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## Viewpoint

## Natural Gas and LNG Markets

Ahmet Erdem, Head of Country, Shell Turkey

*This latest IICEC Energy Market Newsletter Viewpoint comes in the middle of the unprecedented COVID-19 outbreak. During these difficult times, my thoughts are very much with those who have been most directly affected and my appreciation with all the healthcare workers and other frontline workers.*

*Before COVID 19 outbreak and drop in international crude oil prices, energy society has been facing one of its biggest challenges: how to meet the increasing energy needs of a growing population, while reducing greenhouse gas emissions and improving air quality. I know that in some parts of the world because of the COVID 19 related consumption reductions and transport restrictions air quality improved. Obviously, these are only temporary periods.*

*Natural Gas is the cleanest-burning hydrocarbon and produces a fraction of the air pollution that other fossil fuels does when used to generate electricity. Gas is an abundant, reliable source of energy for many countries around the world. It is one of the few energy sources that can be used across all sectors: to power businesses, heat homes, as a raw material to produce chemicals and increasingly as a transport fuel. Gas can act as a partner for renewables in providing non-intermittent power. In the long term, gas will continue to be essential in meeting energy demand that cannot be electrified. Gas is expected to meet 43% of the additional energy demand up to*

*2040*<sup>1</sup>.

*The global network of gas pipelines continues to grow. And for more flexibility, gas can be super-cooled to make a liquid, shrinking its volume by 600 times for easier, safer storage and transportation. In LNG form gas is the most flexible and cleanest -burning fossil fuel.*

*Global demand for liquefied natural gas (LNG) grew by 12.5% to 359 million tonnes in 2019, a significant increase that bolsters LNG's growing role in the transition to a lower-carbon energy system.*

*2019 saw key developments that are helping to reshape the LNG industry:*

- *an industry record of 40 million tonnes of additional supply becoming available and being consumed by the market.*
- *the belief in long-term demand growth triggering record investment decisions in liquefaction capacity of 71 million tonnes.*
- *an increase in diversity of contractual structures, providing a wider range of options to LNG buyers.*

*Energy market has been one of the most impacted sectors from the COVID-19 crisis. In LNG market, we also see weak market conditions today due to record new supply coming in, two successive mild winters and the Coronavirus related recession. It is hard to estimate when the equilibrium to return, driven*

<sup>1</sup> Wood Mackenzie, H1 2019

by a combination of continued demand growth and reduction in new supply coming on-stream.

Europe absorbed the majority of 2019 supply growth as competitively-priced LNG furthered coal-to-gas switching in the power sector and replaced declining domestic gas production and pipeline gas imports.

New spot-trading mechanisms and a wider variety of indices used for long-term contracts point towards LNG becoming an increasingly flexible commodity.

There was a modest rise in imports to Asia in 2019, compared to the previous two years, a result of mild weather and rising electricity generation from nuclear power in Japan and South Korea, two of the three largest global importers.

In China, LNG imports increased by 14% in 2019 as efforts continued to improve urban air quality.

Also notable was LNG demand growth in South Asia. In total, Bangladesh, India and Pakistan imported 36 million tonnes, an increase of 19% over last year, pointing to emerging growth countries in Asia.

LNG also plays an increasingly important role in Turkey. The development of LNG infrastructure has made Turkey the second-largest market in Europe and seventh-largest in the world. In 2018, 11.3 billion Sm<sup>3</sup> of LNG (both long-term contracts and spot) was imported, which is 22.5 % of the total imports. While circa 45 % of the total LNG imports was supplied from spot markets, the rest came from the long-term contracts of BOTAŞ with Algeria and Nigeria. Based on the preliminary figures and estimates LNG import increased to 12.4 billion Sm<sup>3</sup> in 2019, circa 27.4% of the total imports.

Although it is hard to provide a number due to strong COVID-19 impact as we still can not model the pace, scale and speed, we certainly know that over the longer-term, global LNG

demand will increase significantly as gas plays a significant role in shaping a lower-carbon energy system.

Shell is a pioneer and a leader in the LNG industry. We helped design and build the first commercial onshore LNG plant in 1964 – and have been designing and building such plants ever since. We bring 50 years' experience in handling, storing and transporting LNG and apply best practice industry standards in this sector as well. A more recent example is the floating liquefied natural gas (FLNG) development. Decades of innovation and investment means Shell is at the forefront of unlocking and delivering more supplies of LNG to countries across the world. Through applying our world class technology and the implementation of global operating standards, we are helping to lead the industry in the safe and responsible development of gas.

At Shell we use this knowledge and expertise to extend the LNG market beyond its current primary use for residential use and generating electricity, into transport. Our roads and ports are becoming increasingly busy as the global population grows and more of us live in cities. To meet growing global demand for transport, we believe a range of different vehicles, ships, and fuel options will be required. In 2020,

Shell has been the reliable partner of Turkey on LNG supply. We also opened Turkey's first LNG retail station for road transportation. LNG as a transport fuel supports reduction of GHG (compared to diesel CO<sub>2</sub> emission is up to %22 (well to wheel) ; up to 90% for SO<sub>x</sub> and NO<sub>x</sub>)

I believe that with increasing penetration of LNG, Turkish energy market will have more flexibility, competitiveness and be environmental friendly. As past, Shell will remain reliable long-term partner of Turkey on LNG supply.

I'd like to take this opportunity to wish you well during these difficult times.

