# Oil & Gas Bulletin

► 23.07.2010

## Suspected PKK militants blow up Iran – Turkey gas pipeline

Hürriyet Daily News, *21.07.2010*

**Suspected members of the outlawed PKK blew up a pipeline carrying natural gas from Iran to Turkey, forcing the shutdown of the conduit, officials said Wednesday.**

**The powerful blast occurred overnight at a section of the pipeline near the eastern district of Dogubeyazit, in Agri province, several kilometers from the Iranian border, a local official told Agence France-Presse, without giving other details. "The explosion is believed to have been carried out by members of the separatist terrorist organization," Agri Governor Ali Yerlikaya said in a written statement.**

Security forces are looking for the perpetrators, the statement by the Agri governor said. Television footage showed a large blaze raging over the pipeline after the blast, which shattered the windows of nearby buildings, Anatolia news agency said. The explosion cut the flow of Iranian gas, but an official at Turkey's state oil and gas company BOTAS ruled out a supply shortage, saying that gas coming via pipelines from Russia and Azerbaijan was enough to meet the country's needs. "There is no problem at the moment," she told AFP. Repairs at the damaged section of the Iranian conduit were expected to take about a week, she said, adding that the fire had been extinguished as of Wednesday morning. Earlier this month, PKK militants were blamed for another blast that hit pipeline carrying oil from Iraq in southeastern Turkey.

## No Iran deal says Yildiz

Upstream Online, *23.07.2010*

**Turkey's Energy Minister Taner Yildiz said today the Turkish government or the state pipeline concern BOTAS did not sign a €1 billion ($1.29 billion) deal with Iran.**

**A statement by the Iranian Oil Ministry said earlier today that Iran and Turkey signed a contract to build a pipeline that will transfer the Islamic state's natural gas to Turkey, reported Reuters. "The one billion euros deal to build 660 km gas pipeline was signed on Thursday during the Iranian Oil Minister's trip to Turkey," Reuters quoted as the statement said.**

# Turkey and Nakhchivan sign natural gas deal

Today's Zaman, *19.07.2010*


**Turkey and Nakhchivan have signed an agreement on the construction of a natural gas pipeline. A signing ceremony attended by Turkish Energy and Natural Resources Minister Taner Yildiz was held in Nakhchivan. Delivering a speech at the ceremony, Yildiz said the agreement on the natural gas pipeline would boost ties between the countries.**

**The projected pipeline will be constructed between Turkey and Nakhchivan. Yildiz said its will be between 180 and 200 kilometers long. The pipeline will transport Azerbaijani gas to Nakhchivan via Turkey. The capacity of the pipeline will be determined according to needs of Nakhchivan, Yildiz said.**

The deal was signed by the state-owned Turkish Pipeline Corporation (BOTAS) General Manager Fazil Senel and State Oil Company of the Azerbaijan Republic (SOCAR) General Manager Rövnaq Abdullayev.

# Georgia to boost Caspian oil flow

Hürriyet Daily News (Bloomberg), *23.07.2010*


**Georgia has begun construction of another Black Sea port at Supsa to handle increasing volumes of cargos such as crude oil from the Caspian Sea region.**

**The cost of building the port has grown to $700 million from an initial estimate of $500 million as the project has expanded, Shalva Tsakadze, head of developer Black Sea Product, said by telephone late last week. He declined to identify the financial backers of the project. The Supsa port won't compete with existing ports at Poti and Batumi because it's designed to accommodate different sorts of tankers, Tsakadze said.**

The port will have an annual capacity of as much as 40 million metric tons of oil and other cargo once the 204-hectare facility is completed, he said. The Georgian government earns transit fees from two BP-led pipelines that carry Azeri crude to world markets. One is the Baku-Supsa link to the Black Sea and the other is the Baku- Tbilisi-Ceyhan route to Turkey's Mediterranean coast.

# Foreign capital flows into Turkish energy

Hürriyet Daily News, *18.07.2010*

**According to the official bulletin on international foreign direct investment (FDI) data, Turkey received $1.4 billion in foreign capital in the first five months of the year. A big chunk of the investment goes into the bustling energy sector, followed by manufacturing and construction. More than four-fifths of the figure was from European Union members, as inflows from Asia and the Middle East surpassed those from the United States.**

**Between January and May, electricity, gas and water topped the list of attractions for foreign investors, followed by manufacturing, construction, wholesale and retail.**

Nearly $383 million in foreign capital flew to electricity, gas and water, while manufacturing attracted $336 million and construction received $197 million. Foreign investors put $148 million in financial intermediary institutions, $109 million in wholesale and retail trade and $109 million in real estate rentals. Transportation, communication and warehousing received $132 million.

