

## Politics heat up over South Caucasus natural gas

Date : 18.10.2009

Source: Hürriyet Daily News

<http://www.hurriyetdailynews.com/n.php?n=politics-heat-up-over-energy-bargains-in-south-caucasus-2009-10-18>

Turkey and Armenia's normalization protocols signaled a major thaw in relations between the neighbors, but Turkey's ties to Azerbaijan - especially its energy links- may now be at risk.

Turkey's attempts to push through a settlement on the Nagorno-Karabakh conflict between Armenia and Azerbaijan have stalled, as Yerevan rejected any linkage between the normalization process and the dispute with Baku. Meanwhile, Turkey faces a downturn in relations with its ally.

"No more cheap gas to Turkey," Azerbaijani President Ilham Aliyev said. The price dispute between Turkey and Azerbaijan is not new but has never before been at the top of the agenda. Having received new offers from Iran and Russia, Aliyev hinted at not joining the Nabucco pipeline project, adding, "There are other alternatives."

The Russian Foreign Minister was in Zurich to back the reconciliation protocols on the day when Gazprom officials signed an agreement to buy 500 million cubic meters gas as of 2010, said Mert Bilgin, a professor from Bahcesehir University. "It is quite meaningful, despite being quite a small amount compared to 15 bcm," he said.

"Gazprom disclosed Saturday that a French company, which Turkey excluded from Nabucco, will take part in its competing South Stream project. I think that complicated and multi-dimensional energy deals lie behind these political debates," Bilgin said.

Aliyev also said: "The amount to export will be determined by both sides. We started with quite low figures but there is no upper limit. We will export as much as we want." Pointing out there is a direct gas pipeline between Azerbaijan and Russia, Aliyev said, "Why shouldn't we use this advantage?" Aliyev vowed to oppose any change in the status quo that is perceived as counter to Azerbaijan's interests. "The Armenian occupation in Nagorno-Karabakh is the biggest problem in the region and no other solution is possible without a settlement to this conflict," Aliyev said, threatening "to fight until the end and defend national rights through all necessary means."

“Azerbaijan has been selling its natural gas to Turkey at one-third of the global prices. Which country can do this, especially in this age? It is not acceptable any more,” Aliyev said. Azerbaijan is seeking more money from Turkey to match higher prices in the region. Natural gas prices rose remarkably in 2008 after Russian giant Gazprom agreed to buy gas from Turkmenistan at higher prices.

“Gazprom increased gas prices in order to maintain its dominant marketing power over Caspian resources. At the beginning, the price of gas from Turkmenistan was set at \$36 per 1,000 cubic meters but it went up to \$270 due to the recently signed accords. Consequently, Azerbaijan demanded that Turkey agree to a price of \$120,” said Bilgin.



## Russia to supply oil to Samsun-Ceyhan pipeline

Date : 19.10.2009

Source: Forbes (Reuters)

<http://www.forbes.com/feeds/afx/2009/10/19/afx7016052.html>

Russia is ready to provide oil from the Black Sea and Caspian areas to feed the Samsun-Ceyhan pipeline linking Turkey's Black Sea and Mediterranean coasts, Russian Deputy Prime Minister Igor Sechin said on Monday.

Italy's Eni and Turkey's Calik hold 50 percent each of the pipeline project. Italy, Russia and Turkey signed an accord in Milan to build the pipeline. The 550-km (340-mile) pipeline will have a maximum transport capacity of 1,5 million barrels a day. “Russian oil company Rosneft will be in the project with its own oil fields. We are supposed to provide new oil fields in the Black Sea and the Caspian area,” Sechin told reporters on the sidelines of the pact's signing.

At the ceremony, a Memorandum of Understanding was also signed between Eni, Calik, Transneft and Rosneft with a view to bringing the Russian companies on board. Sechin said other companies, like Russia's Lukoil, were interested in the pipeline, adding third countries were also being talked to. “The question of the Russian companies buying equity stakes in the pipeline would be addressed later,” he said.

Eni Chief Executive Paolo Scaroni said oil from the group's Kashagan and Karachaganak fields in Kazakhstan could also be used. “Caspian oil is around 2.4 million barrels per day. In the next 10 years oil from the Caspian area will grow by another 2 million barrels per day. Then there is the Black Sea (oil) and that will increase too,” he said.



