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Turkish – Azeri gas accord may boost investments

Hürriyet Daily News (Bloomberg), *08.06.2010*

The natural gas trade agreement signed between Turkey and Azerbaijan is expected to open the path for new investments in Caspian Sea fields. Azerbaijan will seek to ship 10 billion cubic meters (bcm) of gas a year from the second phase of Shah Deniz across Turkey to Greece, Bulgaria, Serbia and Syria, among other gas consumers.

Turkey and Azerbaijan's natural-gas trade agreement may trigger investments in Caspian Sea fields and boost exports of the fuel to Europe, energy ministers from the two countries said on Monday.

"This opens the door for the Shah Deniz consortium to start negotiations with customers and look at the different transportation solutions for gas to Europe," Kjersti Morstoel, a Statoil spokeswoman, said on Monday by telephone. Azerbaijan will seek to ship 10 bcm of gas a year from the second phase of Shah Deniz across Turkey to Greece, Bulgaria, Serbia and Syria, among other gas consumers, Aliyev said. Shah Deniz-II may provide 16 bcm of gas a year after starting in about 2016, according to the State Oil Co. of Azerbaijan, or Socar, a partner in the project.

Turkey plans to buy 2 bcm of gas in 2017 from the second phase of Shah Deniz, which may rise to 6 bcm in 2019, Turkish Energy Minister Taner Yildiz said after the meeting. "This agreement will trigger other major energy projects in the region," Yildiz said. Turkey will get the right to re-export gas from Shah Deniz-II, Yildiz also said. Turkey's ability to profit from differences between domestic and European prices has damped interest in pipelines across its territory, Statoil said last year. Re-exporting gas from Shah Deniz-II wasn't discussed, Socar vice president Elshad Nassirov said.

The OMV -led Nabucco pipeline is vying with smaller volume projects such as the Interconnector Turkey-Greece-Italy, or ITGI, led by Edison and Depa and Statoil and EGL-led Trans Adriatic Pipeline, or TAP, to ship Caspian gas to Europe. "This is a step in the right direction," Reinhard Mitschek, managing director of the Nabucco project, said in an e-mailed statement.

Settling the commercial aspects of the agreement may take an additional six months to eight months, Murat Heydarov, adviser to the head of Socar, said in Baku last week.

Yildiz said the price for Azeri gas supplies is 'in line' with market levels such as those from Russia. The deal lessens Turkey's liability to take-or-pay contracts, and the country will now revise 'all' such accords, he said. Turkey is Russia's second largest gas consumer under such contracts outside the former Soviet Union, following Germany, according to Gazprom. Petkim, a Turkish chemicals maker owned by Turcas and Socar, will get 1.2 bcm a year of Azeri gas at a 'favorable price', Yildiz said. The Azeri deal won't raise consumer prices, he added.

Turkey's largest private investment to be launched soon

Today's Zaman (AA), *11.06.2010*

Construction is set to begin soon on a refinery in Izmir's Aliaga district, Turkey's largest private investment ever to be made in one region with a projected cost of $5 billion.

SOCAR-Turcas, the owner of Turkish petrochemicals producer Petkim, will construct the Aliaga Refinery and expects to put it into operation by 2014. The project is a combination of refinery, petrochemical factory and power plant. SOCAR-Turcas CEO Kenan Yavuz said they received the Energy Market Regulatory Agency (EPDK) license for the construction of the refinery on Wednesday and that they expect to start the project as soon as possible.

He said they would employ around 10,000 workers during the construction of the refinery, adding 1,000 people would be hired permanently following the finalization of the project. The refinery will be capable of processing 10 million tons of raw materials, making it one of the most important processing centers in Europe. The license from the EPDK follows the recently signed three natural gas supply deals between Turkey and Azerbaijan. The deals also include gas sales to Petkim, which was sold to an Azerbaijani consortium. Petkim will receive 1.2 billion cubic meters of gas from Shah Deniz II.

TPAO racks up Libyan bounty

Upstream Online, *11.06.2010*

Turkish Petroleum Corporation, TPAO, has made fifth oil find in Area 147/3-4 in Libya's Murzuq basin. Libya's National Oil Corporation (NOC) said TPAO drilled the C1-147/03 wildcat to a total depth of 8328 feet, hitting 143 feet of oil pay in the Memouniat formation.

TPAO has finished workover and production testing of the well, flowing 1845 barrels of 33.3 degree API oil per day via a 32/64 inch choke. TPAO was awarded the concession, in Fezzan province, in the EPSA IV Bid Round II in 2005. It holds 100% of the licence. All five wells drilled on the concession have resulted in oil discoveries.

