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PETFORM

Turkey raises $5.76 billion in auctions of power grids including Istanbul

Bloomberg (Ali Berat Meric), *09.08.2010*

Turkey raised $5.76 billion from auctions of four electricity grids, including the network on the European side of Istanbul, the country's biggest city.

That auction and another for the Western city of Izmir were won by a venture between Iskaya Insaat, an Ankara-based builder, and MMEKA, an Istanbul-based company controlled by Mehmet Emin Karamehmet, former chairman of the country's biggest mobile phone company. Ahmet Aksu, head of Turkey's asset sale agency, conducted the auctions in Ankara.

Turkey is selling 20 regional electricity distribution networks to boost investment in the industry and help reduce debt. The government aims to collect 10.4 billion liras ($6.9 billion) this year from sales of state assets that also include rights to operate roads, bridges and the national lottery. The $2.99 billion winning bid for Istanbul was two-thirds higher than the benchmark price per unit of power consumption set in previous Turkish grid sales, said Koray Pamir, an analyst at the Istanbul-based Ata Invest brokerage, in an e-mailed note. That is "likely to exceed the market's expectations, thus translating into positive sentiment for privatization revenues and Turkey's budget performance," he said.

The government had raised $2.7 billion since November by selling seven regional power networks before today. The largest of those was the grid in the capital, Ankara, bought by EnerjiSA, a joint venture between Haci Omer Sabanci Holding and Austria's Verbund, for $1.23 billion.

The Iskaya-MMEKA group beat off nine rival bids from companies including EnerjiSA and Turkey's Cengiz Insaat. The venture pulled out of the third auction, in the northwestern region of Thrace, which was won by Istanbul-based energy company Aksa Elektrik with a bid of $622 million. The fourth grid, in the southeastern Diyarbakir region, went to Turkish companies Karavil and Ceylan Insaat for $228 million.

The European Istanbul grid has 3.8 million users; making it the country's largest. Iskaya-MMEKA bid $1.92 billion for the grid in Izmir, Turkey's third-largest city, which has 2.4 million subscribers. It will operate both networks until 2036. Mehmet Kazanci, a former director of Aksa Enerji who is Karamehmet's partner in MMEKA, told reporters that there's an "initial investment need of $50 million" for the Istanbul grid. He said the group will seek credit from domestic and international banks to help finance the purchases, and is considering paying the fees in installments.

MMEKA wins Ankara gas distribution tender with $1.21 billion

Today's Zaman, *17.08.2010*

MMEKA, the brand new owner of Turkey's major power grids, Bogazici and Gediz, has also submitted the highest bid, totaling $1.21 billion, in the privatization tender for 80 percent of Ankara's natural gas distributor BaskentGaz, the second-largest gas distribution agency in the country. With this bid, the amount of money MMEKA offered in the privatization tenders of power grids in the space of a week has exceeded $6 billion.

The final bidding for the privatization of BaskentGaz was held yesterday, which also marks the birthday of Mehmet Kazanci, the Chairman of MMEKA.

The company beat off six rival bids from energy giants Aksa, Yildizlar SSS Holding, Fernas, Akfen Holding, Genpa and Limak. The highest bid reached in the non-elimination round in the privatization tender of BaskentGaz was $475 million, which rose to $1.1 billion after three elimination rounds. The exact financing method will be set by Mehmet Emin Karamehmet, the company's other partner, Kazanci said, speaking to the reporters following the tender. The tender was won thanks to the courage and support provided by Karamehmet, he added.

"The bids we have offered recently in the energy sector privatization tenders, all of which were also found too high by everyone, are an entirely positive outcome of Turkey's stability policies. This is the case for today's bid, too," Kazanci noted, adding that privatization processes have been carried out rapidly thanks to the determination of the government, along with Turkey's economic stability. His company's expertise in the energy sector will be reflected on the grid, he stated.

The highest bid of $1.21 billion in the privatization tender of BaskentGaz was in fact lower compared to the highest offer of $1.61 billion made in an earlier tender for the grid, which was cancelled at the time. In an earlier tender in March 2008 a consortium led by Turkey's Global Holding submitted a bid of $1.61 billion for BaskentGaz. Six consortiums and companies competed in the auction held by the Ankara Municipality. Akfen Holding, Calik Enerji, Gaznaturel-Nurol, Limak and Elektromed were the other bidders in the auction. The offer from the second highest bidder, Elektromed, was $1.55 billion.

Turkey's Competition Authority approved the privatization of the company in July 2008. After several legal problems occurred during the transfer to Global Holding, however, the auction was awarded to the runner-up, Elektromed, but the Ankara Municipality then canceled the tender because Elektromed, too, failed to meet its responsibilities.

