

Russia signals partial Ukraine troop withdrawal

Russia's defence ministry has announced a partial military withdrawal from the Ukrainian border, in a possible first-step de-escalation from the threat of invasion.

The extent of the potential drawdown remains unclear.

"The units of the Southern and Western Military Districts that have completed the tasks have already begun loading onto rail and road transport and will begin moving to their military garrisons today", Russian defence ministry spokesman Igor Konashenkov said today.

Russia has amassed 100,000 of troops at the Ukrainian border, with some Kyiv officials floating expectations of a Moscow-led invasion on 16 February. Western leaders have attempted to address Russia's security concerns — led by Ukraine's possible members in the Nato defence coalition — through negotiations and avert military conflict.

Ahead of a 16 February meeting of Nato defence ministers, Nato secretary general Jens Stoltenberg said that the organisation has noted "signs from Moscow that diplomacy should continue," giving grounds for "cautious optimism." But Nato remains focused on concrete evidence of a military withdrawal:

"So far, we are not seeing any de-escalation on the ground. We [have] not seen any signs of reduced Russian military presence on the borders of Ukraine. But we will continue to monitor and to follow closely what Russia is doing and the signs coming from Moscow about willingness to continue to engage in diplomatic efforts," he said, noting that Russia frequently relocates its military forces inconclusively. "The movement of forces, the movement of Russian capabilities, doesn't represent real de-escalation."

He reiterated that any further "Russian aggression against Ukraine would come at a high price."

"We in Ukraine have a rule: we don't believe what we hear, we believe what we see. If a real withdrawal follows these statements, we will believe in the beginning of a real de-escalation," Ukrainian foreign minister Dmytro Kuleba said in response to the Russian withdrawal announcement.

Russian foreign minister Sergei Lavrov had yesterday signalled a diplomatic solution was not unattainable, but warned that talks "should not continue endlessly." The White House[responded with reassurances that the "door is open for diplomacy," while cautioning it continues to prepare for an alternative worst-case scenario. German chancellor Olaf Scholz meets today with Russian president Vladimir Putin to discuss the proceedings, after an exchange between Moscow and London failed to produce an agreement.

Russia's legislative body, the Duma, today approved a resolution calling on Putin to recognise the Russian-controlled Ukrainian breakaway regions of Donetsk and Luhansk "as self-sustained, sovereign and independent states." Such a step could pave the path for potential formal annexation, as in the case of Crimea in 2014.

"Kyiv is not fulfilling the Minsk Agreements. Our citizens and compatriots living in Donbass need assistance and support," State Duma speaker Vyacheslav Volodin said.

"The EU strongly condemns the Russian State Duma's decision to submit a call to President Putin to recognise the non-government controlled areas of Donetsk and Luhansk oblasts of Ukraine as independent entities," High Representative of the EU- Josep Borrell said today. "This recognition would be a clear violation of the Minsk agreements."

Market participants have been closely watching whether the Russia-Ukraine tensions would lead to blanket international commercial sanctions against Russia's energy sector, contributing to the recent oil price rally. North Sea Ice Brent futures have responded with sharp declines to the announcement, with the front-month April contract down by \$2.73/bl from yesterday's settlement at \$93.75/bl at 14:01 today.

G7 to reduce reliance on Russian energy

Leaders of the G7, an assembly of the world's seven largest developed economies, have committed to reduce their dependency on Russian energy and to support other countries wishing to do the same. They additionally stressed Opec's pivotal role in increasing oil and gas supply to international markets.

"We are taking further steps to reduce our reliance on Russian energy, and will work together to this end," the leaders said in a joint statement today following a meeting in Brussels to discuss the Ukraine crisis. The group — which unites Canada, France, Germany, Italy, Japan, the UK and the US — also said it is committed to "actively support" other countries willing to phase out their dependency on Russian gas, oil and coal imports.

The G7 leaders pledged to "ensure secure alternative and sustainable supplies" and to work in close co-ordination with one another in the event of possible supply disruptions. They also called on oil and gas producing countries "to act in a responsible manner and to increase deliveries to international markets", noting that Opec has a key role to play.

The wider Opec+ group, which includes Russia, has come under mounting pressure from the IEA and major oil consuming countries in recent months to accelerate the pace of its crude production increases to temper rising oil prices, but the coalition has so far chosen not to veer from the roadmap it agreed last summer. Opec delegates insist that high prices are currently being driven by geopolitical events, rather than actual supply and demand fundamentals.

Today's G7 meeting was convened to further strengthen co-operation in light of Russia's military action in Ukraine. It is the second of three back-to-back world leader summits being held to cement an international response to the conflict. Earlier today, Nato secretary-general Jens Stoltenberg — whose mandate has been extended by another year to September 2023 — confirmed that the defence alliance has set up four new battle groups in Bulgaria, Hungary, Slovakia and Romania in response to the situation in Ukraine, and warned that "any use of chemical weapons will totally change the nature of the conflict".

Nato allies are taking measures to co-ordinate their efforts to achieve energy security, Stoltenberg said. Members are discussing ways "to step up supplies, to diversify sources of supply, and also to reduce dependence on supplies from Russia", he said. Stoltenberg also called on China to oppose Russia's actions. "Our message to China is that they should join the rest of the world and clearly condemn the war against Ukraine," he said.

The US and the UK separately expanded their sanctions against Russia today. Washington has already imposed a ban on Russian oil imports and London plans to phase them out by the end of the year. The EU, which is heavily reliant on Russian oil and gas, has not yet imposed any restrictions on Russian energy imports. Its leaders are meeting in Brussels today.

UK-French fishing row escalates as 2 Nov deadline looms (UNEDITED COPY)

UK Foreign Secretary Liz Truss has set a 48-hour deadline for France to resolve its fishing dispute with Britain, before the UK "absolutely" considers legal action.

The diplomatic spat stoked last week, with Paris' seizure of British trawler vessel *Cornelis Gert Jan* near the port of Le Havre for alleged unauthorised fishing in French waters. The incident was the latest development in a post-Brexit conflict sparked by French claims that the UK has failed to provide sufficient licenses allowing French vessels to fish in British waters, as laid out by the EU-UK Trade and Cooperation Agreement (TCA) signed last December.

"Stop threatening UK fishing vessels, stop threatening the channel ports, and accept that we are entirely within our rights to allocate the fishing licences in line with the trade agreement, as we have done. This issue needs to be resolved within 48hours," Truss said, in an interview with Sky News

ahead of the UN Cop26 climate conference in Glasgow. UK Home Secretary Priti Patel had described the trawler's detainment as "disappointing," claiming that the UK has fulfilled its obligations under the TCA.

"I can confirm that the vessel *Cornelis Gert Jan* remains detained at the port of Le Havre. We expect a hearing to go ahead on Tuesday or Wednesday that will set the terms of the release of the vessel," Andrew Brown, director of ship owner Macduff Shellfish, told Argus.