Turkey and ExxonMobil in bid to boost cooperation

Today's Zaman (Ismail Altunsoy), *10.06.2010*

Energy and Natural Resources Minister Taner Yildiz held a meeting with the US giant ExxonMobil Corp's senior vice president, Mark Albers, yesterday in Ankara, at which future opportunities for cooperation between the company and the TPAO in third countries were discussed.

Speaking after the meeting, Yildiz stated they had exchanged opinions about developments in the oil and natural gas sector. In relation to opportunities in third countries, the minister declined to name any specific countries as of yet but said the two countries may work jointly in Africa.

Albers, also speaking at the event, stated that ExxonMobil places great importance on its partnership with the TPAO both in Turkey and in third countries. "Exxon Mobil has been working in Turkey since 1905, involved especially in exploration and production operations. We are looking forward to seeing the next phase of our relations with the TPAO and also the results of the exploration we are carrying out in the Black Sea" Yildiz said.

Iran begins work on export gas pipeline

Today's Zaman, *08.06.2010*

Iran's state television says the country has begun construction of a 110 million cubic meter per day gas export pipeline to Europe. The report Monday said the $1.58 billion (1.3 billion euros) pipeline would bring gas to Turkey, with the aim of distribution to Europe.

The line, which originates in the southern Iranian town of Assalouyeh and extends to Bazargan, near the Turkish border, is slated to be completed within three years. The project reflects Iran's attempt to expand its gas exports after it was left out of the Nabucco project that supply gas from the Caspian Sea region to Europe while avoiding Russia.

Putin: Israeli pipeline deal could be scrapped

Hürriyet Daily News, *08.06.2010*

Both Turkey and Russia say the Blue Stream II gas project may not be extended to Israel, but for different reasons. While Russian Prime Minister Putin cites decreased Israeli demand for the energy, Ankara was already threatening to suspend energy cooperation in the wake of Israel's raid on an aid flotilla last week.

The proposed Blue Stream II natural gas pipeline may no longer extend to Israel -originally envisioned as a key custome- Russia's prime minister said Tuesday, citing econo mic rather than political concerns.

Vladimir Putin's remarks came after Turkey said it would shelve all energy cooperation deals with Israel unless the country apologizes for the attack on a Gaza-bound aid ship that killed eight Turks and one American of Turkish descent. "The problem is different," Putin told a joint news conference with his Turkish counterpart, Recep Tayyip Erdogan, on the sidelines of a regional security summit in Istanbul. "Israel, according to the data available, has found natural gas on its own continental shelf. Therefore I think Blue Stream II may not be extended to Israel because of economic concerns."

Seemingly contradicting Ankara's position, the Russian prime minister made clear Israel's exclusion from the project would be unrelated to what he called 'the tragic incidents' sparked by the deadly Israeli raid last week. Putin, however, declined to speculate further on the issue, saying only, "The basic issue is Israel may not need this gas that much." "This issue is not on our agenda," said Erdogan, in response to the same request for additional information.

A senior Russian diplomat told that Israel had been anticipated as a major recipient of the natural gas to be shipped from Blue Stream II. "Under the current circumstances, it would not be rational to implement the project because there would be no big market for the gas supplies," said the diplomat, who wished to remain anonymous.

In March 2009, Turkey and Russia agreed to establish a working group for the realization of the Blue Stream II project, which aims to transport Russian gas to the Middle East, including Israel, via Turkey. The project foresees the construction of a new pipeline in parallel to the current Black Sea route Blue Stream, through which Russian gas supplies are transported to Turkey.

Turkey cements regional cooperation with Russian energy deal

Today's Zaman, *09.06.2010*

Only one day after the signing of three critical natural gas supply deals with Azerbaijan, Turkey has taken another step to intensify efforts to emerge as an energy hub in the region.

Turkey and Russia signed a nuclear cooperation deal in Istanbul during the third summit of the Conference on Interaction and Confidence-Building Measures in Asia (CICA). The Turkish Atomic Energy Agency (TAEK) and Russia's Federal Service for Ecological, Technological and Nuclear Supervision (ROSTECHNADZOR) signed the deal. Turkish Energy Minister Taner Yildiz and Russian Deputy Premier Igor Sechin signed the agreement.

Turkish Prime Minister Recep Tayyip Erdogan and his Russian counterpart, Vladimir Putin, also attended the ceremony. The agreement foresees information and know-how exchange on the licensing of nuclear facilities and activities. Under the agreement, TAEK and ROSTECHNADZOR will cooperate in the areas of regulations for licensing and supervision, protection from radiation, management of the quality of nuclear facilities, radioactive fuels and fuel waste management, safety regulations for nuclear/radioactive materials and radioactive wastes, emergency reaction and readiness and training for supervisory personnel.

