Oil & Gas Bulletin

► *18.06.2010*

Iraq and Turkey renew Kirkuk – Ceyhan deal

Hürriyet Daily News (Bloomberg), *17.06.2010*

Iraq will be able to export crude for another 12 years through the Turkish port of Ceyhan after the countries agreed to renew their accord, an oil ministry spokesman said Thursday.

Ceyhan, on the Mediterranean coast, is the terminus for a pipeline that transports crude oil from fields around Kirkuk in northern Iraq. The 450,000 barrel-a-day pipeline carries about a third of Iraq's total crude exports. Attacks by insurgents inside Iraq have repeatedly interrupted the flow of oil through the pipeline. The Iraqi government depends on crude exports for most of its revenue.

The export renewal agreement will be signed during a visit to Baghdad by Turkish Energy Minister Taner Yildiz in the next few days, said Assem Jihad, the Iraqi oil ministry spokesman. Iraqi Deputy Oil Minister Abdul Kareem al-Luaibi and his Turkish counterpart Yusuf Yazar initiated the 12-year accord on Wednesday in Baghdad, Jihad said.

BOTAS, Edison and Depa agree on ITGI pipeline

Hürriyet Daily News (Bloomberg), *18.06.2010*

Italy's Edison, Turkey's BOTAS and Greece's Depa signed an agreement to carry Caspian gas to Italy via Turkey and the Adriatic.

The memorandum of understanding for the so-called Interconnection Turkey-Greece-Italy project, or ITGI, was signed in Ankara on Friday. "The pipeline represents a strategic infrastructure which will significantly increase European energy security as it will be the first link with the Caspian area where about 20 percent of world's gas reserves are located," Roberto Poti, executive vice president at Edison, said.

The pipeline will be completed in 2017, Turkish Energy Minister Taner Yildiz said at a news conference in Ankara to mark the signing of the accord. The line will compliment not rival the planned Nabucco pipeline due to carry Caspian gas to Europe from Turkey via Austria, he said. Total costs for ITGI are not known, he added.

Infrastructure will include upgrading Turkey's national grid to enable transit of gas to Greece and Italy, a pipeline to Greece completed in 2007 and the Greek-Italian section of the pipeline which will have a capacity of 8 bcm and is 800 kilometers long. "With the signing of today's MoU we once more underlined Turkey's unique role for the interconnection of Eastern rich gas reserves with Europe's growing demand," Fazıl Senel, Chairman of BOTAS, said.

Romania lowers Russian gas price

Upstream Online, *17.06.2010*

Romania has negotiated lower prices for some of the gas it imports from Russia and hopes to get further cuts by the end of the year, Economy Minister Adriean Videanu said today.

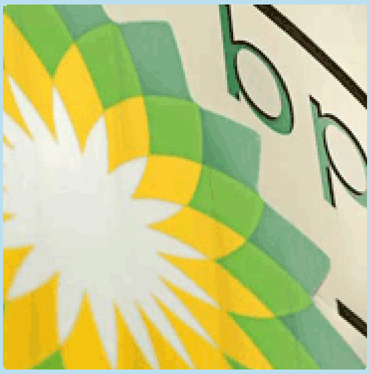
Speaking a day after meeting Gazprom officials in Moscow, Videanu said he found a "willingness to cut imported gas prices" from the supplier. He said Romania has already negotiated a cut of $13 per thousand cubic metres of gas imported from Wintershall, an intermediary. "This gives me confidence concerning the gradual lowering of gas prices," Retuers quoted Videanu as telling reporters. "We are still negotiating and I am counting on more cuts (by year-end)."

After the price cut, which Videanu said was recently negotiated, Romania paid for stored gas at $352 per thousand cubic metres. The EU state is less reliant on Russian gas than other ex-communist bloc members, importing a third of its annual domestic consumption through intermediaries, and producing the rest from local fields. Romania has recently signalled it wants to expand its range of choices from EU and Kremlin-backed projects. Earlier this year, it signed a deal with Georgia and Azerbaijan to build two new terminals for liquefied natural gas.

