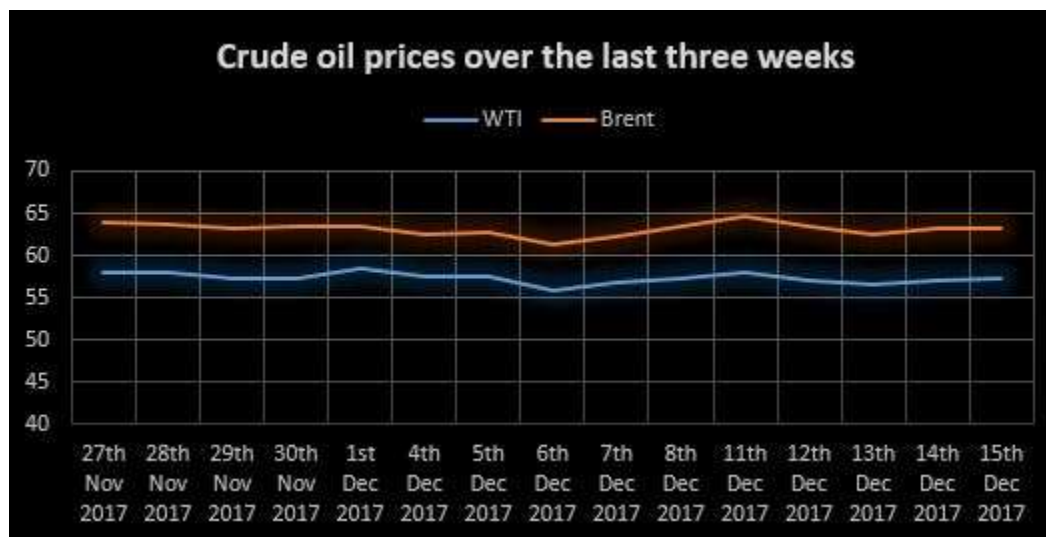
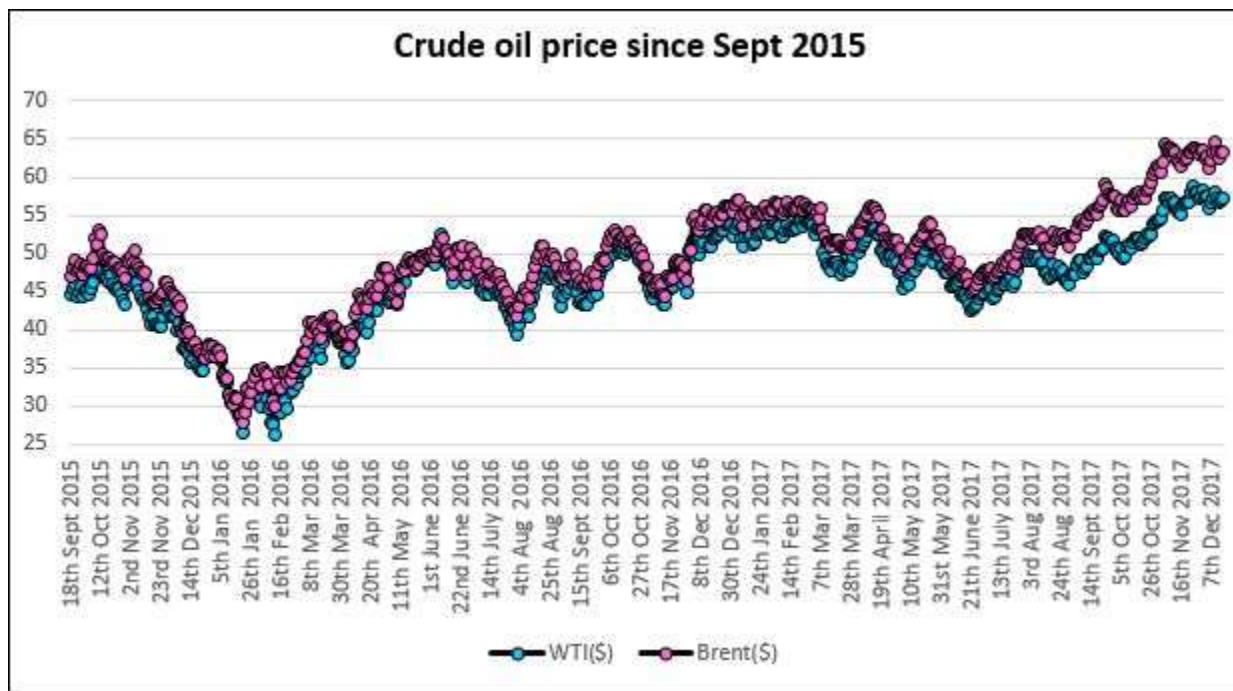


