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# Erdogan and Putin discuss energy in phone conversation

Today's Zaman, *20.11.2010*

**Russian Prime Minister Vladimir Putin telephoned his Turkish counterpart, Recep Tayyip Erdogan, to discuss energy projects the two countries are proceeding on jointly, a statement from the Press Center of the Russian Prime Ministry has noted.**

**The statement, which was released on Wednesday, said the most recent status of the Samsun-Ceyhan pipeline and the Akkuyu Nuclear power plant in Mersin was discussed by the two leaders, who were pleased with the Turkish Parliament's ratification of an agreement regarding the construction of Turkey's first nuclear power plant.**

It also asserted that the Duma will soon be approving the deal, which envisages the investment of $20 billion for the power plant. The two countries are currently conducting talks on a partnership model for the Samsun-Ceyhan Pipeline, evaluating the possibility of partnership bids from the Russian energy companies Rosneft and Transneft.

Russia has guaranteed an annual amount of 25 million tons of oil to the pipeline along with Italian energy company Eni's offer of 10 million tons, which would originate in oil-rich countries in Central Asia. Once completed, the pipeline will be able to carry up to 70 million tons of oil per year. While Ankara's concern is to increase the guaranteed quantity of oil, Russia is in quest of diminished costs of transportation and lower tax rates from Turkey.

The two countries are also discussing coordinating the establishment of a new refinery in Ceyhan. The statement read that the prime ministers exchanged views on the availability of 'technical parameters' and opted to start the construction of the South Stream natural gas pipeline, which is projected to surpass Turkey's 'economic boundaries'.

# Iraq signs initial deals for Mansouriya and Siba with TPAO

Rigzone (Dow Jones Newswires), *15.11.2010*


**Iraq's oil ministry initialed two large deals with two consortia led by Turkish Petroleum Corp., or TPAO, and Kuwait Energy to develop, respectively, its eastern Mansouriya and southern Siba gas fields.**

**A third deal with a consortium led by Korea Gas Corp. to develop Akkas, the largest of the three gas fields awarded in a bid round last month, was postponed until an unspecified time. TPAO is partnered with Kuwait Energy and Korea Gas Corp. for the Mansouriya field, which is located in eastern Diyala province near the Iranian border and has estimated proven natural gas reserves of 4.5 trillion cubic feet.**

The Turkish company owns 50% of the venture, Kuwait Energy holds 30% and Kogas holds 20%. The three firms have promised to reach a production plateau of 320 million cubic feet a day of gas for a fee of $7 a barrel of oil equivalent. Kuwait Energy is partnered with TPAO for the Siba field, which is located in the southern Basra province and has estimated proven reserves of 1.13 trillion cubic feet.

The Kuwaiti company owns 60% of the venture while TPAO holds the remaining 40%. The two firms promised to reach a production target of 100 million cubic feet a day for a fee of $7.5 a barrel of oil equivalent. TPAO said the group would invest $1 billion in the project.

The two deals still need the approval of the Iraqi cabinet before their final signature, oil ministry spokesman Assem Jihah told Dow Jones Newswires by telephone from Baghdad. The deals were signed in Baghdad by Iraq's Deputy Oil Minister Abdul Kareem al-Luaibi for the Iraqi side, while executives from the two firms signed for their companies, Jihad said.

The Iraqi Oil Ministry postponed signing an initial deal with a group led by Kogas to develop Akkas in the western Anbar province for an unspecified time owing to some clarifications, a senior Iraqi oil official said. The deal was supposed to be signed Sunday, but it was postponed at the last minute, Sabah Abdul Kadhem al-Saedi, deputy head of the ministry's Petroleum Contacts and Licensing Directorate, told Dow Jones Newswires. "The company [Kogas] has asked for some clarifications before signing the contract and we are working on them," he said.

Kogas and its partner Kazakhstan's KazMunaiGas were awarded the field, located in the restive western Anbar province near the border with Syria, at a bidding round held in Baghdad last month. They promised to reach a production target of 400 million cubic feet a day from Akkas with estimated proven gas reserves of 5.6 trillion cubic feet for a fee of $5.50 a barrel of oil equivalent. South Korea's government in a statement last month said total investment in the Akkas project would reach $4.4 billion.

# Putin and Merkel to discuss sale of E.ON's $4.5B Gazprom stake

Rigzone (Dow Jones Newswires), *24.11.2010*

**German Chancellor Angela Merkel will discuss the possibility of E.ON Ruhrgas selling its 3.5% stake worth $4.5 billion in the Russian natural gas giant Gazprom during a meeting with her Russian counterpart Vladimir Putin on Friday, Putin's spokesman said Wednesday.**

**E.ON Ruhrgas, the largest foreign shareholder in state-controlled Gazprom, may sell the stake as part of a large-scale plan to sell assets worth EUR15 billion by the end of 2013 to help reduce debt, refocus its business and reinvest in new markets outside Europe.**

"This topic will be among the issues to be discussed at Friday's meeting in Germany," said Dmitry Peskov, spokesman of Prime Minister Putin, who will travel to Germany Friday for a two-day working visit. A Merkel spokesman had no direct comment on E.ON's plans for its Gazprom stake, but said "energy policy in general belongs to the format of these talks."

