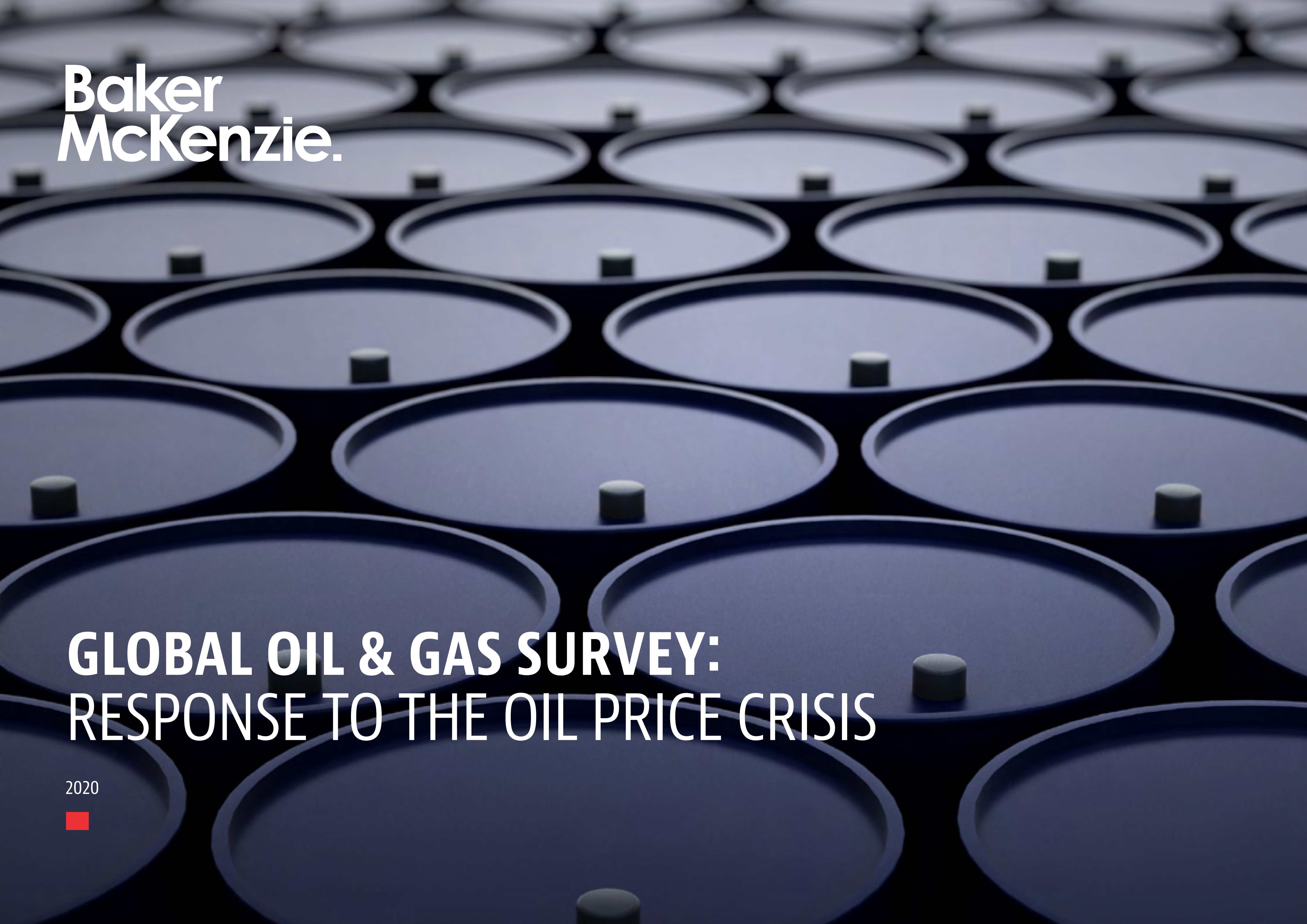

Baker McKenzie.

GLOBAL OIL & GAS SURVEY: RESPONSE TO THE OIL PRICE CRISIS

2020

FOREWORD

Before the outbreak of the COVID-19 pandemic, the global oil and gas industry was at an inflection point. At the start of 2020, with oil, natural gas, and LNG markets each in a state of over-supply, the industry was faced with a challenging dilemma: how to successfully manage the disruptive threats posed by the energy transition while simultaneously navigating a relatively low commodity price environment with balance sheets still recovering from the last downturn in 2015-2016.

Nine months later, no one could have predicted the unprecedented events that have unfolded in 2020 due to the effects of COVID-19. The sharp decline in energy demand caused by the coronavirus' impact on the macroeconomy and the global collapse of oil prices has raised a host of new issues for the industry. The pandemic has intensified uncertainty around future investment and accelerated pressure from investors to clarify the implications of the energy transition on their operations and business models.

Looking forward to 2021 and beyond, with oil prices and demand growth linked to whether COVID-19 can be successfully contained in most countries, oil and gas producers face divergent scenarios. The IEA's Stated Policies Scenario (STEPS), which assumes COVID-19 is brought under control globally during the course of 2021, shows a steady recovery in economic activity, with the global economy returning to its pre-COVID-19 level by year end. Total energy demand also returns to its pre-crisis level by early 2023. In the Delayed Recovery Scenario (DRS), more prolonged outbreaks of COVID-19 prompt continued periodic confinements and other restrictive measures by governments worldwide. Oil demand growth slows to a crawl in the DRS and does not exceed 2019 levels until the latter part of the 2020s. This would likely increase the economic and social pressures on industry participants while at the same time limiting their scope for meaningful economic diversification.

Many key oil producing countries have already acted decisively, with measures ranging from output reduction in the OPEC+ countries, direct subsidies as in Russia, to price control mechanisms like in Argentina and Egypt. However, these responses lack coordination and are inconsistent across the globe. In this backdrop, there remains substantial uncertainty around the trajectory of the global industry, particularly in the more prolonged COVID-19 scenario outlined above.

Within this backdrop, we have summarised how 24 countries have responded to the 2020 oil price crisis, outlining the vulnerabilities, and highlighting certain critical issues to watch—including the implications for the energy transition in the relevant country.

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GLOBAL OIL & GAS SURVEY

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North America

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Unaffiliated
OPEC Affiliation

3,840,000
Daily Oil Production (as of Q1 '20)

1 Response to the Oil Price Crisis

- In Alberta, the provincial government has announced relief measures for struggling oil and gas producers. These measures include:
  - Temporarily waiving fees collected by the Alberta Energy Regulator from the oil and gas industry, which is expected to amount to USD 113 million;
  - Plans to extend oil and gas tenures, set to expire in 2020, by one year to provide resource companies more time to raise capital; and
  - Extend a USD 100 million loan to the Orphan Well Association to bolster immediate reclamation efforts, decommission about 1,000 wells, and start more than 1,000 environmental assessments.
- The Alberta government has agreed to invest approximately USD 1.1 billion to construct the USD 8 billion US Keystone XL pipeline project. With the project expected to create 1,400 direct and 5,400 indirect jobs in the province[1], the investment represents a significant commitment by the government to support the industry during this challenging period.
- At a federal level:
  - The Canadian government announced an USD 82 billion general aid package that will provide USD 27 billion in direct support to individuals and businesses and USD 55 billion in tax deferrals. Former Finance Minister Bill Morneau announced that targeted measures to support the oil and gas industry and aviation industry are on their way. Ottawa is expected to announce a significant investment in Alberta to clean up abandoned oil wells;
  - The COVID-19 Economic Response plan also contains several measures directed at economic relief for businesses in oil and gas, air transportation and tourism. These include a Business Credit Availability Program, which is a collaboration between Export Development Canada, the Business Development Bank of Canada and private sector lenders and aims to provide credit solutions for individual businesses;
  - While not a form of support, having an immediate impact on the sector, the federal government imposed a carbon tax increase 1 April 2020, from USD 20 per tonne to USD 30 per tonne.

