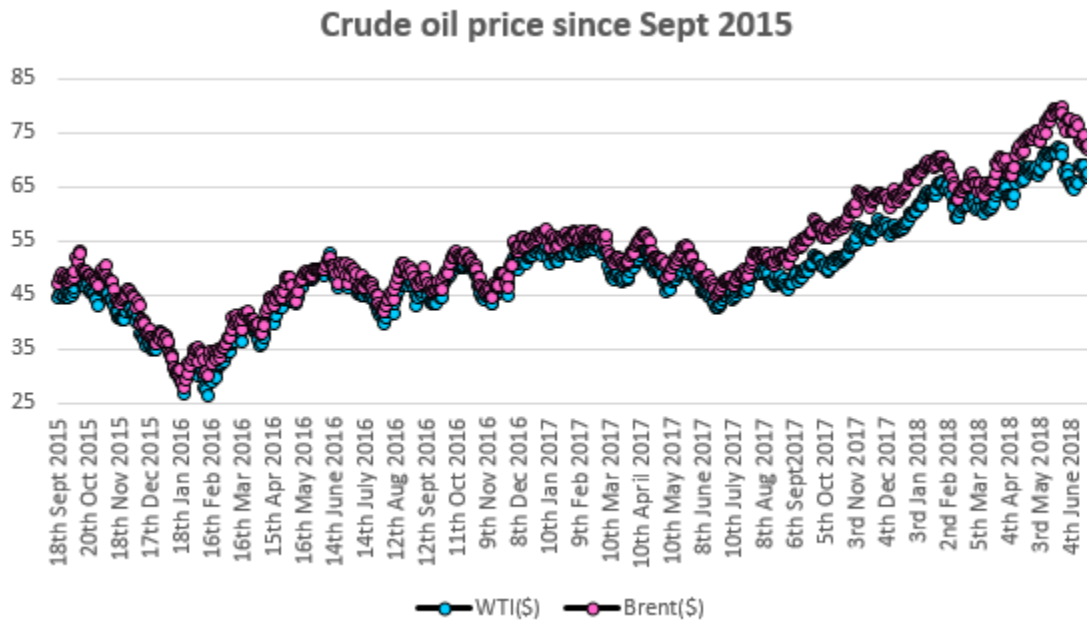


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- The crude oil prices slumped this week as the trade dispute between China and the US escalated, which was so significant that a small drop in the US oil inventories went unnoticed. The decision by China to impose 25% tariffs on US gasoline, crude and other products has made crude oil fall below \$70 and was trading at \$66 on Thursday. The rates looked up on Friday after the Chinese government announced on Friday that crude oil and its products will not be included in the 25% tariffs.
- Earlier last week, China proposed a 25% tariff on imports of US LNG as a retaliation measure for President Trump's push to slap more tariffs on the former. China has not been able to keep up with its demand for LNG in recent times, and Cheniere, a Houston-based company has been exporting LNG to China from its Sabina Pass in Louisiana. Till the end of June this year, the company had shipped 52 supertankers. Such tariffs entail billions of dollars that could be diverted elsewhere, keeping in mind that Russia is planning to pump gas to China through its 2500-mile-long pipeline from Siberia, by the end of 2019. As China is aggressively replacing coal-fed power stations with LNG power generation, its LNG consumption has skyrocketed, and earlier this year became the world's biggest importer, surpassing Japan. With the tariffs in place, if the Chinese companies do import the US LNG for the coming winter, that would be at a higher price. Such imports could be a small fraction, as China also imports large quantities from Qatar and Australia, which are the LNG heavyweights. On Friday this week, it was reported that China has spared US crude or its products from the enhanced tariffs, bringing relief to the Chinese importers.
- The US domestic crude may also get caught in the trade war between US and China. With this in mind, Sinopec, China's largest refiner, has been reducing oil purchases. The other reason could be narrowing down of the disparity of prices between WTI and Brent grades. The shortfall in

supply could be absorbed by countries like India, South Korea and Taiwan. At present, the American oil has been reaching Europe and Asia.

- In response to President Trump's recent call to Saudi Arabia for pumping more oil, the latter has supplied 1mb/d to the US in July, which is a 36% jump from June. This supply will help replace the shortfall from Venezuela in recent months. Saudi Arabia had pumped 10.489 mb/d in June, but its exports fell by 600,000 b/d in July. This drop has probably been because Saudi Arabia could not find buyers to justify pumping at record levels. In view of this slide in exports, the experts do not see the increase in US exports as a sustained trend.
- Talking about sanctions, Russia could be affected by way of crude production potential, as it is heavily dependent on foreign drilling and refinery equipment. Taking a strong stand over the nerve-agent attack on former double-agent Sergei Skripal and his daughter in the UK in early March, the US has imposed sanctions which could be put in place as early as the end of this month. Russia has produced over 11 mb/d in recent months exports over 5 mb/d to Asia and Europe. This balance could be affected.
- In view of the US sanctions on Iran that will come into force on November 4 this year, many insurers and shipping companies are reluctant to transport Iranian crude. Iran's crude and condensate exports are already down by 15% in July, compared with April before President Trump announced re-imposing sanctions. Iran in the meantime has increased its fleet of very large crude carriers that can pass through the Suez Canal. In April, such carriers were hauling just under half of the country's crude and condensate exports, and their number now has risen to about two-thirds.

So much for the industry news this week.

For the lighter side this week

The changing climate patterns and the ensuing global warming has made the wildfires become increasingly frequent and widespread. This year the forest fires have raged through many countries (Canada, Croatia, France Italy, Greece, Greenland, Norway, Portugal, Russia (Siberia), Spain, Sweden, Western US) and ravaged millions of hectares of forest land. You may have seen videos of aircrafts (called airtankers) dropping payloads of thousands of litres of water or red stuff on the fires. Have you ever wondered what that red stuff is? My wife asked me this question recently, and I admitted my ignorance. Not any more ...

This red chemical mixture is a fire retardant that is considered non-toxic and generally harmless to humans and wild animals. It consists of 85% water, 10% some fertilizer (ammonium phosphate or sulphate), 5% colourants (iron oxide), and thickeners such as clay or natural gum, etc. But to be on the safe side, the red chemical mixture is not dropped close to lakes or other water bodies. This is because if the concentration of ammonia and phosphate in water increases somehow, it could become toxic for aquatic life.

The fertilizer tends to stick to the plant material and repels flames. It also encourages regrowth of plants in the burnt area. The red slurry of these chemicals prevents water from evaporating in the heat or getting blown away from the drop zone. The colour additives help mark off the area that has been covered by the drop and can be easily seen from the air.

By dropping such fire retardants, wild fires are brought under control, and large forest areas are saved from going up in smoke. Air tankers and helicopters fly over the fires and drop thousands of litres of the red stuff contained in buckets or tanks. There may be several commercial names for the red stuff, but the ingredients do not vary so much.

I hope you find these interesting.

So much for this week! Till the next post, stay safe and happy!