Germany though, will be left there to be dealt with by those countries, the sources said.

"The Russians are open to agreeing to take back the polluted oil from the Belarus section which has not come to Poland yet, but there is no agreement on compensation," one industry source said.

The source attended a meeting in Warsaw on Thursday between Russian, Belarussian and European companies to discuss how to resume oil exports via Druzhba, the loss of which is costing Russia $80 million per day.

Three other people present at the Warsaw talks or briefed on what was discussed also said the plan was for Russia to take back the oil from the Belarus section.

"This is a bit under 1 million tonnes. They plan to take it back to Russia," one of four sources said.

The pipeline supplies Poland and Germany via its northern leg and goes to Ukraine, Hungary, Slovakia and the Czech Republic in the south. The routes split at the Mozyr refinery in Belarus.

ROAD MAP

On Friday, Russia and Belarus signed a protocol agreeing to clean the pipelines by pumping back the oil to Russia but the protocol gave no specific volume to be pumped.

Russia has not yet determined the amount it will pay in compensation, Economy Minister Maxim Oreshkin told reporters, adding Transneft had the resources to deal with the issue.

Russia's energy ministry and Transneft, the Russian state pipeline operator, did not reply to requests for comment.

Belarus state energy company Belneftekhim, which manages the country's two refineries, declined to comment. Polish oil refiners PKN Orlen and Lotos also didn't respond to a request for comment.

Polish pipeline operator PERN said on Friday it had dealt with over 30% of oil contamination in its system but it may take several months to completely clean the network.

Germany's economy ministry and oil industry association said on Friday that ongoing Druzhba problems did not pose a threat to the security of oil product supply and that there were no plans to release oil from strategic stocks.

It remained unclear where Russia is planning to send the contaminated crude after pumping it back, the four sources said. It previously sent contaminated oil via the Baltic port of Ust-Luga via a pipeline, while a small volume was sent by rail to the Black Sea port of Novorossiisk where it got mixed with clean oil.

TOP NEWS *(continued)*

Russia is also exporting oil via other ports in the Baltics, as well as in the south and east of the country. These supplies were not affected by the contamination.
So far, Russia has managed to remove around 2 million tonnes, using rail, storage tanks and ships, restoring, at least partially, clean flows to the Ust-Luga port and to Slovakia.

EXCLUSIVE-Total seeks to reduce stake in giant Kashagan oilfield -sources
France's Total is seeking to sell part of its stake in Kazakhstan's giant Kashagan oilfield to raise up to $4 billion, four banking sources said.
Total holds a 16.8% stake in Kashagan, one of the world's largest oilfields with production of about 400,000 barrels per day (bpd), and is seeking to sell around a third of its stake, according to the sources.
The company's entire stake has an estimated value of up to $9 billion, the sources said.
The energy group has held talks with a Chinese national oil company about a stake sale in recent months but the sides were unable to agree on price, two sources said.
Total initially declined to comment but subsequently said it is not "currently" in talks with a Chinese company to sell a stake in Kashagan. "Total has no ongoing sale process for its Kashagan stake," it added.
Kashagan, the world's biggest oil find in decades and the most expensive standalone oil project, took an estimated $50 billion and 13 years to develop before starting in 2016.
Total is not using any external bankers in the sale process, one of the sources said.
The sale would be a welcome cash boost for Total as it prepares to buy $8.8 billion of oil and gas assets in Africa from Occidental Petroleum should the U.S. group's acquisition of rival Anadarko go through.
Total Chief Executive Patrick Pouyanne said in an interview published on Friday that the purchase of Anadarko assets from Occidental may prompt the French oil company to sell others.
"These acquisitions will also allow us to turn over our portfolio and may therefore be followed by divestments," Pouyanne told financial paper Investir.
While not identifying any oilfield as for sale, Pouyanne said Total would likely offload higher-cost production, as it seeks to lower its break-even point in order to remain profitable even if the price of oil falls below $30 a barrel.
Kashagan is operated by the North Caspian Operating Company (NCOC) and the other partners in the field are Eni, Royal Dutch Shell, Exxon Mobil, KazMunayGas, Inpex and China National Petroleum Corp.
Kashagan, located in the Caspian sea, is expected to produce 370,000-400,000 bpd early next month after undergoing maintenance.
Under Kazakh law, companies selling stakes in projects like Kashagan have to offer them to the Kazakh government first and can sell to third parties only if the government chooses not to buy.
Kazakhstan's Energy Ministry could not be reached for immediate comment.