**Ahmet Erdem, Head of Country, Shell Turkey**



## Despite Historical Production Cuts, Oil Prices Went Into Freefall In The 'Black April'

Oil markets started April with a 30% oil price surge after U.S. President Donald Trump commented that he expects Russia and Saudi Arabia to cut oil production, signaling a possible end to the two countries' crude price war. "Just spoke to my friend (the Crown Prince) of Saudi Arabia, who spoke with President Putin of Russia, & I expect & hope that they will be cutting back approximately 10 Million Barrels, and maybe substantially more which, if it happens, will be GREAT for the oil & gas industry!" Trump tweeted. But the Kremlin spokesman Dmitry Peskov denied that Putin had spoken to the crown prince.

On April 2, Fitch Ratings and the International Energy Agency (IEA) released their reports on oil price projections. While Fitch lowered its Brent crude forecast for 2020 to \$35 per barrel down from \$41 and its West Texas Intermediate (WTI) forecast to \$32 a barrel down from \$38 due to "very large oversupply" because of the Covid-19 outbreak, the IEA said that "one of the traditional stabilizers for the oil market is missing" due to pandemic lockdowns, and the low prices are no more a stimulant for the consumers which causes available storage capacity to saturate pushing down prices further.

On the following day, Fatih Birol, IEA's Executive Director, told that measures to contain the spread of the coronavirus had led to an unprecedented demand loss that could reach as much as a quarter of global consumption.

Birol spoke to Reuters after speaking to Saudi Arabian Energy Minister Prince Abdulaziz bin Salman ahead

of the OPEC+ meeting. Even with output cuts of 10 million barrels per day (mbpd), the equivalent of 10% of global supply, oil inventories would still rise by 15 million barrels a day in the second quarter, Birol said.

Russian President Vladimir Putin, meanwhile, said there was a need to cut around 10 mbpd of oil production. "We are comfortable with \$42 per barrel and want joint actions on oil markets," he added.

On April 4, Saudi Arabia sharply criticized Russia over what it described as Moscow blaming the kingdom for the collapse in global energy prices. Saudi Foreign Minister Prince Faisal bin Farhan said that Putin's earlier comments claiming "the kingdom was planning to get rid of U.S. shale oil producers" are totally false.

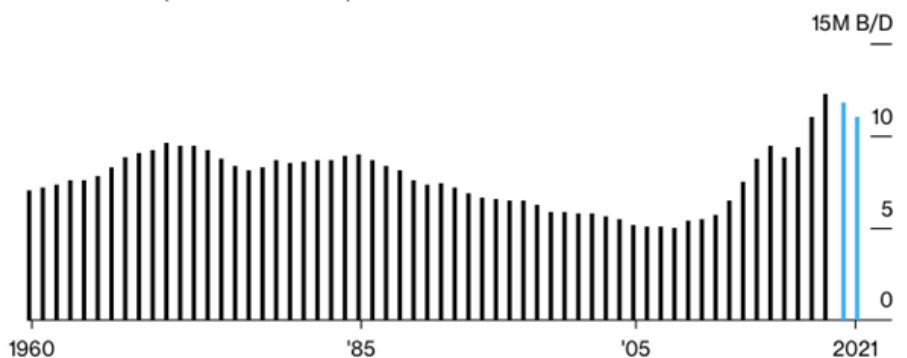
Over the dispute between Moscow and Riyadh, OPEC officials stated that OPEC and Russia had postponed the joint meeting scheduled for April 4 to discuss oil output cuts until April 9.

On the same day, Trump said he would impose tariffs on crude imports if he had to protect U.S. energy workers

from the oil price crash that has been exacerbated by a price war between Russia and Saudi Arabia over market share. On the idea of slapping tariffs on foreign oil, some independent shale producers are in support, while refiners and large integrated companies are typically opposed. But on the following day, Trump restated his position on tariffs and said he doesn't think he'll have to impose tariffs on imported oil.

U.S. Energy Information Administration (EIA) released its latest Short-Term Energy Outlook on April 7, highlighting that collapsing crude prices and plummeting demand threaten to shutter production in the country's biggest fields. The agency trimmed its U.S. production forecast for 2020 by 1.23 mbpd (from 12.99 down to 11.76 mbpd) and global supply forecast by 2.7 mbpd. The U.S. will regain its status as a net oil importer in the third quarter of 2020 due to higher net imports of crude oil and lower net exports of petroleum products. The EIA also revised down its Brent price forecast for 2020 by \$10 per barrel (to \$33 from \$43).

.....  
 ■ Actual U.S. oil production ■ U.S. production forecast



Source: Energy Information Administration

Graphic 1 – U.S. oil production <sup>1</sup>

<sup>1</sup> Bloomberg, (April 7, 2020) U.S. slashes 2020 oil-output forecast ahead of OPEC+ meeting

On April 8, IEA’s Executive Director Birol has called on the energy ministers of the G20 countries to take action on behalf of the global oil market to avoid a market crash. “Developments in the oil market are very worrying. If there is not a serious message from the G20 meeting, I think oil prices will remain very weak, and the downward pressure on prices will continue,” he told Anadolu Agency in an exclusive teleconference interview.<sup>2</sup>

At OPEC+ meeting on April 9, producers reached an agreement on a gradual cut, but the deal was at risk of collapse after Mexico refused to sign up. According to the organization’s statement, OPEC+ will lower its crude oil production by 10 mbpd, starting from May 1 until June 30, and the output cut will ease to 8 mbpd for the following six months (July 1 – Dec 31). This will be adjusted to a 6 mbpd of cut for 16 months, from Jan 1, 2021 to April 30, 2022. The baseline for the oil production cuts will be the oil output levels of OPEC+ members in October 2018. However, heavyweights Saudi Arabia and Russia will apply the cuts based on their output of 11 mbpd.