EPDK: Privatization tenders will boost employment, not prices

Today's Zaman, *11.08.2010*

In response to claims that electricity prices will be raised due to high bids offered in recent power grid privatizations, Turkey's Energy Market Regulatory Authority (EPDK) has attempted to assuage consumer concerns, saying that work is under way to establish a five-year price table.

The new prices will be announced soon, a senior official at the EPDK told Today's Zaman, adding that tender bids are not included in the price formula. Thus, the official stressed, the value of the tender bid will not influence consumer electricity prices.

"If it was possible to compensate for the bid submitted in the tender with price hikes, the offers made for the largest grids [Bogazici and Gediz] would not be $5 billion, but as high as $10 billion. In the end we evaluate the bids on the basis of whether or not they are rational. There will be no hikes in the prices," he stressed.

Sources at the agency also predicted that new jobs will be created as a result of the privatizations, as has been the case with previous tenders. The tender rules obligate new owners of electricity distribution agencies that were previously owned by the state to retain at least 90 percent of the agencies' employees, they recalled.

A joint venture between private Turkish companies Is-Kaya Insaat and MMEKA Monday made a total bid of approximately $5 billion in privatization tenders to operate Turkey's largest power grids, Bogazici and Gediz. The venture offered a bid of $2.99 billion for the Bogazici electricity distribution agency in Turkey's economic powerhouse, Istanbul, and 1.92 billion for the Gediz electricity distribution company, which provides electricity for İzmir and Manisa.

The bid submitted for the Bogazici power grid is the third highest submitted in a privatization tender in Turkey's history, after the bids for Türk Telekom and the Turkish Petroleum Refineries Corporation (TUPRAS). Consequently, the bids received criticisms from electricity sector representatives, who claimed that these huge amounts would be reflected in the public's electricity bills.

Former EPDK head Yusuf Günay shares this concern. He says the tender bids will put pressure on consumer prices. However, this pressure could be reduced gradually with a decline in illegal electricity use, he added. However, Mehmet Kazanci, Chairman of MMEKA, maintained that the market is controlled by the EPDK and there is no reason to fear of a possible hike in electricity prices. "There have been other companies that were privatized in the past. Were there extra burdens on electricity bills? No. So no one should wait for a price hike here, either," he told Reuters.

Energy minister prepares for bad news on Black Sea oil

Today's Zaman (Ismail Altunsoy), *07.08.2010*

Energy and Natural Resources Minister Taner Yildiz has said the results of oil exploration recently conducted on the Black Sea will be announced next week and warned that there may have been no oil found. "However, this won't mean the end of our efforts," the minister added.

Speaking to the press in the Black Sea province of Trabzon, the minister sounded cautious as he shared his opinions about the prospects of finding oil in the Black Sea. "It would be great if we found oil there, but a failure wouldn't mean the end of everything," he said.

Yildiz argued that it is possible that even if many attempts at drilling are unsuccessful there is still hope, citing the example of drilling in the North Sea, where the first 16 drilling attempts ended in failure. However, oil was found on their final try, the minister recalled.

BOTAS pays Iran $600m fine

Tehran Times (Mehr News Agency), *09.08.2010*

Turkey's Petroleum Pipeline Corporation (BOTAS) has paid the National Iranian Gas Company (NIGC) a fine of about $600 million for import of natural gas at a rate smaller than was previously agreed between the two companies.

Under the contract, Turkey had to import 30 million cubic meters of Iranian gas per day. However, during the past Iranian calendar year (ended March 20) BOTAS averagely imported 25 million cubic meters per day. Iran exported total amount of 6.8 billion cubic meters of gas to Turkey during the past year.

15 years ago, BOTAS and NIGC signed a contract for 23 years. Under the contract, Turkey had to import from Iran 10 bcm of natural gas per year.

Blast hits oil pipeline in Turkey

Hürriyet Daily News, *11.08.2010*

A handmade explosive was neutralized Wednesday in southeastern Turkey near where a blast Tuesday ripped through an oil pipeline, killing two people. Authorities believe the pipeline attack was carried out by members of the outlawed Kurdistan Workers' Party, or PKK. The handmade explosive was found before it exploded.

Tuesday's blast struck a section of the pipeline in Mardin, near the village of Midyat, sparking a blaze that firefighters were still fighting to bring under control, AFP quoted local security sources as saying.

Two people traveling near the pipeline in a car were killed by the explosion, security sources said. It was not immediately clear whether they were civilians or village guards. Though authorities suspect the PKK carried out the attack, the group, which has been listed as a terrorist organization by Turkey, the United States and the European Union, has not claimed responsibility. It has, however, attacked parts of the pipeline in the same region several times before, including one assault last month. The 970-kilometer pipeline carries crude oil from Kirkuk in northern Iraq to Ceyhan on Turkey's Mediterranean coast, where it is loaded onto tankers.