French government spokesman Gabriel Attal last week warned that Paris could intervene with a series of punitive measures, should the UK continue to withhold fishing licences from more French vessels. This first set of sanctions, due to come in effect on 2 November, includes an interdiction for British fishing ships to disembark in assigned [French] ports, reinforced sanitary and customs checks, systematic security checks of British vessels and the reinforcement of check of trucks heading to or from the UK, according to a document released on 27 October.

Attal said a second, so far undisclosed package of sanctions was also being prepared. French retaliation could spill into the energy sector. French Secretary of State for the European Union Clement Beaune on 5 October reminded that the UK depends on France for energy, after French maritime minister Anne Girardin signalled similarly on 5 May:

"As concerns [Channel Island] Jersey, for example, I remind you of the transport of electricity via undersea cable," she said at the time.

In a press conference following the Rome-hosted G20 summit, French president Emmanuel Macron yesterday said that "the ball is in [the UK] court" regarding the fishing dispute, and restated that, if the UK government takes no "evident" steps, France will proceed with the retaliatory measures announced for 2 November.

The government of Jersey today revealed it has issued 49 temporary licences to French fishing vessels, as it announced on 28 October, which will allow these vessels to fish in Jersey waters until 31 January 2022. This will grant the ships time to provide the necessary data to secure a permanent licence. The Jersey administration said it has issued a total of 113 permanent permits — 47 in May and 66 last week — to French fishing vessels.

Iran submits nuclear proposal to JCPOA members (UNEDITED COPY)

Iran has submitted a draft proposal on sanctions removal and its nuclear commitments to the remaining signatories of the 2015 Joint Comprehensive Plan of Action (JCPOA), Tehran's lead negotiator Ali Bagheri-Kani said today.

"We presented two draft documents to the other side," he told reporters in Vienna, where negotiations between Iran and the original partners in the JCPOA resumed on 29 November after a five-month hiatus. "One of the draft documents contained Iran's viewpoints and stances on the lifting of sanctions, and the second draft document is about Iran's nuclear commitments and activities," he said.

World powers are attempting to revive the nuclear agreement that broke down after then-US president Donald Trump withdrew from it in 2018, reinstating commercial sanctions against Tehran that have sharply impacted the Iranian economy, as well as its oil and gas sector. The measures have completely cut off Iranian crude from its European customers, leaving only China and — more seldomly, with smaller volumes — Syria as reliable outlets.

"Naturally the other side should study these documents and be prepared to enter into serious talks with the [Islamic Republic of Iran] about these documents," Bagheri-Kani stressed today.

The official, who is also Iran's deputy foreign minister in new president Ebrahim Raisi's government, said he "confirmed the resolute intention of Iran to actively and positively engage in the talks in Vienna" during "fruitful discussions" with International Atomic Energy Agency (IAEA) director general Rafael Grossi today. Grossi separately confirmed the meeting.

"I think a [nuclear] deal is always possible, provided the political will is there," Grossi said today. "The good thing is that they are not starting from scratch, they have already six rounds of talks."

Iranian representatives and senior EU envoy Enrique Mora had on 29 November both confirmed that Tehran's delegation would [factor in the work of previous negotiations](<https://direct.argusmedia.com/newsandanalysis/article/2278229>), sustained during the administration of Iranian president Hassan Rouhani.

Grossi today denied reports that Iran had achieved uranium enrichment to 90pc — a level associated with weapon-grade material.

"We don't have this information," he said, stressing only the IAEA retains inspecting presence on site in Iran. "There is no 90pc enrichment at the moment in the Islamic Republic of Iran. You have enrichment at 5pc. You have enrichment at 20pc, you have enrichment at 60pc. Which, mind you, is pretty high. And one could even argue that between 60pc and 90pc, it's only a few steps. So there is some concern there. But we don't have any information about 90pc enrichment."

The IAEA had issued a report stating that Iran had increased production capacity at its underground uranium enrichment facility in Fordow, in the northeast of the country. The Iranian mission to Vienna yesterday acknowledged the report, defending its observations on Tehran's nuclear activities shape "an ordinary update in line with regular verification in Iran."

Israel, which has previously objected to US president Joe Biden steering the US towards a return to the 2015 nuclear agreement, has today urged an immediate stop to nuclear talks and "concrete steps taken by major powers," according to the office of Israeli Prime Minister Naftali Bennett. The Israeli premier claimed Tehran was deploying "nuclear blackmail" as a negotiation tactic in a conversation with US secretary of state Antony Blinken.

"So as you know, our team, led by Rob Malley in Vienna right now, I think in the very near future, in the next day or so, will be in a position to judge whether Iran actually intends now to engage in good faith," Blinken said today. "I have to tell you, recent moves, recent rhetoric don't give us a lot of cause for optimism."

He stated the White House and Israel "have exactly the same strategic objectives" of ensuring Iran does not acquire nuclear weapons, and pledged Washington will remain in close contact with Israel "as well as with other concerned countries, including in the Gulf" about the ongoing Vienna talks.

NOTE: all writing undertaken by me, but copy includes reporting by Nader Itayim and Haik Gugarats

Khalifa Haftar to stand in Libyan presidential election

Libyan National Army (LNA) leader Khalifa Haftar said he will stand in the north African country's presidential election, which is slated for 24 December.

Haftar and the LNA fought a 14-month offensive for control of the capital, Tripoli, during Libya's civil war and have the support of the eastern Benghazi-based government. Last year, the LNA and its mercenary and tribal allies enacted blockades that paralysed the majority of Libya's onshore crude oil exports in the January-September period.

Military, politics and oil activity are deeply intertwined in Libya, where the hydrocarbon sector is often ransomed for leadership advantage. Argus estimates Libyan crude production was 1.14mn b/d in October.

Also standing for president are Aguila Saleh, speaker for the House of Representatives — Libya's eastern legislative body — and Saif al-Islam Gaddafi, the son of deposed leader Muammar Gaddafi who was ousted in 2011. Libyan prime minister Abdelhamid Dbeibeh, whose caretaker government took over at the start of the year, has hinted he could join the race, on 15 November saying this decision will be determined by "the youth of Libya."

UN deputy spokesperson Farhan Haq on 15 November said that "is the prerogative of the Libyan High National Commission for Elections to receive nominations from candidates in the upcoming presidential and parliamentary elections and it is also for the high national commission to decide on their eligibility in accordance with the legislative framework and the executive regulations by that commission."

With fewer than 40 days until the polls, Libya's elections have a fragile legal framework. The international community has vocally supported the process as a remedy to the country's recent history of civil conflict.