## Ultimatum to TPAO on South Pars

Date : 19.10.2009

Source: Tehran Times

[http://www.tehrantimes.com/index\\_View.asp?code=205852](http://www.tehrantimes.com/index_View.asp?code=205852)

Managing director of Iran's Pars Oil and Gas Company (POGC) announced on Sunday that one month's ultimatum has been given to Turkish Petroleum Corporation (TPAO) to finalize the contract for phases 22, 23 and 24 of South Pars.

Ali Vakili said if TPAO refrains from signing the contract during this period talks will begin with domestic and foreign companies. POGC and TPAO signed a Memorandum of Understanding in 2008 for developing South Pars phases 22, 23, 24.

During a visit by the Turkish delegation in November 2008, plans for the construction of an 1800-kilometer pipeline for transferring natural gas from Assaluyeh to the Turkish border was discussed. The objective was to increase the volume of Iran's gas exports to Turkey, and the transit of natural gas to Europe.

Currently Iran exports 50 million cubic meters of natural gas to Turkey daily and with the implementation of this plan another 23 million cubic meters would be added to that figure.



## Nazarbayev says he is eager to supply oil for BTC pipeline

Date : 19.10.2009

Source: Today's Zaman (Ekrem Dumanli)

<http://www.todayszaman.com/tz-web/news-190334-nazarbayev-says-he-is-eager-to-supply-oil-for-btc-pipeline.html>

Kazakh President Nazarbayev has expressed his country's willingness to supply oil to a pipeline transporting Caspian crude oil to Western markets through Turkey's Mediterranean port of Ceyhan.

Nursultan Nazarbayev's remarks came in Astana where he gathered with a small group of Turkish journalists last week ahead of his upcoming official visit to Turkey later this week at the invitation of his Turkish counterpart, Abdullah Gül. "In the near future, we want to lend support to the Baku-Tbilisi-Ceyhan [BTC] pipeline," Nazarbayev added.

Upon these remarks, Nazarbayev was reminded of French President Nicolas Sarkozy's visit to Astana, which took place in the first week of October. During the visit, Kazakhstan awarded a consortium of French companies a deal to take part in building a crucial \$2 billion oil pipeline linking the vast Kashagan field to the Caspian.

Energy supplies through the route will be transported across the inland sea by tankers to Azerbaijan and pumped by the pipeline westward to Europe, circumventing Russia. Kashagan has been hit by delays and soaring development costs and is not expected to begin production until 2012.

"This is an extremely important project that will become the main artery to transport Kazakh oil to Europe," Nazarbayev told reporters at the time. When asked by Turkish journalists whether the deal between Kazakhstan and France was retribution at the probable supply of Kazakh oil to the BTC pipeline, Nazarbayev said: "As you know, when the BTC was not yet prepared, Kazakh oil was being transferred to the Black Sea via the north Caucasus, being sent to the global market from there. But now the BTC pipeline is completed and agreements are signed between Azerbaijan and Turkey. We have made a decision to transport 10 million tons of oil to the BTC from our port-city of Aktau."

In order to transport the vast amount of oil in Kashagan field, Kazakhstan will need alternative routes, Nazarbayev added, noting that the deal with the consortium of French companies stemmed from such a need. "Five years later, the BTC pipeline itself will expose its own strategic agenda. However, there is a point that should be taken into consideration here, which is the fact that the Baku oil will be diminished five years later. And in this situation, there will be more need for Kazakh oil in the BTC pipeline," he said.

Critics say the BTC pipeline, launched in 2005, would lose its economic profitability if it is not supplied with oil from Kazakhstan. "We will start drilling oil in Kashagan in 2013, and the total amount of annual reserve of this oil will reach 120 tons. That's why we need new corridors and new routes. One of these routes is the Samsun-Ceyhan route via the Black Sea and the oil refinery to be built in Ceyhan; we want to take part in the construction of this refinery," Nazarbayev said.

In response to a question, the Kazakh president said a resolution of the Nagorno-Karabakh conflict would shorten the distance through which Kazakh oil would be transported to the BTC pipeline.