Both E.ON and Gazprom declined to comment, but one person in the banking industry confirmed the talks. "This has been discussed for a while, but it's hard to tell whether it's real this time," said the person, who asked not to be named. Another person with direct knowledge of the situation said the deal is actually happening.

Earlier this month, E.ON announced a major strategy shift, deciding to turn its focus away from Europe in favor of emerging markets in Asia and South America. The company didn't say which European assets would be put on the block, but has said since last year it now considers its stake in Gazprom as non-strategic. E.ON had amassed a 6.5% stake in Gazprom, but in 2008 it exchanged a 3% share for 25% of the Yuzhno-Russkoye gas field in Siberia, leaving the company with a 3.5% stake in Gazprom.

E.ON also cooperates with Gazprom on the Nord Stream pipeline through the Baltic Sea and the sale of natural gas to consumers in Germany. Half of the Nord Stream gas pipeline, which extends from Russia to German, has already been laid and the project is on track to begin pumping gas before the end of 2011. E.ON Ruhrgas currently holds a 15.5% stake in Nord Stream. E.ON Ruhrgas is the natural gas arm of E.ON, the world's largest private utilities group.

Besides being the biggest foreign shareholder in Gazprom, the German company is also the biggest single European importer of Russian gas. Nevertheless, E.ON faces tough negotiations with Gazprom over pricing amid a slump in European demand, and seems to have gained little from its close relationship with the Russian state giant. E.ON workers representatives have in the past repeatedly demanded that the company's management consider selling the Gazprom stake because it doesn't offer strategic benefits.

Ruhrgas and Gazprom have had business relations dating back 40 years, despite the cold-war divide between the Western and Eastern bloc at that time. In 1970, Ruhrgas and Sojuzgazexport--a company that later became an affiliate of Gazprom--reached an agreement known as the ‘gas for pipes deal’ under which Ruhrgas became a major importer of natural gas in return for a large delivery of gas pipelines. The partnership was expanded over the following decades and in 1998 Ruhrgas purchased its first 2.5% in Gazprom.

“We don’t think this transaction reflects Gazprom’s lack of fundamental attractiveness from E.ON’s point of view, but rather is a result of E.ON’s own priorities,” said Ildar Davletshin, analyst at Renaissance Capital. Russia’s state development bank Vnesheconombank, or VEB, is the likely buyer of the stake, the Kommersant daily said earlier Wednesday. The country’s finance minister Alexei Kudrin said VEB’s board hasn’t yet discussed such a deal. “This still hasn’t been discussed,” Kudrin said, who is a member of VEB’s board.

# Power ship to supply electricity-starved Pakistan

Today’s Zaman (AP), *21.11.2010*

**The world’s largest ship-based power plant will begin supplying Pakistan with electricity next month to try to mitigate the country’s crippling shortages, a company official said Friday. The new supply still won’t come close to ending the energy crisis that plagues Pakistan, increasing widespread public frustration with the US-allied government as it struggles to contain the Taliban insurgency.**

**The ship, which burns furnace oil, will generate about 230 megawatts for the national power grid, said Asad Mahmood, a spokesman for the vessel’s Turkish owner Karkey Karadeniz Electric.**

The owner has a five-year contract to sell power to the deeply indebted Pakistani national power company. Mahmood did not disclose the price of the contract. Power outages last up to 16 hours per day in some areas and damage industrial growth. The suffering is worst in summer, when the temperatures soar but power cuts mean fans and air conditioners won’t work.

# British Gas raises gas and electricity prices by 7%

The Guardian (Mark King), *13.11.2010*

**British Gas announced it is putting its prices up by 7% for gas and electricity from 10 December, making it the second major energy supplier to raise its prices in recent weeks. It is estimated the increase in standard and variable tariffs will affect around 8 million customers, with the price increases adding £53 to annual gas bills and £29 to electricity bills.**

**British Gas customers on a standard dual fuel plan will see the extra £82 push their total bill from £1,157 to £1,239. The company said rising wholesale prices had forced it to increase its prices, but fixed-price customers and 300,000 vulnerable customers on the firm's Essentials tariff would not be affected until the end of the winter.**

Late last month Britain's second-largest energy supplier, Scottish and Southern Energy (SSE), said it was increasing its gas prices by 9.4% or £67 from 1 December. Following British Gas's announcement, consumer watchdogs fear a full-scale increase in energy prices could be on the cards, although EDF Energy said it would freeze its standard tariffs until March 2011.