Erdogan stated at a joint press conference with Putin in İstanbul that the government would make multidimensional relations with Russia a priority in foreign policy and that "we aim to raise our trade volume to $100 billion in the next five years." Erdogan said Turkey receives a great deal of its natural gas from Russia and that Turkey would take new steps towards the using more natural gas in industry. Putin stated that natural gas from the Shah Deniz field "is not enough to meet the planned Nabucco pipeline's needs." Underlining that Russia respects the Turkish side's right to diversify energy routes, Putin said they concentrated particularly on some previously outlined projects that will increase Russian natural gas exports to third countries via Turkey.

Meanwhile, Turkish Energy and Natural Resources Minister Taner Yildiz said on Tuesday in İstanbul that Parliament would vote within a few weeks on a deal with Russia to build Turkey's first nuclear power plant. "The agreement we signed on the construction of the nuclear plant will be submitted to Parliament for approval within the next two to three weeks," he told reporters.

Northern Iraq eager to join Nabucco project

Hürriyet Daily News (Barçın Yinanç), *07.06.2010*

Northern Iraq could provide the natural gas to make the Nabucco pipeline feasible, according to a minister from the semi-autonomous region. "We can provide 14 or 15 billion cubic meters to make the project work," said Kurdish Regional Government's Energy Minister Ashti Hawrami.

Northern Iraq's proven oil reserves amount to 45 billion barrels and natural gas reserves of between 6 and 8 trillion cubic meters, according to Hawrami, who accompanied Massoud Barzani, chief of the Regional Government, to Turkey last week.

He said there were at least 40 companies from 17 different countries working in the region. "Turkey is well represented in the sector," he said, adding that a Turkish private company was the first to explore and export natural gas in the region. Genel Enerji, Zorlu, Calik Enerji and the Dogan Group are among the Turkish firms currently present in the region, according to Hawrami. He said the administration's timetable for extracting and exporting gas is in line with that of the Nabucco pipeline, adding that as the pipeline is expected to be active by 2014, they also expect to be able to provide gas. Although there is a dispute between northern Iraq and the country's central government over who should shoulder the cost of extracting the gas, the minister said he was optimistic at reaching a quick solution on the issue.

Pre-salt could brighten offshore Brazil

Rigzone, *11.06.2010*

Brazil could become one of the largest oil producers worldwide if its plans to develop large offshore, pre-salt oil deposits prove successful. However, meeting this challenge will require unlocking reserves from technically difficult deepwater fields with oil under layers of rock and salt thousands of feet below sea level. Potential regulatory changes could also impact the process of producing these reserves.

The South American nation has increased its oil production during the past decade in order to meet increasing domestic energy demand associated with economic growth.

To meet this goal, the government and Petrobras have stepped up their efforts to produce Brazil's proven offshore reserves, most of which lie in the offshore Campos and Santos basins. Brazil, along with the U.S. Gulf of Mexico and West Africa has been touted as the "Golden Triangle" in terms of deepwater exploratory success.

Last month, Brazil's National Petroleum Agency reported that Petrobras has made an oil discovery offshore Brazil in the Santos Basin with the 2-ANP-1-RJS well which, if confirmed, could be the largest oil discovery made since the pre-salt Tupi oil field was discovered in November 2007. Tupi and the pre-salt discoveries that followed transformed the nature and focus of Brazil's oil sector, drawing the attention of oil companies worldwide and uncovering oil finds that could significantly impact the global oil market.

A consortium of Petrobras, BG Group, and Petrogal discovered the Tupi field in BM-S-11, which is estimated 5 billion to 8 billion barrels of recoverable oil and natural gas reserves in a subsalt zone that is an average of 18,000 feet below the ocean surface. Tupi was the largest oil discovery since the supergiant Kashagan field in Kazakhstan. In addition, oil encountered in the subsalt zones appears to be lighter and sweeter than most of Brazil's existing heavy crude production. Following Tupi, numerous additional pre-salt discoveries were announced, such as Carioca, Iara, and Guara. Preliminary estimates by industry analysts of the total extent of recoverable oil and gas reserves in the entire subsalt reserve have exceeded 50 billion barrels of oil equivalent.