Mexican President Andres Manuel Lopez Obrador said he had talked to Trump and had reached a deal with OPEC+, but it wasn’t immediately clear if his position had shifted. Saudi Arabia made the whole deal dependent on Mexico’s participation, pinning an accord to remove more than 10% of global production from the market on an argument about a few hundreds of thousands of barrels. Oil importing countries may announce crude oil purchases to support crude demand, IEA’s Birol told after OPEC+ meeting. “We will see a recovery of demand, but I don’t expect a very quick recovery of oil prices,” he said. Hailing Saudi Arabia for its suggestion to hold

an extraordinary G20 meeting, he said the willingness of G20 countries to gather around the virtual table was “sending the world a sign of hope and solidarity in these exceptionally difficult times.” Birol said the current oil crisis is a systemic shock that threatens global economic and financial stability, stressing the extraordinary situation needs a global answer.

After a 3-day marathon of bilateral calls and ministerial video conferences,

OPEC+ finalized the biggest ever supply cut accord after they agreed to allow Mexico to cut only 100,000 barrels a month. Mexico’s Energy Minister Rocio Nahle tweeted that ministers of the OPEC+ countries agreed to cut production by 9.7 mbpd (instead of 10 mbpd earlier agreed) for May and June. “We have demonstrated that OPEC+ is up and alive,” Saudi Energy Minister Prince Abdulaziz bin Salman said.

	Baseline	May-June 2020	July-December 2020	January 2021 - April 2022
Algeria	1,057	816	864	912
Angola	1,527	1,179	1,249	1,318
Congo	325	251	266	281
Eq. Guinea	127	98	104	110
Gabon	187	144	153	161
Iraq	4,653	3,592	3,804	4,016
Kuwait	2,809	2,168	2,296	2,424
Nigeria	1,829	1,412	1,495	1,579
Saudi Arabia	11,000	8,492	8,994	9,495
U.A.E.	3,168	2,446	2,590	2,735
OPEC 10	26,682	20,598	21,815	23,032

Table 1 – OPEC Targets

	Baseline	May-June 2020	July-December 2020	January 2021 - April 2022
Azerbaijan	718	554	587	620
Bahrain	205	158	167	177
Brunei	102	79	84	88
Kazakhstan	1,709	1,319	1,397	1,475
Malaysia	595	459	486	513
Mexico	1,781	1,681	–	–
Oman	883	682	722	762
Russia	11,000	8,492	8,994	9,495
Sudan	75	58	61	65
South Sudan	130	100	106	112
Non-OPEC	17,198	13,582	12,604	13,307

Table 2 – Non-OPEC Targets

<sup>2</sup> Anadolu Agency, (April 8, 2020) IEA’s Birol calls on G20 to prevent oil market crash

In a statement from the White House, Trump welcomed the commitment by Saudi Arabia and Russia “to return oil production to levels consistent with global energy and financial market stability.” Earlier on Twitter, Trump wrote: “The big Oil Deal with OPEC+ is done. This will save hundreds of thousands of energy jobs in the United States.” Thanking Russian President Vladimir Putin and Saudi King Salman for pushing the deal through, Trump added: “I just spoke to them... Great deal for all.”

Saudi Energy Minister Salman said G20 countries had pledged to cut around 3.7 mbpd and that strategic reserves purchases would reach around 200 million barrels over the next couple of months, bringing the total reduction of oil in the market to about 19.5 million bpd.

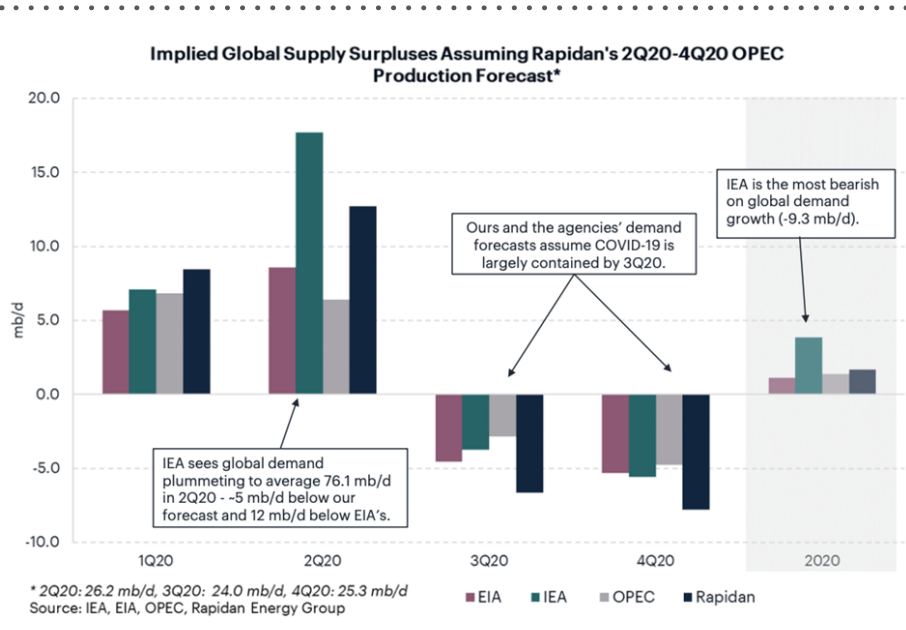
Saudi Energy Minister Salman later said that effective global oil supply cuts would amount to around 19.5 mbpd, taking into account the reduction pact agreed by OPEC+, pledges by other G20 countries and oil purchases into strategic reserves. “We have to watch what’s happening with demand destruction or demand improvement, depending on how things evolve,” he told reporters.