Speculators cut U.S. crude oil net longs-CFTC
Money managers cut their net long U.S. crude futures and options positions in the week to May 21, the U.S. Commodity Futures Trading Commission (CFTC) said on Friday. The speculator group cut its combined futures and options position in New York and London by 12,529 contracts to 250,108 during the period. The data below exclude trader positions in the NYMEX financial crude oil futures contract, which is normally included in our aggregate calculations. The data were not provided by the CFTC this week.

Democratic presidential hopeful Klobuchar proposes revamping EPA ethanol rules
Democratic presidential hopeful Amy Klobuchar on Saturday called for revamping the Environmental Protection Agency's (EPA) rules governing how small refineries are exempted from the nation's biofuel laws, a proposal aimed at boosting her standing in the politically critical state of Iowa.
Part of a series of farm policies that also addressed access to capital and bankruptcy assistance, Klobuchar, a U.S. senator, said EPA waivers that allow small refineries to avoid the requirements are "misguided" and said financial institutions are manipulating the biofuels credit trading market.
She called for new compliance standards and additional oversight.
Klobuchar is one of more than 20 Democrats vying for her party's presidential nomination. If she is going to be successful, her campaign needs to galvanize support in the agriculture-focused state of Iowa, which holds the first primary contest in the nation. Iowa grows most of the country's corn, which is used to produce ethanol.
Klobuchar, who represents Minnesota, another agriculture powerhouse bordering Iowa to the north, in the U.S. Senate, has been trailing in polls on the Democratic presidential field.
In a Reuters/Ipsos poll earlier this month, she garnered support of only 1% of respondents. Former Vice President Joe Biden led the poll, with 29% of Democrats and independents saying they would vote for him in the state nominating contests that begin next winter.
The Renewable Fuel Standard (RFS) program that mandates ethanol use is a more than decade-old regulation aimed at helping farmers and reducing U.S. dependence on oil. The policy has helped farmers by

REFINITIV™
DATA IS JUST
THE BEGINNING

creating a huge market for ethanol and other biofuels, but oil refiners say compliance is prohibitively expensive.

Under the program, refiners are required to blend biofuels into the nation's gasoline pool or purchase credits from those that do, but smaller refineries with a capacity of less than 75,000 barrels per day (bpd) can obtain a "hardship waiver" if they prove that compliance with RFS would cause them significant financial strain.

The Trump administration has made extensive use of such waivers in the last two years, saving refiners money but angering the corn lobby, particularly after major companies like Exxon Mobil Corp received exemptions for certain facilities.

Ethanol mandates have opened a war between the oil and corn industries. The ethanol industry claims the exemptions have been over-used, threatening demand for corn-based ethanol at a time when farmers are already struggling.

The policy has helped farmers by creating a 15-billion-gallon-a-year market for corn-based ethanol, but oil refiners have increasingly complained about the expense – particularly when prices are high and volatile.

RFS and the small refinery waiver program have increasingly emerged as one of the key policy areas that several Democratic presidential hopefuls have raised.

Senator Elizabeth Warren earlier this month in a letter to the EPA questioned the agency's decision to grant a small refinery waiver to an oil refinery owned by billionaire Carl Icahn, a former adviser to President Donald Trump. She said waivers undermine the renewable program.

Klobuchar also said she would support year-round sales of E15, gasoline blended with 15 percent ethanol, a rule that the Trump administration has promised to farmers and that the EPA is working to complete by June 1.

U.S. oil drillers cut rigs for third week in a row -Baker Hughes

U.S. energy firms this week reduced the number of oil rigs operating for a third week in a row as weaker oil prices encourage drillers to follow through on plans to cut spending.

Drillers cut five oil rigs in the week to May 24, bringing the total count down to 797, the lowest since March 2018, General Electric Co's Baker Hughes energy services firm said in its closely followed report on Friday.

That compares with 859 rigs operating during the same week a year ago.