In 2009, Petrobras released its strategic plan for developing the pre-salt areas. This plan included development of the Tupi, Iara, and Guara fields that would occur in three discrete phases: extended well tests, pilot projects, then large-scale production through multiple, duplicate floating production, storage and offloading vessels. Along with their potential to significantly increase oil production in the country, the subsalt areas are estimated to contain sizable natural gas reserves as well. According to Petrobras, Tupi alone could contain 5-7 Tcf of recoverable natural gas, which if proven, could increase Brazil's total gas reserves by 50 percent. There are plans to build a natural gas pipeline from Tupi to Mexilhao, where the natural gas could then flow into the national grid.

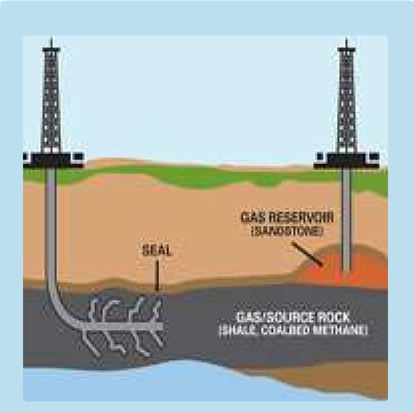
Last month, Petrobras completed a year of production at the Tupi field with the Extended Well Test (EWT), RJS-646, that produced results "extremely consistent" with what the reservoir staff had anticipated and with the expected flow assurance, said Jose Miranda Formigli, executive manager for pre-salt with Petrobras.

However, considerable challenges must still be overcome in order to bring these reserves to fruition. The difficulty of access to the reserves, considering both the large depths and pressures involved with subsalt oil production, mean that there are many technical hurdles that must be overcome. Production from additional pilot projects is possible in the near-term, but large-scale development of the subsalt reserves will likely not occur until the next decade.

Petrobras also is designing projects in order to reinject carbon dioxide (CO_2) into the formation in order to meet possible future restrictions on CO_2 emissions. Other challenges include the transport of oil and gas as well as offshore workers and supplies over long distances, given that the pre-salt discoveries are two times further from shore than other fields. As a result, Petrobras will utilize not only dynamic positioning ships already in use in the Campos Basin, but intermediate stations that allow the transfer of oil to conventional vessels for transport.

Shale gas not yet game-changer for Europe

EurActiv, *09.06.2010*



Shale gas cannot be seen yet as a game changer in Europe as it is in the United States, where roughly 50% of the country's needs are met by developing unconventional gas. The conclusion was reached by international experts at a public event held in Brussels yesterday.

To illustrate the possible impact of developing shale gas in Europe, Don Gauthier of the US Geological Survey said that in an area the size of the Benelux countries, there would have to be up to 6,000 wells, an impact that would probably attract environmental opposition.

Speaking at a conference organised by IFRI, the French Institute for Foreign Relations, Gauthier explained that the reason for such concentration was that unlike natural gas, unconventional gas needs a high density of wells, including horizontal wells. Conventional gas costs less, as it is extracted at much higher volumes from only a few vertical wells. Citing the US experience, Gauthier further explained that operators need to reach agreements with land owners. This, he said, was an easy task in Texas, but much more difficult in the New York area, where in his words 'a lot of debate' on water issues had been taking place. One of the speakers said Europe is more densely populated and has more infrastructure than the United States.

The development of shale gas, which sees chemicals added to the water to facilitate the underground fracturing process that releases natural gas, is a concern to environmentalists. Fracturing fluids, designed to free gas trapped between layers of shale, are developed by companies to suit the geologic characteristics of each individual site. The wide variety of rock types, experts explained, means that a chemical developed for a site in the US would have little if any application elsewhere. The countries where shale gas is presumed to exist in the EU are Germany, Poland, Sweden, France, Austria, Hungary and the UK.

The conference focused on the development of shale gas in Poland. Ewa Zalevska, director of the Geology and Geological Concessions Department at the Polish Environment Ministry, admitted that Warsaw was harbouring major ambitions to develop shale gas, the switch towards which she described as "the 21st Century's gold rush". Between 2007 and 2010, Poland granted 58 concessions for shale gas development to US giants such as ExxonMobil and ConocoPhillips, Zalekska said.

According to estimates, Poland's shale gas reserves stand at 1.4 to three trillion cubic metres, enough to satisfy the country's needs for the next 100-200 years, Zalevska said. However, she was quick to add that there was not yet enough evidence to prove this. Indeed, no shale gas fields have been documented in Poland yet, she revealed. The first estimation, she said, was due in 4-5 years and the first potential production in 10-15 years. Hans Van Der Loo of Royal Dutch Schell concurred that unconventional gas reserves in Europe had yet to be proven and warned that it was not certain to prove commercially successful. Some firms might end up losing money, he cautioned.