India "made a concerted push" on Opec+ output: Puri (Unedited copy)

Indian oil minister Hardeep Singh Puri says his country has made a "concerted push" for Opec+ members to accelerate output increases, warning producers against abrupt steps in their journey to energy transition.

In a televised Bloomberg interview, Puri said he had spoken to large Opec+ producers Saudi Arabia, Russia and the UAE on efforts to alleviate alleged supply constraints that have sustained oil prices past \$80/bl in recent weeks:

"We made a concerted push. I'm told that has been factored in, but the most important thing is, I think, apart from our concerted push and our telling them to do whatever it can, we are all joint stakeholders, both producers and consumers," he said.

India has repeatedly urged the Opec+ group to accelerate the unwinding of the coalition's remaining production cuts to combat price increases that have been stoked by fuel switching because of shortages in coal and gas markets. New Delhi has this month had to reduce central excise duty on gasoline and diesel by a respective 5 rupees/litre (7¢/l) and Rs10/l, in response to oil price hikes that Puri stresses can exacerbate living costs:

"For anyone to try and argue that high oil prices don't result in inflation would be a very difficult argument to make," he said. India's Wholesale Price Index (WPI)-based inflation rose to 12.54% in October from 10.66pc in September, according to data released on 15 November by the Ministry of Commerce and Industry. India is not alone in battling high inflation, with US consumer prices reaching a three-decade high in October.

Despite domestic price pressures, Puri insists that Strategic Petroleum Reserve (SPR) releases are not the appropriate recourse for the current energy squeeze:

"I don't think the strategic reserve was ever intended for a situation like this," he says, arguing that the SPR availabilities are intended for force majeure situations, such as earthquakes and damage to facilities that can lead to output shut-ins. The US White House has long touted a prospective SPR drawdown to combat high oil prices, without so far finalising such a decision.

The Indian energy minister insists that SPR releases are not the right measure for price spikes resulting from decarbonisation efforts:

"It's time the producing countries realised that if they are not going to be able to ensure a smooth, managed transition, they themselves will also have to then take the adverse consequences," he said. "If you manage the transition in a stable manner, then both producers and consumers could be in for a win-win."

Puri says India has already resorted to stepping up domestic exploration and production, increasing biofuels mixing from 1pc in 2014 to 8.5pc at present, and setting up 22,000 electric vehicle charging stations in the coming years. Despite the shift to renewables, Puri underlines that "traditional fuels, petrol and diesel petroleum are going to be the mainstay of the global economy, and (...) we need to factor in very carefully what happens when those prices go up through the roof."

India incurred a storm of public condemnation after its Beijing-backed last-minute objections diluted the wording on coal consumption responsibilities in yesterday's cover text of the UN Cop 26 climate conference. New Delhi requested replacing the "phase out" of coal with "phase down," along with adjustments to "phase out inefficient fossil fuel subsidies, while providing targeted support to the poorest and most vulnerable in line with national circumstances".

"It's also a very convenient play to take the focus off oil and gas and to suddenly talk about coal, as if that were the main issue of discussion here," Puri said.

Global crude stock build to start in December, Opec Secretary-General says (UNEDITED COPY)

Global oil inventories could be heading into surplus as early as December, Opec Secretary-General Mohammed Barkindo warned, exacerbating an Opec+ forecast of oversupply in the first quarter.

"The surplus is already beginning in December," Barkindo said today on the sidelines of the Adipecon conference in Abu Dhabi. "The projections, not only from Opec, but from the IEA and others, shows throughout the quarters of next year that there would be oversupply in the market, using the metric of the OECD stocks."

Looming crude surplus at the start of the year was a key argument invoked by the Opec+ alliance on 4 November, when it [confirmed a 400,000 b/d December increase](<https://direct.argusmedia.com/newsandanalysis/article/2270557>) in coalition quotas despite vocal international calls to release more volumes into the market.

"[Oversupply] is further evidence why we should be very cautious, measured in the decisions that we take every month," Barkindo said, pointing to ongoing uncertainties over potential further Covid-19 strains and governmental responses to the pandemic. "All these uncertainties further buttress our commitment that we need to keep our hands firmly on the steering wheel, continue to meet regularly on a monthly basis, review your data, your report, talking to all practitioners and moving step by step."

Earlier this month, the Opec+ Joint Technical Committee (JTC) — which studies market fundamentals that inform the group's output policy — examined a base supply and demand scenario that projected a 223mn bl stock build in the first quarter, according to a document seen by Argus.

Opec+ has yet to clarify whether its forecasts factor in the group's inability to bring back a full 400,000 b/d of supplies, as tightening spare capacity, infrastructural challenges and sabotage prevent some member producers from meeting their quotas.

A surge in global oil prices above to sit consistently above \$80/bl in recent weeks has repeatedly put the Opec+ 'slow and steady' at sharp odds with key international consumers, including India, Japan and the US. As high oil prices ripple into domestic gasoline costs, the White House has increasingly mulled but yet to pull the trigger on a supply release from the US Strategic Petroleum Reserve. Earlier in the week, Mideast Gulf allies Kuwait and the UAE once again pushed back against foreign pressures, invoking the upcoming stock build of next year.

"We would like the industry, the market, the world to have confidence in our ability to continue to do our best, so that this recovery does not falter in any shape or form," Barkindo says.

Paris-based energy watchdog the IEA today flagged rising supplies, which could soften current prices.

"Preliminary data and satellite observations of stock changes in October suggest the tide might be turning," the agency said in its latest Oil Market Report (OMR).

Saudi Arabia committed to 'affordable energy' (EDITED COPY)

As diplomatic pressure mounts on Opec+ to help curb rising oil prices with more aggressive output hikes, Saudi Arabia has reaffirmed its commitment to "affordable energy".

Speaking following the conclusion of the G20 summit in Rome, Saudi oil minister Abdulaziz bin Salman stressed "the importance of providing affordable energy" while curbing the effects of climate change. He underscored that the energy sector continues to rely on the three "pillars" of security, economic development and environmental change, which must be "taken into account together, without prejudice to one for the other, whatever the circumstances".

The oil minister's comments, reported by the state-run SPA news agency, come after Saudi Arabia recently outlined an ambition to reach net-zero emissions by 2060. Crown Prince Mohammed bin Salman also announced a \$10.4bn Mideast green investment fund at last week's Middle East Green Initiative Summit in Riyadh.

Even so, US president Joe Biden has singled Saudi Arabia out as among the countries that are falling short in their efforts to combat climate change. "We've made significant progress and more has to be done," Biden said in his closing remarks at the G20. "But it's going to require us to continue to focus on what China is not doing, what Russia is not doing, and what Saudi Arabia is not doing."