The rig count, an early indicator of future output, has declined over the past five months as independent exploration and production companies cut spending on new drilling as they focus more on earnings growth instead of increased output.

Pioneer Natural Resources Co, one of the largest producers in the Permian Basin of West Texas and New Mexico, announced on Tuesday that it had cut about a quarter of its workforce to save costs and boost shareholder value.

U.S. crude futures were trading around $58 per barrel on Friday, putting the contract on track for its biggest weekly drop of the year, due to rising inventories and concern over an economic slowdown.

Looking ahead, crude futures were trading around $58 a barrel for the balance of 2019 and $56 in calendar 2020.

U.S. financial services firm Cowen & Co this week said that projections from the exploration and production (E&P) companies it tracks point to a 5 percent decline in capital expenditures for drilling and completions in 2019 versus 2018.

Cowen said independent producers expect to spend about 11 percent less in 2019, while major oil companies plan to spend about 16 percent more.

In total, Cowen said all of the E&P companies it tracks that have reported will spend about $81.9 billion in 2019 versus $86.4 billion in 2018.

Year-to-date, the total number of oil and gas rigs active in the United States has averaged 1,027. Most rigs produce both oil and gas.

Analysts at Simmons & Co, energy specialists at U.S. investment bank Piper Jaffray, however, forecast the average combined oil and gas rig count will slide from a four-year high of 1,032 in 2018 to 1,019 in 2019 before rising to 1,097 in 2020.

That is the same as Simmons predictions since early April.

Unipec, Vitol set to win tender to supply fuels to Bangladesh -sources

Energy traders Unipec and Vitol placed the lowest offers in a tender by Bangladesh Petroleum Corp to buy nearly 1.35 million tonnes of oil products in the second half of 2019, sources said on Sunday.

The state-owned company is seeking 940,000 tonnes to 1.12 million tonnes of gasoil with a sulphur content of 500 parts-per-million (ppm), 110,000 tonnes of jet fuel, 60,000 tonnes to 100,000 tonnes of 180-centistoke high sulphur fuel oil and 15,000 tonnes of 95-octane gasoline.

A total of six traders competed for the tender, said two BPC officials and traders.

China's Unipec - trading arm of Chinese state major Sinopec - placed the lowest offer for the gasoil and jet fuel cargoes at premiums to Middle East quotes of $2.66 and $3.66 a barrel respectively, they said.

"Unipec is likely to secure the tender for both gasoil and jet fuel as the company came up with the best offers," said one of the BPC officials who spoke on condition of anonymity.

The Asian unit of trading house Vitol submitted the lowest

REFINITIV™
DATA IS JUST THE BEGINNING

offers at premiums of $4.10 a barrel to Middle East quotes for gasoline and fuel oil at $24.88 a tonne to Singapore spot quotes.
Vitol was supposed to secure the tender for fuel oil and gasoline as the trader's offers are the lowest, the official added.
The deals with Unipec and Vitol will be finalised within a short time after verifying all other details, the BPC officials said.
The tender closed on May 16 and is valid up to Sept. 2.
BPC resumed issuing tenders for long-term contracts in 2016 as part of efforts to buy at cheaper rates after a 15-year hiatus, during which it negotiated directly with suppliers of fuel products.
A shortfall in supplies of natural gas has forced the South Asian country to burn oil, a costlier option, to generate electricity.
Bangladesh typically imports about 3.2 million tonnes of diesel and 2.5 million tonnes of fuel oil annually, making it one of the top 10 importers for those fuels in Asia.
Bangladesh's second liquefied natural gas (LNG) terminal has started to feed gas to the national grid since late last month.
About 3.75 million tonnes a year of LNG are expected to be imported through the facility, doubling the country's LNG import capacity to 7.5 million tonnes per year once fully operational.