BP stock plunges to 13-year low

Upstream Online, *10.06.2010*

Shares in BP continued to fall heavily today, hitting their lowest level since 1997, even as the company said it saw no justification for such a move. The shares opened trading in London 11% lower before recovering to trade down 7.3% at 363 pence at 0726 GMT, against a 2.3% drop in the STOXX Europe 600 Oil and Gas index.

The drop follows days of heavy losses and catches up with a drop of over 15% in the price of BP's US-traded American Depositary Receipts (ADRs). President Barack Obama's administration has threatened new penalties on the company, further sapping investor confidence in the supermajor.

A fresh round of congressional hearings into the disaster were scheduled on Thursday as BP sought to capture more of the oil gushing from the blown-out Macondo well, in Mississippi Canyon Block 252.

BP depositary shares trading in New York fell nearly 16% to close at $29.20 on Wednesday, their lowest level since August 1996, on jitters about the costs the company will have to assume. BP said last week it has plenty of cash to deal with the problem and the Obama administration has made similar comments. With Wednesday's battering in New York, BP has lost more than half its market value since 20 April, when the Transocean semi-submersible drilling rig Deepwater Horizon was rocked by an explosion before erupting into flames as the well blew out. Eleven of the crew on board the semisub at the time is missing, presumed dead. Earlier on Wednesday, BP's stock closed down 4% in London on concerns the company might have to suspend its dividend payment.

US politicians have been calling for this, saying the company should put its cash into paying for legal claims and environmental damage in the Gulf. However, BP said it had the resources to deal with its liabilities. "BP faces this situation as a strong company," the company said in a statement today. "The company is not aware of any reason which justifies this share price movement," it said of the ADR drop. ING analyst Jason Kenney said the stock was "materially oversold" but added he didn't see any likelihood of investor sentiment toward BP improving anytime soon.

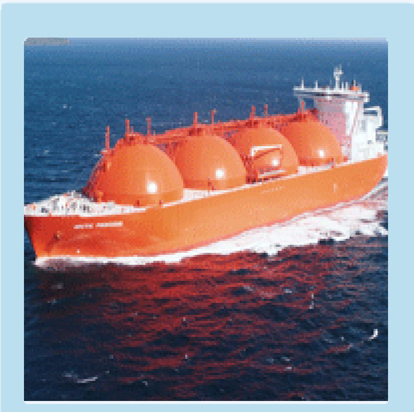
Analysts at Bank of America Merrill Lynch said the company could afford to pay its $28 billion estimate of spill costs but added there was massive uncertainty around the overall impact with a possible dividend cut, management changes and more limited growth opportunities in future. Five-year BP credit default swaps rose 140 basis points (bps) to 520 bps, making a rise of 250 bps in two days, one trader said, implying that the cost of insuring BP's debt against default had almost doubled in recent days. The cost of the response effort to date has been around $1.43 billion, BP said.

Meanwhile, US Interior Secretary Ken Salazar told a Senate hearing he would ask BP to repay salaries of any workers laid off because of the six-month moratorium on deepwater exploratory drilling imposed by the U.S. government after the spill. As the US government turned up the heat on the supermajor, a BP source said the company believes it may be heading for a showdown with the White House over widening liability demands. While the company has said it will pay for the clean-up and direct damages to those affected by the spill, the moratorium was a government decision and costs related to it were a different matter, the source said.

A senior US Justice Department official said after the US markets closed that the department was "planning to take action" to ensure BP had enough money on hand to cover spill damages. Robert Stark, a bankruptcy attorney with Brown Rudnick in New York, said he expected BP to be running models right now to determine how they would pay their liability claims. "It's a very big company with a very big balance sheet ... in the pure economic world of bankruptcy; do they have enough money to pay their debts? I don't think any of us know that for a fact. At least in the short term they have capability to pay," he said.

Alexei Miller: LNG no alternative to pipeline gas

Hürriyet Daily News (Barcin Yinanc), *10.06.2010*



Despite competition from liquefied natural gas, or LNG, natural gas pipelines to Europe will remain the main artery delivering energy to the West, according to Alexei Miller, chairman of the Russian gas monopoly Gazprom.

Talking at the European Business Congress in Cannes on Thursday, Miller focused on new developments in the energy market that could challenge Gazprom's dominant position in the European energy scene. He refuted the assertion that competition from LNG would force out pipeline gas from the European market due to the transportation difficulties of LNG.

"The mode of LNG used in Europe is local. It is consumed predominantly in the coastal regions," Miller said, adding that it is technically impossible to deliver LGN from terminals to consumers in Central Europe, for instance. If some day a decision is taken to build a new gas transportation network for LNG to reach even the most remote corners of Europe, it would eliminate all the competitive advantages of this energy source, according to Miller. "The European transmission system has been purposefully designed to bring natural gas to clients in contracted volumes," said Miller, adding that pipeline gas is most likely to remain a devoted mainstay.

