Oil & Gas Bulletin
► 03.12.2010

EU diesel standards to frustrate Turkish farmers

Today's Zaman, *29.11.2010*

The adoption of a single-tariff tax system in the diesel market by the Energy Market Regulatory Authority (EPDK) starting from Jan.1 2011 will wipe out tax privileges in rural areas, adding an extra cost burden estimated at TL 1 billion to Turkish farmers.

EPDK ruled to lower the allowed limit of sulfur in diesel for rural areas from its current level of 1,000 parts per million (ppm) to 10 ppm as part of harmonization steps in line with EU standards, which then brought to surface a tax dimension of the issue, because this step indicates a winding back tax of discounts that exist to support agricultural producers by lowering their costs.

Currently, the state imposes a private consumption tax (OTV) of TL 1.23 per liter for rural diesel and TL 1.30 on normal diesel. In other words, farmers and operators of land transportation vehicles will have to pay TL 0.75 more in tax per liter. This difference will further climb to a difference of TL 0.85 per liter when the value-added-tax (VAT) is also included.

Speaking to Anatolia news agency on Sunday, officials from the Finance Ministry asserted that the EPDK's new decision renders void the application of two different tax tariffs on diesel depending on the location. This will no longer be in question when the manufacturing and importation of high-sulfur rural diesel will come to an end.

"We can't introduce a new tax adjustment based on pump prices of diesel in favor of the farmers to offset their losses from the abolishment of the double tax tariff system. Such privileges would indeed lead to corrupt practices as has happened in the past. Instead, subsidies may be offered for farmers as part of the existing agricultural support programs," Anatolia quoted anonymous officials as saying.

An annual sum of 14 million tons of diesel is sold in Turkey and 71 percent of this amount is made up of products that contain 1,000 ppm of sulfur. The current agricultural support program distributes TL 5.5 in diesel support per thousand square meters for oilseeds and industrial plants, TL 3.25 for crops, forage plants, tuber crops, vegetables and fruits and TL 2 for foliage plants and grass. The 2010 budget had allocated TL 554 million in diesel support for farmers. This amount was fixed at virtually the same level for the 2011 budget.

AES buys Entek stake for Turkey power venture with Koc

Bloomberg, *01.12.2010*

U.S. power producer AES Corp. will buy almost half of Turkish utility Entek Elektrik Uretimi AS to form an energy partnership with Koc Holding, the country's biggest group of companies. AES agreed to pay the Koc unit, Aygaz, $136.5 million for the 49.6 percent stake, Aygaz said in a filing with the Istanbul Stock Exchange today.

The partnership plans to bid in government power plant auctions as well as building facilities, and it aims to be among the five biggest energy companies in Turkey within five years, according to a joint statement at a news conference in Istanbul .

The venture ultimately aims to reach 3,000 megawatts of capacity, with a focus on coal and gas-fired generation, Koc Energy Group head Erol Memioglu said. AES is joining international companies such as Austria's Verbund in taking on a Turkish partner to invest in an industry where demand is growing at about 6 percent a year, according to a Nov. 9 Deloitte report. Entek controls 300 megawatts of capacity at two power plants, Memioglu said at the news conference.

Turkish LPG prices skyrocket

Today's Zaman, *03.12.2010*

Liquid petroleum gas (LPG), considered a cheap fuel alternative to gasoline and diesel, will become more expensive as of Thursday.

Despite recent stable oil prices in international markets, fuel products in Turkey rose in price by TL 0.06-0.08. In only four days after the latest price increase in fuel products, LPG prices rose significantly. The price of LPG in Ankara, which was TL 2.17, is up by TL 0.20, while the price of LPG in Istanbul and Izmir increased by TL 0.18. The price of LPG in Istanbul and Izmir was previously TL 2.12 and TL 2.11, respectively.

The price of gas cylinders for domestic use was also affected by the latest price increase. The price of a large cylinder rose from TL 55.40 to TL 59.50, while small cylinders are now TL 10.75, up from TL 10.25.