1 Source can be accessed **here**.

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Canada

2	**Vulnerabilities Exposed by the Crisis**	▪ The lack of coordination between federal authorities and the individual provinces. ▪ Individual provinces “going it alone” reveals a range of approaches to addressing the oil price crisis, some are proactive, some reactive and some are business as usual. ▪ The impact of the oil price crisis on Canadian shale oil and gas producers has been severe, with upstream E&P bankruptcies and oilfield service firm bankruptcies continuing to rise.
3	**OPEC and What to Watch**	▪ N/A, unaffiliated.
4	**Implications for the Energy Transition**	▪ In Canada, the energy industry’s transformation is well underway, driven by concerns about climate change and realization of the need to drastically reduce carbon emissions while still moving millions of people every year out of energy poverty, as energy demand from all forms is expected to rise. ▪ In response to these concerns and uncertainty around the long-term impacts of COVID-19, the Canadian government is stimulating businesses to move proactively, taking the lead on ESG principles and preparing as much as possible to emerge as leaders in the energy world of the future. ▪ Canada’s industry should leverage its leading position in ESG practices to differentiate itself globally.

USA (Federal Govt.)

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Unaffiliated
OPEC Affiliation

12,740,000
Daily Oil Production (as of Q1 '20)

1 Response to the Oil Price Crisis

- Shale producers have pursued opportunistic M&A, typically involving all-stock consideration, low premiums, and complementary assets. High profile shale deals in 2020 include (i) Chevron acquiring Noble, (ii) Devon acquiring WPX, (iii) ConocoPhillips acquiring Concho and (iv) Pioneer acquiring Parsley.
- Regulatory bodies in key oil producing states such as Texas and North Dakota considered, but ultimately decided against forcibly limiting oil production in response to the oil price collapse.
- U.S. Environmental Protection Agency has exercised discretion in pursuing penalties for non-compliance with routine environmental monitoring and reporting obligations.
- Onshore federal authorities have granted royalty relief on approximately 483,000 acres of federal lands, in some cases reducing the royalty rate from 12.5% to .5%.
- Offshore authorities have welcomed applications for royalty relief on a case-by-case basis but have granted royalty relief to only one operator in 2020.

2 Vulnerabilities Exposed by the Crisis

- Lack of coordination between federal authorities and the individual states "going it alone."
- Individual states are taking a range of approaches to the crisis. Some states are responding proactively (Texas, Oklahoma and North Dakota) while other states are offering more limited, selective relief on a case-by-case basis (New Mexico and Pennsylvania). A last group has not taken meaningful steps to address the crisis (California, Colorado, West Virginia, Wyoming and Ohio).
- Impact of the crisis on shale oil and gas producers' solvency, with over 40 upstream E&P bankruptcies in 2020 as of 30 September 2020.
- The crisis has exposed an existential risk to the "Shale Revolution" in the United States.

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USA (Federal Govt.)

3	**OPEC and What to Watch**	▪ At the outset of the crisis, the Trump Administration voiced its thinly veiled support for the supply restrictions imposed by OPEC and OPEC+. ▪ Assuming capital expenditures by shale producers remain constrained, steep decline curves for shale oil production may unsettle oil markets in 2021. ▪ The impact of the presidential election in November 2020 (assuming victory by former Vice President Joe Biden) could lead to reengagement with Iran and unlock additional barrels onto global markets.
4	**Implications for the Energy Transition**	▪ Extension of key deadlines to qualify for existing renewable energy tax incentives. ▪ Introduction of legislation that would extend current renewable energy tax credits, offer new incentives for the development of clean energy technology, and fund programs aimed at reducing carbon pollution. ▪ The impact of the presidential election in November 2020 has significant consequences, as Democratic nominee Joe Biden is a proponent of clean energy. He has said he would not support new oil and gas developments on new federal lands, and has vowed to support states suing oil companies over climate change.

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Unaffiliated
OPEC Affiliation

512,000
Daily Oil Production (as of Q1 '20)

1 Response to the Oil Price Crisis

- Oil prices are fixed at USD 45 dollars and an executive decree was signed in May 2020 aimed at propping up production and investment in Vaca Muerta. The USD 45 dollars pricing will be maintained until the end of 2020 unless international prices rise to USD 45 dollars (termed the "criollo barrel").
- The government is slowing imports of crude, gasoline and diesel in a move designed to benefit state controlled YPF (state oil company).

2 Vulnerabilities Exposed by the Crisis

- Due to the impact of COVID-19 on Vaca Muerta, the plan to become a net exporter is potentially on hold.

3 OPEC and What to Watch

- N/A, unaffiliated.

4 Implications for the Energy Transition

- The former Government initiated a program for local companies to use a minimum quota of renewable energy and implemented a plan for this program.
- The current crisis also affects renewable energy sources and there are no new incentives for clean energy.

Brazil

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Unaffiliated
OPEC Affiliation

2,975,000
Daily Oil Production (as of Q1 '20)

1 Response to the Oil Price Crisis

- The Brazilian National Petroleum Agency (ANP) suspended the 17th bidding round for the licensing of new exploration blocks.
- ANP allowed oil companies to extend the exploration phase of exploration and production (E&P) contracts for nine months.
- ANP softened some oil company contractual obligations related to the (E&P) phases of licensed areas, including obligations related to operational safety and environment, reference price for natural gas, investments in research, development, innovation and local content.
- Petrobras mothballed 62 platforms with higher lifting cost per barrel and declared total cuts of 200,000 bpd in late March and early April.
- Petrobras also announced the reduction of planned investments for 2020 from USD 12 billion to USD 8.5 billion.

2 Vulnerabilities Exposed by the Crisis

- One of the main goals of President Bolsanaro's administrations was to increase foreign investments in the country, which has been temporarily put in jeopardy by the COVID-19 pandemic.
- States highly dependent on the collection of oil royalties are suffering from Petrobras' production cut because of the oil price crises. It is expected that Rio de Janeiro, for instance, may lose about BRL 2.3 billion in royalties this year, which will make a significant impact on the State's accounts.
- As a result of the Covid-19 oil prices, Petrobras expanded its divestment plan to include more E&P areas onshore and offshore.

3 OPEC and What to Watch

- N/A, unaffiliated.

4 Implications for the Energy Transition

- Brazil's government is using the current crises to expedite the implementation measures required to create a liberalized, liquid and competitive market for natural gas in the country (which used to be dominated by Petrobras). Expect that the gas market changes, among other objectives, will increase competition in the power generation of gas-fired thermal power plants. Although natural gas is still a fossil fuel, it is labeled as the transition fuel towards a clean/renewable energy matrix.

Colombia

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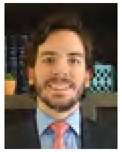

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Unaffiliated
OPEC Affiliation

878,000
Daily Oil Production (as of Q1 '20)

1 Response to the Oil Price Crisis

- The National Hydrocarbons Agency issued Accord 002 that brings about some temporary measures for oil and gas companies. operating in Colombia to mitigate the adverse effects to the oil and gas sector produced as a consequence of (a) COVID-19, and (b) the decline in international oil prices. The Accord applies to contracts executed with, or managed by, the ANH (E&P's, TEA's, etc.).
- An extension of terms may be granted under these measures to comply with obligations and/or activities under the corresponding contract with the ANH, during different phases of a contract.
- The measures that are taken in the Accord are temporary. Hence, these will only apply whilst:
  - The average Spot price for Cushing, WTI are below USD 40 per barrel (spot price taken from the US EIA), during the last 30 calendar days prior to a request for extension; and
  - The average Spot price for WTI Light Sweet Crude Oil Futures CL of the NYMEX are below USD 40 per barrel, in at least one of the three following months counted as of the date at request for extension.
- An extension granted by ANH would:
  - Be for 12 months, which can be extended for six additional months;
  - Be subject to a particular schedule and precise commitments to perform the extended obligations/activities;
  - Not hinder, limit or 'freeze' any breach procedures that have already been initiated by the ANH.

2 Vulnerabilities Exposed by the Crisis

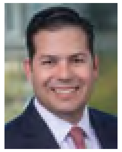
- Oil production was aimed at increasing from 1mln bopd to the highest pre-COVID-19 levels, but such target has been hindered by the pandemic.
- Oil rigs and related services contracts have reduced by over 50% and National Government is looking at ways to reactivate exploration.
- Still big debate in Courts to see if "fracking" would be allowed in the country, albeit pilot investigation initiatives are permitted. It is said that "fracking" would provide billions of barrels of oil equivalent in the next decade.
- Foreign direct investment in the oil and gas industry has declined and some operations have halted production due to low international oil prices.