Qatar to idle 66% of LNG capacity

Upstream Online, *10.06.2010*

Qatar, the world's largest producer of liquefied natural gas, will idle 66% of its export plants this year, reversing earlier plans and joining Russia in curtailing supply amid a global glut.

Bloomberg cited a report from New York-based consultant Poten & Partners as saying Qatar's two LNG projects, Ras Laffan and Qatar LNG, had an 'unusually heavy' maintenance program during the past two months that shut six of 12 production units for several weeks. Another two units will undergo repairs this summer.

Qatar has changed its approach from a January comment by Faisal Suwadi, then chief executive officer of QatarGas, that his company probably would not idle any LNG units for maintenance this year. Russian gas giant Gazprom, which supplies about a quarter of Europe's gas, cut its 2010 production goal yesterday because of reduced demand. Gazprom said it aims to produce 519.3 billion cubic metres of gas this year, scaling back an earlier forecast of 529 bcm. "Gazprom is now revising down figures because of a lack of demand," head of the gas, condensate and oil production department Vsevolod Cherepanov, told reporters in Moscow.

Qatar's decision to shut units even as it increases overall capacity underscores the challenge LNG producers' face in balancing abundant supplies with long-term expectations of demand growth "There have been more shutdowns globally than we have seen in the past, and LNG units are being shut," Andrew Pearson, an analyst at Edinburgh-based consultant Wood Mackenzie told Bloomberg. "Suppliers are trying to support the market on one hand, but on the other hand, holding the gas back for future months and years when the price is more attractive."

US gas futures slumped 31% during the first three months of the year, fluctuated near $4 per million British thermal units during April, and then rose 19% since 24 May, to close at $4.677 yesterday on the New York Mercantile Exchange.

Gas for delivery in July 2011 was $5.384 per million Btu, a premium of 15% over the front-month contract. At the start of the year, the premium for July 2011 over gas for July this year stood at 6.6%. Gas prices have fallen during the past year as more nations boost exports and the US, the world's biggest consumer, increases domestic production from shale-gas deposits. Prices are less than a third of the record $15.78 reached in December 2005, when cold weather drained inventories already depleted by earlier hurricane damage in the Gulf of Mexico.

Members of the Gas Exporting Countries Forum, which includes Russia, Iran and Qatar, failed to agree in April on an Algerian proposal to buttress prices by reducing spot sales. Qatari Minister of State for Energy Mohammed Sada said in March that his country did not plan to reduce output to support prices.

OPEC: No need to increase supply

Rigzone (Dow Jones), *09.06.2010*

The Organization of Petroleum Exporting Countries (OPEC) said it wouldn't need to boost its supply after cutting demand forecasts for its crude and boosting supply estimates for rival producers, despite the impact of a U.S. oil spill.

In its monthly report for June, the organization also warned of likely downgrades in global consumption estimates in the second half, and slightly cut its annual forecast amid a slowing recovery. OPEC cut 2010 demand estimates for its crude by 70,000 barrels a day and now sees a year-on-year decline of 175,000 barrels a day. "This would leave no room for additional crude oil supplies in the market," it said.

OPEC's next meeting is not due until October. The organization, which members currently produce over a third of the oil consumed worldwide, is loosing market share to non members, which include Russia and the U.S. It boosted non-OPEC oil supply estimates by 110,000 barrels a day for 2010, making it an increase of 640,000 barrels a day.

The largest upgrade came from U.S. supply, despite OPEC warning production there could be affected by an extension of a Gulf of Mexico drilling moratorium and a hurricane season expected to be worse than usual. The moratorium, which follows an explosion and a huge spill at BP's Macondo well on Apr. 20, is affecting 35 wells "which will have a heavy influence on production in 2010 and 2011," OPEC said.

The group also warned "an expected moderation in the pace of the economic recovery is likely to impact demand growth forecasts for the second half." It cut its global oil demand forecast for the year by about 10,000 barrels a day to 85.37 million barrels a day, but kept consumption growth unchanged at about 950,000 barrels. Despite the challenges they face in finding buyers for every new barrel they produce, OPEC members have been steadily increasing their output in the past twelve months.

In May, quota-bound members increased production by 19,600 barrels a day to 26.83 million barrels a day, despite agreeing to 4.2 million barrels a day in cuts late 2008. Iraq, the only OPEC not subject to quotas, experienced the largest rise in the month, with 121,300 barrels a day.