A total of 80.5 percent of all FDI inflows were from European Union member countries. France topped the list with $236 million, followed by the Netherlands with $132 million and the United Kingdom with $131 million. FDI inflows from Germany were at $66 million, while inflows from Italy were at $13 million. Non-EU European countries accounted for $48 million of FDI inflows.

FDI inflows from the United States in the first five months of the year were at $55 million, according to the data. Canada, which accounted for no FDI inflows in the same period last year, followed the U.S. with $54 million this year.

Foreign capital inflows from emerging markets were at higher levels than the inflows from many Western countries. In the first five months of the year, $123 million came from Asian nations, while Near Eastern and Middle Eastern countries accounted for $98 million. The FDI inflow only from the Gulf economies was at $82 million.

In the period, 1,252 companies that had foreign capital were set up. A total of 1,026 companies were newly founded, while 193 were partnerships and 33 were subsidiaries. Thus, the number of foreign-capital companies in Turkey reached 24,924. Every three foreign-capital companies in 10 in Turkey deal with trade, while two are active in manufacturing and one is active in real estate rentals.

According to data from investment house Is Investment, the number of procedures to start a business in Turkey stands at six, compared to the Organization for Economic Cooperation and Development, or OECD, average of 5.7. The number of days to start a business in Turkey is at six, compared to the OECD average of 13.

# IEA encourages Turkey to further reform its energy sector

IEA, *23.07.2010*

**Turkey will likely see the fastest medium to long-term growth in energy demand among the IEA member countries," said Nobuo Tanaka, Executive Director of the International Energy Agency (IEA), today in Ankara.**

**Presenting the new study Energy Policies of IEA Countries – Turkey 2009 Review, he noted that although ensuring sufficient energy supply to a growing economy remains the government's main energy policy concern, "Turkey has also progressed significantly in all other areas of energy policy over the past few years."**

Turkey needs large investments in energy infrastructure, especially in electricity and natural gas, to be able to supply affordable energy to its people and to sustain rapid economic growth. To attract that investment, the country needs to continue reforming its energy market. "Power sector reform is well under way, but in the natural gas sector reform has been slower and needs to be accelerated," Tanaka said.

Turkey imports practically all the oil and gas it uses and these imports may almost double over the next decade. A key part of Turkey's policy is energy diplomacy with the supplier countries in the region, which together hold more than 70% of the proven oil and gas reserves of the world. "Turkey's successful energy diplomacy benefits both the country itself and the wider international community," Tanaka stated. "The IEA acknowledges the role Turkey has played in improving global energy security," he added.

In addition to securing oil and gas from diversified sources, the country should nevertheless also focus on stronger measures at home. In particular, the IEA encourages Turkey to develop a comprehensive long-term plan to increase emergency oil reserves and natural gas storage capacity. Turkey should also improve its institutional capacity, possibly by swiftly establishing a stockholding agency to further enhance compliance with the IEA oil stockholding obligation. IEA member countries are required to hold oil stocks equivalent to at least 90 days of net oil imports.

"On a global scale, we need a transition to a low-carbon economy, a revolution in how we produce and consume energy," Tanaka stressed. "Over the long term, we have to dramatically improve energy efficiency both in the supply and demand side. We must also decarbonise power generation and transport", he went on and added "Turkey's plans to increase the use of renewable energy sources and to build nuclear power are clear steps in the right direction."

Energy Policies of IEA Countries – Turkey 2009 Review underlines the importance of improving energy efficiency in responding to Turkey's energy policy challenges. Whilst there is great potential in all sectors, in a country where private cars are rapidly becoming more common and where significant new construction is foreseen, transport and buildings merit particular long-term attention from decision makers.

Energy-related CO2 emissions in Turkey have more than doubled since 1990 and are likely to continue to increase rapidly over the medium and long term, in parallel with energy demand. "The IEA urges Turkey to intensify efforts to further develop its approach concerning its post-2012 regime to combat climate change, and to consider setting a quantitative overall target for limiting emissions," said Tanaka.