Continues on next page

Colombia

3	**OPEC and What to Watch**	▪ N/A, unaffiliated.
4	**Implications for the Energy Transition**	▪ Colombian government is still backing oil and gas exploration and production, despite strong move to achieve an "energy transition" to decarbonization. ▪ No strong signals from the central government that the current crisis is seen as an opportunity to accelerate its transition away from oil and gas, or other fossil fuels. ▪ There are big debates between local governments and the central government regarding the need to accelerate the transition away from oil and gas and fossil fuels.

Mexico



Mexico City

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OPEC+
OPEC Affiliation

1,744,000
Daily Oil Production (as of Q1 '20)

1 Response to the Oil Price Crisis

- Mexico reduced its output by 100,000 bopd, rejecting demands by OPEC+ to reduce it by 400,000 bopd.
- COVID-19 potentially complicates the goal of President Andres Manuel Lopez Obrador has to reach 2.5mln bopd.
- PEMEX (Mexican Petroleum) is the world's most indebted national oil country in the world. Mexico has hedged its oil exports at USD 49 dollars per barrel ("Mexican sovereign oil hedge").

2 Vulnerabilities Exposed by the Crisis

- The question becomes whether COVID-19 will impact the country's ability to "save PEMEX" to preserve Mexico's oil industry
- In April 2020, Moody's downgraded PEMEX's debt two levels into junk territory.
- The challenge will be PEMEX ceasing its production decline, going from 3mln+ bopd in 2005 to well under 2mln bopd for 2020.

3 OPEC and What to Watch

- In April 2020, the OPEC+ proposed a cut of 400,000 bopd of each of its members.
- Mexico was against such reduction and offered only a cut of 100,000 bopd. In the end, the USA. helped Mexico to reach its production cut quota.

4 Implications for the Energy Transition

- Mexico has decided to continue with its oil dependency by constructing an oil refinery.
- Instead of using the current crisis to accelerate the transition from oil to clean energy, the Mexican government is changing the power policies to affect the clean energy plants, which has triggered several lawsuits against the government.

Venezuela

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OPEC+
OPEC Affiliation

300,000
Daily Oil Production (as of Q1 '20)

1 Response to the Oil Price Crisis

- The continuing lack of financial investment in technology and maintenance caused a dramatic drop in Venezuela's oil & gas production.
- U.S sanctions on Petroleos de Venezuela, S.A. (PDVSA) ,the Venezuelan national oil company, and on the Venezuelan government since 2017 have worsened PDVSA's economic situation, mainly in oil commercialization and trading.
- COVID-19 has dramatically affected oil field workers and consequently, oil & gas production has decreased.
- However, the previous mayor, other national oil companies, and drilling services providers, still operate in Venezuela and expect to remain doing business in the country (i.e., Chevron, Schulumberger, among others).
- There are a few local service providers recently engaged by PDVSA for the recovery of oil wells.
- There are various draft bills (from both government and opposition) inserting incentives for the private sector to attract local and foreign investment (e.g., control of the operation to private parties, reducing government intake, management of cash flow).

2 Vulnerabilities Exposed by the Crisis

- Ninety percent (90%) of the Venezuelan state budget depends on oil production.
- The Venezuelan government has lost its ability to commercialize stored oil and pay local and foreign creditors, mainly due to the negative effect of U.S. sanctions and PDVSA's poor operation management.
- Venezuela is facing extremely challenging economic and political crises.
- Venezuela's economic future requires a drastic change in government economic measures, as well as sovereign debt restructuring and the lifting of U.S sanctions.
- The impending presidential elections in the U.S., as well as the election of the Venezuelan National Assembly, may bring some changes in Venezuelan politics and hence in the oil and gas industry.

Continues on next page

Venezuela

3	**OPEC and What to Watch**	▪ Venezuela is a founding member of OPEC and one of its most traditionally vital players. However, the relationship with OPEC started to deteriorate in 2015 when oil prices dropped and Maduro was elected President. The continuous drop in oil revenues forced President Maduro's urgent request to OPEC to increase oil prices to recover the Venezuelan oil industry. Although Venezuela is still a member of OPEC, President Maduro's administration has been close to breaking away from OPEC due to the cumbersome and complex oil price situation.
4	**Implications for the Energy Transition**	▪ Venezuela's transition from fossil fuels to alternative energy sources has halted or considerably slowed compared to other jurisdictions. ▪ State energy policies continue to favor fossil fuels over alternative energy sources. There is no clear policy for the future development of renewables. However, Venezuela has the potential to secure a swift transition from fossil fuels to alternate energy sources. ▪ In past years, Venezuela has enacted the necessary legal framework to enable significant green energy projects across the country. This could result in new sources of energy that could serve not only to improve the service domestically, but to export energy to neighbouring countries, resulting in a reliable investment opportunity for foreign and local investors and the reshaping of the Venezuelan economy.

Africa

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OPEC
OPEC Affiliation

1,057,000
Daily Oil Production (as of Q1 '20)

1 Response to the Oil Price Crisis

- Algeria's Saharan Blend is now trading at around USD 40 dollars a barrel at the end of October 2020 after hitting a low of USD 11 dollars in April, while this year's austerity budget was based on a price of USD 30 dollars a barrel.
- Algeria's state oil giant Sonatrach revenues for 2020 are not expected to exceed USD 23 billion compared to USD 33 billion in the previous year.
- Sonatrach would be required to cut operating and capital spending from the USD 14 billion previously set to USD 7 billion to preserve Algerian foreign currency reserves. President Tebboune insisted on a thorough audit of the company. This audit focused on an evaluation of its assets, a reduction in the number of its foreign representations, a decrease in positions of responsibility that are not linked to the company's profitability, as well as a transition from a management system that dates back to a bygone era to a sound cost accounting system.
- A number of MoUs have been signed between Sonatrach and foreign firms for joint investment in upstream opportunities, following the adoption of the Hydrocarbons Code in December 2019.
- The implementing legislation of the new Hydrocarbons Code (43 texts) is set to be finalized by the end of 2020.
- Algeria's justice department was investigating Italy's Augusta refinery purchase for close to USD 1 billion from Exxon in 2018; the refinery revealed inadequate for Algeria's light crude and Sonatrach is reportedly considering its sale.
- Algeria's key gas customers, Spain and Italy, significantly reduced their gas imports in the first half of 2020, with a sharp combined pipeline supply decline of 37% to 6.9bcm on the year. Meanwhile, Sonatrach became the majority shareholder of the Medgaz gas pipeline, which extends from Algeria to Spain, on 30 May 2020.

Continues on next page

Algeria

2	**Vulnerabilities Exposed by the Crisis**	▪ Algeria depends on energy exports for 95% of its foreign earnings, which had already halved over the past five years to about USD 30 billion in 2019; currency reserves have more than halved in the same period. ▪ New Energy Minister Attar said end of August that Algeria needs a barrel at USD 60 over two years to balance its budget. As of September 2020, the IMF projected the breakeven price to be at USD 118.2 for 2020 and USD 135.2 for 2021.[1.] ▪ In parallel, Algeria must continue to add value to other sectors of the economy, namely agriculture, industry and services to reduce the oil & gas dependence. The government will prioritize access to energy for farmers and investors without upfront payment. 1 The source can be accessed **here**.
3	**OPEC and What to Watch**	▪ Algeria cut oil output in line with OPEC+ commitments.
4	**Implications for the Energy Transition**	▪ While Energy Minister Attar recognizes that renewable energy is an unavoidable and strategic choice for Algeria, he advocated in August for investing in many small 50 MW solar power plants instead of 1000 MW plants, effectively abandoning the ambitious Desertec project with Germany.[2.] ▪ The government will focus on energy saving through the rationalization of energy consumption, encouraging the use of low energy consumption equipment, the use of clean fuels (Sirghaz) in the transport sector, etc. 2 The source can be accessed **here**.