Iran to approve Pakistan natural gas deal this week

Today's Zaman (Reuters), *07.06.2010*

Iran hopes to finalize a deal this week for a much-delayed pipeline to export natural gas to Pakistan by 2015, an energy official said on Sunday. "The $7-billion Iran-Pakistan gas pipeline contract will be finalized this week, and based on the approved time framework the export of gas to Pakistan will be launched by the end of 2015," said Hojjatollah Qanimifard, deputy director in charge of investment at the National Iranian Oil Company.

"In a meeting in Tehran on Tuesday, the final approval on pipeline by the NIOC board of directors will be delivered to Pakistani officials and their letter of guarantee will be received," he said.

The project is crucial for Pakistan to avert a growing energy crisis already causing severe electricity shortages in the country of about 170 million, at the same time as it confronts Islamist militancy. The pipeline will connect Iran's giant South Fars gas field with Pakistan's southern Baluchistan and Sindh provinces.

Iran has the world's second-largest gas reserves after Russia. But sanctions by the West, political turmoil and construction delays have slowed its development as an exporter. Dubbed the "peace pipeline," the project has been planned since the 1990s and originally would have extended from Pakistan to its old rival, India. However, India has been reluctant to join the project given its long-running distrust of Pakistan, with which it has fought three wars since they achieved independence in 1947.

Under a deal signed in March, Pakistan will be allowed to charge a transit fee if the proposed pipeline is eventually extended to India. The United States has tried to discourage India and Pakistan from any deal with Iran because of Tehrans' uranium enrichment activities and suspicions it wants to build nuclear weapons.

Iran, whose economy has been hit by UN sanctions over the dispute, denies any such ambitions. Iranian media reported on Sunday that the oil minister had ordered an end to talks with Anglo-Dutch Shell and Spain's Repsol over the development of South Pars after the majors failed to meet ultimatums on their involvement. Iran has the world's second largest gas reserves but has struggled for years to develop its oil and gas reserves. Iran says it already makes $18 billion annually from production at 10 phases of South Pars but that income could leap to at least $96 billion a year when all phases are completed.

Bulgarian PM walks out on pipeline deal

Hürriyet Daily News (Novinite), *11.06.2010*

Bulgaria's prime minister surprisingly announced that the country will dump the Burgas-Alexandroupolis oil pipeline project over fears that it is unprofitable and damaging for the country.

"Bulgaria gives up the Burgas-Alexandroupolis oil pipeline project," Boyko Borisov said on Friday after a meeting with the ambassadors from European Union countries. Borisov singled out the resistance of the people in the Black Sea region of Burgas among the arguments in support of his decision.

"The pipeline passes through protected areas from the European environmental protected area network Natura 2000, to top it all off there are no guarantees for us to see returns in the short term," Borisov said. "We saw what happened at the Gulf of Mexico," he added, referring to the huge and growing oil spill there.

Borisov's statement comes a day after Russia warned that it may indefinitely delay construction of the oil pipeline across Bulgaria and Greece if Sofia does not complete its revision of the plan in the next few months. "There has to be a decision on the future of the project no later than this fall" Russia's Energy Minister Sergey Shmatko told reporters at the State Duma after a speech on the situation in the country's energy industry. "It's quite possible that we will have to -not terminate- but freeze the project."

Greece has also recently called for the plan to move ahead as soon as possible in anticipation of investment and future transit fees. After it took office in July 2009, Bulgaria's new center-right government of the GERB party made it clear it was going to reconsider the country's participation in the three large-scale energy projects, South Stream gas pipeline, Burgas-Alexandroupolis oil pipeline, and Belene Nuclear Power Plant.

Bulgaria, Greece and Russia agreed to build the pipeline between Burgas and Alexandroupolis, taking Caspian oil to the Mediterranean skirting the congested Bosphorus, in 2007 after more than a decade of intermittent talks. The agreement for the company which will construct the Burgas-Alexandroupolis oil transit pipeline was signed by Bulgaria during Russian President Putin's visit to Bulgaria in 2008.

EU urged to regulate deep sea drilling after BP spill

EurActiv, *09.06.2010*

In the aftermath of the BP oil slick in the Gulf of Mexico, Food & Water Watch, an environmental consumer organisation, has called on EU authorities to tighten inspections of oil production facilities to avoid similar disasters in European waters. The European Commission has already held preliminary talks on the issue with industry representatives.

US-based Food & Water Watch and its European programme Food & Water Europe warned the European authorities that they must strengthen their oversight and inspections of deepwater oil platforms operating in European waters.