# Kazanci brothers to compete for Turkey's electricity distribution

Hürriyet Daily News (Referans), *23.07.2010*

**Kazanci Holding Chairman Mehmet Kazanci is preparing to bid for four large electricity-distribution companies due to be privatized, daily Referans reported. The chairman did not apply to bid on behalf of Aksa, the energy company he maintains with his brother within the holding firm, but under the new company MMEKA, the daily said.**

**Referans quoted claims that Kazanci was cooperating with Mehmet Emin Karamehmet, Chairman of Cukurova Holding. It also reported that Cemil Kazanci, Mehmet Kazanci's brother and Chairman of Aksa, is participating in the bidding as well.**

The application deadline for Dicle, Gediz, Trakya and Bogazici Electricity Distribution (BEDAS) passed Thursday. BEDAS, serving 3.83 million subscribers on the European side of Istanbul, is the biggest of the four companies being privatized.

The Turkish Privatization Administration (OIB) requires a compliance certificate for the companies to participate in the bidding. Mehmet Kazanci has to build a consortium with a company that has already earned the certificate. The Kazanci brothers will also be competing in the privatization process of BaskentGaz, Ankara's natural-gas distribution company, Referans said.

# Ex-Im Bank signs agreement with Turkey's Ministry of Energy and Natural Resources

CNBC, *22.07.2010*

**Export-Import Bank of the United States signed a memorandum of understanding with the Ministry of Energy and Natural Resources of the Republic of Turkey to cooperate in financing U.S. exports to Turkey.**

**Ex-Im Bank and the Ministry agreed to share information on trade and business opportunities to facilitate sales of U.S. Goods and services offering environmental benefits to Turkey's energy sector, including renewable energy and energy efficiency exports. Ex-Im Bank Chairman and President Fred P. Hochberg signed the document during a business development trip to Turkey.**

The signing was witnessed by Taner Yildiz, Minister of Energy and Natural Resources, following discussions between the two. Turkey is one of nine priority countries being targeted for financing by Ex-Im Bank because of the major opportunities it offers U.S. exporters. "This agreement strengthens the long-standing partnership between Ex-Im Bank and Turkey," said Hochberg. "Our goal is to finance U.S. exports to facilitate Turkey's economic and technological growth while supporting U.S. jobs. Recently we have supported U.S. exports for a Turkish scrap metal plant that produces electricity, and for a hydroelectric dam project. We want to participate in more such environmentally beneficial projects in Turkey."

# Nabucco holds meetings with public

Hürriyet Daily News, *19.07.2010*

**Nabucco Gas Pipeline International has completed the first round of public hearings in six cities of Turkey (Ankara, Eskisehir, Bursa, Balikesir, Tekirdag and Kirklareli), according to a press statement.**

**"Communicating with communities and consulting with stakeholders is essential when working on a multinational infrastructure project," said Reinhard Mitschek, the managing director of the company. "We are intent on listening carefully to the concerns of the local communities because we are developing and constructing the pipeline together with the stakeholders that are directly affected."**

During the meetings, Nabucco officials made presentations on the giant natural gas pipeline project, while also taking questions from citizens. The questions covered topics such as easement rights, property issues, construction time frame as well as employment possibilities, according to the statement. “The completion of the public hearings is an important step towards the realization of the Nabucco project,” said Erdal Tuzunoglu, the managing director of Nabucco Turkey. “The communities are very interested in the project and we feel that their concerns were addressed and discussed. We will keep the communities involved as we move forward with the project.”

# Gazprom denies RWE invitation to South Stream

Reuters, *17.07.2010*

**Gazprom denies it has invited the German utility RWE to join its South Stream pipeline in order to weaken the rival Nabucco project. RWE is one of the key participants of the Nabucco pipeline, which is meant to help Europe cut reliance on Russian gas, and Russia has been stepping up efforts to undermine the competing pipeline project.**

**“There is some misunderstanding. We have not invited RWE in this project. We do not have such a need,” Gazprom’s export chief Alexander Medvedev told reporters on the sidelines of Russia and Bulgaria talks over the building of the South Stream pipeline on the Bulgarian territory.**

“The project is by principle open for other shareholders. We are ready to look if there are willing (companies) that have something to contribute and we are ready to discuss that with our Italian and French partners. But we do not have a need.”

