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IEA PREDICT U.S. WILL ACCOUNT FOR MOST OF WORLD OIL'S OUTPUT GROWTH OVER NEXT DECADE

The International Energy Agency ("**IEA**") has said it expects the U.S to account for more than 80% of global oil production growth over the next 10 years and to produce 30% more gas than Russia in the same period. Speaking at 'COP-23' the UN Convention's on climate change, taking place in Bonn, Germany, IEA head Fatih Birol, said the United States, whose upstream energy industry has seen a resurgence with the development of fracking technology, would become the "undisputed leader of oil and gas production worldwide" and that "this has implications for the oil markets, prices, trade flows, investment trends and the geopolitics of energy," He said the IEA expected oil markets to rebalance in 2018 if oil demand remained "more or less" as robust as it was now and if the Organization of the Petroleum Exporting Countries ("**OPEC**") and its allies extended output cuts. OPEC and other producers are expected to extend production cuts beyond a March 2018 deadline in a bid to cut oversupply. The Paris-based IEA cut its oil demand forecast in its monthly report for October 2017 by 100,000 barrels per day ("**bpd**") for 2017 and 2018, to an estimated 1.5 million bpd and 1.3 million bpd, respectively. It also said oil inventories in the developed world fell by 40 million barrels in September 2017, dropping below 3.0 billion barrels for the first time in two years. According to OPEC, inventories were 154 million barrels above the five-year average in September 2017. OPEC states have said they want to reduce stocks to their five-year average. (Source: https://www.reuters.com/article/us-oil-iea-birol/u-s-to-account-for-most-world-oil-output-growth-over-10-years-iea-idUSKBN1DG1XP; 16 November 2017)

NORWAY'S SOVEREIGN WEALTH FUND PROPOSES TO END OIL AND GAS INVESTMENT

Norway's trillion-dollar sovereign wealth fund (the Government Pension Fund of Norway) has proposed divesting from its investments in oil and gas stocks, warning that the country already has enough exposure to the petroleum sector. The Norwegian central bank, which runs the Oslo-based fund, has stated it believes that divesting from its oil and gas holdings, which include stakes in companies such as BP Plc, Royal Dutch Shell Plc, Total S.A, Chevron Corp and ExxonMobil Corp— would make the country's wealth "less vulnerable to a permanent drop in oil and gas prices". The central bank said Norway's own energy sector and the government's controlling stake in Statoil ASA, the national oil company, was the driver for its proposal. The bank said in a letter to the finance ministry that it took no view on the future path of oil and gas prices or the "sustainability" of the sector, but the proposal follows a three-year downturn in energy prices that has hurt the country's growth and government revenues. The central bank said its analysis suggested that during times of stable oil prices, energy stocks were closely correlated with the broader market, but tended to fall much harder when oil and gas prices dropped. The fund is not expected to sell immediately because the proposal needs to be approved by the government and parliament. Norway produces more than 3.7m barrels of oil equivalent a day of liquids and gas output, making it Western Europe's biggest energy producer, despite a population of just 5.2m people. Norway's finance ministry said it would study the proposal, with the government expected to make a decision in autumn 2018. (Source: https://www.ft.com/content/611c2e9e-cad9-11e7-aa33-c63fdc9b8c6c; 16 November 2017)

Russian fund plans US$1 billion mining venture with China Gold

Russia's state-owned Far East Development Fund ("**Far East**") is in talks to create a US$1 billion joint venture with China's state-owned gold producer China National Gold Group ("**China Gold**"). According to Far East's Chief Executive Officer, Alexey Chekunkov Far East and China Gold will create an attractive financial platform for private investors with a primary goal "to invest in gold, precious metals and copper projects." It is anticipated Far East and China Gold will enter into a formal agreement to create the mining fund by the end of 2017. The new fund is expected to be worth approximately US$500 million and may make its first investment in 2018. Far East and China Gold will each invest US$100 million, with a further US$300 million from private investors. China Gold is the only central state-owned enterprise in China's gold industry under the supervision of State-owned Assets Supervision Administration Commission of the State Council. Far East is an investment fund operated by Russia's Bank for Development and Foreign Economic Affairs. Far East facilitates the inflow of investments into the far east and the Baikal region by providing a preferential (from 5% per annum in rubles) and long-term financing of priority investment projects in various sectors (infrastructure, mining and processing of minerals, support of small and medium businesses, agriculture).The total amount of the Far East's assets as of June 2017 is 37 billion rubles (or approximately US$620 million). (Source: https://www.bloomberg.com/news/articles/2017-11-09/russian-fund-plans-a-1-billion-mining-venture-with-china-gold; 9 November 2017)

ONGC and Vedanta Limited principal bidders in India's maiden open acreage licensing regime auction

Indian state-owned Oil and Natural Gas Corp ("**ONGC**") and Vedanta Limited were the two principal bidders in India's maiden open acreage licensing regime auction that was shunned by several major global and domestic players. ONGC lodged expressions of interest in respect to exploration for oil and gas in 41 areas while Vedanta's oil unit, Cairn India Limited lodged expressions of interest in respect to 15 areas. The state-owned Oil India Limited was the other main bidder, while private player Hindustan Oil Exploration Limited bid for a single exploration block. None of the major private companies lodged expressions of interest. In July 2017, India opened up 2.8 million sq km of sedimentary basins for oil and gas exploration under the Open Acreage Licensing ("**OAL**") regime in a bid to raise domestic production and cut excessive dependence on imports. The OAL allows companies to select any area that is presently not under any production or exploration license. The OAL replaces the old system whereby the government carved out areas prior to bidding them out. Once an expression of interest is received for an for an area, it is put out as part of a competitive bidding and any company offering the government maximum share of oil and gas can be awarded the block. The OAL scheme is carried out in accordance with the Government's Hydrocarbon Exploration and Licensing Policy which guarantees marketing and pricing freedom and which was a move away from production sharing model of previous rounds to a revenue sharing model where companies offering maximum share of oil and gas to government are awarded the block. Since 2000 256 blocks had been offered for exploration and production. The last bidding round took place in 2010. Of thes256 blocks awarded since 2010 as many as 156 have already been relinquished due to poor prospectivity. (Source: https://economictimes.indiatimes.com/industry/energy/oil-gas/ongc-cairn-bid-for-41-oil-and-gas-areas/articleshow/61656586.cms; 15 November 2017)

Trading of iron ore futures commences on HKEX

Hong Kong Exchanges and Clearing Limited's ("**HKEX**") first ferrous metal product, cash-settled TSI Iron Ore Fines 62% FE CFR China Futures ("**Iron Ore Futures**") commenced trading on 13 November 2017, with total volume of 1,022 contracts, equivalent to 102,200 tonnes of iron ore, during the day trading session. As an exchange-traded product, Iron Ore Futures aims to provide maximum price transparency and equal access to all market participants by improving the price discovery process in the iron ore derivatives market. Liquidity providers provided narrow continuous quotes of approximately 10 – 20 ticks (i.e. US$0.1 - 0.2 bid/ask spread) on screen throughout the day. There was healthy and diverse participation from a broad range of market participants including physical trading firms, steel mills, commodity funds, financial institutions and professional investors from Asia, Europe and the Americas. A total of 11 Exchange Participants traded the new contract. To encourage market participation and initial liquidity building, HKEX announced before rollout that there would be an Exchange Fee waiver and 100% Securities and Futures Commission levy exemption during the first six months of trading. (Source: http://www.hkex.com.hk/News/News-Release/2017/171113news?sc_lang=en; 13 November 2017)

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