Videanu said in April he had asked state-owned gas producer Romgaz to tap spot international markets for potential future gas imports as a way to diversify from Russian imports. Also today, Videanu said Gazprom showed interest in partnering state-owned Romgaz in building gas-fired electricity units. Talks will likely continue in the autumn when Gazprom's chief executive is expected to visit Bucharest. Videanu also said he estimated the government could sell some of its shares in Romania's top oil and gas group Petrom, majority owned by Austria's OMV in September.

BP agrees to $20 bln spill fund

Reuters, *16.06.2010*



BP said on Wednesday it will set up a $20 billion fund for damage claims from its huge Gulf of Mexico oil spill, sell assets and suspend dividend payments to shareholders.

The deal gave U.S. President Barack Obama his most tangible success, with criticism over his handling of the worst oil spill in U.S. history hurting the president in opinion polls as his fellow Democrats gear up for tough congressional elections in November. The fund, which BP will finance partly by selling $10 billion in assets, also eased pressure on the company, whose share price has withered amid uncertainty over the ultimate cost of cleanup, claims and fines.

Obama announced the agreement after White House officials held four hours of talks with BP executives, who emerged to offer an apology to the American people. “I do thank you for the patience that you have during this difficult time,” BP Chairman Carl-Henric Svanberg said. “I hear comments sometimes that large oil companies are greedy companies who don’t care. But that is not the case in BP. We care about the small people.” Svanberg’s ‘small people’ comment was the latest in a string of gaffes by BP officials over the spill. After the remark was widely covered on U.S. newscasts, the Swedish chairman issued a statement saying he ‘spoke clumsily.’

BP spill seen changing offshore drilling

Rigzone, *16.06.2010*

BP’s massive oil spill in the Gulf of Mexico will lead to sweeping changes in how the industry drills wells and produces oil and natural gas from deepwater plays, two experts said Tuesday at a Platts Energy Podium.

The pair also said BP’s runaway Macondo well, the site of the April 2010 Deepwater Horizon drilling rig explosion, likely won’t stop spilling oil into the gulf until the first relief well is completed in mid-August. “The relief well is the solution,” Eric Smith, a Tulane University professor and associate director of the Tulane Energy Institute, told Platts Energy Podium, a newsmaker media briefing in Washington.

Smith was joined at the podium by Brad Beitler, vice president of technology with subsea equipment maker FMC Technologies. Both men agreed that investigators ultimately will find that human errors in drilling the well rather than equipment or technical failures caused the April blowout. “The technical limits haven’t been reached in ultra deepwater drilling,” Beitler said. “The process limits, maybe.”

Beitler said the 1988 explosion of the Piper Alpha production platform in the North Sea, which killed 167 workers, led governments and operators to completely revamp their approaches to drilling and production in that region. He said he expects similar changes will follow the current disaster. “Piper Alpha was a turning point,” the 35-year industry veteran said, with many questioning whether production from the North Sea should continue. A commission, investigating the accident, eventually recommended 106 safety ‘best practices’, all of which were adopted by the industry.

Both Smith and Beitler said they believe the government may start to require mandatory relief wells in the deepwater Gulf of Mexico, as Canada and Norway have done off their coasts. Beitler also predicted that another outcome of Macondo will be more standardization of well design requirements worldwide, with the U.S. adopting regulations such as requiring acoustic activators for blowout preventers.

Kazakh and Turkmen oil may change course from Iran

Reuters, *17.06.2010*

Kazakhstan and Turkmenistan may redirect oil exports to Russia’s Black Sea port of Novorossiisk rather than shipping it to Iran due to sanctions imposed from June 1.

Iran, which faces new sanctions imposed last week by the U.N. Security Council over its nuclear programme, has swap arrangements with Central Asian producers under which it imports crude into Caspian ports and supplies the equivalent bar rels on behalf of its partners in the Persian Gulf. Kazakhstan has been pumping oil to Iran at a rate of 1.2 million tonnes per year. Turkmenistan exports 2 million tonnes per year, but it is unclear how much goes to Iran.