Saudi Arabia and its Opec+ allies face competing calls to increase their climate commitments on the one hand and to raise their crude production to help soften oil prices on the other. The US, Japan and India have been pushing for the group to unwind its output cuts faster than planned, although that looks unlikely in the short term. As Opec+ ministers prepare to meet this week to confirm December output policy, Opec members Angola, Iraq and Kuwait have all endorsed the current plan to raise the collective production quota by another 400,000 b/d next month.

Biden hinted yesterday that domestic pressures from rising gasoline prices could push his administration to respond if Opec+ sticks to its guns, although he did not elaborate. "The idea that Russia and Saudi Arabia and other major producers are not going to pump more oil so people can have gasoline to get to and from work, for example, is not right. What we're considering doing on that, I'm reluctant to say before I have to do it," he said.

NOC veteran chairman Mustafa Sanalla suspended (UNEDITED COPY)

Mustafa Sanalla, the long-serving chairman of Libya's National Oil Corporation (NOC), has been suspended by the north African country's oil minister Muhammad Aoun, pending an investigation into his work leaves.

Jadallah al-Awkali has been appointed as Sanalla's temporary replacement, an oil ministry source said, although an analyst flagged that al-Awkali has refused the post. A NOC source said that Sanalla remained in his position as of yesterday, adding that al-Awkali has previously been involved in the NOC international cooperation committee.

In a letter dated 28 August obtained by Argus, Aoun informs the command of the Petroleum Facilities Guard (PFG) militia group — which typically secure NOC fields and infrastructure — that Sanalla has breached work policy by conducting a business trip abroad without securing ministerial approval. In the same letter, Aoun also accuses Sanalla of obstructing the handover of his chairman duties.

The letter has not been independently confirmed by Argus. Sanalla has yet to respond to a request for comment.

Al-Awkali attended a board meeting chaired by Sanalla on 29 August at the NOC Tripoli headquarters on 29 August, a NOC source confirmed.

Aoun's efforts to depose Sanalla build on the minister's mid-August call to reshuffle the NOC board, which at the time nominated Taher al-Qahtani to succeed Sanalla as chairman.

Relations between Aoun and Sanalla have fractured since the March creation of the oil and gas ministry, serving the caretaker Government of National Unity (GNU) of premier Abdelhamid Dbeibeh until December elections. No unified oil ministry has governed Libya's hydrocarbon sector since Muammar Gaddafi's regime dissolved in 2011, subjecting the country to repeated armed civil hostilities between tribal, mercenary or foreign entities backing rival Tripoli or Benghazi administrations.

NOC has withstood the political turbulence, operating under Sanalla's leadership to preserve oil production despite blockades against its fields, ports and infrastructure, attempts to smuggle crude, power outages and frequent funding shortages. Sanalla has also previously stepped in to act as Libya's representative to Opec+ negotiations, earning ongoing reprieves from output quotas in the coalition's production restraint agreements. The spring creation of the oil and gas ministry has led to an overlap between the natural remit of the institution and NOC's organically expanded duties.

While internationally acclaimed, Sanalla has found himself increasingly isolated within the country, following rifts with several key domestic figures. National Army (LNA) leader Khalifa Haftar has previously attempted to wrest control of NOC assets and entrust them to a mirror Benghazi-based institution, citing concerns that NOC revenues were used to sponsor military offensives against him. A rift also took place after NOC last year froze transfers of its oil incomes to the Central Bank of Libya (CBL) governed by Sadiq al-Kabir, claiming a lack of transparency in the use and distribution of these funds that was detrimental to NOC operations.

Aoun, Sanalla and oil and gas ministry undersecretary Refaat Alabbar will meet on 5 September to discuss the dispute, a Libyan source said.

Conflict has struck Libya's oil and gas echelons at a time when the north African producer's supplies are already threatened by funding shortages. Nearly nine months into the year, Dbeibeh has yet to win approval for a 2021 budget from Libya's legislative power, the House of Representatives, which has previously objected to the scale of Dbeibeh's funding requests, relative to the duration of his temporary governing mandate. Concerns have meanwhile mounted that the absence of a critical legal framework could delay nationwide elections.

Amid the postponements, NOC subsidiary Agoco last week warned that budgetary constraints could once again force it to shut down output, without offering a concrete timeline. It was previously pushed to similar outages in mid-April, when an emergency cash injection mediated by Aoun's ministry and the ministry of planning resourced the company to continue operations.

Argus estimates that Libya produced 1.14mn b/d in July, some 300,000 b/d short of the ambitious 1.45mn b/d target NOC had set out by the end of the year.

Iran to bear no output limits once sanctions lift: envoy (UNEDITED COPY)

Iran will "not accept any limitation on production and export level[s]" once Tehran's situation "normalises," according to Kazem Gharibabadi, the Mideast country's ambassador to the International Atomic Energy Agency (IAEA).

Gharibabadi's comment — conveyed on Twitter — came in response to Russian IAEA ambassador Mikhail Ulyanov's expression of hope that Tehran would join the efforts of the Opec+ coalition to maintain oil market stability, once US nuclear-linked economic sanctions against Iran lift. Gharibabadi added that such a course would be "merely a national decision, rather than a decision taken through joint efforts."

Alongside Venezuela and Libya, Iran is currently exempt from a quota under the existing Opec+ output restraint agreement, in recognition of its production being inorganically curtailed by US penalties on purchases of its crude oil. White House sanctions, which came in effect in 2018, have dwindled Iranian crude exports to a 700,000 b/d trickle in recent months, according to analysts. Argus estimates Iranian production steadied at 2.44mn b/d in July, after eight months of consecutive gains over November-June.

Hopes of a prospective lifting of sanctions sparked in April, when Washington and Tehran resumed talks in the Austrian capital of Vienna, targeting a potential return to a nuclear agreement. The White House had unilaterally exited the previous deal — formally known as the Joint Comprehensive Plan of Action (JCPOA) — under Donald Trump’s administration. Discussions have languished in recent weeks, with no timeline yet set to return diplomats to the negotiation table.

The delays come at a time of political transition for Iran, following national elections earlier this year. Yesterday saw the inauguration of new president Ebrahim Raisi, who pledges his government will “support any diplomatic initiative” that targets the eventual removal of Washington’s economic measures against Tehran.

Iran is one of the five founding members of the Opec organisation. Opec said its Secretary-General Mohammad Sanusi Barkindo attended Raisi’s inauguration ceremony in Tehran and met with outgoing Iranian oil minister Bijan Namdar Zanganeh, who noted his country is prepared to increase production as soon as US sanctions ease. Barkindo was also received by Ayatollah Ahmad Jannaty, Iran’s Secretary of the Constitutional Council and Chairman of the Assembly of Experts, who reiterated Tehran’s ongoing support to help preserve global oil market stability, according to Opec.

The vows of cooperation follow two weeks of tensions, during which Iran has been blamed for the maritime sabotage of two tankers in Mideast Gulf waters. Tehran has denied involvement in both incidents.