Iran and Turkmenistan inaugurate last segment of gas pipeline

Hürriyet Daily News, *29.11.2010*

Iranian President Mahmoud Ahmadinejad and his Turkmen counterpart Gurbanguly Berdymukhamedov have opened the last section of a pipeline to export Turkmen gas to northeast Iran on Sunday. The pipeline opened is the final half of the 1,000-kilometer pipeline, which links Tehran to Khangiran refinery near the northeastern Iranian town of Sarakhs.

Once operational, the project will boost Iran's share in global gas trade and address demands of Iranian gas consumers. The project is of great importance, because even Iran has the second largest gas reserves in the world, its own gas production barely meets Iran's domestic needs.

Under the project, Iran's gas imports from Turkmenistan is due to reach 20 million cubic meters a day in the first phase, and then rise to 45 million cubic meters a day in the coming phases. Iran, which injects gas into oil wells to better exploit its oil reserves, also imports about 20 million cubic meters of Turkmen gas per day and exports about the same amount to Turkey. With an overall cost of $1.2 billion, the new pipeline extends a cross-border pipeline between two countries launched in January.

Russian oil flows to Central Europe 'to dry up'

EurActiv (Reuters), *02.12.2010*

Russia's growing oil exports to Asia and the Baltic have unsettled European traders. Although Russia has repeatedly said it has no plans to cut supplies to Europe, evidence is growing that it is focusing on supplying Northwest Europe, the Pacific and a soon-to-be-pumping pipeline to China to the detriment of Black Sea and Central European routes.

This is not so much of a long-term problem for the Black Sea and Mediterranean markets, which will become less dependent on sour and heavy Russian Urals grades as production grows in Kazakhstan and Azerbaijan, whose sweet and light grades will become dominant, traders predict.

But for Central Europe, the problem of dwindling Urals supplies may prove more difficult to tackle. German refineries rely on crude from the Druzhba pipeline to such an extent that the issue might ultimately become of major concern to German politicians. “We are witnessing a tectonic shift, and foreigners become very worried. It sounds crazy for now, but we may end up by having Germany and Poland importing crude from the Baltic Sea instead of Druzhba,” one major Russian trader said.

Ten years ago when Russia launched Primorsk, its first oil port in the Baltic, in order to cut reliance on transit via former Soviet Baltic republics, few traders would have dared to predict the route would replace the Black Sea as the main export channel. Plans for large exports to Asia by the then-President Vladimir Putin had seemed a dream if not a fantasy.

A decade later, Primorsk is now Russia’s biggest port with exports of 1.55 million barrels per day (bpd), while Kozmino on the Pacific has ramped up exports to 360,000 bpd from scratch two years ago. Meanwhile, combined exports from Black Sea ports including Russia’s Novorossiysk and Ukraine’s Yuzhny and Odessa are running as low as 700,000 bpd during some months or less than half of combined capacity.

In the long term, Russia plans to export as much as 1.6 million bpd to the Pacific and Asia, including through a newly built link to China, due on stream in January. Jonathan Kollek, vice-president for trading at TNK-BP, Russia’s No. 3 oil firm, which is half-owned by BP, said the shift from the Black Sea and Druzhba to Asia and the Baltic would continue. “Novorossiysk will dwindle, while the Baltic will pump at full capacity. Novo and Druzhba will be marginal plays to some extent, but you will see flows of products through Novo increasing,” he told Reuters.

Peter O’Brien, vice-president at Russia’s largest oil producer Rosneft, said the extent to which flows will shift to Asia from Europe would depend on Russian tax policies on production and exports from different regions. “It is a function of which production you have in, say, five years,” says O’Brien, whose company dominates East Siberian production and is pressing the government for more tax breaks to enable it to export more to Asian markets. O’Brien also noted that some of the proposed changes in taxation may discourage refining, which would free up more crude volumes for exports.