The source said the Kazakh and Turkmen barrels would be directed through the Baku-Makhachkala-Novorossiisk pipeline originating in the Azeri capital on the shore of the Caspian Sea. Turkmenistan also has the technical ability to switch supplies to the Baku-Tbilisi-Ceyhan pipeline. The pipeline has a capacity of 5 million tonnes per year but is only pumping at a rate of 3.5 million at the moment.

IEA warns of big flow drop from driling ban

Upstream Online, *18.06.2010*

The International Energy Agency (IEA) estimates an extended global moratorium on new drilling could cut potential world offshore output by 800,000 barrels to 900,000 barrels per day by 2015.

The IEA' s executive director, Nobuo Tanaka, told that the oil spill at BP's Deepwater Horizon drilling rig in the Gulf of Mexico, would raise costs, delay new projects and prompt a thorough review of offshore regulation. The IEA is confident in its estimate that 100,000 bpd to 300,000 bpd could be lost if new projects in the Gulf of Mexico were delayed by one or two years until 2015, said Tanaka.

"If the same one-year or two-year delay happens globally, to global offshore drilling new projects, if that happens, we calculate it is about 800,000 bpd to 900,000 bpd," he said. Tanaka said it was hard to say how likely such a steep reduction would be.

EU set to target Iranian oil and gas investment

Today's Zaman (Reuters), *12.06.2010*

Parts of Iran's oil and gas industry could be targeted by an extra layer of European Union sanctions, according to a document prepared for EU leaders.

The measures would not restrict Iranian oil and gas exports or imports but would seek to shut off new investment in the industry, as well as the transfer of technology, equipment and services to a sector that is economically vital to Iran. The EU restrictions, which would go substantially beyond the sanctions agreed by the UN Security Council this week, are contained in a draft declaration prepared for a summit of EU heads of state and government in Brussels on June 17.

The declaration expresses "deep regret that Iran has not taken the many opportunities" to assuage international concerns about its nuclear program, particularly given its decision to enrich uranium to levels that bring it closer to weapons-grade.

Gazprom ready to cut Belarus flows

Upstream Online, *18.06.2010*

Gazprom said it could cut 85% of its gas supplies to neighbouring Belarus if it fails to pay $192 million in debt. "From Monday morning at 10 am we are prepared to cut supplies by 85%," Reuters quoted a company spokesman said at the St. Petersburg International Economic Forum.

Belarus, whose relations with Russia have soured in recent years over trade issues, including gas and oil supply prices, has not made clear whether it intends to pay. Russian President Dmitry Medvedev gave Belarus a five-day ultimatum on Tuesday in a televised meeting with Gazprom boss Alexei Miller.

During the meeting Medvedev shrugged off Belarussian President Alexander Lukashenko's request for a reprieve, saying hard economic times could not be used as an excuse. Belarus is to pay $187 per 1000 cubic metres on average this year, compared to $148 in 2009. Gazprom claims Belarus has been paying $150 per 1000 cubic meters of gas instead of the $169.20 that Gazprom charged in the first quarter and $184.80 in the second, and that total debt has amounted to $192 million for the year. Belarus pays the lowest gas price among Gazprom's customers, but it has repeatedly said that it should pay less for both gas and oil if it is to join a Russia-dominated customs union with Kazakhstan. By comparison, Ukraine pays Gazprom around $234 per 1000 cubic metres.

CNPC, JV partner to build 2nd phase of China-Kazakh Pipeline

Rigzone, *17.06.2010*

China National Petroleum Corporation (CNPC) said on Sunday that it has reached an agreement with its Kazakh counterpart to jointly build the second phase of its China-Kazakh natural gas pipeline, which could link with the gas reserves in the Caspian Sea.

According to the preliminary agreement, the both sides also agreed to deepen cooperation on supporting other central Asian countries to expand natural gas export to China and to guarantee security for trans-border natural gas transportation via pipelines in the region.