Angola

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OPEC
OPEC Affiliation

1,402,000
Daily Oil Production (as of Q1 '20)

1 Response to the Oil Price Crisis

- Before COVID-19, energy majors had increased their exposure to the country due to energy reforms by President João Lourenço. The reforms touched on organizational issues such as replacing Sonangol EP in the capacity of National Concessionaire for the petroleum sector by the National Agency of Petroleum, Gas and Biofuels, along with the exploration and production terms and conditions (e.g. marginal fields, gas legal framework).
- Oil prices were impacted by the COVID-19 virus spread, which has negatively affected operations, notably drilling campaigns.
- It has been reported that the oil crisis will not impair the Executive's plans to launch the 2020 licensing round in which nine blocks in the onshore Congo Basin and the onshore Cuanza Basin will be put out for tender. The authorities already clarified that the relevant deadlines might have a delay.
- The Executive has recently announced that the Country will join the Extract Industries Transparency Initiative (EITI) to provide maximum transparency for the exploration of mineral resources and hydrocarbons.
- Moreover, in late August, the Executive approved the new local content regulations (which were published in the official gazette in October) and the Hydrocarbon Exploration Strategy for the period of 2020-2025 (waiting for publication in the official gazette)

2 Vulnerabilities Exposed by the Crisis

- Oil represents the most significant source of revenue for the Angolan state and diversification of the economy has been one of the main goals throughout the years.
- In August, rating agencies stated that the Angolan economy is still vulnerable to external factors, but the Ministry of Finance reported that Angolan authorities are making progress in implementing the reformulation of the profiles of some oil-backed financing facilitators. This will reflect the current market environment better and provide considerable debt relief while maintaining long-term oil procurement.

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Angola

3	**OPEC and What to Watch**	▪ Following the agreement of OPEC+ members to cut production and the subsequent phases of the adjustment, official sources clarified that under the agreement: (i) between July and December 2020, Angola production should increase to 1,249 million bopd; and (ii) between January 2021 and April 2022, Angola production should increase to 1,319 million bopd. ▪ Angola has already committed to complying with its agreed quota production.
4	**Implications for the Energy Transition**	▪ Over the last few years, Angola's challenge has been to increase exploration activity to promote discoveries to replace mature fields, which has not changed with the current crisis. In addition, the development of gas reserves and monetization of gas through gas to power projects has also been a goal. ▪ This notwithstanding, one of the priorities of the National Development Plan for the period of 2018-2022 is to optimize existing power generation locations and availability, as well as increasing power installed, including in new energies and renewable sources (solar, wind, biomass and mini-hydro) aimed at replacing fossil fuels. ▪ In this regard, some important projects have become known, including the construction and operation of a Photovoltaic Plant in Caraculo, in the Namibe Province, with a 50MWcc capacity sponsored by an energy major.

Congo


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OPEC
OPEC Affiliation

295,000
Daily Oil Production (as of Q1 '20)

1 Response to the Oil Price Crisis

- The Congo enacted a new Petroleum Code in 2016 and, soon after, it launched a licensing round (the 2nd stage of which took place last year).
- Both the implementation of the Petroleum Code and the outcome of the two stages of the licensing round left a lot to be desired. In particular, essential issues were left to be governed in ancillary regulations (e.g. payment and management of the abandonment funds, local content, tax and customs regime), which are yet to see the light of day.
- In addition to preparing a new Gas Code, well-informed sources report that a significant revamping of the 2016 Petroleum Code is being contemplated.
- As far as institutions are concerned, new leaderships were recently put at the helm of SNPC (the Congolese NOC) and the Directorate-General of Hydrocarbons.

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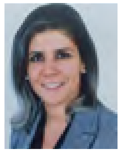
Congo

2	**Vulnerabilities Exposed by the Crisis**	▪ The Congo's economy is deeply oil-dependent, with the oil sector accounting for about 60% of the GDP, 80% of State revenue and more than 90% of exports. ▪ Although ravaged by the decrease in prices and production since 2014, the Congo has managed to buck the trend and is still the third-biggest oil producer in sub-Saharan Africa. ▪ The Congo is keen on bringing in new players, in particular those interested in investing in marginal fields. ▪ A USD 450 million IMF (International Monetary Fund) bailout was granted to the Congo in mid-2019, but there are repeated concerns about the sustainability of the country's public debt (which could include liabilities of SNPC to joint venture partners and energy traders).
3	**OPEC and What to Watch**	▪ The Congo joined OPEC in 2018, becoming the 7th African nation to join the organization (alongside Algeria, Angola, Equatorial Guinea, Gabon, Libya and Nigeria). ▪ By doing so, the Congo has been learning and contributing to policy and decision-making and is now better prepared to deal with the volatility of oil prices. ▪ Presidential elections are scheduled for Q1 2021, and although the results are far from unpredictable (the incumbent President is expected to win a landslide victory), the pre and post-electoral period is always somewhat turbulent. The authorities focus is typically diverted away from their day-to-day responsibilities. ▪ A close eye is also to be kept on the ongoing talks with the IMF, as its continued assistance to the Congo is highly dependent upon the country's commitment to greater transparency, as well as upon the outcome of the negotiations underway regarding SNPC's liabilities and the impact thereof on the Congo's (actual) public debt.
4	**Implications for the Energy Transition**	▪ The energy transition is not high on Congo's agenda. ▪ Instead, the country is focusing on fighting the decline in oil production and in efforts to diversify its economy (to sectors such as agriculture, forestry, mining, construction, tourism, financial services, among others).

Egypt



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Unaffiliated
OPEC Affiliation

578,000 (unofficial)
539,000 (2018-2019)
Daily Oil Production (as of Q1 '20)

1 Response to the Oil Price Crisis

- To soften the economic impact of COVID-19, the price of natural gas for all industrial activities was reduced to USD 4.5 per MMBtu compared to USD 6 per MMBtu in October 2019. Similarly, fuel prices were cut by EGP 0.25 per liter and mazut prices decreased by 8% to EGP 3,900 (USD 247.1) per ton, while diesel prices remain unchanged.
- The Egyptian parliament has approved 12 new project laws for the exploration and exploitation of oil and gas in the East and West of Mediterranean, Red Sea and Western Desert areas in Egypt in June 2020.
- Egypt, Israel, Greece, Cyprus, Italy and Jordan established the East Mediterranean Gas Forum (EMGF) as an intergovernmental organization in a virtual ceremony hosted by Cairo on 22 September 2020. The six states signed a charter for an Egypt-based energy forum giving formal status to a group that seeks to promote natural gas exports from the eastern Mediterranean. Other states such as France have applied to join, while the United States and European Union have requested observer status.
- The Egyptian Gas Regulatory Authority granted permits to several private gas companies to distribute gas in different regions in Egypt.
- Egypt is implementing a modernization project encompassing all oil and gas industry disciplines for all upstream and downstream operations to expand further and grow the Egyptian oil and gas industry. Among the goals is for Egypt to become an energy hub.

Continues on next page

Egypt

2 Vulnerabilities Exposed by the Crisis

- Although the petroleum sector was not subject to the lockdown measures implemented by Egypt's government due to COVID-19, operations have been affected by demand and supply disruptions.
- According to Central Bank of Egypt data for the H1 2019/20, the petroleum sector accounts for 12% of Egypt's GDP, 37% of its exports and 17% of its imports. It also accounts for 10% of total investments. The natural gas sector also recorded a growth rate during the H1 of 2019/2020 of 4.5%. In Egypt, natural gas makes a more significant economic contribution than oil due to a growing number of exploration and production projects, notably the Zohr gas field and other offshore discoveries in the Mediterranean.
- The Ministry of Finance (MoF) has cut by almost half its forecasted expenditure on fuel subsidies. In FY 2020/21, MoF allocates EGP 28.1 billion (USD 1.8 billion) for petroleum products' subsidies, a 47% drop from the previous fiscal year. However, the continuing reduction of oil prices is also expected to disrupt multinational investors' returns on exploration projects. The current low oil prices are likely to put many upstream producers into default under their respective borrowing base facilities at the next borrowing base redetermination. The effect of the pandemic on Egypt's natural gas industry is yet to be determined.

3 OPEC and What to Watch

- Egypt was invited and participated in the OPEC and OPEC+ conference, which took place on 9 April 2020 as an observer to show support for OPEC members during this crisis.

4 Implications for the Energy Transition

- In 2014, the Egyptian government launched a feed-in tariff (FIT) program for the generation of 4.3GW of solar and wind energy projects. The FIT program is considered the real breakthrough for renewables development in the country and Egypt has sine experienced a major boom in the renewable energy sector. Since the launch of the program and successful subscription by consortia of large investors in both rounds, eight projects were implemented in the field of renewable energy for the period 2014 to 2019, most notably the Benban solar project at the cost of $2 billion, the Jebel al-Zeit wind power plant at the cost of EGP 12 billion, in addition to various solar power plants in Siwa, New Valley and the Red Sea governorate, at the cost of EUR 60 million.
- The Egyptian Cabinet announced in late 2019 that Egypt's ranking in the Climate Change Performance Index 2019 rose to rank 24 compared to 28 in 2018, in addition to Egypt ranking 32nd place worldwide and third place in the Middle East and North Africa in the index of renewable energy regulation efficiency in the Global Competitiveness Report 2019.
- The Egyptian government is also planning to develop a pumped-storage hydropower plant in Africa and the Middle East with targeted completion in 2024, the Ataqa hydropower plant. This project will be the first of its kind, with the plant capacity is expected to be 2,400MW and cost USD 2.6 billion.

