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OTTAWA REVAMPS WATER MONITORING IN OIL SANDS

Ottawa said on Thursday it will launch a new water-pollution monitoring system in the oil sands, responding to a report that found major flaws in the current system. Federal Environment Minister Peter Kent said the government has come up with a plan to improve monitoring on the Athabasca River, which runs through several oil sands project sites, and its major tributaries downstream of Fort McMurray. Kent said the new plan, which will cost an estimated C$20 million ($20.4 million) a year to run, paid for by the oil industry, will include more frequent and widespread sampling, and form part of a broader system that will also monitor air quality and the impact of development on the region's wildlife. "We are confident we can protect the environment while seeing the economic benefits of the oil sands," Kent said at a news conference. Output from the region, the largest single source of U.S. oil imports, is expected to about double to 3 million barrels a day by 2020. The extra production will come from new projects and the expansion of existing facilities run by Royal Dutch Shell Plc, Total SA, Suncor Energy Inc and ConocoPhillips, among others. Environmental groups welcomed the new plan but said the government must get on with putting it in place. "This report is a long way from implementation," said Mike Hudema, an oil sands campaigner for Greenpeace. "It still needs to be implemented and there are a lot of questions around how that is going to be done." The government was forced to take steps to improve monitoring in the region after a panel of experts it appointed last year found serious flaws with existing monitoring systems run by the oil industry. The panel's findings followed an academic study that concluded oil sands plants were sending toxins, including mercury, arsenic and lead, into the watershed. Kent said plans to boost monitoring would not be affected by the federal election.

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US OKS 6TH DEEPWATER DRILL

The U.S. Interior Department said on Friday it approved a permit for Statoil to drill for oil in the deep waters of the Gulf of Mexico.It was the sixth such permit issued by the government since the BP oil spill. The permit allows Statoil to drill a new well 7,134 feet to the sea floor in the Alaminos Canyon Block 810, 216 miles off the Texas coastline. Statoil had to meet tough new U.S. drilling safety rules imposed after the worst offshore oil spill in U.S. history. The oil industry and some U.S. lawmakers complained the department took too long to approve drilling permits once the drilling moratorium imposed in response to the spill was lifted in October. Environmentalists worry oil companies have not taken enough safety measures to resume drilling. "Some say we are now proceeding too quickly; some say we are still proceeding too slowly. The truth is, we are proceeding as quickly as our resources allow to approve permit applications that satisfy our rigorous safety and environmental standards," said Michael Bromwich, who heads the U.S. agency that oversees offshore drilling. "We will continue to do so." In order to meet the new safety rules, Statoil contracted with Helix Well Containment Group to use its device to stop the flow of oil in case a major leak occurs at the well.

OIL MAJORS HALT TAMOIL BUSINESS AFTER SANCTIONS

BP and Shell have stopped business with Libyan-controlled oil company Tamoil because of international sanctions, disrupting fuel supplies in Europe. BP said on Friday it had stopped all oil deliveries with the Libyan firm and declared force majeure while Shell had also halted oil supply contracts, said a source with direct knowledge of the firm's dealings. "We are not dealing with Tamoil at the moment," said a BP spokesman. Tamoil has in response brought a legal challenge against BP to a German court, according to spokesmen for BP and the Swiss branch of Tamoil. Shell said it was not dealing with any Libyan state-controlled entities. The reluctance of oil firms to buy fuels such as diesel and gasoline from Tamoil could make it worthless for Tamoil to run its refineries in Italy, Germany and Switzerland with a combined capacity of nearly 300,000 barrels per day, traders said. While this represents only 2 percent of total European capacity, the refineries are all located inland, making it more difficult for alternative suppliers to step in. The group declined to comment on the supply disruptions. A spokesman for the Swiss branch of Tamoil said it had brought forward a planned outage at its 72,000 barrel-per-day Collombey refinery by two months to April, partly due to uncertainty about fuel sales. "There are discussions going on with certain fuel suppliers (customers), who are asking for guarantees," said spokesman Laurent Paoliello, adding the firm had sent a letter to two buyers to offer assurances about its exposure to sanctions.