## Turkey says approaching gas deal with Azerbaijan

Date : 22.10.2009

Source: Today's Zaman (Reuters)

<http://www.todayszaman.com/tz-web/news-190666-turkey-says-approaching-gas-deal-with-azerbaijan.html>

Ankara is nearing a deal with Baku on gas transit, Energy Minister Taner Yildiz said, adding there had been much progress since Azerbaijan said it might explore alternative routes.

Azerbaijan said earlier in the month that transit terms to Turkey were unacceptable and that it was looking at other routes for gas from its Shakh Deniz gas field when production starts on the next phase between 2013 and 2016.

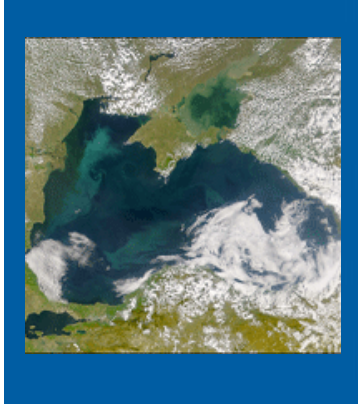
Russia's South Stream pipeline is seen as a main rival to Nabucco. Russian energy company Gazprom has secured a deal to import a modest 500 million cubic meters of Azeri gas from next year but says it intends to increase volumes. "We think there are not a lot of issues holding up an agreement with Azerbaijan," said Yildiz, adding that the two countries had been speaking on prices and that talks have 'come a long way.'

Yildiz also said in an interview with Reuters on Wednesday that Turkey supported a seventh partner in the Nabucco pipeline project and that France's GDFSuez was a good candidate. Turkey had previously opposed French involvement. Ankara previously rejected French participation in the project due to a dispute over a French bill that would have made it a crime to deny that the 1915 mass killings of Armenians was genocide.

A source told Reuters earlier in the month that French President Nicolas Sarkozy had expressed hope in a meeting with Turkish President Abdullah Gül in Paris that GDFSuez would soon be able to take part.

Yildiz also said that Turkey planned to carry out its \$3.5 billion natural gas development plans in Iran and that the issue would be discussed during Prime Minister Tayyip Erdogan's upcoming trip to Tehran. Iran has given state oil company Turkish Petroleum a one-month deadline to finalize the deal to develop part of the world's largest gas field in Iran, an industry source said on Monday.

The Turkish and Iranian governments agreed in July 2007 that Turkish Petroleum would produce an annual 20.4 billion cubic meters of natural gas from three development phases of Iran's South Pars gas field.



## Russia to conduct geological exploration in Black Sea

Date : 21.10.2009

Source: Today's Zaman

<http://www.todayszaman.com/tz-web/news-190565-russia-to-conduct-geological-exploration-in-turkeys-black-sea.html>

Turkey has decided to allow geological exploration in its Black Sea economic zone as part of the South Stream project, Russia's Itar-Tass news agency claimed.

According to the agency's report, President Abdullah Gül had a telephone conversation with Russian President Dmitry Medvedev on Monday. "In accordance with the earlier understandings reached at the top and high levels, the Turkish government has made all the necessary decisions to issue permissions for geological exploration in Turkey's exclusive economic zone in the Black Sea for the sake of the South Stream gas pipeline project" Gül was reported as saying to Medvedev. In response to Gül, Medvedev reportedly said the decision will facilitate the further strengthening of the strategic relations between Russia and Turkey.

Russia's Kommersant daily also reported yesterday that Turkish Energy Minister Taner Yildiz informed Russian Deputy Prime Minister Igor Ivanovich Sechin of Turkey's decision 'unofficially' in Milan on Monday, prior to the signing of a Memorandum of Understanding on the Samsun-Ceyhan oil pipeline by Turkey, Russia and Italy.



## Komlev: You depend on us for gas, we lean on you for tourism

Date : 23.10.2009

Source: Today's Zaman (Ismail Altunsoy)

<http://www.todayszaman.com/tz-web/news-190784-you-depend-on-us-for-gas-we-depend-on-you-for-tourism.html>

Gazprom doesn't agree with criticism that Turkey has grown excessively dependent on Russia for its energy needs and that this dependence will reach dangerous levels with the construction of nuclear energy power plant by a Russian-led consortium.