Referring to the BP accident as a 'cautionary tale for Europe', the NGO stresses that EU officials should ensure that member states are regulating deep-water operations adequately and that companies are not 'cutting corners where safety is concerned'. A similar disaster in the North Atlantic or Atlantic would foul the entire North Sea, it argues. Wenonah Hauter, executive director of Food & Water Watch, said the NGO wanted the European Commission to re-evaluate offshore oil exploitation and require EU member states to make sure operators have the necessary engineering documents to operate safely.

The European Parliament held a debate on security and prevention measures on offshore oil platforms in the EU on 18 May. But the House failed to adopt a resolution calling for tighter inspection methods, stronger safety rules and strengthening of international rules for off-shore exploration and drilling. The resolution was drafted by Polish MEP Boguslaw Sonik (European People's Party), vice-chairman of the House's environment committee. Sonik told journalists yesterday that his attempt to launch a proper debate on the matter in the House was watered down by EU Energy Commissioner Günther Oettinger, who had met BP officials 'behind closed doors' on the matter and was not planning to move quickly.

Oettinger's spokeswoman refused accusations that the meeting was held in secret. She confirmed that Commissioner Oettinger had held a meeting with several oil companies -including Shell as well as BP- on 11 May to discuss whether there are any loopholes in EU legislation that needed to be addressed. No decisions were taken at this first meeting, she added.

The companies are expected to fill in a 12-point 'self-evaluation' questionnaire asking them about their capacity to respond to a disaster similar to the explosion of BP's Deepwater Horizon rig in the Gulf of Mexico. The questionnaire, which also asks oil companies to evaluate their safety measures in place, will be discussed at the next meeting between the EU executive and national authorities in July. Wenonah Hauter stressed that the Commission "must not enable the industry to evaluate itself when it comes to safety" and called for public access to the answers from the questionnaires.

European Parliament President drums up support for EU Energy Community

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"Europe is at a crossroads: to boost growth and emerge from the economic crisis, it needs to forge an energy community with or without treaty change", said European Parliament President Jerzy Buzek at a meeting with national parliamentarians in Brussels.

"Even without changing the EU Treaty, there is a great deal that we can do together," said Buzek after the meeting on Monday. "But only if national governments are interested in this common policy will the energy community see the light and win the day," he added.

The EU needs new instruments to develop sustainable and affordable alternative energy sources, Buzek said. Indeed, the European Coal and Steel Community (ECSC) expired in 2002, while the Euratom Treaty only deals with nuclear energy. European parliamentarians were told by experts that Europe has four options to address the current fragmentation of Europe's energy market and put the continent in the international driving seat.

Professors Marc Van der Woude and Leigh Hancher recommended making use of existing legal tools, such as including energy solidarity in the Lisbon Treaty and using the text's enhanced cooperation mechanism between a minimum of nine member states. However, they believe the best legal option would be to establish a new European Energy Treaty to rapidly address the high degree of fragmentation in energy policy, which at the moment is piggybacking on other policies like the internal market or environmental rules. "It creates a stronger and more coherent European energy regulatory space, governed by credible institutions capable of delivering results," said Van der Woude.

The community will be open to all, but countries will be able to opt out, explained Hancher, citing European Monetary Union as a similar example. The new treaty would be established under the existing EU structure, as was the case for the ECSC. By allowing participating member states to develop and apply the new energy policy under the existing institutional machinery, the institutional vacuum created by the expiry of the old ECSC Treaty would be refilled, argued the professor. But such an option does raise politically complex questions, not least the reopening of the Pandora's Box of treaty change.

The fourth and more workable option, the professors concede, would be to prompt cooperation in certain areas on a functional or regional basis. Such as initiative would follow the so-called Schengen model of 'à la carte' EU integration and could see the establishment of a trading platform, a network treaty or the pooling R&D projects on energy, for example.

Buzek seemed to support the latter option. For the European Parliament president, common action must focus on building networks and storage capabilities to shelter Europe from energy crises like the one prompted in January 2009 by the Russia-Ukraine gas dispute. “The European Union must present a single interface in its relations with its external partners, both producers and transit countries,” Buzek said. “The EU must have the ability to pool its supply capacities and to engage in coordinated energy purchasing, should the need arise,” he wrote together with Jacques Delors in a joint declaration last year. “We need to change the way we behave too,” he said, adding that that was the job of national parliaments.

Announcements & Reports

► *EMRA Activity Report (2009)*

Source : Energy Market Regulatory Authority
Weblink : http://www.epdk.org.tr/yayin_rapor/yillik/2009/2009.pdf

► *OPEC Oil Market Report (May 2010)*

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