After the historical production cut accord, investment banks consecutively revised their oil market forecasts. Goldman Sachs announced that oil prices would continue to fall in the coming weeks, reasoning that the “historic yet insufficient” deal is unlikely to offset a coronavirus-led demand rout. The bank saw downside risks to its short-term oil price forecast of around \$20 per barrel for Brent but projected the global crude benchmark would outperform U.S. oil because OPEC+ producers’ exports would likely fall,

freeing up floating storage space. While Citi analysts raised its Brent price forecast for the third-quarter to \$35 a barrel, Morgan Stanley also raised its third quarter Brent price forecast to \$30 (from \$25).

On April 15, the IEA announced that it expects a 9.3 mbpd drop in demand for 2020 despite what it called a “solid start” by producers. “The global

economy is under pressure in ways not seen since the Great Depression in the 1930s; businesses are failing, and unemployment is surging”, the Paris-based agency underlined. IEA was seemingly the most bearish on global demand growth in comparison to the EIA, OPEC and Rapidan Energy Group.<sup>3</sup>



“We may see it was the worst year in the history of global markets,” said Birol, the head of the IEA. Calling it a “Black April” for the energy market, the agency forecasted a 29 mbpd dive in April oil demand to levels not seen in 25 years and warned no output cut by producers could fully offset the near-term falls facing the market.

Only four days after OPEC+ countries’ historical deal, OPEC claimed in its monthly report that just under 20 mbpd would be needed on average from the organization in the second quarter, underscoring the urgency of its promised production cuts. It hasn’t pumped this little crude since early 1989. OPEC sees world oil demand contracting by 6.8 mbpd in 2020, while the IEA projected a

slump of 9.3 mbpd. “The oil market is currently undergoing historic shock that is abrupt, extreme, and at global scale,” OPEC said in the report.

On April 17, Russian Energy Minister Alexander Novak and his Saudi counterpart Prince Abdulaziz bin Salman said in a joint statement published after a phone call that two nations will “continue to closely monitor the oil market and are prepared to take further measures jointly with OPEC+ and other producers if these are deemed necessary.”

On April 20, the May West Texas Intermediate (WTI) crude oil futures, due to expire April 21, plunged into negative territory at minus \$37.63 a barrel, far below the previous all-time front-month contract low of \$10.42

<sup>3</sup> Courtesy of the Rapidan Energy Group. <https://www.rapidanenergy.com>

a barrel set on March 31, 1983. Traders fled from the expiring May futures contract in a frenzy with no place to put the crude, but the June WTI contract settled at a much higher level of \$20.43 a barrel. Brent crude also slumped, but that contract was nowhere near as weak because more storage is available worldwide.

Refiners are processing much less crude than normal, so hundreds of millions of barrels have gushed into storage facilities worldwide. Traders have hired vessels just to anchor them and fill them with the excess oil. A record 160 million barrels is sitting in tankers around the world.

When a futures contract expires, traders must decide whether to take delivery of the oil or roll their positions into another futures contract for a later month. Usually, this process is relatively uncomplicated, but this time there are very few counterparties that will buy from investors and take delivery of the oil. Storage is filling quickly at Cushing in Oklahoma, which is where the crude is delivered. Crude stockpiles at Cushing --America's key storage hub and delivery point of the WTI contract-- have jumped 48% to almost 55 million barrels since the end of February. The hub had working storage capacity of 76 million as of September 30, according to the EIA.

Brent oil futures prices plunged again on April 21, extending oil market panic into a second day with no end in sight to a swelling global crude glut as the coronavirus pandemic has obliterated demand for fuel. Brent futures LCOc1 for June delivery settled down 24% to \$19.33 a barrel, their lowest since February 2002. WTI crude CLc2 for June also fell \$8.86, or 43%, to settle at \$11.57.

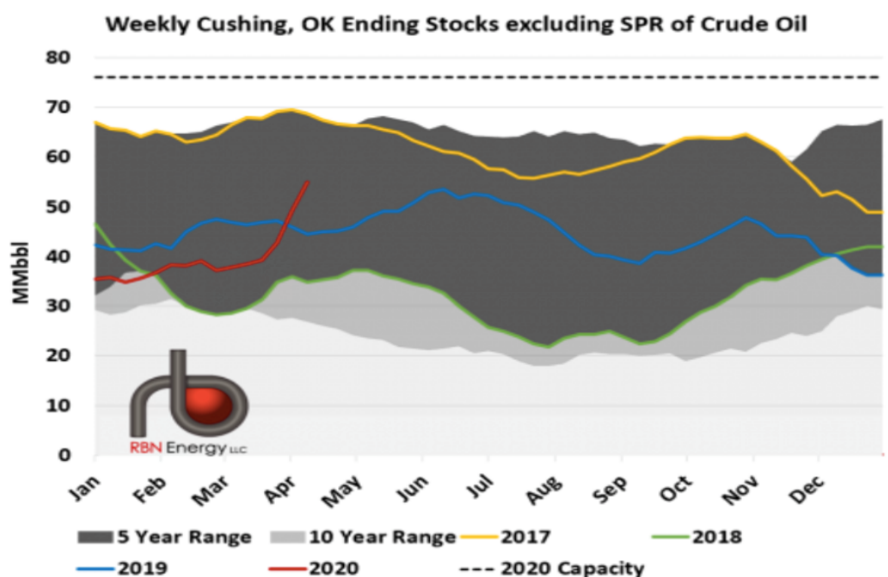


Source: IEA, EIA, OPEC  
**Graphic 2 – Year-on-year global oil demand growth forecasts for 2020<sup>4</sup>**