Equatorial Guinea

Lisbon

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OPEC
OPEC Affiliation

127,000
Daily Oil Production (as of Q1 '20)

1	**Response to the Oil Price Crisis**	▪ Equatorial Guinea is waiving fees for oil service companies in the country. ▪ E&P companies granted a two-year extension on their exploration program intending to ensure flexibility on the work program of producing companies and to ensure growth and stability in the market; companies such as Schlumberger, SBM Offshore, Halliburton, Weatherford, and Wood Group work there. ▪ There is ongoing support for the construction of "modular" oil refineries to process at least 20,000 bopd as the country has no refineries. ▪ Equatorial Guinea expects USD 1.4 billion in oil investments in 2020. ▪ The Ministry of Mines and Hydrocarbons has announced the approval of the new Petroleum Regulations.
2	**Vulnerabilities Exposed by the Crisis**	▪ The country is desperate to offset the declining output in more mature fields with new projects. ▪ International oil companies are being forced to review upstream investment commitments in response to the crisis. ▪ The country began producing oil in 1995 and production peaked at 425,000 bopd in 2004. Since then, it has struggled to arrest its decline rates of approximately 10% a year.
3	**OPEC and What to Watch**	▪ Equatorial Guinea's government announced that they were in full compliance with the production cuts agreed between OPEC and OPEC+ countries. ▪ While announcing compliance, the Minister of Mines and Hydrocarbons declared that Equitatorial Guinea would keep supporting these OPEC decisions and its leadership and ensure EGs compliance with them.
4	**Implications for the Energy Transition**	▪ The Ministry of Mines and Hydrocarbons announced that E&P projects for 2020 should be postponed. The main objectives for 2020 would be constructing a refinery, various power plants and petrochemical plants. He has also said that 2021 should be the year of petrochemicals. But interest in oil and gas projects has not decreased. ▪ In 2018, a National plan for the Development of Renewable Energies for 2018-2025 had already been approved. This plan focused on initiating studies to develop renewable energies to reduce the dependency of fossil fuels to create power in the country.

Gabon

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OPEC
OPEC Affiliation

187,000
Daily Oil Production (as of Q1 '20)

1 Response to the Oil Price Crisis

- As with all oil exporters, Gabon has been hit by twin shocks, 1) the global impacts of COVID-19 and 2) a sharp decline in oil prices.
- Gabon's first coronavirus case occurred on 12 March 2020. From that day, the government implemented a series of measures to curb the spread of the virus and mitigate its effect. Gabon's swift response is attributable to previous experience dealing with highly contagious diseases like Ebola and Cholera.
- A new code may provide incentives that will mitigate effects from the current crisis, including a zero corporation tax, reductions in government take for shallow and deep-water concessions. In all cases, taxation rates are subject to the particular production-sharing contract. For shallow blocks, royalties are down from 13% to 7% and down from 9% to 5% for deep-water operations. Gas exploration will attract lower tax rates and less carried interest than oil, with state profit being reduced from 55% to 25% for shallow blocks and 50% to 20% for deep-water.
- Gabon's Directorate General of Hydrocarbons and PGS has expanded the Gabon MegaSurvey coverage, increasing 3D seismic over 35 blocks on offer under the ongoing "12th Licensing Round." Additionally, well data on 167 wells is now available to help assess prospectively. The licensing round met with significant success, as a record number of PSCs signed in the country.

2 Vulnerabilities Exposed by the Crisis

- Fitch, a credit rating agency, downgraded Gabon to CCC from B, a multi-notch downgrade, reflecting the agency's review that risks to Gabon's sovereign debt repayment capacity have risen significantly due to liquidity pressure from the fall in oil prices.
- Oil remains the primary export in 2018, accounting for 70% of total exports. (IMF data).
- Questions remain whether the COVID-19 crisis will reduce much-needed investment in oil wells to stimulate oil production. (IMF data).
- For most of its modern history, Gabon has comfortably relied on crude oil exports as its primary source of revenue since half of Gabon's GDP is sourced from oil-based revenues. The country has recently been grappling with its internal barriers to business, together with political uncertainty, a shortage of investment and a lack of recent discoveries.

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Gabon

3	**OPEC and What to Watch**	▪ Following the agreement reached by the OPEP members in April 2020, Gabon was due to reduce its oil production by 23% as of 1 May 2020. ▪ No legislation or regulation have been adopted so far in Gabon to implement the above requirements agreed at the OPEPs level. ▪ In May and June, it was observed that Gabon failed to comply with its quotas incurring the disfavor of the OPEP. ▪ Gabon's authorities committed to monitoring the implementation by the operators of their respective production, notably through monthly meetings between the operators and the Technical Advisor of the Minister, who is also the Gabonese Governor at the OPEP. ▪ Though we understand that these questions are still being discussed between Gabon's government and the oil producers, the Gabonese Minister of Petroleum reaffirmed on 15 July 2020, during the meeting to monitor the effects of the agreement of 12 April 2020 of the ministers of the 13-member countries of the OPEP, Gabon's desire to continue efforts to reduce its daily oil production in order to contribute to the reassessment of prices. ▪ According to the Minister of Petroleum of Gabon, Gabon's commitment to comply with the provisions of the agreement of 12 April 2020 relating to the reduction of production remains intact and the gaps observed so far will be filled. ▪ According to a budget bill for 2021 currently under review – which states that oil production over the next fiscal year will be 10.5 million tons or nearly 210,000 bpd – the reduction in oil production will lead to better adherence to OPEC+ production cuts.
4	**Implications for the Energy Transition**	▪ We are not aware of signals that Gabon is using the current COVID-19 crisis to accelerate transitioning away from oil and gas, or other fossil fuels.

Libya

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OPEC
OPEC Affiliation

100,000 Average
Daily Oil Production (as of Q1 '20)

1 Response to the Oil Price Crisis

- Libya has been going through a 'second civil war' since April 2019. Therefore, most actions reflect the response to the militarization of oil fields as it represents the most significant danger on Libya's oil revenues.
- Austerity measures put in place by the Council of Ministers has lead to the cutting of public employees' wages by 20%
- The National Oil Corporation has issued a decision:
  - which prohibits the entering into new contracts imposing payment of any expenses or fees and the commencement of any projects whose budget has yet to be approved even if the necessary technical approvals have been obtained
  - to review and reduce costs of concluded and nearly concluded contracts while preserving the national company's financial and legal rights by declaring force majeure before contractors and suppliers if necessary.
  - to review production costs in some companies.
  - giving NOC's service companies priority in payment upon receiving the amounts allocated to companies, taking into account the difficult situation.

2 Vulnerabilities Exposed by the Crisis

- The Libyan economy is 92% dependent on oil revenues, so the militarization of oil fields has caused approximately 8 billion in USD losses, which leads to huge stress on the public budget for this year.

3 OPEC and What to Watch

- No response at this time.

4 Implications for the Energy Transition

- No response at this time.

Middle East

Bahrain

Bahrain
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OPEC+
OPEC Affiliation

206,000
Daily Oil Production (as of Q1 '20)

1 Response to the Oil Price Crisis

- The Minister of Oil has stressed the importance of Bahrain's continuing cooperation with the United States by taking advantage of US companies technological advantage in exploration and the supply of logistics and complementary industries.
- The Minister of Oil also refers to investment opportunities in oil blocks named blocks one, two, three and four in Bahrain estimated to have an area of 9,000 square kilometres. Bahrain recently signed with the Italian company Eni to drill several wells in block one in Bahrain to increase the production system. The project is currently postponed due to the pandemic.
- The Minister also continues to express Bahrain's keenness to strengthen cooperation in the oil field. For instance, the Kingdom of Saudi Arabia is currently establishing a network of gas pipelines to connect Bahrain with the rest of the Gulf Cooperation Council countries.

