11th August 2017

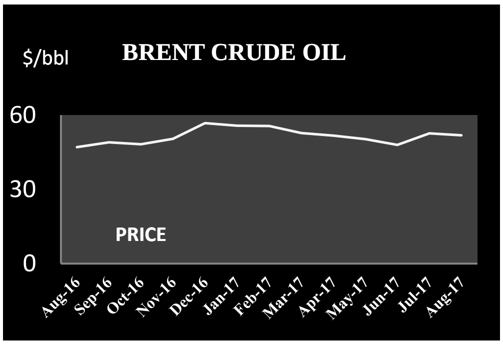
GLADIUS

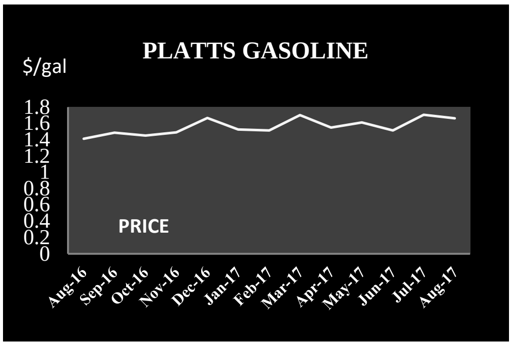
MARKET REPORT

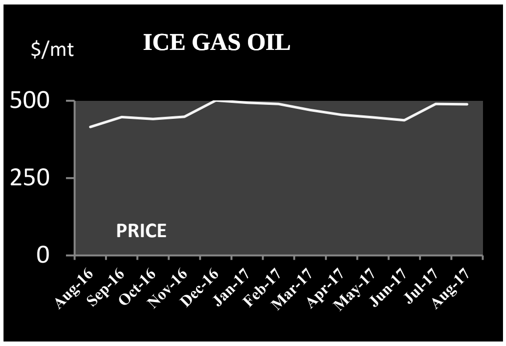
Gladius Energy Desk

research@gladiuscommodities.com

Tel: **+234-1-2931855**







LOCATIONS	PMS	AGO	DPK
LAGOS	[MT] 326,234	[MT] 38,467	[MT] 22,422
P.H.	34,872	-	4,943
DELTA	14,920	-	-
CALABAR	58,878	-	-

GLOBAL	PRICE
BRENT	**52.70 $/bbl**
ICE GAS OIL	**482.50 $/mt**
PLATTS GASOLINE	**1.6200 $/gal**

PRICE (EX DEPOT) NGN / Litre				
	LAGOS	P.H.	**DELTA**	**CALABAR**
PMS	**132.50–133**	**133-134**	**133-134**	**133– 134**
AGO	**150–155**	**151–155**	**151–155**	**151–155**

FX RATES			
10/08/17	USD	GBP	EUR
NGN (PARALLEL MARKET)	**364 / 367**	**472 / 477**	**425/ 430**
NGN (INTER BANK)	**305.55**	**-**	**-**
NAFEX	**366.50**	**-**	**-**

NIGERIA

On Monday 7th August, the Nigerian National Petroleum Corporation (NNPC) at the inauguration of the reconstituted NNPC Anti-Corruption Committee disclosed that for the next 10 years, incremental revenue to the national treasury by over $30 billion could be obtained from the four major investments with key upstream joint venture (JV) partners. The Group Managing Director of the NNPC, Dr Maikanti Baru, said the NNPC has secured $3.8 billion foreign direct investments for the four major oil and gas projects. Baru listed the four major JV alternative financing upstream investments to include: *"The $1.2 billion multi-year drilling for 36 offshore/onshore oil wells under the NNPC/Chevron Nigeria Limited (project Cheetah), the NNPC/First E&P JV and Schlumberger tripartite $800 million alternative funding agreement for the development of the Anyalu and Madu fields in the Niger Delta, the $1billon NNPC/SPDC JV (Project Santolina) and the NNPC/Chevron $780 million (Project Falcon) on Sonam".* Baru said the incremental revenue will serve as part of the vehicle for exiting JV Cash Calls. Arrears of about $6 billion were incurred pre-2016 and the NNPC seeks to balance the outstanding debts before April 2018. Baru said the arrangement would allow NNPC to operate from the production revenues less the first line charge to the government (i.e. royalties and petroleum profit tax) and the accrued profits would be remitted to the government after deduction of production cost.