**Below Zero**  
 WTI traded in negative territory for the first time



Source: Nymex  
**Graphic 3 – WTI Futures on April 20<sup>5</sup>**



**Graphic 4 – Crude oil inventories in Cushing, Oklahoma<sup>6</sup>**

<sup>4</sup> Bloomberg, (April 17, 2020) Just how big is the biggest-ever slump in world oil demand?  
<sup>5</sup> Bloomberg, (April 20, 2020) Oil plunges below zero for first time in unprecedented wipeout  
<sup>6</sup> RBN Energy, (April 21, 2020) One Way Out – Yesterday's crude price meltdown, futures contract expiration and crude storage

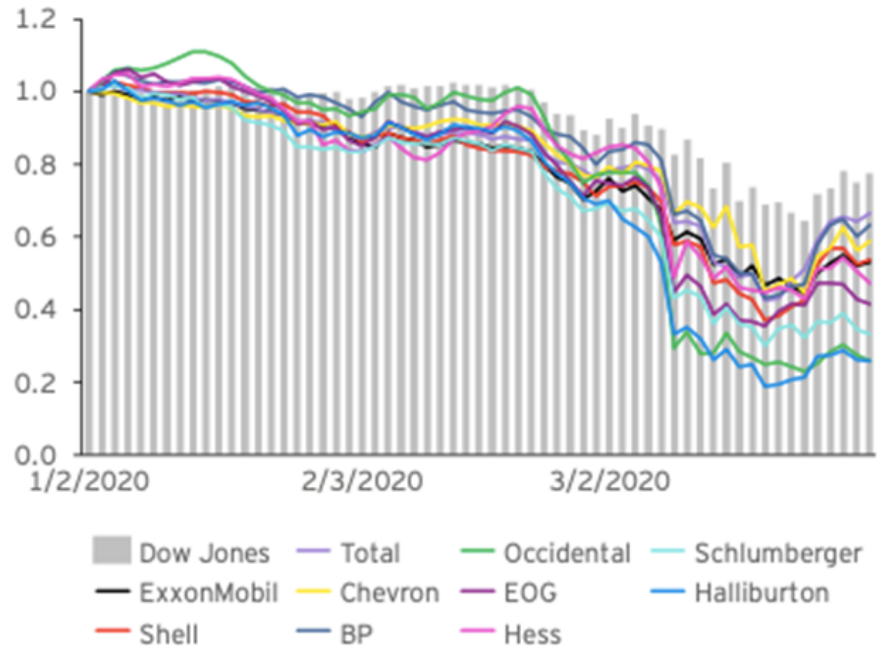


In line with the skydiving oil prices, forecasts for U.S. energy sector earnings have dropped, weighing on shares along with worries over debt, layoffs, and possible bankruptcies. Analysts see a 58.9% year-over-year decline in energy earnings for the first quarter, steeper even than the 37.7% decline they projected at the start of the 'Black April'. The energy sector's weighting in the S&P 500 has fallen dramatically in recent years, now accounting for just 2.7% of the index, making it the second-smallest sector.

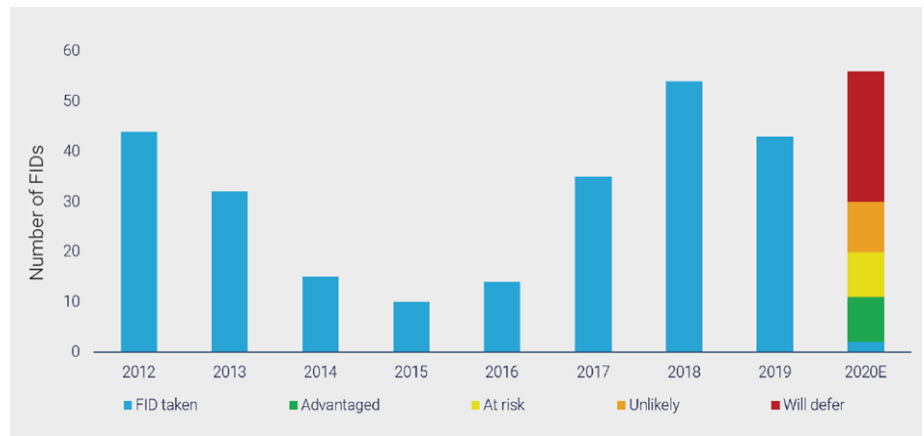
Stockpiles of crude, along with gasoline and distillate fuels, rose sharply as more oil heads into storage due to weak demand, the EIA said on April 22. Crude inventories rose by 15 million barrels in the week to April 17 to 518.6 million barrels, putting them within striking distance of an all-time record of 535 million barrels set in 2017, the agency added.

Saudi Arabia, meanwhile, announced that it was ready to take extra measures along with OPEC+ allies. But there are already signs of producers around the world being forced to take action for economic reasons. EnQuest, for instance, became the first British producer to shut North Sea fields in the wake of the price slump.