British Gas managing director, Phil Bentley, said: "We know that rising energy prices come at a difficult time for many in Britain. That is why we are not raising prices for our vulnerable customers, such as the poorest pensioners, until after this winter. We will continue to give them extra help – including lower rates – saving each an average of £128 a year."

Adam Scorer, director of external affairs at Consumer Focus, said: "British Gas and other suppliers respond to forward energy prices, and that will be their argument that price rises are needed. However, wholesale prices are around half of their peak in 2008, and yet in the same period customer's prices were cut by less than 10%. Consumers will feel that suppliers didn't make cuts when conditions allowed it, but are covering their profit margins as wholesale prices nudge up. At a time when there are reports of a gas glut it seems that consumers take on all the risk in this market."

Ann Robinson, director of consumer policy at uSwitch.com, said: "The 8% or £99 reduction seen over the last two years failed miserably to reverse the impact of the 42% or £381 increase seen in 2008. British consumers are now facing an extremely bleak winter." She added that now is the time to start looking at suppliers' fixed-price energy plans. "These usually carry a premium, but once British Gas and SSE's new prices kick in it would actually be cheaper for many standard customers currently paying by cash or cheque to move to a fixed-price plan."

The difference between the cheapest energy plan and the most expensive standard plan is £422. The most expensive standard dual fuel energy plan is ScottishPower's, at £1,305 a year, while the cheapest is First:Utility's online iSave V5 plan at £883 a year, according to uSwitch.

# China's biggest oil refiner stops diesel exports

Hürriyet Daily News (AP), *22.11.2010*

**China's largest oil refiner has suspended diesel exports as the country fights rising inflation, official media reported Saturday. The decision by state-owned Sinopec will help meet domestic shortages blamed on a government conservation campaign and possible hoarding by state oil companies.**

**Sinopec and China's other major state-owned oil company, PetroChina, plan to import diesel to help meet demand, the Xinhua news agency said. China is trying to cool inflation that surged to a 25-month high in October.**

The government posted a statement Saturday announcing further actions to cut rising food costs that have driven the inflation surge. Other measures include stabilizing overall prices of consumer goods.The diesel shortage and inflation are linked. Farmers need diesel fuel to run tractors and other farm equipment, so the diesel shortage could directly worsen a shortage of vegetables because farmers can't plant and harvest as many.

Politically sensitive food costs surged more than 10 percent as inflation jumped to 4.4 percent in October, well above the government's 3 percent target. Poor families in China spend up to half their incomes on food and Communist leaders see inflation as a possible trigger of unrest. Economists say money flooding through the economy from China's stimulus spending and heavy bank lending helped push inflation higher.

China ordered its banks Friday to hold more money as reserves in a new move to curb lending. Diesel supplies ran low after thousands of factories bought diesel generators to cope with power cuts imposed by authorities to meet energy-saving goals. That boosted already strong fuel demand. Demand for diesel skyrocketed, just as PetroChina and Sinopec were holding back supplies in anticipation of a rise in the retail price. In southern China, more than 2,000 privately owned filling stations have run out of diesel, Xinhua reported this month, citing the China Chamber of Commerce for the Petroleum Industry.

# Venezuela touts major offshore natural gas find

Washington Post (AP), *23.11.2010*

**Venezuela is touting a vast natural gas discovery off its coast, a project that President Hugo Chavez says will help turn the oil-exporting country into a major global gas producer.**

**Venezuela's oil minister, Rafael Ramirez, said Monday that the latest exploratory drilling has confirmed 'extraordinary results': about 15 trillion cubic feet of gas under the sea floor in a place where experts once thought there was only a fraction of that amount. Italian energy company Eni, which is a partner in the project, announced the drilling results last week, calling it the biggest natural gas deposit in Venezuela and one of the most significant finds in recent years.**

Energy analysts caution that Venezuela, which already leads Latin America in proven gas reserves, remains far from being able to sell its gas internationally and is still working on trying to meet its domestic demand. Yet Eni CEO Paolo Scaroni expressed optimism on Monday based on what his company saw drilling at the well known as Pearl 3 in 230 feet (70 meters) of water off western Venezuela.

"In the past weeks, it has proven more important than we had thought," he said at an event launching a separate $17 billion oil project involving Eni and the state oil company Petroleos de Venezuela SA, or PDVSA. Scaroni said the oil and gas projects together mean that Venezuela "is going to be a truly strategic country for our development."