Sergey Komlev, head of the Contract Structuring and Price Formation Directorate at Gazprom Export, said these comments are not particularly valid considering that all



nations depend on each other to varying degrees. He said the issue must be considered on an economic rationale rather than within ideological metaphors. "Fifty percent of the nuclear power plants in Europe use Russian uranium, but none of the European countries complain about a dependency on Russia," he argued.

"For instance, Turkey is extremely important for Russians in terms of tourism. Every year, over 3 million Russians flock to Turkey. From the same point of view, does this situation mean that Russia is over-dependent on Turkey? Yes we lean on Turkey for tourism and you depend on us for energy," Komlev said.

He said they didn't expect a considerable increase or decrease in gas prices this year. Although natural gas prices are largely determined by oil prices, the price of LNG has followed a different path in Europe in recent times, Komlev asserted, saying that they have come down to a level almost half that of natural gas. "This is putting us in a difficult situation," he claimed and explained that Gazprom's customers have started demanding discounts in their natural gas purchases.

"We estimate that LNG and natural gas prices will reach a balance in the long run. Other than that, natural gas deals are long-term agreements usually lasting up to 40 years. Prices are determined in accordance with formulas as set out in the deals," Komlev said, explaining why Gazprom is not willing to change the prices.

"We sold the gas by using the same formulas during the times when oil prices were at very low levels. We didn't offer to change the formula, and the current situation is very similar." Komlev also commented on the impact of the current global crisis on Gazprom's sales. He said the company's earnings were down 20 percent due to the crisis but added that this negativity will soon be over. "We are even expecting a rise in our sales in the near future depending on demand in the coming winter months," he said.

On Nabucco, the EU and US-backed pipeline project to transport Caspian gas to European markets crossing Turkey as an alternative to decrease dependence on Russian resources, Komlev claimed that this project is indeed an ideological attempt that is not as feasible technically. Nabucco has the capacity to carry a maximum of 31 billion cubic meters of gas annually, whereas the Russian South Stream, whose construction is still under way, will be transporting 120 billion cubic meters of gas per year.

Komlev stressed that Nabucco will only be capable of meeting 5 percent of Europe's annual gas demand. Europe mainly satisfies its thirst for natural gas from Russia, whose share in Europe is around 25 percent. Another 18 percent flows from Norway and 11 percent from Algeria. The remainder comes from Middle Eastern providers. "These figures disprove the claims that Russia has a monopoly on the European gas market," he concluded.



## Meetings move Iraq closer to next oil field auction

Date : 19.10.2009

Source: Iraq Oil Report (Ben Lando)

<http://www.iraqoilreport.com/the-biz/meetings-move-iraq-closer-to-next-oil-field-auction-2376/>

Representatives from 44 oil companies have concluded two-day meetings with the Iraqi Oil Ministry, hashing out a rough draft of the contract on which the companies will base their bids for 10 oil projects in December.

“The development of those oil fields will lead to the expansion of the Iraqi oil and gas production capacity as well as the export capacity,” Thamir Ghadhban, former oil minister and chief adviser to Prime Minister Nouri al-Maliki, said in a press conference after the meeting Monday. “Therefore there will be the opportunities for Iraq to provide greater revenues that are needed to improve the standard of living in the country, to improve on education, higher education, health, reconstruction – the various services that are badly required in the country.”

Oil sales account for 95 percent of state income, earning more than \$61 billion last year. Due to lower oil prices, Iraq has so far this year earned only \$28,5 billion. It has ambitions to rival Saudi Arabia’s production levels of between 10 million and 12 million bpd capacity in 10 years, Oil Minister Hussain al-Shahristani told.

The date for the auction has been set for Dec. 11 and 12, to take place in Baghdad in the theatre inside Iraq’s Oil Ministry headquarters. A semi-final draft of the second round contract will be published Oct. 21. After this companies will give final comments and critiques, and a final version is expected early November. Companies criticized a June auction as being too strict on terms, but are largely optimistic for the December auction.

The companies’ bids will be based on weighted criteria: the amount oil produced from the fields (and for how long) and the fee they they want to be paid for each barrel of oil. A penalty will be assessed to companies that miss production targets, but the amount hasn’t been determined yet.