The NNPC also announced that current crude oil production had risen to 2.35 million barrels per day (bpd). The Minister of State for Petroleum Resources, Dr Ibe Kachikwu, disclosed in the recent Organisation of the Petroleum Exporting Countries (OPEC) Bulletin that for Nigeria's oil and gas industry to increase crude oil production from 2.2 million bpd to 3 million bpd over the course of 3 years, it would require funding of $10 billion (N3.05 trillion) per year. Kachikwu also said that Nigeria lost close to $60 billion to the non-enforcement of the terms of the Production Sharing Contracts (PSCs) signed between the federal government and the international oil companies (IOCs) in 1993. IOCs were expected to pay royalties on the oil blocks located in deep water according to the 1993 PSC and were to be reviewed upwards when oil prices exceeded $20 per barrel. However, in all five deep water oil fields (Shell's Bonga, ExxonMobil's Erha, Chevron's Agbami, and Total's Akpo and Usan fields) that came online between 2005-2010, the IOCs paid zero royalties to the federal government for these prolific fields. This is as a result of the PSCs providing that for water depths of above 1,000 metres, the royalty to be paid is zero and all of the fields fell under this category.

WAF

EQUATORIAL GUINEA

Gunvor, a Swiss trading company, showed interest in financing the Fortuna Floating Liquefied Natural Gas (FLNG) project and is looking to secure supply from the Equatorial Guinea's FLNG plant. Gunvor, Vitol and Royal Dutch Shell have been shortlisted for an LNG off-take deal from the $2 billion Fortuna project. An anonymous source said Gunvor is the front-runner as it is looking to assist state-run, Sonagas finance a 30% stake in the project, in exchange for a JV to do LNG trading on a government-to-government level to export gas from the project. Gunvor will not own a stake in the Fortuna project under the proposed deal, but the government of the Republic of Equatorial Guinea or a designated state company has the right to acquire a 30% stake ownership of the midstream FLNG vessel and could potentially also take profits. The floating LNG vessel will have a production of 2.5 million tons per year of liquefied natural gas, with the first production expected in mid-2020. The project is led by London-based Ophir Energy with a 33.8 percent stake while OneLNG, a joint venture between Golar and Schlumberger, holds a 66.2 percent stake. Fortuna's owners are refraining from selling its entire output, betting prices will rise by the time they start production in 2020. Fortuna would likely sell only as much LNG as it needs to secure bank financing – roughly half the plant's output – in order to keep the rest to trade. Chinese funders, including China State Shipbuilding Corp, are providing $1.2 billion in loans to Fortuna. At a news conference in June, Equatorial Guinea' Oil Minister Gabriel Obiang Lima said the main criteria for deciding on the Fortuna off-take deal would depend on who offered the highest price and best terms.

GLOBAL

On Thursday 10th August, oil prices continued to grow higher following a decline in U.S. crude inventories for 6 consecutive weeks, thus adding optimism of the oil market rebalancing. The U.S. West Texas Intermediate crude for September contract was up 24 cents at $49.80 a barrel at 3:35 AM ET (07:35 GMT), while the ICE Futures Exchange in London Brent oil for October delivery tacked on 32 cents at $53.02 a barrel. The U.S. Energy Information Administration (EIA) weekly report for Wednesday 9th August showed a fall in crude oil production by 6.5 million barrels in the week ending August 4.

OPEC/non-OPEC producers extended a deal to cut 1.8 million bpd in supply until March 2018. Thus far, the production cut agreement has had little impact on global inventory levels as U.S. shale output and supply from producers that are exempt from the OPEC deal (Libya and Nigeria) continues to increase. Market players await OPEC and the International Energy Agency (IEA) monthly assessment of global oil supply and demand levels. OPEC will publish its monthly assessment of oil markets at around 7:00 AM ET (11:00 GMT) on Thursday 10th August which will include figures on the state of global crude stockpiles for July. The IEA will release its own monthly report on global oil supply and demand on Friday 11th August. The data will give traders a better picture to ascertain the occurrence of a global rebalancing in the oil market.