ROSNEFT TO PUSH AHEAD WITH BP ARCTIC PACT

Russia's Rosneft vowed to push ahead with a strategic alliance with BP , despite a block on the deal by the British oil company's partners in joint venture. Rosneft Chairman Igor Sechin said an

arbitration panel ruling preventing BP and the state-controlled energy giant from jointly exploring Russia's Arctic region and from executing a $16 billion share swap did not void the deal. "The court didn't block (the deal), it extended the injunction until April 7. We must await the court's verdict," Sechin, also Deputy Prime Minister, told reporters on Friday. Sechin argued Rosneft had suffered losses as a result of the actions by BP's TNK-BP partners Access-Renova (AAR), which pursued court action against the BP-Rosneft tie-up, arguing the alliance violated their right of refusal. He said Russia's largest oil company was "satisfied" with BP as its partner and would defend its interests. However, Stan Polovets, AAR's chief executive officer, said that although BP had requested another tribunal hearing on April 4 to argue that it should be allowed to swap its shares with Rosneft without carrying out any joint projects together, this would not alter the situation. "This is not a temporary injunction with a predetermined 'expiration date'. We don't expect anything to change in the foreseeable future, not on April 4, not on December 4," he said. AAR, which represents BP's billionaire partners in TNK-BP, had hailed Thursday's arbitration ruling as a victory in their bid to prevent BP hooking up with Rosneft. AAR said BP was now "prohibited from entering into any future share arrangement with Rosneft that has any kind of strategic component", potentially opening the door for a rival to step in and replace BP as Rosneft's partner. The ruling also raised immediate questions about BP Chief Executive Bob Dudley's tactics in Russia and raised the prospect Rosneft could look elsewhere for the expertise it needs to get oil out of Russia's Arctic region. "Given his (Dudley's) past relationship in Russia, how difficult it has been, he should have been a bit more appreciative of how tricky it can be operating in Russia," Arbuthnot Securities analyst Dougie Youngson said. Rosneft head Eduard Khudaynatov said in January the group was awash with proposals from foreign companies for exploring in the Arctic, and Royal Dutch Shell, BP's arch rival, has already confirmed its interest. "The cleanest thing for Rosneft, if it wants to start developing its offshore acreage and resource potential, is to choose a different partner," Sanford C. Bernstein analyst Oswald Clint said, adding TNK-BP lacked the necessary know-how. TNK-BP shareholders said earlier this month the joint venture could supplant BP in the share swap with Rosneft. This was rejected by Rosneft, which recently struck deals with U.S. oil majors Chevron and Exxon Mobil to explore in the Black Sea.

CONOCO TO EXIT LIBYA

ConocoPhillips is contemplating selling its interest in oil and gas properties in countries including Libya and Kazakhstan as part of planned asset sales, according to Argus oil analyst Phil Weiss. "Selective country exits are also possible. Candidates would be Vietnam, Libya, Algeria, Kazakhstan and Nigeria," Weiss wrote in a note to clients on Friday following a meeting with Conoco's chief financial officer and head of investor relations. Conoco said at its annual analyst meeting on Wednesday that it plans to sell an additional $5 billion to $10 billion of assets, and that the strategy might include exits from countries where its interests are not large. It did not provide specifics. A spokesman for Houston-based Conoco had no immediate comment on Weiss's note. Conoco is in the midst of a plan to boost shareholder returns with share buybacks and higher dividends. Proceeds from the asset sales, expected to total as much as $17 billion, will be used to fund that program. In Libya, Conoco holds a 16.3 interest in the Waha concessions, where net oil production averaged 46,000 barrels per day (bpd) last year. The company's production in Algeria averaged 13,000 bpd in 2010, and output in Nigeria was 20,000 barrels of liquids per day and 141 million cubic feet of natural gas. In the Caspian Sea, Conoco has an 8.4 percent interest in the Kazakhstan's North Caspian Sea Production Sharing Agreement, which includes the Kashagan Field. First production from that project is expected in late 2012.