Russian oil output has repeatedly pleasantly surprised markets in recent years. Traders say Moscow would have had enough crude for both Europe and Asia if it were not building a new major Baltic port at Ust Luga. Like Primorsk, Ust Luga is also located near St. Petersburg, the home town of Putin, now prime minister and still Russia’s most influential politician. It is due to start next year and ultimately ship up to half a million barrels per day of crude to European markets. “With the Chinese pipeline due to start any day and the launch of Ust Luga, I’m wondering if we will witness the death of Druzhba. Merkel should call her ‘friend’ Putin to figure out what’s going on,” one trader with a Russian major said.

Putin has repeatedly criticised the EU’s stated aim to diversify away from Russian oil and gas. Ust Luga and the Chinese pipeline are not the only factors affecting future exports as the country expands its refining capacity, despite the proposed changes in taxes. Oil firm Tatneft launched Russia’s first major post-Soviet refinery and is seeking to regain control of Ukraine’s Kremenchug, which now often sits idle. “If Tatneft gets Kremenchug, there will not be much volume left for the Black Sea. That will make Mediterranean markets very volatile and people will have to get used to constant arbitrage between the saturated Baltic and the hungry south,” one major Urals trader said.

Zorlu Enerji gets $1 bln for Israel power plant

Hürriyet Daily News (Bloomberg), *30.11.2010*

Zorlu Enerji and its Israeli partners got a 3.6 billion-shekel ($1 billion) loan to build a natural gas-fired power plant in south Israel. Tel Aviv-based Bank Hapoalim and Clal Finance Business Credit arranged the credit and eight Israeli lenders including Bank Leumi Le-Israel BM and Mizrahi Tefahot Bank will participate, Zorlu said in an e-mailed statement Monday.

Interest rates will range between 5.1 percent and 5.6 percent. The plant in Ashkelon, to be built by U.S.-based engineering firm Wood Group, will have a capacity of 800 megawatts and will cost $1.2 billion.

Construction will be completed by 2013 and repayments on the 17-year credit will begin after that. Istanbul-based Zorlu Enerji said on Oct. 15 it may sell its interests in Israel unless there is an easing of the political tension between the two countries. Eilat Ashkelon Infrastructure Services has a 37.5 percent stake in the power plant project and Zorlu Enerji holds 25 percent. Edelcom and U. Dori Energy Infrastructure hold 18.75 percent each.

Gryshchenko: New gas crisis impossible

RIA Novosti, *29.11.2010*

A halt of Russian gas deliveries to Europe due to the absence of a transit deal between Moscow and Kiev will not happen again, Ukraine's Foreign Minister Konstantyn Gryshchenko said on Monday.

"A repetition of the situation that Europe experienced last year is impossible. It will never repeat again. We are holding serious negotiations with Russia but gas transit to Europe is guaranteed by both parties," Gryshchenko told. On January 1, 2009, Gazprom suspended gas transit to Europe via a pipeline which runs through Ukraine because of an absence of an agreement with Kiev. Supplies resumed on January 19.

Hawrami: Oil laws by June 2011 or won't join government

Rigzone, *30.11.2010*

The Kurdish Regional Government wants new hydrocarbon and revenue-sharing laws by June 2011 as a condition of its participation in a new Iraqi administration, the Regional Government's minister for natural resources said Tuesday.

Speaking at an Iraqi oil conference, Ashti Hawrami also said there should be no more blacklisting by the Baghdad government of oil companies working in the Northen Iraq, and criticized the government's new oil production target. Baghdad and the Regional Government are at loggerheads over production-sharing agreements signed.

The federal government argues these deals are illegal because they haven't been approved, while the Regional Government says they are in line with the constitution. Hawrami said eight new oil discoveries have been made in the region in the past two-to-three years, and said the Regional Government has signed 37 contracts with 40 companies, resulting in $10 billion investment in the oil sector, notably in exploration and production. He also said three refineries have been commissioned, with a total capacity of 200,000 barrels a day, and three power plants have been built, providing over 80% of the region's power needs.