UN renews Libya smuggling measures, monitors truce (UNEDITED COPY)

The UN Security council (UNSC) said it has unanimously passed the renewal of soon-expiring measures against illicit Libyan oil exports through to 30 July 2022.

The councils’ previous decision, which applies to crude oil and petroleum products, was due to terminate on 30 April. The measures previously allowed UN member states to inspect suspect and designated vessels on the high seas, in an effort to curb crude smuggling by unauthorised entities unaffiliated with Libya’s state-owned National Oil Corporation (NOC). Illicit oil sales have in the past been attempted at some of Libya’s eastern terminals, according to market sources.

NOC is the sole UN-backed custodian of Libyan crude assets and sales, and allocates volumes to term buyers. The resale of Libyan crude is typically banned contractually, but prospective proposals to sell term crude lawfully obtained from NOC to other counterparties in the secondary market are not the target of UNSC legislation.

The 16 April also saw the UNSC unanimously pass a resolution calling on all foreign forces and mercenaries to withdraw from Libyan territory — a critical condition of the UN-stewarded ceasefire struck between Libya’s warring factions, with an initial deadline within 90 days of the 23 October agreement. Previously Turkish forces, Russian mercenary group Wagner, and Syrian and Sudanese Janjaweed groups had infiltrated Libya to support either the now-extinct Government of National Accord (GNA) or Khalifa Haftar’s Libyan National Army (LNA) in a civil war that ravaged the country for over a year.

The UNSC has also approved the phased deployment of 60 ceasefire monitors to Libya, in line with a plan submitted by UN Secretary General Antonio Guterres. The monitors will be stationed in the eastern region of Sirte, under the umbrella of the UN Support Mission in Libya (UNSMIL). The latest resolution further calls for constitutional and legislative backing for Libya’s new electoral process to be in place by 1 July, urging “free, fair and inclusive” national presidential and parliamentary elections on 24 December.

Financials to foil short-term EuroMed crude purchases (UNEDITED COPY)

Iranian crude barrels could prove slow to re-enter European markets once US commercial sanctions are lifted, as regional trade sources expect substantial logistical delays prompted by sanctions-shy banking and shipping institutions.

Some trade sources anticipate it could take at least two months from the easing of US sanctions before refiners will be able to broker critical arrangements to receive Iranian crude, while others forecast Tehran's supplies will not become accessible to Europe before September, if a deal is finalised in the short term. European buyers — a lifeline to Iranian exports during the previous lifting of sanctions in 2016 — face greater logistical challenges than their eastern counterparts, traders said, as government-backed schemes are expected to make Asian sales more straightforward.

At the heart of the delay is the prospective reluctance of international banks to risk their exposure to the US dollar — a key currency in global commodities trade — by offering credit guarantees to refiners, before they are convinced these transactions will not breach US guidance. Washington has previously slapped heavy fines for the perceived violations of European banks, later having to reassure these entities they could resume legitimate business with Iran, during the last easing of nuclear-related sanctions.

Banks are integral to most small and medium refiners' term crude purchases — typically they offer letters of credit (LC) covering 110pc of the purchased cargo value, which sellers must receive seven days before the parcel loads, traders said. LCs guarantee that banks will cover a potential default on payment, which is usually due within 30 days from the bill of lading issuance for European buyers. Lenders will often limit buyers' credit for their purchases overall from a specific counterparty — prompting refiners to grow credit lines with multiple banks, market sources say. Traders expect some refiners could attempt purchases on non-USD currencies, while others could employ an intermediary “sleeve” company to assume the transaction risk in exchange for a margin.

Buyers can bypass LCs if Iranian marketer NIOC accepts purchases on open credit — a riskier proposition for sellers, typically reserved for oil majors. Some traders expect certain buyers to consider partial or complete prepayment terms, if they are sufficiently incentivised, although smaller refiners will lack the cash liquidity. Previously, most Europe-bound Iranian crude shipments were sized at 1mn bl, implying a roughly \$65-67mn front cost, given recent prices for both global crude and NIOC marketing prices. The volatility of the US stance on Iran — with a possibility of another major tightening of sanctions after the 2024 US election — also leaves buyers at risk that prepaid crude could become unavailable on too short of a notice for import, market participants flag.

Traders say that when Iran last exited US sanctions in 2016, NIOC sought to recapture market share by temporarily offering its crude at attractive, discounted official formula prices. Market sources expect NIOC could find more prepayment interest from trading firms, if it relaxed its crude resale ban — a tenet shared with Saudi Aramco, Iraqi Somo and Kuwaiti KPC. But some warn that the retrade appeal of Iranian crude will be limited, as several independent refiners in China, the world's biggest consumer, have continued Iranian intake during the sanctions period and have arrangements in place. NIOC has yet to respond to an Argus request for comment.

Obstacles persist even once finance agreements are struck. When crude is booked, buyers must secure a charterer and vessel for their volumes and, optionally, contract transport insurance. Some providers are likely to mirror banks in postponing their services for Iranian shipments, traders warn, while the age of vessels offered by Iranian fleet NITC could disqualify them from consideration. Data compiled by Argus show the average age of NITC tankers at 14.88 years, with the oldest two vessels built back in 1996. Traders warn that certain ports struggle to accommodate ships older than 15 years, adding it is unclear if NITC vessels have been maintained during the sanctions period, when they conducted shipments with their AIS transponders off to avoid US detection. Opinions diverge on whether some buyers — typically large refiners — could self-insure their cargo purchases, mitigating the risk against operations in other departments.

Turkey offers naval aid to resolve Suez blockage (UNEDITED COPY)

Turkey has offered to send in its emergency response vessel Nene Hatun to assist Egypt in resolving the ongoing blockage of the Suez canal, Turkish transport minister Adil Karaismailoglu said, amid recent efforts to revive long-strained Ankara-Cairo relations.

The 400m-long tanker Ever Given on 23 March ran aground in the Suez Canal that connects the Red Sea and the Mediterranean, disrupting naval transit across the entire route. The tanker's Japanese owner Shoei Kisen said that dredging and digging efforts now aim to move the tanker by late on 27 March, although previous attempts to return the Ever Given afloat have repeatedly failed.

"We have offered help, and we'll send aid if they come with a positive response," Karaismailoglu told local TV stations, according to Turkish state news agency Anadolu. "Our emergency response vessel Nene Hatun is one of the few ships in the world to carry out such massive operations."

The offer comes after Turkish Foreign Minister Mevlut Cavusoglu on 12 March said that Ankara and Cairo had their first diplomatic contact "at both the level of intelligence and foreign ministries" since 2013. Relations between the two administrations have been tenuous since the summer of 2013, when current Egyptian president Abdel Fattah al-Sisi militarily deposed his Turkey-backed predecessor, Mohamed Morsi.