RWE has said earlier this week Gazprom invited it to join South Stream pipeline project, that aims to ship up to 63 bcm of Russian gas per year under the Black Sea to central and southern Europe, but Nabucco would remain its key gas pipeline venture. South Stream was designed to bypass Ukraine in transporting Russian gas to Europe and is expected to become operational in 2015. It is a rival to the EU-backed Nabucco pipeline, designed to bring gas from central Asia and the Middle East.

# BP denies CEO leaving as it readies asset sales

Today's Zaman (Reuters), *22.07.2010*

**BP denied a report its embattled chief executive would leave soon, as it lined up $7 billion in asset sales to help pay for the worst oil spill in US history, lifting its shares on Wednesday.**

**CEO Tony Hayward, who has been heavily criticized for his handling of the disaster, had the full support of the board and would stay in office, a BP spokesman said, dismissing a report in the Times that he would step down within the next 10 weeks. BP shares rose 2.9 percent to 398 pence, buoyed by its sale of assets in the United States, Canada and Egypt to US company Apache, a large part of a $10-billion asset disposal plan.**

"Such a material sale, achieved so quickly, should ease if not banish any lingering concerns about BP's liquidity position," JP Morgan said in a note, adding that the terms of the deal looked robust and underlined the mismatch between what BP could get for its assets and its battered stock price. BP's market value has fallen by around 40 percent since an explosion on an oil rig killed 11 people on April 20 and sent oil gushing into the Gulf of Mexico. BP capped the well last week, choking off the flow of oil for the first time in the three months since the explosion, and on Tuesday US officials gave the company permission for another 24 hours of pressure tests on the seal.

# Official warns of 'severe threat' as China oil spill grows

Today's Zaman (AP), *22.07.2010*

**China's largest reported oil spill more than doubled in size to 430 sq. kilometers, forcing nearby beaches to close and prompting one official to warn of a 'severe threat' to sea life and water quality.**

**The oil slick started spreading five days ago when a pipeline at a busy northeastern port exploded, sparking a massive fire that took more than 15 hours to contain. Hundreds of boats have been deployed to help with the cleanup. At least one person has been killed in those efforts, a 25-year-old firefighter, Zhang Liang. Another man who also fell in was rescued.**

Beaches near Dalian, once named China's most livable city, were closing as oil started reaching their shores. "The oil spill will pose a severe threat to marine animals, and water quality, and the sea birds," Huang Yong, deputy bureau chief for Dalian, China Maritime Safety Administration, told. The environmental group Greenpeace China released several photographs this week showing oil-slicked rocky beaches, a man covered in thick black sludge up to his cheekbones. One worker, covered in oil, was being carried away by a colleague, but he was not identified. The amount of oil spilled in the explosion was still not clear Wednesday, though China Central Television earlier reported an estimate of 1,500 tons. That would amount roughly to 400,000 gallons (1,500,000 liters) as compared with 94 million to 184 million gallons in the BP oil spill off the US coast.

State Oceanic Administration released the latest size of the contaminated area in a statement Tuesday. Though the slick has continued to expand it covered a 180-sq.-kilometer stretch earlier this week officials maintain no more oil was leaking into the Yellow Sea. The cause of the blast was still not clear. The pipeline is owned by China National Petroleum Corp., Asia's biggest oil and gas producer by volume.

# Pipeline leaks in Alaska's oldest oil field

Upstream Online, *22.07.2010*

**An estimated 630 gallons of oil has leaked from a buried pipeline in Alaska's oldest operating oil field. Reuters reported that the Alaska Department of Environmental Conservation said the leak was discovered at the Swanson River oil field in the Kenai National Wildlife Refuge south of Anchorage.**

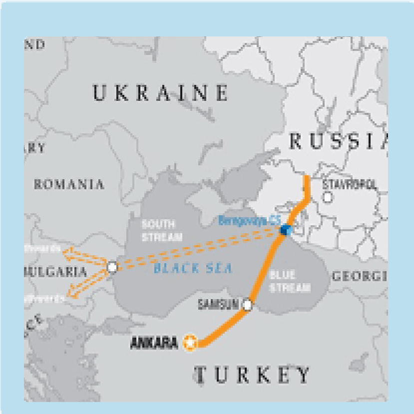
**The field, which produces both oil and natural gas, is operated by Chevron. Chevron has shut in the two wells that feed the affected pipeline, Steve Russell, an environmental program specialist with the DEC, told. Chevron could not be immediately reached for comment.**