Competition Authority OKs transfer of 50 hydroelectric power plants

Today's Zaman, *11.08.2010*

Competition Authority on Tuesday approved the transfer of operating rights of 50 hydroelectric power plants to private firms.

Following the Board's approval, the operating rights to these plants, including Kayakoy, Bozkır, Ermenek, Göksu, Kayadibi, Turuncova-Finike and Kovada-1 and Kovada-2, were transferred to the companies that won separate tenders held in May by the Prime Ministry's Privatization Administration.

Turkey to continue power projects with Iran

Today's Zaman, *13.08.2010*

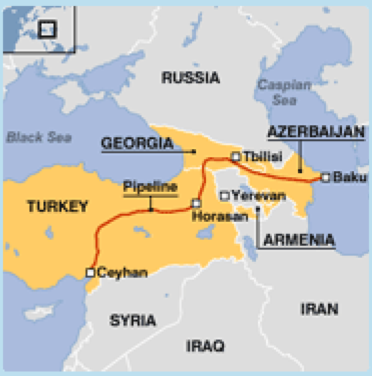
Turkey will support petroleum sales by Turkish companies to Iran, Energy Minister Taner Yildiz told on Wednesday, despite US sanctions that aim to squeeze the Islamic Republic's fuel imports.

The pledge came ahead of an expected resumption of talks next month between world powers and Tehran on the Iranian nuclear program, which Washington suspects aims to develop atomic weapons. "If the preference of the private sector is to sell these (petroleum) products to Iran, we will help them. There is no demand for Turkey to halt the trade of these products with Iran," Yildiz said in an interview.

The sale of petroleum, as well as other projects Turkey is planning with Iran, may indicate a shift in its energy policy to give priority to its energy-rich neighbors in the Middle East over conditions set by its traditional Western allies. Any firms that sell gasoline to Iran could face retribution including a possible ban from accessing the US financial system or denial of US contracts, according to a document from the US Treasury.

Turkmen oil starts flowing through BTC pipeline

Hürriyet Daily News, *13.08.2010*



BP Azerbaijan has announced that Turkmen oil is now flowing through the Baku-Tbilisi-Ceyhan, BTC, pipeline. The company only said that the pipeline is capable of handling some 800,000 barrels per day and that Turkmen oil will account for 4-5 percent of this volume, Radio Free Europe/Radio Liberty reported Thursday.

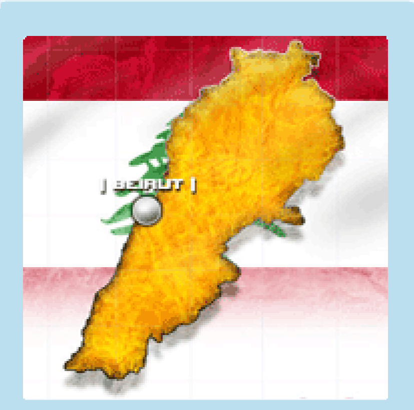
Baku-based energy expert Ilham Shaban told RFE/RL's Azerbaijani Service that every two days Turkmenistan is unloading some 5,000 tons of oil at Baku. Plans call for doubling that amount by the end of August or early September.

The oil is being brought to Baku aboard tankers from Turkmenistan. Turkmenistan purchased two tankers (7,000 tons) from Russia's Krasnoye Sormovo shipyard last year and is expecting a third tanker before the end of September. Turkmenistan has been seeking to diversify its hydrocarbon export routes. Use of the BTC pipeline allows Turkmenistan to export oil to Europe via a route that does not pass through Russia.

Earlier this month, the EU regulator's energy unit drafted a document that Azerbaijan and Turkmenistan could use as the basis for a deal on building at least one pipeline across the Caspian Sea, according to a copy of the non-binding paper obtained by Bloomberg.

Lebanon to auction offshore gas exploration by 2012

Rigzone (Dow Jones Newswires), *19.08.2010*



Lebanon's Energy Minister said his country plans to outline its maritime sea borders and auction off rights to explore potential offshore oil and gas reserves by 2012.

"Now that the law on the exploration of offshore oil and gas reserves has been passed by parliament, we expect to begin the licensing process for the exploration of the reserve in 2012, barring political hurdles," Gibran Bassil said. Lebanese lawmakers on Tuesday passed the law, which calls for the establishment of a treasury and a committee to oversee exploration and drilling off Lebanon, a Mediterranean country without known oil reserves.

Bassil said Lebanon was close to an agreement on maritime borders with Cyprus and was unilaterally working on outlining its sea borders with Israel before submitting them to the United Nation's Security Council. Lebanon and Israel remain technically in a state of war and have no diplomatic ties.

Ali Hamdan, an advisor to Lebanese speaker Nabih Berri, on Tuesday told AFP he expected rights to be up for auction by the end of 2011. "This is definitely a major cornerstone in Lebanon's oil policy ... and will help Lebanon divide its reserves into blocks and eventually bring in tenders and start looking into power-sharing agreements," he said.