On the other hand, energy analysts at Rystad claimed that global oil supplies may be 6% less than expected by 2030 because of delays to investments in response to falling crude prices. Delayed final investment decisions (FID) for projects which take years to come on stream are already expected to shrink the global supply of oil and gas by 5.6% by 2025, with the



Graphic 5 – Changes in oil and OFS companies' market cap<sup>7</sup>



Graphic 6 – Number of major project FIDs (2012-20)<sup>8</sup>

majority of the revisions coming from shale oil, mostly found in the United States. All this leaves the global oil and gas supply on track to drop off by 6.3% by 2030 compared with what was expected before the price crash, Rystad said in its latest report released on April 24.

It estimates that \$195 billion worth of non-shale projects are being delayed, most of which are gas and

gas condensate field developments. Geographically the biggest slump is in the Middle East in that group. Excluding the North American shale sector, energy analysts at Wood Mackenzie reckon only about 10-15 large upstream projects have a "reasonable chance" of receiving a final investment green light this year, a level last seen during the post-2014 oil price crash.

<sup>7</sup> EY, (April 1, 2020) Energy Market Note

<sup>8</sup> Reuters, (April 24, 2020) Global oil supply to fall 6% by 2030 due to delayed projects: data

## IEA Proposed Four Actions at the Extraordinary G20 Energy Ministers' Meeting

The Saudi G20 Presidency hosted the Extraordinary G20 Energy Ministers' meeting by video conference on April 10, 2020, for the energy ministers of 20 major economies. The officials from the International Energy Agency (IEA), International Energy Forum (IEF), and Organization for Economic Cooperation and Development (OECD) also participated in the meeting to alleviate the impact of the COVID-19 pandemic on the energy markets.

The energy ministers' meeting came one day after the OPEC+ meeting, in which the producers reached an agreement on a gradual cut. OPEC+ proposed taking a record 10 mbpd off the market starting from May 1 until June 30, and the output cut will ease to 8 mbpd for the following six months (July 1 – Dec 31).

"The oil world has seen many shocks over the years, but none has hit the industry to the degree we are witnessing today. Pressure on the oil market is coming from all sides, leading to a massive amount of volatility," said IEA's Executive Director Fatih Birol, in his remarks.<sup>9</sup>

Fatih Birol highlighted the massive decline in oil demand by stressing 4 billion people confined to their homes, who are responsible for 80% of global GDP.

"Preliminary numbers from the IEA's Oil Market Report suggest oil demand will fall by an extraordinary amount, putting unprecedented pressure on the industry. A rapid build-up of oil stocks is saturating logistical and storage capacity. This may lead to more volatility and possibly even

negative prices in some regions," noted Fatih Birol.

Fatih Birol assessed the impact of low oil prices from the point of consumers and said, "Current market conditions are not benefitting consumers, as they cannot move from their homes, and will harm longer-term priorities for energy security and energy transitions." He also underlined the huge wave of direct and indirect job losses in the oil sector and said that oil still accounts for nearly one-third of the global energy supply. "Even as the world transitions to cleaner forms of energy, we still need a well-functioning oil industry for years to come," he added.

IEA's Executive Director and IICEC's Honorary Board Chairman proposed below four actions to the participants of Extraordinary G20 Energy Ministers' meeting:

- **First**, we acknowledge the commitment to cut output announced by some producers overnight.
- **Second**, in parts of the world where oil production is the domain of the private sector, we have already seen companies starting to cut their production due to logistical or storage bottlenecks as demand for their crude falls. They have also announced large cuts to future investment. These decisions will further reduce supply, contributing to bringing the market gradually back into balance.
- **Third**, some countries are increasing emergency oil stocks, taking advantage of low oil prices.



Here I would like to acknowledge the moves by Australia, China, India, Korea, the United States, and others to fill their tanks. These actions will help to absorb excess supply and enhance their ability to respond to a future crisis.

● **Fourth**, we should all avoid taking steps that add to market volatility and instead recommit to strengthening our dialogue to improve global energy security and facilitate market function.

At the G-20 extraordinary meeting, hosted by Saudi Arabia, the group agreed to set up a focus group to monitor countries' efforts to curb production.

"We establish a short-term Focus Group, with the task of monitoring the response measures. The Focus Group is open for all G20 parties, on a voluntary basis, and will regularly report its assessment during the Saudi G20 Presidency, in collaboration with relevant international organizations, to G20 Energy Ministers," said the official statement, made by G20 Presidency, after the meeting.

"We will continue our close cooperation and review both our response to the COVID-19 pandemic and our broader G20 energy agenda—transition towards cleaner and sustainable energy systems—at our scheduled meeting in September, while standing ready to reconvene sooner if necessary," it added.

<sup>9</sup> IEA, (April 10, 2020) Executive Director's speech to Extraordinary G20 Energy Ministerial

## SANKO Energy Joins IICEC as an IICEC Member



SANKO Enerji, energy arm of SANKO Holding Group, active in power generation, electricity trading and electricity sales, became an IICEC Member as of 1 April 2020. Mr. Adil Tekin, the Chairman of the Board of SANKO Energy Group joined the IICEC Board of Directors.

SANKO Enerji designs, constructs and operates power plants, and sells and trades electricity. Initially, in 1977, Sanko Holding invested in power generation business to meet the electricity demand of the Group companies. After combining its renewable energy assets under SANKO Enerji in 2006, Sanko has

now become one of the major investors in Turkey's power generation industry with its realized and planned energy investments.