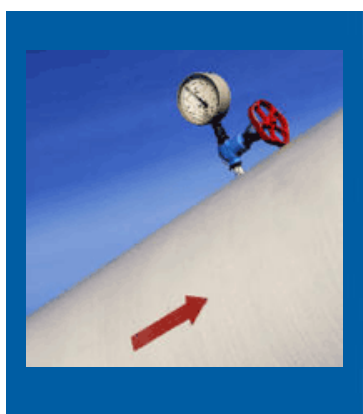
The ministry isn’t making public its expectations, allowing the companies to exceed them in the auction. But it wants a sustainable production, not a quickly ramped up but temporary output that would look good on paper but be detrimental to the field long-term.



Just like in the June 30 auction, the ministry aims to make a show of it in December: field by field, companies will submit their offers, which will be graded and the score put on a screen for all to see. “We will immediately announce the winner,” said Abdul Mahdi al-Ameedi, acting director general of the ministry’s Petroleum Contracts and Licensing Directorate.

Only one contract was awarded of the six oil and two gas fields offered in a first auction June 30. Companies said the terms were too harsh. BP and the Chinese National Petroleum Corp. (CNPC) will likely sign the contract for the super-giant Rumaila field within three weeks.

“The ministry is very much concerned about the utilization of gas and this practice of flaring is not really allowed anymore,” Ghadhban said. Iraq is trying to institutionalize and industrialize the gas reserves, and hopes to soon become a net gas exporter.



## Turkmenistan seeks ban on Russian re-exports of gas

Date : 21.10.2009

Source: Oil & Gas Journal (Eric Watkins)

<http://www.ogj.com/index/article-display/8758904006/articles/oil-gas-journal/transportation-2/pipelines/operations/2009/10/turkmenistan-seeks.html>

Turkmenistan, now negotiating with Russia’s OAO Gazprom, is seeking to ban the Russian firm from re-exporting the natural gas it purchases from the Central Asian nation.

“The new contracts will include a clause banning re-export of gas,” said Turkmenistan’s Deputy Premier Baimurad Khodzhmukhamedov at a conference in Ashgabat earlier this month. Khodzhmukhamedov’s statements came ahead of this week’s meeting between Turkmenistan’s President Kurbanguly Berdymukhamedov and Gazprom Chief Executive Officer Alexei Miller aimed at resuming Russia’s import of Turkmen gas that were suspended in April after a pipeline blast.

Both sides have since said they expect gas supplies to resume before the end of October, but they are still negotiating the terms of an amended supply agreement. Prior to the blast, Gazprom had been buying 50 billion cu m/year of Turkmen gas and re-exporting most of it to Ukraine, much to the chagrin of Ashgabat.

While Turkmenistan wants to include the re-export ban, Gazprom wants to reduce its purchases of Turkmen gas to 30 billion cu m/year and to establish a flexible pricing formula that will ensure prices are in line with the international gas market.



## OPEC: High oil prices on speculation, not lack of supply

Date : 19.10.2009

Source: Nasdaq (Dow Jones Newswires)

<http://www.nasdaq.com/aspx/stock-market-news-story.aspx?storyid=200910161023dowjonesdjonline000554&title=opec-headhigh-oil-prices-on-speculationnot-lack-of-supply>

OPEC Secretary General Abdalla Salem El-Badri said that current high oil prices weren't due to lack of supply but to speculators.

"If we see the price is going up because of a shortage of crude oil in the oil market, I'm sure OPEC would intervene and correct this," El-Badri told Dow Jones Newswires in an interview in Abuja, Nigeria after two days of meetings with Nigerian counterparts. "But what we are seeing at this time is not a shortage in the oil market."

El-Badri instead placed most of the blame for rising oil prices on speculation. "Speculation must be prevented from going wild as it happened in 2008, something must be done," he said. "You cannot really eliminate speculation, but you can control them somehow, not to go wild. It's not me who controls the markets, its the regulators. They should control it somehow. When we see that the price is following the economy, then we will be very happy," he said. "It has nothing to do with the shortage in the oil market."