2 Vulnerabilities Exposed by the Crisis

- Despite the government's past efforts to diversify the economy, oil still comprises 85% of the Bahraini budget revenues.
- Bahrain's budget deficit has almost doubled in the first quarter of 2020 due to the pandemic and low crude oil prices. The government's revenues in the first quarter of 2020 fell to BD 910 million (USD 2.4 billion), down 29% compared to the same period last year. Oil revenues were down 35% as the price of crude plunged amid lower global demand and a price war led by the Kingdom of Saudi Arabia and Russia.
- The non-oil activity was also affected, with revenues down 13% year-on-year. The government will need to continue to find other sources of funding and further aid may be forthcoming from its neighbouring countries such as the Kingdom of Saudi Arabia and the UAE. Nonetheless, the authorities may also have to raise more debt.
- Bahrain's government has raised its debt ceiling to BD 15 billion (39.79 billion USD) from BD 13 billion to help finance public spending. Low oil prices and the coronavirus crisis have dented state revenues.
- Despite the pandemic's adverse economic effects, Bahrain's Bapco Refinery BMP project is scheduled to be completed in the third quarter of 2022, which projects at an estimated cost of USD 6 billion and a capacity of 400,000 barrels.
- Bahrain also seeks new natural gas supplies as feedstock to support its expanding petrochemical and aluminium industries.

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Bahrain

3	**OPEC and What to Watch**	▪ The Kingdom of Bahrain recently voiced its commitment to the supply restrictions imposed by OPEC and its allies and approved a provisional cut in output of 600,000 barrels per day.
4	**Implications for the Energy Transition**	▪ Investment levels in the tourism sector in Bahrain continue to grow following the launch of Bahrain's first national strategic plan for tourism. For instance, there are currently 22 hotels in the pipeline that are expected to be ready in the next four years. Another project is the new Bahrain International airport expansion, which is a 1 billion USD plus project and has the potential to triple the number of travellers each year. ▪ In 2016, the Sustainable Energy Authority (SEA) finalised its National Energy Efficiency Action Plan and the National Renewable Energy Action Plan (NREAP). NREAP represents Bahrain's efforts to deliver the sustainable energy transition envisioned in the Economic Vision 2030 and the proposed renewable energy mix consists of solar, wind and waste to energy technologies.

Saudi Arabia

Riyadh

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OPEC
OPEC Affiliation

10,633,000
Daily Oil Production (as of Q1 '20)

1 Response to the Oil Price Crisis

- While Saudi ARAMCO (the state-owned oil company) continues to enjoy exclusive rights to explore the Kingdom's oil fields, ARAMCO has progressed its diversification plans significantly.
- The most notable instance of this was the listing of 1.5% of ARAMCO's shares on the Kingdom's stock exchange (Tadawul) in December 2019. While the IPO raised approximately USD 26 billion of funds for ARAMCO at a valuation of USD 1.7 trillion, this figure falls short of the initial amount expected when the intention to go public was first announced in January 2016.
- ARAMCO's acquisition of the Public Investment Fund's (PIF) 70% stake in SABIC closed in June 2020. This marked a milestone in ARAMCO's diversification efforts adding SABIC, the 4th largest chemical company globally, to its downstream portfolio of Sadara Chemicals and Petro Rabigh (both JVs). The acquisition brings ARAMCO's business model closer in line with other international oil companies.
- The Minister of Energy has announced the discovery of two new oil fields in the north of the country. The Abraq Al Toloul field lies near the city of Arar, while the Hadabat Al Hajara field lies near the Iraq border.

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Saudi Arabia

2	**Vulnerabilities Exposed by the Crisis**	▪ Oil still comprises 87% of Saudi budget revenues. ▪ Saudi Arabia's hopes of maintaining 2019 deficit levels were dashed, as the Kingdom ran a USD 9 billion deficit in the first quarter of 2020 and USD 29.12 billion in the second quarter. The Kingdom is set to record a USD 22.4 billion decrease in revenue in 2020 compared to 2019. This is primarily due to the effects of the COVID-19 pandemic and the crash in oil prices. ▪ This has resulted in the International Monetary Fund (IMF) estimating that the Saudi economy will shrink by almost 7% this year, while Fitch cut the Kingdom's credit rating outlook to "negative" from "stable". ▪ Oil revenues were down 35% as the price of crude plunged amid lower global demand and despite the several deals reached by the OPEC+ group for the year. ▪ The Kingdom's 2020 budget assumed an oil price per barrel of USD 60. The crash in oil prices driven by COVID-19's demand cut, has resulted in Saudi Arabia having to draw down USD 32 billion from its cash reserves to cushion the blow. The IMF's projected fiscal breakeven point for Saudi Arabia is USD 76.1 per barrel. ▪ A significant portion of the government's aggressive privatization plans and mega-projects have been shelved, resulting in the cancellation or delay of many projects in various sectors. It has recently been announced that ARAMCO has cancelled plans to build a USD 20 billion crude-to-gas plant in Yanbu on the Red Sea Coast.
3	**OPEC and What to Watch**	▪ Saudi Arabia's relationship with the international oil market in 2020 was punctuated by the price war with Russia and the collapse of OPEC+ negotiations to cut production in March. Although the OPEC+ group has managed to maintain three successive deals from April 2020 through to the end of summer, this has not resulted in the price recovery that was expected.
4	**Implications for the Energy Transition**	▪ The Renewable Energy Project Development Office ("REPDO") has continued with the tendering of the second and third phases of the Kingdom's renewable energy program. It is estimated that by the end of 2020, the renewable energy program will have brought SAR 14 billion in investments to the Kingdom and ultimately create 6,800 jobs. ▪ Pilot PPP projects have been awarded in healthcare and education, which should serve as the basis for further privatization in these sectors. ▪ The PIF has progressed its investment strategy internationally and domestically to diversify its income, using the COVID-19 driven dip in equity prices to buy minority stakes in inter alia Facebook, Citi Group and Boeing.

United Arab Emirates

Dubai

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OPEC
OPEC Affiliation

3,168,000
Daily Oil Production (as of Q1 '20)

1 Response to the Oil Price Crisis

- To mitigate the impact of the oil price crisis and the pandemic, the UAE's Federal Government extended a number of economic stimulus packages, including a USD 70 billion Stimulus Package in Q2 2020.
- However, despite implementing these temporary relief measures, the impact of low oil prices, coupled with the uncertainty caused by the pandemic, has led to the UAE's top 10 banks reporting a drop in profits by approximately 39% in H1 2020.
- UAE banks are now hesitant to finance large-scale construction projects and, in particular, projects tied to the oil and gas sectors.

2 Vulnerabilities Exposed by the Crisis

- Given this crisis, many economies, including that of the UAE, have been forced to dip into financial reserves to sustain their economies. However, the pandemic has exposed that such financial reserves cannot last forever and can realistically only be short to mid-term short to mid-term solutions.

3 OPEC and What to Watch

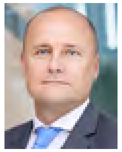
- Several sources report that the UAE has overproduced oil during August 2020. Authorities report that the overproduction has been attributed to the higher demand for associated gas for power generation during the hot weather coupled with more people working from home and opting to stay in the country during the summerholidays.
- To compensate for the overproduction, the UAE has committed to preparing and submitting its plan to reduce crude oil supplies to OPEC+.

4 Implications for the Energy Transition

- On 23 September 2020, the UAE announced its clean energy goals are not limited to solar energy only but also extend to nuclear energy.
- The region's first solar-driven hydrogen electrolysis pilot plant, at the Mohammed bin Rashid Al Maktoum Solar Park, is scheduled to be up and running during October 2020. The project is a collaboration of Siemens, DEWA and Expo 2020 Dubai. The park is expected to be the largest generator of solar energy globally from a single location, with a capacity of 5000 MWe by 2030.

Europe

Russia



Moscow

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OPEC+
OPEC Affiliation

10,623,000
Daily Oil Production (as of Q1 '20)

1 Response to the Oil Price Crisis

- In response to the coronavirus outbreak, the Russian Government passed specific measures to support companies that qualify as "systemic enterprises" of the Russian economy. Support measures include governmental subsidies, tax deferrals and abatements or state guarantees for credit facility agreements and notes. Almost all Russian major oil-producing companies have qualified as systemic enterprises and may receive some form of support.
- Russia introduced tax and other incentives to support the development of new crude oil production projects in the Arctic region.
- Russia passed amendments to its subsoil legislation to stimulatethe development of crude oil fields containing hard-to-recover reserves (primarily located in Western Siberia and the Ural Mountains).