China-Kazakhstan natural gas pipeline is an important part of the whole pipeline grid in the central Asia. The project is based on an inter-government agreement made in July 2007. The second phase pipeline, estimated at a total length of 1,400 kilometers, will mostly be built within Kazakhstan, supplying some 10 billion cubic meters of gas every year to the first phase pipeline, which links the terminals in Korgas city in China's northwestern Xinjiang Uygur Autonomous Region.

CNPC, the parent company of PetroChina, is also the country's largest pipeline operator. It is now the operator of the 4,000-kilometer West-to-East natural gas pipeline and the China-Russia crude oil pipeline. According to statistics from the company, China's total oil and gas pipeline has reached 9,700 kilometers in length by the end of 2009.

China and Uzbekistan sign accords on natural gas and uranium

Oil & Gas Journal, *16.06.2010*

Chinese President Hu Jintao and Uzbekistan's President Islam Karimov signed a number of agreements regarding the purchase of energy from Uzbekistan, including uranium and natural gas.

In connection with Hu's visit, Uzbekistan's state-owned Uzbekneftegaz and China National Petroleum Corp. signed a framework agreement on supply of 10 bcm/year of gas. The two sides also noted that, under the accord, they would aim to link Uzbekistan's gas transmission system with the China-Uzbekistan gas pipeline.

The China-Uzbekistan gas line is part of the 1,800-km China-Central Asia gas line that opened in December 2009, linking gas fields in Turkmenistan, Uzbekistan, and Kazakhstan to northwest China's Xinjiang region. In May, official media reported that deliveries of Turkmen natural gas to China had exceeded 1 bcm since the December 2009 launch of the new gas line, with a further 5 bcm expected by yearend.

Meanwhile, the new agreement between China and Uzbekistan came just days after the South Korean government announced that a significant amount of gas has been found in an Uzbekistan block equally owned by a Korean consortium and four countries. Initial drilling, which ended in April, produced 500,000 cu m/day of gas, according to South Korea's Ministry of Knowledge Economy, which also said that the block 'likely' has a gas reserve that can be converted into 63 million tonnes of LNG. The Korean consortium comprising Korea National Oil Corp. and Posco owns a 20% stake in the Aral Sea block, while Uzbekistan, Russia, China, and Malaysia each own a 20% stake in it, the Korean ministry said.

In addition to the gas agreement, China and Uzebekistan also agreed on further cooperation in the supply of uranium. During Hu's visit, Uzbekistan's state-owned Navoi Mining & Metallurgy Combine and the China Guangdong Nuclear Power Co. signed a contract for the supply of uranium, but details of the agreement were not made available.

The new accord follows reports that China imported 425.97 tonnes of uranium in April, lower than the 550.8 million tonnes shipped in during March and sharply up on year, according to the General Administration of Customs. China's imports of uranium have been increasing in accord with Beijing's plans to raise nuclear power's contribution to 5% of total generating capacity by 2020, from less than 2% now. Ahead of that increase, China is said to be stockpiling supplies of uranium. According to one industry analyst, China's two licensed uranium importers—CGNPC and China National Nuclear Corp.—are importing far more uranium than the country's actual requirements, bringing in "roughly 2-4 times its actual requirements" last year.

Announcements & Reports

► *EMRA Natural Gas Market Report – 2009*

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

► *Basic Usage Procedures and Principles of BOTAS Marmara Ereglisi LNG Terminal*

Source : Energy Market Regulatory Authority
Weblink : http://www.epdk.org.tr/mevzuat/kurul/dogalgaz/2586_2/2586_2.doc

► *Basic Usage Procedures and Principles of Egegaz Aliaga LNG Terminal*

Source : Energy Market Regulatory Authority
Weblink : http://www.epdk.org.tr/mevzuat/kurul/dogalgaz/2586_1/2586_1.doc

► *Carbon Capture and Storage*

Source : Interational Energy Agency
Weblink : http://www.iea.org/papers/2010/ccs_g8.pdf