British Columbia cannot regulate Trans Mountain pipeline oil flows -court

A British Columbia court ruled on Friday that the provincial government cannot regulate increased flows of heavy crude through the proposed Trans Mountain pipeline, removing a potential hurdle to the long -delayed project.
The Trans Mountain expansion (TMX) project, which the Canadian government bought last year for C$4.5 billion ($3.35 billion) to help it get built, would nearly triple shipments of oil sands crude from Alberta to Canada's Pacific Coast.
It has endured years of regulatory delays and fierce opposition from environmentalists, some indigenous groups and the British Columbia government. Justin Trudeau's Liberal government will decide by June 18 whether to push forward with the project.
"This decision provides critical clarity for Trans Mountain, and future interprovincial pipeline projects," said Chris Bloomer, CEO of the Canadian Energy Pipeline Association. "This kind of clarity is now needed around Canada's environmental and regulatory processes to ensure Canada can attract new projects and investors."
British Columbia last year filed a reference question to the provincial Court of Appeal, asking if it could change the Environmental Management Act to regulate any increase in flows of diluted bitumen from the oil sands.
On Friday five judges unanimously ruled the provincial government does not have that authority because Trans Mountain falls under federal jurisdiction.
"The amendment was targeted legislation that in pith and substance relates to the regulation of an interprovincial undertaking - the expanded interprovincial pipeline of Trans Mountain ..." the court said in the ruling posted on its website. "The amendment thus lies beyond provincial jurisdiction."
British Columbia's Attorney General David Eby said his government will appeal the decision, but Alberta Premier Jason Kenney urged British Columbia to end its legal challenge.
"British Columbia's highest court has spoken, unanimously, and the time for obstruction of the TMX pipeline is now over," Kenney said in a statement.
Canada's two westernmost provinces have been embroiled in a dispute over Trans Mountain since British Columbia elected a government in 2017 that vowed to oppose the project.
Earlier this month Kenney, who won a landslide election victory in April with promises to stand up for Alberta's beleaguered energy industry, enacted legislation enabling his government to restrict the flow of oil to British Columbia.
Alberta is home to Canada's oil sands and the vast majority of the country's crude reserves, but its oil trades at a steep discount versus global benchmark prices because of a lack of space on export pipelines.

Algeria to block Total from buying Anadarko's Algerian assets - minister

Algeria will block Total from acquiring Anadarko's assets in Algeria, energy minister Mohamed Arkab told reporters on the sidelines of a conference on Sunday.
Occidental Petroleum has agreed to sell Anadarko Petroleum Corporation's assets in Algeria, Ghana, Mozambique and South Africa to Total for $8.8 billion if the U.S. oil company succeeds in completing its plan to take over Anadarko.
"Our ministry has contacted Anadarko to get explanations on this information, but so far we got no answer," Arkab said.
"It means there is no contract between Total and Anadarko ...We have good relations with Anadarko and we will do the utmost to preserve Algeria's interests, including using our pre-emption right to block the sale," the minister said.
Anadarko holdings in Algeria represent about 260,000 barrels of oil per day, more than 25% of the country's crude production estimated at 1 million barrels per day.
There was no immediate comment from Total or Anadarko.

REFINITIV™
DATA IS JUST THE BEGINNING

TOP NEWS *(continued)*

In 2018, Algeria's state energy firm Sonatrach and Total signed new agreements, including a contract to develop the Erg Issouane gas field and plans to create a joint venture.
Total said at the time that the development represented an investment of $400 million. It said it would also form a joint venture company called STEP for a joint petrochemical project in Arzew, western Algeria.
But the relationship between Algeria and France remains scarred by the trauma of the 1954-1962 independence war in which the North African country broke with France. Hundreds of thousands of Algerians were killed and both sides used torture.

Mexico's president says no layoffs planned at indebted Pemex

President Andres Manuel Lopez Obrador said Sunday that there will be no layoffs of workers from state oil company Pemex, whose soaring debt and obligations have worried investors and sparked fears of a ratings downgrade.
In recent weeks, the president announced measures designed to shore up the finances of the world's most indebted oil company by extending its lines of credit with banks and reducing its tax burden.
"There will be no layoffs, (employers') pensions are completely safeguarded and I say to them: we are going to improve the medical services that are bad," Lopez Obrador said.
Next year will see a greater government budget, making it possible to increase gasoline production and other hydrocarbons, Lopez Obrador added.
The veteran leftist took office in December promising to revive Pemex, whose financial debt surged 75 percent under the previous administration and now stands at over $106 billion.
The company's total obligations, including pensions, exceed its assets by more than $70 billion.
Lopez Obrador's plans include building a new $8 billion refinery, refurbishing existing refineries and reversing a steady decline in crude production.
But credit agencies have warned of downgrading Pemex bonds to "junk" status, which would likely sharply increase borrowing costs as many investors dump its bonds.
Critics have also questioned the government's support for Pemex even as it executes on an austerity plan. Spending has been slashed for several major government departments, including the health service.
On Tuesday, German Martinez, head of Mexico's social security institute (IMSS), resigned, saying that budget cuts and lay-offs ordered by Lopez Obrador's finance minister were harming health services for the poor.