The breakthrough in diplomatic ties thawed eight years of animosity that saw Egypt and Ankara on rival sides of the Libyan civil conflict, the blockade against Qatar, and an east Mediterranean energy dispute between Athens and Ankara.

Saudi Arabia floats dropping JMMC chairmanship (UNEDITED COPY)

Saudi Arabia has expressed the possibility of abandoning its role as chair of the Opec+ Joint Ministerial Monitoring Committee (JMMC) that oversees the coalition's compliance with its production cuts, according to four Opec delegates.

The sources said that the Saudi delegation — led by oil minister Abdulaziz bin Salman — mentioned Riyadh's potential withdrawal from the JMMC chairmanship during yesterday's ministerial Opec meeting, where Saudi Arabia championed an extension of the group's existing 7.68mn b/d output cuts into January. The Saudi oil ministry has yet to respond to a request for comment.

The Opec group yesterday fell short of finalising consensus on its output policy for early-2021, when the current production declines are set to unwind by 2mn b/d, according to an initial deal brokered in April. The stalemate has led to a two-day delay of an Opec+ ministerial meeting to 3 December that will allow for further consultations.

Three output policies remain under the group's consideration: a rollover of the existing cuts, a 1mn b/d increase or a 2mn b/d hike, according to delegates.

A key sticking point in yesterday's conversation was the UAE, which has so far yet to communicate its position, amid internal concerns about continued poor compliance from some of the coalition's members. Opec+ sources said that the UAE would only support a three-month rollover of the current cuts if it gets assurances of improved group-wide compliance, going forward. Informal talks among JMMC ministers on 29 November also saw Russia in favour of an incremental unwinding of the cuts, while Kazakhstan objected to a rollover, according to an Opec source.

A secondary formal Opec meeting ahead of the Opec+ assembly has not been currently scheduled, but cannot be ruled out, an Opec delegate said.

Saudi Arabia's prospective withdrawal from the JMMC leadership could critically unbalance the group's authority, at a time when the committee has effectively become a watchdog of both individual countries' compliance and of their plans to make up previous overproduction. Opec+ members that surpass their monthly quotas must offset volume with additional output declines, as part of a compensation scheme that first emerged in June.

The compensation mechanism has been a keystone of Abdulaziz bin Salman's approach to Saudi Arabia's de facto leadership of the Opec alliance, where his predecessor Khaled al-Falih had repeatedly advocated, but taken fewer material steps to enforce compliance. Since June — when Saudi Arabia, Kuwait and UAE united in a combined 1.2mn b/d of cuts in addition to their mandated quotas — Riyadh has insisted on no longer unilaterally bearing the brunt of Opec declines to offset the overproduction of other group members.

Saudi Arabia's authority would prove challenging to replace in the JMMC chairmanship, against this backdrop. Riyadh has been diplomatically instrumental in brokering some countries' ongoing commitment to improve their compliance, including Iraq and Nigeria. One Opec delegate says that the Saudi relationship with Russia, the largest producer among non-Opec participants in cuts, would also prove difficult to replicate. Saudi Arabia has historically interceded to secure Moscow's contribution to the agreement, in a partnership strengthened by energy sector exchanges between Russian president Vladimir Putin and Saudi crown prince Mohammad bin Salman.

NOTE: this article includes some sourcing by Dubai bureau chief Nader Itayim, in addition to my reporting; copy fully written by me.

Algeria dissolves parliament house, targets cabinet reshuffle (UNEDITED COPY)

Algerian president Abdelmadjid Tebboune on 18 February said he would dissolve the lower house of parliament and reshuffle the government within 48 hours, calling for early legislative elections.

The now-expired parliament was voted in with a five-year term in May 2017.

Tebboune's dissolution of the National People's Assembly will pave the path for an electoral process "where money, dirty or not, will have no place," while the cabinet overhaul will concern sectors where ministers have failed to observe their responsibilities, state news agency APS cites the Algerian president as saying.

Tebboune did not disclose which specific ministries had come under fire. The president has also yet to set a date for legislative elections and has urged the country's youth to stand for office, pledging to financially support their campaign without supplying details. Algeria's current energy minister, Abdelmadjid Attar, only came into office on 24 June as the result of a cabinet reshuffle.

The parliamentary dissolution coincides with the two-year anniversary of Algeria's largely peaceful Hirak civil protest movement on 16 February. Hirak demonstrators helped depose veteran and ailing president Abdelaziz Bouteflika in April 2019, leading to Tebboune's controversial election eight months later. Tebboune himself has been denounced by Hirak protestors for allegedly representing the same political elite that thrived during Bouteflika's regime.

In November last year, the Algerian president carried out a constitutional referendum set to appease the Hirak movement, which was criticised as cosmetic and falling short of protestors' demands. Tebboune was largely absent from the country in the wake of the reform vote, spending extensive time in Germany for medical treatment that also covered Covid-19 complications. Notably, Tebboune's Thursday announcement included an offer of amnesty for 55-60 of detained Hirak protestors.

The parliamentary overhaul comes as Opec member Algeria has come under increasing financial pressure amid the spread of the Covid-19 pandemic and last year's declines in hydrocarbon prices. Algeria's hydrocarbon exports lost 11pc on the year to 82mn t of oil equivalent in 2020, with oil and gas revenues down by 40pc at \$20bn last year.

As part of the economic revival, Tebboune on 18 February stressed that the time has come for Algeria to focus on "building the economy and investment" and move away from imports and overbilling.

Nigerian request for Opec+ baseline review declined (UNEDITED COPY)

The Opec+ Joint Ministerial Monitoring Committee (JMMC) has declined an informal request to re-evaluate Nigeria's oil production baseline based on the reclassification of its Agbami stream, according to an internal letter seen by Argus.

On 12 November, Nigeria had entreated a new output reference level, which would determine its production quota under the current Opec+ coalition's restraint agreement. At the heart of Nigeria's request are light Agbami oil supplies, which it classifies as condensate. Three of the six secondary sources whose estimates feed into Opec+ compliance levels — including Argus — factor Agbami in as a crude stream. The Agbami field produced around 140,000 b/d over the past four months, according to Nigeria's Department of Petroleum Resources.

Algerian oil minister and current Opec president Abdelmajid Attar today penned a letter urging his Nigerian counterpart Timipre Sylva to "be patient until the current pandemic and its dire consequences are brought under control, hopefully by the middle of next year" for a resolution to the request.

Attar's letter stressed that "huge oversupply" and the "acceleration of the [Covid-19] pandemic" could push Opec+ to extend or deepen its present production adjustments into 2021 — rather than easing them from 7.68mn b/d to 5.76mn b/d in January, as originally laid out in the coalition's agreement struck in April.