In 2007, SANKO Enerji acquired the Wholesale Trading License from the Energy Market Regulatory Authority and commenced electricity supply directly to consumers eligible by the regulations. In a short time, SANKO Enerji has become one of the leading companies in electricity trading and supplier market, with a portfolio of customers comprising leading industrial and commercial companies in Turkey from various industries.

### Chairman of Sanko Energy Group, Mr. Adil Tekin has Joined to IICEC Board Members

Mr. Adil Tekin was the CEO of the SANKO Energy Group between 2015 and 2019. Before joining SANKO, Tekin was the President for Alstom Turkey and Head of Power Sector between 2010 and 2015 and Regional Director of Global Power Sales for Turkey, Georgia, Armenia and Azerbaijan from 2006 to 2010.



Adil Tekin

## Fatih Dönmez: Lack of Projection and Volatility in Oil Prices have a Higher Negative Impact on the Market

Minister of Energy and Natural Resources Fatih Dönmez emphasized the stability in oil and gas prices to avoid fluctuations, in his statements to Anadolu Agency.<sup>10</sup> "Rather than high or low oil prices, lack of projection and volatility in oil prices have a higher negative impact on the market," said Minister Dönmez.

Fatih Dönmez underlined the impact of 20 mbpd decline in oil demand after the COVID-19 outbreak and said; "This is due to the stalled global transportation industry since two-thirds of global crude output is used

in transportation and the rest is used mostly in petrochemistry."

"As an energy-consuming country, we told the G20 energy ministers meeting that we want price volatility [in oil and gas] to end immediately since it hurts market predictability," Dönmez said.

"For high energy demand countries, such as Turkey, falling prices are an advantage to lower our costs. But there's also a limit to turning this price decline into an advantage as well, as our public started to use less oil, especially inland and air



Fatih Dönmez

transportation -due to COVID-19-" he added.

Minister Dönmez also assessed the impact of a sharp fall of oil prices on global natural gas prices and highlighted the fluctuations in gas prices.

"There are countries that we buy LNG from. We buy from them when spot daily prices are affordable. However, there is fluctuation in those prices as well due to the contraction in demand," he explained.

<sup>10</sup> AA (April 11, 2020) Oil stability needed for predictability: Turkey



## WoodMac Downgrades its Solar Installation Forecast for 2020 due to Covid-19 Lockdowns

As the world economy faces the deepest recession ever, global energy consultancy company Wood Mackenzie has downgraded its forecast for 2020 solar PV installations from 129.5 gigawatts (GW) to 106.4 GW, a reduction of 18%.

According to the company's news release on April 8<sup>11</sup>, unprecedented lockdowns all over the world due to the Covid-19 pandemic will have a significant impact on the global solar PV market. Tom Heggarty, Principal Analyst from the Wood Mackenzie Energy Transition Practice team, said: "We assume that the economic damage caused by the pandemic and concurrent crash in oil prices will tip the world into recession in 2020. Although we expect a strong economic recovery next year, projects that should be delivered in 2021 are being developed and financed today. Demand destruction will be offset to some degree by the spill-over of delayed projects from



2020 to 2021. Nonetheless, we have reduced our 2021 forecast from 127.2 GW to 123.6 GW, down 3%."

While the company predicts a rapid recovery in wafer, cell, and module production facilities in China in the

second quarter, European and North American PV markets are expected to continue beyond the third quarter, Latin America and Africa, however, would have been relatively less affected by the outbreak.

## 2019 Second Biggest Year for New Capacity and Historical Peak for Offshore: Global Wind Energy Council

The Global Wind Energy Council (GWEC) described last year as the second biggest year for wind power historically, with installations of 60.4 GW of new capacity worldwide and year-on-year growth of 19%. Representing over 1,500 companies

and institutions in more than 80 countries, the GWEC emphasized that the main driver of last year's growth was market-based mechanisms, with auctioned wind capacity in 2019 surpassing 40 GW worldwide, accounting for two-thirds

of total new capacity and doubling auctioned capacity compared to 2018.

According to the organization's 15th edition of the Global Wind Report which was released on March 25, the top 5 markets (China, US, UK,

<sup>11</sup> Wood Mackenzie Energy Transition, (April 8, 2020) Covid-19 lockdown hits global solar PV market



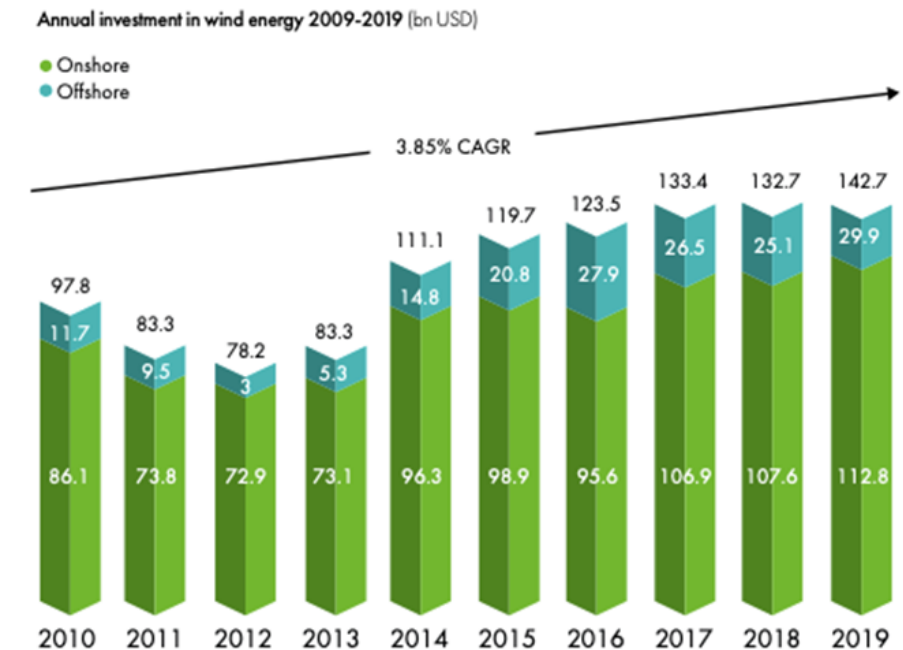
India, and Spain) accounted for 70% of new capacity and the top 5 markets in terms of cumulative installations (China, US, Germany, India, and Spain) collectively made up 73% of the total 651 GW of wind power capacity across the world.