Eni is involved in the offshore gas project along with Spanish energy company Repsol-YPF, and Chavez has been talking up the project for some time. In March, he called it a 'super well' and said it could hold up to 14 trillion cubic feet. Celebrating the latest results last week, Chavez declared: "We're turning into a world gas power." Venezuela's proven gas reserves have been growing. In August, PDVSA said the country's proven reserves had reached 185 trillion cubic feet, making the country No. 9 in the world and first in Latin America. Yet some of Venezuela's neighbors have done more with less.

Nearby Trinidad and Tobago has 14.4 trillion cubic feet of proven reserves of natural gas, and its current production is 4 billion cubic feet per day, according to the country's energy ministry. The two-island nation is the largest supplier of liquefied natural gas to the United States, accounting for 57 percent of all cargos in September. A large portion of Venezuela's natural gas, in contrast, has traditionally been reinjected into oil wells to help produce crude.

# Russia to harmonize reserves standards by 2012

Rigzone (Dow Jones Newswires), *17.11.2010*


**Russia plans to harmonize its oil and gas reserves classification with international standards by 2012, the Resources Ministry said Wednesday.**

**"From 2012, Russia should introduce a new classification of hydrocarbon reserves in harmony with international SPE [Society of Petroleum Engineers] PRMS standards," said Grigori Vygon, head of the ministry's economy and finance department. He said gas reserves of Russia's state-run OAO Gazprom under Russian standards are 25% higher than those under international standards.**

Russia had originally planned to introduce the new standards in 2009, but then postponed the introduction.

# Announcements & Reports

## ► *Board Resolution on Amendment of the Network Code*

**Source** : Energy Market Regulatory Authority
**Weblink** : http://www.epdk.org.tr/mevzuat/kurul/dogalgaz/2869/2869.doc

## ► *Minister's Speech on 2011 Budget of the Ministry of Energy and Natural Resources*

**Source** : Ministry of Energy and Natural Resources
**Weblink** : http://www.enerji.gov.tr/yayinlar_raporlar/2011_Plan_ve_Butce_Komisyonu_Konusmasi.pdf

## ► *OPEC Oil Market Report (Nov 2010)*

**Source** : Organization of the Petroleum Exporting Countries
**Weblink** : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMR_November_2010.pdf

# Upcoming Events

## ► *CEVI Energy School* *(in Turkey)*

**Date** : 7 – 11 February 2011
**Place** : Istanbul – Turkey
**Website** : http://www.centerforenergyandvalue.org/

## ► *TUROGE 2011* *(in Turkey)*

*10th Turkish International Oil & Gas Conference & Showcase*

**Date** : 16 – 17 March 2011
**Place** : Ankara – Turkey
**Website** : http://www.turoge.com/

## ► *International Oil & Gas Law* *(in Turkey)*

**Date** : 21 – 25 March 2011
**Place** : Istanbul – Turkey
**Website** : www.rmmlf.org

## ► *GIOGIE 2011*

*10th Georgian International Oil, Gas, Energy and Infrastructure Conference*

**Date** : 29 – 30 March 2011
**Place** : Tblisi – Georgia
**Website** : http://www.giogie.com/2011/

## ► *Atyrau Oil & Gas 2011*

*10th North Caspian Regional Atyrau Oil, Gas and Infrastructure Exhibition*

**Date** : 5 – 7 April 2011
**Place** : Atyrau – Kazakhstan
**Website** : http://www.atyrauoilgas.com/2011/

## ► *TGC 2011*

*2nd Turkmenistan Gas Congress*

**Date** : 13 – 14 April 2011
**Place** : Avaza – Turkmenistan
**Website** : http://www.summittradeevents.com/ourevents.php

## ► *Oil & Gas Siberia 2011*

*7th International Specialized Exhibition of Equipment & Technologies for Extraction, Processing and Transportation of Energy Resources*

**Date** : 27 – 29 April 2011
**Place** : Novosibirsk – Russia
**Website** : http://petroleum.sibfair.ru/eng/

## ► *OGU 2011*

*15th Uzbekistan International Oil & Gas Exhibition & Conference*

**Date** : 17 – 19 May 2011
**Place** : Tashkent – Uzbekistan
**Website** : http://www.oguzbekistan.com/2011/

## ► *SEA 5 2011*

*Algerian Energy Week*

**Date** : 21 – 25 May 2011
**Place** : Oran – Algeria
**Website** : http://www.sea5-algeria.com/

## ► *Caspian Oil & Gas 2011*

*18th Caspian International Oil & Gas Exhibition & Conference Incorporating Refining & Petrochemicals*

**Date** : 7 – 10 June 2011
**Place** : Baku – Azerbaijan
**Website** : http://www.caspianoil-gas.com/2011/

## ► *MIOGE 2011*

*11th Moscow International Oil & Gas Exhibition*

**Date** : 21 – 24 June 2011
**Place** : Moscow – Russia
**Website** : http://www.mioge.com/2011/