As a result, "any attempt by any country to revise the Declaration of Cooperation will constitute a huge risk that may lead to market collapse," as well as "create a damaging mistrust in the credibility of Opec+" and "open up the possibility for other countries, including large producers, to request changes to their obligations."

Attar's letter followed a meeting of the JMMC that ended without an immediate production strategy recommendation, even as the Opec and the Opec+ groups are set to hold ministerial assemblies on 30 November and 1 December. Sylva was absent from the JMMC meeting.

Nigeria has in recent months been increasing efforts to lower production in line with its Opec+ obligations. Argus estimates the country's compliance with its commitments was 65pc over May-July, then 109pc over August-October. A document seen by Argus shows that the country must cut an additional 209,000 b/d until the end of December under the Opec+ compensation mechanism — a number that the Opec+ coalition achieves by adding individual monthly volumes by which Nigeria surpassed its quota since May.

UN says Libya's warring faction sign permanent truce (UNEDITED COPY)

Libya's warring factions have agreed a permanent ceasefire that is set to end over 18 months of internationally-sponsored civil conflict and support recoveries in the country's oil sector, the UN said today.

Representatives of Khalifa Haftar's Libyan National Army (LNA) and the rival Tripoli-based and the UN-backed Government of National Accord (GNA) today signed a deal for a lasting countrywide truce that will see both parties demilitarise Libyan frontlines, particularly the Sirte and Jufra regions — where armed forces of both sides accrued over the summer, building towards a decisive confrontation.

"The parties determined that the ceasefire will take effect immediately as of today, the day of the signing," Williams said today in Geneva.

The LNA and the GNA have been embroiled in a battle for nationwide control since April last year, intermittently broken by fleeting ceasefire attempts. Haftar has primarily received support from Russia, Egypt and the UAE, while the GNA has been largely patroned by Turkey and Qatar. The truce follows on inter-Libyan talks of the 5+5 Joint Military Commission — which reunites five senior officials of

each side — and on mounting civil tensions that have led to countrywide demonstrations over corruption, power outages and the ceaseless armed turmoil that has ravaged Libya since the 2011 deposition of Muammar Gaddafi.

The 5+5 commission will convene towards the end of the first week of November in Tunis to discuss further political steps, Williams said.

As part of the deal, all mercenaries and foreign fighters must withdraw from Libya within the next 90 days. Their presence at offshore Libyan eastern ports Ras Lanuf and Es Sider has been a last obstacle in the revival of the north African producer's oil industry, which has gradually resumed countrywide operations since a landmark mid-September agreement between Haftar and GNA deputy prime minister Ahmed Maiteeq. GNA prime minister Fayez al-Sarraj has said he will step down from his duties this October.

Libya's oil operations were largely reduced to just offshore Farwah and Bouri production until September because of blockades carried out by forces affiliated with the LNA, including tribal factions, the Petroleum Facilities Guard that previously secured state-owned NOC's assets, Russian paramilitary group Wagner and Syrian and Sudanese mercenaries. Foreign fighter intervention in Libya is broader than that and could comprise mercenary contingents from up to nine countries on the ground, Williams estimated today.

NOC has been progressively lifting force majeure (FM) restrictions from terminals and fields it deems secure, with a Libyan source saying production climbed up to 525,000 b/d earlier this week, following the 11 October restart of the country's largest field, the 300,000 b/d El Sharara. Uncertainty lingered over the duration of the September GNA-LNA oil activity deal, which Haftar had initially introduced as a one-month preliminary agreement whose extension depended on further dialogue.

At the heart of the LNA and GNA oil conflict were lingering disagreements over the management and distribution of Libya's hydrocarbon revenues, which Haftar accused were misused by the Tripoli-based Libyan Central Bank (CBL) to fund mercenary offensives against him. In late-July, the UN announced that auditing firm Deloitte began carrying out a financial review of the CBL and its parallel al-Bayda organisation, which Williams now estimates will last six months. She today added that the Libyan Investment Authority — a sovereign fund entity sanctioned by the UN in March 2011 for its alleged support of Gaddafi's campaign — would also be audited.

Argus estimates that Libyan oil production averaged just around 180,000 b/d over the first nine months of this year, after hitting 1.1mn b/d in December before the start of blockades. Libya's historically expedient output gains in the absence of military conflict were a key discussion point at this month's meeting of the Opec+ Joint Technical Committee and the group's Joint Ministerial Monitoring Committee.

EU MEPs urge sanctions on Turkey for Syria incursion (UNEDITED COPY)

EU members of parliament (MEPs) today called for "targeted sanctions" against Turkey, after voting a resolution that condemned Ankara's incursion in northeast Syria as a "grave violation of international law".

MEPs urged Turkey to withdraw military forces from Syria, threatening economic measures against Ankara — such as suspending trade preferences in agricultural products commerce and, as a last resort, interrupting the EU-Turkey customs union.

This comes as EU MEPs reject Ankara's plans for a "so-called safe zone" along the Syrian border, requesting instead a UN-led security zone in the region. Members also voiced concerns that last week's US-Turkey armistice could legitimise Ankara's occupation of a "safe zone," while deeming it "unacceptable" that Turkish president Recep Tayyip Erdogan has "weaponised" refugees and "used them to blackmail the EU."

Potential sanctions were mentioned in a MEP debate yesterday, when a German representative stressed that further measures would be needed beyond Parliament's call of March to suspend

accession talks with Turkey. Turkey has been embroiled in negotiations to win full EU membership since 2005, lessening the blow of a decision to stall its accession talks further.

The MEPs have previously denounced the humanitarian impact of Turkey's offensive in Syria, where Ankara's military has been clashing with the Kurdish Syrian Democratic Forces (SDF) that were abandoned after the planned withdrawal of US troops in the region. The SDF since appear to have struck an agreement with Syrian president Bashar al-Assad.

Despite the talk of sanctions, the EU last week failed to agree the formal creation of a union-wide arms embargo to Turkey. EU high representative Federica Mogherini on 14 October said that the union had yet to implement such a ban because it was more easily implemented at a nation-level and also risked putting EU members at conflict with their NATO obligations.

The MEP call for economic repercussions against Turkish come after US president Donald Trump yesterday said he would lift sanctions targeting Turkish government officials and institutions after Ankara ceased its offensive in Syria. The White House had imposed these measures on 15 October against senior Turkish government officials and the energy ministry, hiking tariffs on imports of Turkish steel back to 50pc.

"The government of Turkey informed my administration that they would be stopping combat and their offensive in Syria and making (the) ceasefire permanent," Trump said.

Clashes in northern Syria were set to end yesterday, following a deal between Erdogan and Russian president Vladimir Putin. Turkish and Russian military forces had agreed to control and patrol a corridor in northern Syria, compensating for the withdrawal of US troops last week. Turkey and the White House had struck their own armistice on 17 October.