## Iran inks €1.2b gas deal with South Korean company

Date : 02.09.2009

Source: Tehran Times

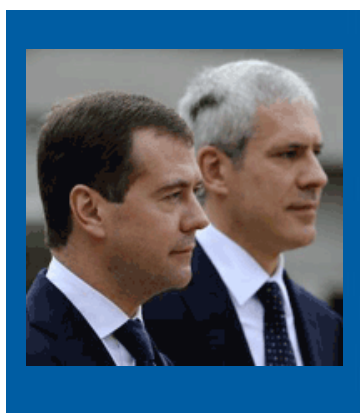
[http://www.tehrantimes.com/index\\_View.asp?code=205553](http://www.tehrantimes.com/index_View.asp?code=205553)

Iran's Pars Oil and Gas Company signed a deal worth 1,24 billion euros (\$1,83 billion) with the South Korean company GS in Tehran. The contract is for sweetening of gas from phases 6, 7, and 8 of the South Pars field.

GS Holdings is the holding firm of GS Caltex, South Korea's No. 2 crude refiner. The deal was signed by National Iranian Oil Company Managing Director Seyfollah Jashnsaz and the managing director of the South Korean firm. As per the contract, 3,9 billion cubic feet of sour gas extracted from the South Pars phases will be sweetened and injected into Iran's national gas supply network.

The contract duration is 42 months, the report added. Phases 6, 7, and 8 of the South Pars gas field came on stream on October 21, 2008. They are producing 158,000 barrels of gas condensates, 4,700 tons of liquefied propane and butane, and 104 million cubic meters of gas daily.

The South Pars/North Dome field is a gas condensate field located in the Persian Gulf. It is the world's largest gas field and is shared by Iran and Qatar. The field's recoverable gas reserve is estimated to be equivalent to 215 billion barrels of oil. It also holds about 16 billion barrels of recoverable condensate.



## Serbia seen as hub for Russian gas in Europe

Date : 23.10.2009

Source: Hürriyet Daily News (AP)

<http://www.hurriyetdailynews.com/n.php?n=serbia-seen-as-hub-for-russian-gas-in-europe-2009-10-23>

Serbia will become a major hub for distribution of Russian natural gas to Europe thanks to the storage and transport capacities of the planned South Stream pipeline, the general manager of Serbian state energy company said Thursday.

Dusan Bajatovic of Srbijagas said the 470-kilometer stretch of the South Stream pipeline through Serbia to be built by Russia's Gazprom would have a capacity of between 36 and 41 billion cubic meters per year - four times more than when the deal was announced last year.

He said Srbijagas and Gazprom have agreed to build large gas storage facilities in the Balkan country with total capacities of up to seven billion cubic meters that would serve as distribution centers. "That will make Serbia the regional energy leader, and we will be able to distribute the gas for Bosnia, Croatia, Macedonia, Romania and maybe Bulgaria," Bajatovic said.

Bajatovic said that Serbia will get €500 million in revenue a year from the gas transit taxes to be paid by the states which purchase the Russian gas. The announcement comes two days after the visit to Serbia by Russian President Dmitry Medvedev and the signing of an agreement between the two countries on creating joint ventures to build the Serbian arm of the South Stream and a large gas storage facility in the north of the Balkan country.

Last year, Gazprom bought Serbia's major oil and gas assets, and agreed on the path for South Stream, to be completed in 2015. The pipeline across the Balkans would avoid Ukraine, with which Russia has pricing and political disputes. It competes with a U.S. and European Union-backed proposed pipeline called Nabucco that would send Europe natural gas from Caspian Sea nations, not Russia, to diversify Europe's natural gas suppliers.

The energy deals, along with an \$1-billion Russian loan to Serbia, are seen as an attempt by Moscow to bring Belgrade under its economic and political fold, amid the Balkan country's stalled negotiations on a pre-membership deal with the European Union. During the visit on Tuesday, Medvedev said Russia's goal is to make Serbia 'a big energy player' which will distribute Russian gas in Europe, and added that this cooperation should result in 'a strategic partnership' between the two states.



❖ IEA Open Technology Bulletin

Source : International Energy Agency  
Weblink : <http://www.iea.org/impagr/cip/index.htm#one>