2 Vulnerabilities Exposed by the Crisis

- The Russian federal budget for 2020 has the oil cut-off price of 42.4 per barrel of Urals crude. Excess oil revenues must be contributed to the National Wealth Fund if the oil price stays above the cut-off mark. If the price falls below the cut-off mark, the Government will use the National Wealth Fund to fund the budget deficit.
- Although the price of Urals crude has recovered above the cut-off mark after the fall in March-April 2020, the Russian federal budget may still face deficit challenge given the output cuts imposed by the new OPEC+ deal.

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Russia

3	**OPEC and What to Watch**	▪ Russia has long resented the U.S. oil sector and its continued unobstructed growth due to lax cartel policies which has allowed the United States to steadily overtake Russia and Saudi Arabia as the world's leading oil producer. ▪ The ill-fated decision to face off with Saudi Arabia in the price war is seen as a strategic mistake, with the US emerging victorious.
4	**Implications for the Energy Transition**	▪ Russian energy policy has not changed substantially, given the current oil price crisis and is still primarily focused on traditional hydrocarbons. Some industries and authorities are advocating for the fastest possible set up of a national carbon regulation in view of the EU discussions on a carbon tax and broader decarbonization agenda. ▪ In June 2020, Russia adopted a new Energy Strategy until 2035. Its low-carbon part focuses on hydrogen, setting export targets of 0.2 mln tons by 2024 and 2 mln tons by 2035. ▪ In March 2020, the Ministry of Economic Development released the draft Long Term Low-Carbon Development Strategy. The Strategy provides for a 48% reduction of Russian GDP carbon intensity by 2050 under the best case scenario. ▪ The authorities are currently discussing a draft law on greenhouse gas emissions. The draft provides for carbon reporting and verification, as well as a basis for setting carbon emission limits and charges. The law faces opposition from certain conventional industries. ▪ The government is working on an extension of renewables incentives for a new period of 2025-35. Arguably, this is happening irrespective of the COVID-19 crisis.

United Kingdom

London

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Unaffiliated
OPEC Affiliation

984,797
Daily Oil Production (as of Q1 '20)[2]

1 Response to the Oil Price Crisis

- The UK Government is expected to publish its North Sea Transition Deal, as part of its strategy to achieve net zero by 2050. Such a deal was first promised in the Conservative election manifesto in 2019, but no specific date was given for when it would be laid out. With repeated calls from politicians for the UK Government to speed up the process due to the impact of COVID-19 on the sector and rising support for Scottish independence, it is now expected that the deal will be released by the end of 2020.
- It is anticipated that the North Sea Transition Deal will set out how the UK Government plans to work with the sector and key stakeholders to support a transition to low carbon energy sources while maximizing the recovery of the North Sea's limited oil and gas reserves and protecting highly skilled jobs. We will provide further details on this when published.
- In May 2020, the Oil and Gas Authority (OGA) launched a formal consultation to review its Maximising Economic Recovery Strategy for the UK. At the heart of the review is the integration of the maximization of economic recovery from the UKCS with a requirement for industry to help the Government achieve the target of net zero greenhouse gas emissions by 2050[3]. Trade body Oil and Gas UK (OGUK) recently produced a draft response to the OGA's consultation paper. The consultation process closed in July 2020. We will provide an update on this when the OGA issues its revised strategy.
- The Scottish Government announced a £62 million fund for the energy sector in June 2020 to help recover from the dual economic impacts of COVID-19 and the oil and gas price crash. The £62 million funding package is available to support net zero projects, including:
    - A global underwater hub in Aberdeen aimed at helping the subsea and underwater sector grow with a focus on diversification and export support;
    - A new energy transition zone business park adjacent to the Aberdeen South Harbour; and
    - A range of innovation projects led by Oil and Gas Technology Centre's Net Zero Solution Centre.
- The UK Government has included oil and gas workers in the list of "key workers", whose children have been prioritised for access to education. This has enabled parents to continue working and has limited operational disruption for offshore facilities in the North Sea.

2 As captured by the **OGA.**
3 The consultation paper can be accessed **here**.

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United Kingdom

- Under a scheme introduced in March 2020, companies have been able to furlough employees, with the UK Government paying up to 80% of a furloughed employee's salary, up to a maximum of £2,500 per month. When furloughed, an employee is not permitted to undertake work for their employer. Anyone working in a full time job can be furloughed. Set to expire at the end of October 2020, the furlough scheme will be replaced by the Government's Job Support Scheme (JSS) from 1 November 2020.
- The support provided under the JSS will be dependent on whether the business is operating but facing decreased demand (JSS Open), or is legally required to close premises as a direct result of coronavirus restrictions (JSS Closed). Through JSS Open, an employee will need to work a minimum of 20% of their usual hours to benefit under the Scheme and will be paid for the hours worked as usual by their employer. The employee will receive 66.67% of their normal pay for the hours not worked, which will be composed of contributions from the employer (of 5% up to a maximum of £125 per month) and from the Government (of 61.67% up to a maximum of £1,541.75 per month). Through JSS Closed, each employee, who cannot work, will receive two thirds of their normal pay, paid by their employer and fully funded by the Government, to a maximum of £2,083.33 per month. The JSS will run for six months until 30 April 2021.
- The oil and gas sector has relied heavily on the furlough scheme and the OGUK has warned that once the furlough scheme comes to an end, and subject to activity in the sector remaining low, thousands of jobs could be in danger and the total number of redundancies in the sector could reach 30,000. As of July 2020, the OGUK estimates that more than 7,500 employees in the oil and gas sector have been made redundant.

2 Vulnerabilities Exposed by the Crisis

- The crisis has highlighted the vulnerability of North Sea supply chain companies, many of whom were recovering from the oil price fall of 2014-2015. The further reduction in activity arising from spending cuts and project deferral by oil and gas producers is expected to lead to further consolidation in this sector.
- As a number of projects in the North Sea are only economically viable if the price of oil sits above $60 per barrel, many UK oil and gas producers are operating at a loss. As mentioned above, in light of the current oil prices, it is anticipated that many projects in the North Sea will be deferred in the coming months. In addition, North Sea production is predicted to drop next year as maintenance work (which has been delayed due to COVID-19) is set to be completed.

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United Kingdom

3	**OPEC and What to Watch**	▪ N/A, unaffiliated.

4	**Implications for the Energy Transition**	▪ Companies have continued decommissioning older, more energy-intensive platforms and increased efforts to diversify their portfolios to help accelerate their own decarbonization.
		▪ The OGA has identified the following projects to further decarbonization:
		    ▪ Platform electrification and gas-to-wire platforms to help transform oil and gas production;
		    ▪ CCS and blue hydrogen projects, in particular by repurposing existing North Sea oil and gas infrastructure, to accelerate the energy transition; and
		    ▪ Green hydrogen projects and large-scale energy hubs to deliver net zero emissions.
		▪ The UK Government has announced a number of funds and policies to accelerate the implementation of clean energy, such as:
		    ▪ A CCS Infrastructure Fund, allocating at least £800 million to be used to develop at least two CCS industrial clusters by 2030. This was supplemented by an additional £170 million in July towards deploying technologies such as carbon capture and hydrogen networks in industrial clusters; and
		    ▪ The Hydrogen Advisory Council in July, which will take the lead in forming a strategic plan to invest in the hydrogen sector, in particular, blue hydrogen.
		▪ In addition, the UK Government launched a review in September 2020 into its policy on the future offshore oil and gas licensing regime as part of the wider aim of achieving net zero emissions by 2050. The review aims to ensure the Government has the information needed to plan for future oil and gas production in the UK to align with tackling climate change. Initial findings and next steps will be included in the Government's upcoming Energy White Paper (no set date has yet been specified for the publication of such paper).
		▪ The Scottish Government announced a new development bank in October 2020 to help drive the North Sea's transition to a lower-carbon future. The new bank will launch by the end of the year and will focus on three missions: the transition to net zero carbon, reducing inequality and stimulating innovation.