Gibson to load 225,000 bpd of Canadian crude-by-rail by summer's end - CEO

Canadian midstream company Gibson Energy is loading 60 unit trains per month at the Hardisty, Alberta, crude-by-rail terminal and that will rise to 90 trains per month by the end of the summer, Chief Executive Steve Spaulding said on Friday.
Each unit train can carry around 60,000-75,000 barrels, which would put total loadings at 180,000-225,000 barrels per day (bpd) by summer's end.
The increase in crude-by-rail loadings comes as the discount on Canadian crude versus U.S. oil hovers around its widest level in six months, making rail shipments more profitable.
"As of late, we are moving as many rail cars as we have ever moved, and next month that's expected to be even higher," Spaulding told Reuters in a phone interview.
The Hardisty terminal is owned by USD Partners LP and used exclusively by Gibson Energy.
Landlocked Alberta is home to Canada's vast oil sands and some of the world's largest crude reserves, but producers struggle to get their oil to market because demand for space on export pipelines exceeds capacity.
Canadian crude-by-rail exports hit an all-time high last December of 354,000 bpd, according to Canada's National Energy Board regulator, before collapsing in February after the Alberta government mandated production curtailments to drain a glut of crude in the province. That pushed prices sharply higher but eroded the profitability of shipping crude by rail.
In recent months crude-by-rail has shown signs of recovery as the discount on Canadian crude has widened, with large oil sands producers like Imperial Oil restarting shipments after stopping them completely.
Benchmark heavy crude Western Canada Select last settled at $18.50 per barrel below U.S. crude futures, according to Net Energy Exchange.
The latest data from the NEB showed crude-by-rail exports at 168,000 bpd in March. Energy information provider Genscape, which tracks Canadian crude-by-rail shipments destined for both Canadian and international markets, said loadings averaged 197,000 bpd in April.

REFINITIV™
DATA IS JUST THE BEGINNING

TOP NEWS

Russia's Sberbank in talks to sell Antipinsky refinery - CEO

Russia's largest lender Sberbank is in talks with potential investors to sell the Antipinsky oil refinery in Siberia, CEO German Gref said on Friday, adding that he expected a sale in the near future.

The announcement came only a day after the bank said it had moved to recover debts from the refinery ahead of schedule and had received the rights for the majority of the business.

"We took over 80% of the refinery's shares and we are now in talks with potential qualified investors," Gref told a news conference after Sberbank's annual shareholders meeting.

"If we are going to sell it, we will sell it only to companies that have lots of experience in this type of business."

The Antipinsky refinery, which has a capacity of 9 million tonnes per year, said this week that it had filed for bankruptcy, weeks after a London court ordered its assets to be frozen in response to a lawsuit from a trading house. The court order applied to the refinery's equipment and property in the city of Tyumen, as well as petroleum products stored there and at one of its tankers in the northern port of Murmansk, among other assets.

The order also forbade the refinery from selling vacuum gas oil (VGO) to other companies without the consent of VTB Commodities Trading.

Gref also said that Sberbank had sold the debt-ridden Afipsky refinery in Russia's southern Krasnodar region to Russian billionaire Mikhail Gutseriyev.

The Financial and Risk business of Thomson Reuters is now Refinitiv.

(Inside Oil - Asia Edition is compiled by Rupali Shukla in Bengaluru)

For questions or comments about this report, contact: **commodity.briefs@thomsonreuters.com**

To subscribe to Asia Oil newsletter, **click here**.

© 2019 Refinitiv. All rights reserved.

Refinitiv
3 Times Square, New York, NY 10036

Please visit: **Refinitiv** for more information.

Privacy statement

REFINITIV™
DATA IS JUST
THE BEGINNING