The Asia Pacific region was the global leader for new onshore wind installations in 2019, installing 28.1 GW of new capacity, followed by Europe thanks to strong growth in Spain, Sweden, and Greece despite a slump in Germany. Emerging markets in Africa, the Middle East, Latin America, and South East Asia also showed moderate growth in 2019, with combined installations of 4.5 GW.

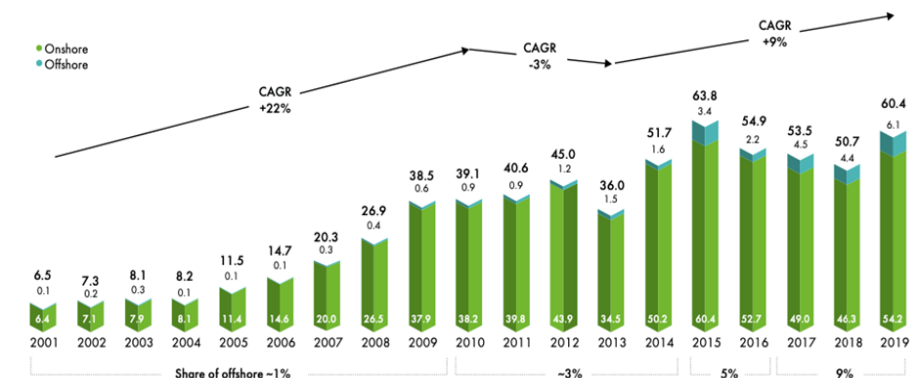
2019 was a record year for offshore wind, installing 6.1 GW of new capacity, which accounts for 10% of total wind installations globally. While China ranked first in terms of new offshore wind capacity with 2.3 GW in 2019, the UK remains in the top spot with 9.7 GW in terms of cumulative offshore wind capacity, accounting for nearly one-third of the 29.1 GW of total global capacity.

Europe remained the largest market for offshore wind, accounting for 59% of new installations in 2019, while the Asia-Pacific region accounted for the remaining 41%. While offshore wind accounted for approximately 10% of new installations in 2019, double of its share in 2015, the organization expects over 50 GW of new offshore wind capacity to be installed until 2024.

While the report forecasts 355 GW additional capacity over the next five years, with offshore wind expanding its share of total installations to 20%, the GWEC underlines that this forecast will undoubtedly be



Graphic 1 – Annual investment in wind energy 2009-2019 (bn USD) <sup>12</sup>



Graphic 2 – Historic development of new installations (onshore and offshore) <sup>13</sup>

impacted by the ongoing outbreak, but saying it's too soon to predict the extent of the impact on the global economy and energy markets.

In the Asia Pacific region, 28.1 GW onshore and 2.5 GW offshore capacity were installed in 2019, bringing the region's total installed wind capacity up to 290.6 GW, 44% of total global installations.

In the Americas region (North, Central, South America, and the Caribbean), total installed wind

capacity reached 148 GW, with an increase of 13.4 GW in 2019. The GWEC specified two major challenges of the region: Regulatory and political instability in key Latin American markets and the US-China Trade War.

In Africa and the Middle East regions, new installations decreased by 2.6% in 2019 compared to the previous year, adding only 944 MW of new capacity last year and reaching to 6 GW in total.

<sup>12</sup> Global Wind Energy Council (GWEC), (March 25, 2020) Global Wind Report 2019

<sup>13</sup> Global Wind Energy Council (GWEC), (March 25, 2020) Global Wind Report 2019

## SOCAR Turkey to Increase Storage Capacity of STAR Refinery



SOCAR Turkey will increase its overall storage capacity to 2.5 million cubic meters by expanding the storage capacity at STAR Refinery, according to the company's written statement on April 29. SOCAR Turkey's STAR Refinery is located in the Aliağa district of Izmir and has the status of Special Industrial Zone.

The expansion project will bring 342,000 cubic meters storage capacity with two crude oil tanks, each having a storage capacity of 134,500 cubic meters, and two intermediate oil tanks with 36,500 cubic meters capacity. The project is planned to be finalized in 2021, said the statement. SOCAR produced 1.9 million tons

of oil, 1.8 billion cubic meters of gas on the fields exploited by its own. Nationwide natural gas production grew by 10% compared to the first quarter of the previous year and amounted to 10 billion cubic meters, and oil production equaled 9.3 million tons, according to Azeri giant's first-quarter results.

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