Central Asia

Kazakhstan

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OPEC+
OPEC Affiliation

1,689,000
Daily Oil Production (as of Q1 '20)

1 Response to the Oil Price Crisis

- The government has followed the OPEC + agreement in terms of decreasing oil production.
- Following the OPEC+ agreement, Kazakhstan has undertaken to decrease the oil production by 390,000 barrels per day.
- As a result of the oil production decrease, the Government is planning to adopt more detailed rules regarding the allocation of Kazakhstan's share in decreased oil production among oil companies. Not all oil companies are technically able to decrease oil production.
- The government has introduced an exemption concering the excise tax until 31 December 2020 for manufacturers of gasoline and diesel fuel intended for export.
- The government has introduced an exemption with regard to customs duties until 31 December 2021 for the export of certain types of oil products.

2 Vulnerabilities Exposed by the Crisis

- Kazakhstan's economy largely depends on oil production and oil prices. On various information sources, taxes from the oil and gas industry vary from approximately 36% to 44% of the state budgets income.
- A decrease in oil prices usually has a negative effect on the state budget and the national exchange rate.

3 OPEC and What to Watch

- No response at this time.

4 Implications for the Energy Transition

- Over decades, Kazakhstan has been trying to implement various programs aimed at decreasing the country's dependence on the oil and gas industry and develop renewable power production facilities. This plan does not specifically relate to the current crisis. However, the country has not yet managed to overcome such dependence.

Uzbekistan

Almaty

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Unaffiliated/Observer
OPEC Affiliation

14,000
Daily Oil Production (as of Q1 '20)

1 Response to the Oil Price Crisis

- Uzbekistan has a relatively small amount of oil reserves (less than 0.6 billion barrels).
- As of December 2018, Uzbekistan is an observer of OPEC.
- Compared to 2018, in 2019, Uzbekistan had decreased their oil production by 6.3% (total production in 2019 comprised 698 600 tonnes). The government intends to reduce oil production further.
- The government is also planning to decentralize oil production by privatizing major market players.

2 Vulnerabilities Exposed by the Crisis

- Uzbekistan is not directly dependant on oil prices.
- The number of Uzbek citizens working in oil dependant jurisdictions (i.e. Russia and Kazakhstan) is high (more than 2 million.). Money transfers to Uzbekistan by Uzbek citizens working abroad approximately exceed 5% of Uzbek GDP.
- The oil revenue decrease in Russia and Kazakhstan directly affects the number of money transfers that citizens transfer to Uzbekistan.
- Due to the reasons described above, a decrease in oil prices might negatively affect the GDP and exchange rate of Uzbekistan's national currency.

3 OPEC and What to Watch

- N/A, unaffiliated.

4 Implications for the Energy Transition

- Uzbekistan is not heavily dependent on oil. Nevertheless, Uzbekistan is trying to implement various programs to decrease the country's dependence on the oil and gas industry and develop renewable power production facilities instead.

Asia & Asia Pacific

Australia

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Unaffiliated
OPEC Affiliation

325,963
Daily Oil Production (as of Q1 '20)

1 Response to the Oil Price Crisis

- The Australian Government has taken advantage of dramatic falls in the global oil price by purchasing 94 million AUD worth of oil and establishing its first government-owned oil reserve to bolster domestic fuel security. The crude oil will be stored in the United States' Strategic Petroleum Reserve, complementing a recent access agreement with the United States.
- The Australian Government is working with refineries to make temporary changes to diesel standards to enable the re-purposing of excess jet fuel supplies and ease storage pressures currently being felt as a result of COVID-19.
- Lastly, the Australian Government is conducting a Request for Information process with industry players to identify opportunities to increase Australia's domestic fuel storage capacity. This will inform the next steps for exploring storage opportunities expected to be announced later in 2020.

2 Vulnerabilities Exposed by the Crisis

- Australia imports most of its crude oil from overseas. Currently, Australia's oil reserves stand between 55-80 days, well below the 90-day requirement by the International Energy Agency. While the oil price crisis has provided the Australian Government with an opportunity to shore up its oil reserves, the COVID-19 situation has most likely reminded the Australian Government of its vulnerabilities in times of crisis, particularly for its supply chains of essential goods such as oil.

3 OPEC and What to Watch

- On the back of the deal between OPEC and its allies in April 2020, the Australian Government elected to do its part in reducing global oil supply to help stabilize global energy markets through an extraordinary meeting of G20 Energy Ministers.

4 Implications for the Energy Transition

- In recent months, the Australian Government has invested heavily in the energy transition, although this has not been in response to the oil price crisis. Investments include the Government's AUD 1.38 billion investment in Snowy 2.0 (a nationally significant pumped hydro project), establishing the Underwriting New Generation Investments program, the AUD 1 billion Grid Reliability Fund and the AUD 300 million Advancing Hydrogen Fund.

Indonesia

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Unaffiliated (Since 2016)
OPEC Affiliation

701,600 bpd +
Oil

5,866 mmcfd
Gas

1 Response to the Oil Price Crisis

- Oil and gas industry has been declared a crucial industry that is exempt from a number of social distancing restrictions.
  - Several incentives have been issued for certain industries - these apply to the oil and gas industry and take the form of certain types of tax incentives, which as of now, have been extended until December 2020;
  - The abandonment and site restoration (ASR) fees for 2020 have been postponed.
- In addition, the Government has indicated its willingness to revert back to a cost recovery regime (which may be fiscally more certain and attractive) and is backing away from a gross split model.
- A number (we have been informed more than 20+) of Production Sharing Contract holders have declared force majeure.
- In addition, SKKMIGAS, Indonesia's upstream oil and gas regulator, has indicated its willingness to defer work programs and budget commitments.

2 Vulnerabilities Exposed by the Crisis

- Indonesia is a mature province, with a relatively complicated legal and regulatory environment. The number of large oil discoveries being made has been declining year after year (despite a number of recent discoveries in the past 18 months). This is reflective of declining exploration spend, rather than a decline in prospectivity. This has also resulted in a slow drift away by IOCs.
- The collapse in the oil price will further exacerbate this drift.
- The concern is that these patterns will also spill over into gas developments - e.g., Chevron has reportedly indicated a willingness to sell its interest in IDD (Indonesia Deepwater Development) to Eni; Shell has announced its plan to sell its stake in Masela block while Inpex has announced that it is seeking to extend the development date for Masela. While Indonesia has traditionally maintained strong domestic gas demand, there is increasing pressure on gas prices, making the further expansion of Indonesia's gas fields more complex.

Continues on next page

Indonesia

3	**OPEC and What to Watch**	▪ N/A, unaffiliated.
4	**Implications for the Energy Transition**	▪ Indonesia has been actively looking to swap out its reliance on diesel generation, which still makes up a substantial portion of the energy mix. It has been looking to do so by ramping up power generation in general (using a mixture of coal, some gas and some renewables). It has been actively looking at LNG break bulk distribution models for smaller power stations with a centralized LNG depot, from which smaller vessels would make regular round trips to supply regasification units, both floating and land-based. ▪ At the same time, Indonesia has made relatively ambitious commitments to increase the amount of renewable energy in the energy mix. While a number of these projects, including wind and solar, are continuing, a number of projects have been delayed as a result of plateauing demand.

Malaysia

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OPEC+
OPEC Affiliation

600,000
Daily Oil Production (as of Q1 '20)

1 Response to the Oil Price Crisis

- Malaysia, being a part of OPEC+, committed to reducing its output by 136,000 bopd to ensure oil prices do not plunge further.

2 Vulnerabilities Exposed by the Crisis

- Oil revenue accounts for approximately 20% of Malaysia's revenue income. As a result, the decrease in oil prices and production will likely lead to further budget deficits for the country.
- The Malaysian Treasury estimates that every USD 1 decline in global oil prices is equivalent to approximately RM 300 million impact on the Malaysian economy.
- However, after the last global financial crisis, Malaysia has rebalanced its focus on the energy sector thereby reducing reliance on oil income. Notwithstanding that, in view that Petronas is the sole national oil company wholly owned by the Government, any reduction in Petronas' revenue will have a significant impact on Petronas' dividend contribution to the Government's revenue.
- Petronas has also announced that it will cut its forecasted CAPEX and OPEX for 2020, which will affect other oil and gas service providers in Malaysia.

3 OPEC and What to Watch

- It is likely that Malaysia will continue to observe and adopt OPEC and OPEC+ members' positions.

4 Implications for the Energy Transition

- The regulatory framework and investment incentives for other forms of energy (primarily renewables) have been in place before the current oil price crisis. They will continue to be promoted by the Malaysian Government.
- Petronas has been developing its downstream portfolio and its gas portfolio and renewable energy footprint to brace for the low-carbon world of the future to offset the effect of low oil prices.

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