VENEZUELA PLEDGES OIL FOR CHINA'S LOANS

In the next few weeks, Venezuela's Executive Office will sign new loans with China, under which Venezuela will pledge more oil production to repay loans to the Asian giant. In less than 12 months, Chinese institutions have extended Venezuela USD 28 billion in financing. In August 2010, Venezuela got a USD 20 billion long-term credit facility from China, and in the coming days the South American country will sign two loan agreements totaling USD 8 billion. The loans will be "paid with oil shipments," said Venezuelan Minister of Trade Edmeé Betancourt. She added that a USD 4 billion loan will be signed with China Development Bank, whereby the total amount of the "Chinese Heavy Fund" will be increased. She said that the Ministry of Energy and Petroleum and the Ministry of Housing are negotiating with the Bank of Industry and Commerce another USD 4 billion loan to build houses. Betancourt said that USD 12 billion were injected already in the Heavy Fund, and those funds were executed in 127 projects. In April, the Fund will be increased by additional USD 6 billion, of which USD 4 billion will be contributed by China and USD 2 billion will be contributed by Venezuela's National Development Fund (Fonden). In addition to the Heavy Fund, the Venezuelan government has been granted a 10-year loan called "Long-Term and High Volume Loan." This USD 20 billion loan facility comprises 50 percent USD dollars and 50 percent Chinese Yuan Renminbi (CNY). A total of USD 4.3 billion of the USD fund has been allocated to 23 projects. Meanwhile, of the CNY fund, a total of CNY 29 billion (USD 4.4 billion) have been assigned to other projects. Although the funds have already been allocated, they have not been disbursed yet. Betancourt said that "the projects have not been executed because the Chinese institutions are requesting collateral." Official sources said that the Chinese financial institutions have also requested the project execution schedule to disburse the funds. The other USD 4 billion loan would be only used for the construction of new housing units, the Minister of Trade said. The government signed agreements with China's Citic for the building of houses. The Chinese company has received resources from the Heavy Fund for the projects it has been executing in the states of Aragua and Barinas since 2005.

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OPEC BOOST PUSHES TANKER CARGOES TO RECORD-SHIPPER

Global fixtures for Very Large Crude Carriers (VLCC), or tanker ships that carry around 2 million barrels each, rose to a five-year high of 125 in March as OPEC pumped more crude, Norwalk, Connecticut-based tanker operator Heidmar said on Thursday. The number of fixtures is likely to fall significantly in April, however, as key refineries in the world's No. 3 crude importer Japan remain offline following the country's devastating earthquake and tsunami on March 11. "Saudi Arabia especially appears to be producing a lot more crude and that has helped push the number of fixtures up," said Heidmar vice president Per Heilmann on the sidelines of a shipping conference in New York. "But the number in April will probably fall with less crude headed for Japan since some of its refineries are idled." Shippers say the increase in fixtures doesn't necessarily equate to big profits for ship operators, since charter rates have been depressed by the large number of available VLCCs -- in part due to a sharp reduction in offshore crude storage -- and expensive bunker fuel has also eaten into profits. Another tanker operator, George Saroglou of Tsakos Energy Navigation, said Japan's disaster is bearish in the near-term for crude carriers, since large Middle East Gulf producers, including Saudi Arabia, have delayed or stopped new crude shipments to Japan until the situation in its ports become more clear. "This is bearish for now. Japan has less need to import crude for the time being," Saroglou said in an interview at the Capital Link Shipping Forum in New York. "But over time with much of its nuclear power capacity offline we should see Japan taking bigger imports of crude, LNG, fuel oil and diesel." Saroglou forecast that a resumption in large volume crude cargoes from the Middle East Gulf to Japan could come at the end of March. "The Japanese are very efficient, so I expect the recovery will come soon," he said. However, shippers also said that tanker sailings to Japan could remain heavily curtailed in the near term due to fears of radiation on the country's eastern coast. Already several operators have stopped sailing to major ports like Tokyo Bay and Yokohama. "We aren't going there," said Tobias Konig, managing director of ship operator American Feeder Lines. "Unfortunately the radiation crisis is ongoing, and shippers do not want to risk a contaminated ship." On a global scale, however, tanker cargoes may see a boost in the future as several countries consider halting or delaying nuclear power projects, which could necessitate higher volumes of oil product shipments to guarantee power generation, Konig said.