[www.chopr seismic.com](http://www.chopr seismic.com)  
Calgary, Canada



- An explosion in an Austrian gas hub on Tuesday left one person dead and at least 18 injured. This has come at a worst possible time, what with winter approaching, when the demand will be high, there will be no storage available. This news drove up the natural gas and power prices in the European markets.
- The Forties Pipeline System is a pipeline network in the North Sea, that carries 30% of the UK's offshore oil production to land. After a crack was found in the pipeline the week before, the

pipeline system was shut down last Monday. This drove the Brent crude price to \$64.71 and WTI to \$57.86 a barrel.

- In its monthly report the IEA has said that while the oil glut in the market has shrunk somewhat, the supply from US shale drillers could grow faster than the demand, which could slow down the remaining global surplus. As per the EIA, the US shale output has risen the highest in the last three decades. Following this news, the WTI traded below \$57, and Brent at \$62.19 a barrel. Such statements do not go down well for any kind of crude oil outlook for 2018.
- Canadian heavy crude is sold in the US at a discount to WTI, as the refineries in US handling this crude go through a more elaborate workflow handling it. This discount is usually around \$10 to \$12 a barrel. Last month, TransCanada Corp.'s Keystone pipeline to the US was shut down for 2 weeks following a spill in South Dakota. The service on the pipeline has resumed since, but the crude is being pumped at a reduced pressure and thus less oil is going through. This disruption has resulted in rising oil inventories in Western Canada. The higher inventory crisis has also been a result of higher oil sands production entering the market. The other available Enbridge pipeline has rationed space due to higher volumes.

Besides pipelines, crude oil is transported down south on rail cars, which is a more expensive mode of transport, and hence requires more discount on the crude. The rail cars are also in short supply. All this has widened the discount on the heavy Canadian crude to up to \$26, implying lesser revenue for Canadian crude oil producers.

- Alberta has the third largest oil reserves after Venezuela and Saudi Arabia. It is also the largest consumer of coal (two-thirds), and the second-largest producer (42%) of coal in Canada. But Alberta's present government, being controlled by the New Democratic Party, in line with its Climate Leadership Plan, seeks to phase out pollution from coal-powered electricity and get 30% of the provinces power (~5000 MW) from renewable sources by 2030. In line with this plan, last week Alberta government auctioned off 595 MW of renewable energy capacity to be built in the province. The winning bidders will be building wind farms in the province.
- According to Goldman Sachs Group's head of energy industry research, Michele Della Vigna, the slump in the oil industry is over, and going forward we will probably witness bigger companies like Royal Dutch Shell to ExxonMobil have surplus cash to fund dividends, deepwater mega-projects, or will even come out favourably in tax negotiations with oil reliant governments around the world. This has become possible as the industry has been able to cut costs and learnt to survive in a low-price environment, where only bigger players are able to compete. This should result in higher earnings and major players reach positions of dominance. Prior to the downturn, 90% of the mega-projects were split between some 50 companies. In the last 3 years of downturn, close to \$1 trillion have been taken out of the market in terms of company spending per a Wood Mackenzie report. Banks have also not advanced loans on the oil and gas reserves basis, which again hurt the smaller players. Thus, in the future, stable oil prices will boost cash flow, and put the major players on a sound financial footing.

- According to a survey conducted recently, oil companies will spend more than \$100 billion in the US during 2018. US spending by oil companies got lifted by 49% in 2017, and if the oil prices stay high enough, this spending will increase to over \$100 billion.

So much for the industry news this week.

### *Did you know?*

What is the meaning of the adjective 'gargantuan'?

I recently came across this words and because it was new for me, I googled it. It means huge, enormous, gigantic, or simply, very large.

It is used in expressions such as 'gargantuan effort', 'gargantuan size', 'gargantuan scale', 'gargantuan vessel', and so on.

Usage: It would take a gargantuan effort to lift a rail coach.

I hope you find this information interesting. So much for this post!

Till the next post, stay safe and happy!