The leaking line, which carries a combination of liquids from the wells to a tank for later transport to production facilities, lies under a grassy area, Russell said. So far it is unknown whether the line is corroded because Chevron has not been able to dig it up, he added. Russell said that other than soiling the grassy area, there has been little environmental impact. "There's been no wildlife impact of any kind at this time that we've determined," he said. The Swanson River field was discovered in 1957 by Richfield Oil of California.

The oil find, accomplished on Richfield's first well, is credited with helping Alaska achieve statehood and helping Richfield grow into a major company that became known as Atlantic Richfield, or ARCO. After the oil field was developed, the area encompassing it became designated as the Kenai National Wildlife Refuge. Oil production at Swanson River was down to about 400 barrels a day in 2009, according to the Alaska Division of Oil and Gas website.

# Russia bags key Bulgarian agreement to speed up South Stream

Hürriyet Daily News (AFP), *18.07.2010*




**Russia bagged a key agreement with Bulgaria to speed up work on its South Stream gas pipeline project as Sofia in turn managed to secure lower prices for its gas deliveries.**

**Bulgarian Economy and Energy Minister Traicho Traikov and Russian Energy Minister Sergey Shmatko signed a 'road map' in Bulgaria's Black Sea resort of Varna in a ceremony also attended by Bulgarian Premier Boyko Borisov. The document maps out a timetable for preparing the preliminary technical and economic feasibility study for the project to channel an annual 63 bcm of Russian gas to Europe under the Black Sea, the national radio reported.**

It determined February 2011 as the target deadline for receiving the results of the study and setting up the joint company for building the Bulgarian stretch to the 900-kilometer offshore link. Sofia has always said it was committed to both South Stream and its rival EU-backed Nabucco pipeline but progress on Russian Gazprom and Italian Eni's project has been stalled over haggling as to how Sofia and Moscow would split ownership of the new pipelines going through Bulgaria. But Sofia agreed on Saturday to give South Stream a push in exchange for securing cheaper prices for its own gas deliveries from Russia, the contracts for which expire in 2011 and 2012, the national radio correspondent in Varna said.

The journalist quoted Borisov as confirming that Russia had agreed to scrap the current Gazprom-controlled intermediaries in Bulgaria's supply contracts and sign by end-June 2011 direct deals with Bulgaria's state company Bulgargaz. Moscow has also agreed to give Bulgaria 'cheaper prices', Borisov was quoted as saying, without providing concrete figures. Bulgaria is almost 100 percent dependent on Russian gas supplies via Ukraine for its annual consumption of about 3.0 bcm and also channels 17 bcm of gas to neighboring Turkey and Greece.

Bulgaria currently pays Gazprom $339 per 1,000 cubic meters of gas but Russian First Deputy Prime Minister Viktor Zubkov said recently in Sofia that Gazprom had data showing that some consumers were paying between $472 and $576 for the same quantity because of intermediaries. The small Balkan state, often regarded by analysts as one of Russia's staunchest satellites from the Soviet era, was among the worst hit by Russia's gas spat with Ukraine in January 2009, when it practically saw no gas coming down the pipes for days on end. Bulgaria's total dependence on Russia for its gas has raised eyebrows in the United States with Ambassador James Warlick insisting on Saturday that as secure a partner as Russia can be, the U.S.'s main interest was diversification.

# Announcements & Reports

## ► MENR Annual Report – 2009

**Source** : Ministry of Energy and Natural Resources
**Weblink** : http://www.enerji.gov.tr/yayinlar_raporlar/2009_faaliyet_raporu.pdf

## ► GDPA Corporate Financial Status Regarding 2010 and Expectations Report

**Source** : General Directorate of Petroleum Affairs
**Weblink** : http://www.pigm.gov.tr/strateji_gelistirme/2010-mali-durum-beklentiler-raporu.pdf

## ► Oil Information 2010

**Source** : International Energy Agency
**Weblink** : http://www.iea.org/w/bookshop/add.aspx?id=565