Norway-based Petroleum Geo-Services this year announced it had explored Lebanese waters which contained 'valuable information' on potential offshore gas reserves in coordination with Lebanon's energy and water ministry.

KNOC makes $2.9B hostile bid for Dana

Rigzone (Dow Jones Newswires), *20.08.2010*

Dana Petroleum's shares rose Friday after Korea National Oil Corp. (KNOC) said it had secured support from investors for 48.62% of Dana's shares and that it's taking its bid directly to Dana shareholders.

KNOC's offer values Aberdeen-based Dana Petroleum at GBP1.87 billion (US $2.9B), KNOC said. The South Korean company is seeking at least 90% of Dana's shares, which it said would make the offer unconditional. State-owned KNOC first approached Dana in July, but talks broke down earlier this month when they couldn't reach an agreement on price.

Despite pressure from major investors, Dana's board has refused to recommend KNOC's 1,800 pence a share offer--a 59% premium to Dana's closing price on June 30, the last business day before KNOC announced its approach. At 1045 GMT Friday, shares in Dana were up 5.7%, or 97 pence, at 1,792 pence, just shy of KNOC's offer price per share.

"It has always been our desire to agree a recommended transaction with the board of Dana, and we are very disappointed the board of Dana does not agree that 1,800 pence per share represents a full and fair value for the company," KNOC said in a statement.

Letters of intent have been signed by several of Dana's largest shareholders, including Schroders Investment Management Ltd., BlackRock Investment Management (UK) Ltd. and JP Morgan Asset Management. With 15.5% of Dana's stock, Schroders is the company's largest investor. Investors, many of whom are hedge funds which piled into Dana following the announcement of KNOC's approach in July, have become increasingly frustrated with the board's refusal to compromise on price.

"We believe Korea National Oil Corporation is offering a fair price for Dana Petroleum. We hope Dana's board will act in the best interest of its shareholders, who have clearly expressed their support for this transaction," Octavian Advisors Chief Executive Richard Hurowitz said Friday. Octavian owns 0.77% of Dana's shares.

Responding to KNOC's statement, Dana advised shareholders not to take any action, reiterating that it would be giving "a full operational update on its current production, development and exploration activities and the near term business development program" at its interim earnings August 27.

The South Korean state-owned oil company's direct approach to Dana shareholders underscores industrialized Asian nations' strong desire to secure oil supplies worldwide. The acquisition of Dana Petroleum would give KNOC access to a resource base in Europe and North Africa. KNOC's bid for Dana is part of an effort to raise its energy efficiency to 20% from 9% by 2013 and follows aggressive expansion of the company's assets in 2009.

Gazprom denies revised gas price talks

Upstream Online (Reuters), *20.08.2010*

Russia's energy giant Gazprom today denied a newspaper report that Germany's E.ON, the world's largest utility by sales, is seeking to lower prices for gas supply.

E.ON's unit Ruhrgas wants to adjust supply contracts because of clients' demand, Reuters quoted Russian business daily Vedomosti as reporting, citing unnamed sources at Gazprom. But Gazprom denied the report. "No such talks are underway at the moment," Gazprom's spokesman Sergei Kupriyanov told. Gazprom is facing a stiff task in Europe where spot gas prices are below its own long-term contract prices, which link gas and oil product prices.

Last winter, the company offered some European clients a spot pricing element in their contracts to stimulate off take. "We continue to be in talks with all of our suppliers about adjusting long-term delivery contracts to the most recent market conditions, but we won't comment on details," said E.ON's spokesman at the Essen headquarters. Some 29% of gas procured by E.ON Ruhrgas in the first six months of 2010 came from Gazprom. Vedomosti also reported that so far no other clients of Gazprom have recently requested to soften the terms of their contracts.

Some analysts believe that the company will have to make some concessions in order not to lose its market share. "We believe that Gazprom will ultimately have to give price breaks to all its customers that have or will have an alternative supplier (such as Germany, Italy, France, Turkey and the Netherlands)," Troika Dialog said in a note.

In June, Alexander Medvedev, Gazprom's export chief, said the average gas price for European customers will increase this year to $308 per 1000 cubic metres from $302 last year. Export volumes are seen averaging 145 bcm, down from 142 bcm in 2009.

Announcements & Reports

► OPEC Oil Market Report (Aug 2010)

Source : Organization of the Petroleum Exporting Countries
Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMRAugust2010.pdf

► Natural Gas Information 2010

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=566

► Oil Information 2010

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

► Electricity Information 2010

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=567

► Energy Statistics of OECD Countries – 2010 Edition

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=561

► Energy Balances of OECD Countries – 2010 Edition

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=562