"The direction of Turkey with regards with the alliance is heading into the wrong direction. On any number of issues, we see them spinning closer into Russia's orbit than into the Western orbit. And I think that's unfortunate," US defense secretary Mark Esper said today at the German Marshall Fund in Brussels.

The secretary said the "unwarranted" Turkish offensive in Syria "put us all in a very terrible situation," but disclaimed that "there was not a possibility that we were going to start a war with a NATO ally."

Trump said he would retain US military personnel to "secure" Syrian oil assets, adding that "we will be deciding what we are going to do with it in the future." Syria's pre-civil war oil production capacity was 383,000 b/d, according to the US Energy Information Administration.

Kurdish forces claim that the flurry of ceasefires has been ineffective, with SDF commander Mazloun Abdi today tweeting that Turkey had continued hostilities.

"The guarantors of the ceasefire must carry out their responsibilities to rein in the Turks," he called.

US sanctions Chinese firm for Iranian oil imports

The US is imposing sanctions on Chinese state-owned trading firm Zhuhai Zhenrong for continuing to take Iranian crude.

"As part of that maximum pressure campaign [against Iran], I am announcing that the United States is imposing sanctions against the Chinese entity Zhuhai Zhenrong and its chief executive, Youmin Li. They violated US law by accepting crude oil. We said all along that any sanction will indeed be enforced," US secretary of state Mike Pompeo said today.

Youmin Li has been added to the Office of Foreign Assets Control's (Ofac) specially designated nationals and blocked persons list (SDN). The SDN publishes "individuals and companies owned or controlled by, or acting for or on behalf of, targeted countries", Ofac says.

China received a six-month waiver from Washington last year, allowing it to continue importing Iranian oil under a quota until early May. But all exemptions from US commercial sanctions against Tehran have since expired without renewal.

Zhuhai Zhenrong, which does not own its own refinery network, was penalised by the US during a previous Iranian sanctions regime for allegedly supplying over \$500mn of gasoline to Tehran in 2010-11. At the time, the State Department barred Zhuhai Zhenrong from receiving US export licences or sums in excess of \$10mn from US banks, as well as from being eligible for financing from the US Ex-Im Bank.

The decision to act against Zhuhai Zhenrong breaks Washington's silence over the continuation of Iranian crude deliveries to China since the waivers ended in May. At least 6mn bl of Iranian oil loaded in May-June headed to Chinese terminals, bound for Qingdao, Jinzhou, Tianjin and Zhoushan, according to Argus tracking data. It is not clear whether all of these shipments represent sales, or if any of the oil is going into Chinese bonded storage.

State-controlled Sinopec and PetroChina had been the primary recipients of Iranian crude within China prior to the full implementation of sanctions.

Visible Iranian exports of crude and condensate reached 548,000 b/d in May and 367,000 b/d in June. The final destination of most Iranian oil shipments are shrouded, as the cargoes are primarily transported by vessels of Iran's state-owned NITC fleet, which often switch off broadcasting position signals.

'Iraqi' cargo rejected twice on origin, quality concerns

A contentious crude cargo that was stranded for a few weeks near the Italian port of Milazzo has been rejected by two buyers in the sale chain, amid concerns over its origin and quality.

The Suezmax tanker White Moon departed Milazzo for the Suez Canal earlier this week, after lingering at the Sicilian terminal for around three weeks without being allowed to discharge. It was intended for the 235,000 b/d Milazzo refinery, which is jointly operated by Italian integrated firm Eni and Kuwaiti state-owned KPI.

An Italian press report alleged that the tanker may have been banned from discharging over suspicions it was carrying Iranian oil. But Eni told Argus earlier this week that it rejected the cargo over quality concerns. Loading documents suggest that the shipment was from Iraq, Eni said. The firm refused to take delivery of the shipment because its "chemical-physical specifications are different from those established contractually to an extent that makes them incompatible" with the quality of Iraq's Basrah Light, it said today.

This has been backed up by Nigerian firm Oando, the company that sold the crude to Eni. The two firms inspected the cargo "at the port of loading in Basrah... and the results were consistent with the contractual agreement between the parties", Oando said today. Eni undertook further tests at its Milazzo refinery and rejected the shipment after discovering that "certain parameters were not consistent with the agreed specifications", it said. Oando has also rejected the cargo and returned it to "our supplier... [Italy's] Napag Trading UK".

Napag Trading has yet to respond to requests for comment. "Napag Trading UK expressly represented that the cargo was not from a sanctioned country. This claim was further supported by the set of documents delivered to us clearly showing the origin of the cargo as Basrah, Iraq," Oando said.

Tracking data from analytics firm Vortexa indicate the White Moon may have taken on its cargo through a ship-to-ship transfer from the very large crude carrier (VLCC) New Prosperity in waters outside of Iraq's Basrah Oil Terminal (BOT). The New Prosperity, in turn, received its cargo from the Abyss, whose initial loading point is not clear. The Abyss previously carried shipments of Iranian crude and fuel oil prior to the expiry of Iran sanctions waivers in early May.

Meanwhile, Iraq's state-owned marketer Somo has said in a statement that none of Iraq's exported crude cargoes have been refused by any of its customers. The White Moon's shipment "has no link whatsoever to Iraqi crude oil exports", it said. Furthermore, a senior Iraqi official told Argus that Iraq is certain that the shipment is not a re-traded free-destination cargo. "We know every single vessel loaded and where it is destined," the official said.

Somo has been cracking down on the resale of term Basrah cargoes since October, leaving only a handful of shipments — representing equity supply or volumes sold on a spot retradeable basis by Iraq — that can change hands freely.

The quality of Basrah Light can fall significantly short of the official specifications, but the differences typically relate to crude gravity. Somo contractually pays quality compensation for Basrah Light below 34°API, with shipping data showing the average gravity of cargoes exported in March-May at 28.87°API. Somo does not supply compensation for sulphur content, and market participants have seldom referenced volatility in Basrah sulphur content in the past.

Three market participants have told Argus they have received and refused offers to purchase crude advertised as Basrah oil or "Iraqi blend" from third-party companies, which they suspected to be mixes of sanctioned Iranian oil.

The volumes are offered at heavy discounts to official Basrah prices and do not load from BOT. Other traders said they refused offers for suspect "Oman blend" and "Iraqi blend" during the previous sanctions regime against Tehran in 2012-15.

The White Moon's disputed shipment comes against a backdrop of escalating tensions between Iran and the US, which has persisted in its strategy to drive Iranian crude exports to zero. "We are seeing historic records of compliance with US sanctions, especially oil sanctions. We have now zeroed out exports of Iranian crude oil. And we are confident that nations will comply with that," the US State Department's Iran special envoy, Brian Hook, said this week.