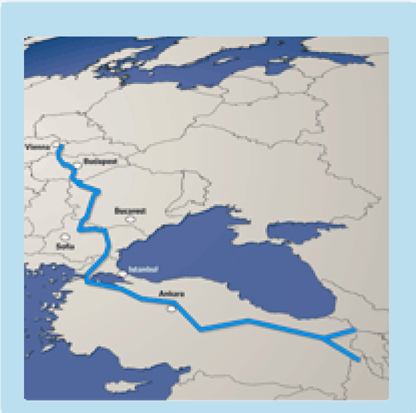
Northen Iraq oil production "can reach 1 million barrels a day by January 2014," Hawrami said, adding there is "between 100-200 billion cubic feet of [non-associated] natural gas in the Northen Iraq." However, he criticized Iraq's oil production target of 12 million barrels a day in the next 10 years. "Let's be mindful of the market, let's be mindful of our OPEC partners," he said. "Let's make it 4 million, let's make it 6 million."

Hawrami later held a news conference in which he said the Regional Government is ready now to start exporting 100,000 barrels a day, to increase to 150,000 barrels a day by the end of 2011 or early 2012. "We are happy to start with 100,000 barrels a day," he told reporters. He said the crude oil would be exported from two Northen Iraq fields, Taq Taq and Tawke. The latter is already connected by the Iraqi northern export pipeline to Turkey's Mediterranean port of Ceyhan, while oil will be shipped by trucks from the former to the delivery point.

Northen Iraq exported oil from the two fields for around four months last year but suspended the flow pending the central government agreeing to pay back contracting foreign companies. Around 40 companies, including Norway's DNO International, have invested in Northen Iraq but their revenues have been curtailed by being unable to sell oil for export because Baghdad has previously deemed the contracts illegal.

Bulgaria urges fiscal leeway for Nabucco financing

Today's Zaman (Reuters), *01.12.2010*



Bulgaria urged the EU to allow countries in the Nabucco pipeline to write off bank guarantee they are to extend from their fiscal deficits, to show the gas link is a priority for Brussels. "We have always put the Nabucco pipeline as a priority. But I have many, many remarks on the speed of work and on its actual, real position as a priority for the European Union," Bulgarian Prime Minister Boiko Borisov told.

"My proposal is for member states in Nabucco, the bank guarantees that we will give to the European Investment Bank or the European Bank for Reconstruction and Development ... to be written off the deficits of these countries," he said.

Borisov said if the fiscal leeway was not provided, Bulgaria would be forced to breach the EU's threshold for a deficit of 3.0 percent of gross domestic product. Bulgaria's state company BEH is one of the shareholders in the 7.9 billion euros ($10.39 billion) pipeline, aimed to transport Caspian gas through Turkey and Eastern Europe to Austria and cut the continent's dependence on Russian gas. Other shareholders include Austria's OMV, Germany's RWE, Hungary's MOL, Romania's state-controlled Transgaz, and Turkey's BOTAS. Each shareholder has to provide about 2 billion euros in bank guarantees, the head of the Nabucco consortium, Reinhard Mitschek told reporters on the sidelines of the same forum.

Borisov's offer concerns Bulgaria and Romania, which will have to provide state guarantees for Nabucco. Borisov said Bulgaria would not block the project in case Brussels turned down its request, but said it would be a bad signal to Bulgaria and push it to an excessive budget deficit. The Balkan country hopes to bring its fiscal deficit to 2.5 percent of GDP next year, after a prolonged recession and hidden deficits piled up by the previous Socialist-led government is likely to push its budget shortfall to 4.6 percent of GDP.

Last week, the spokesman of the Nabucco consortium said the first gas contracts for the Nabucco pipeline should be sealed by the middle of 2011 as gas supply talks with Azerbaijan had intensified. The pipeline, which competes with Russia's South Stream gas pipeline, is expected to become operational in 2015.

Putin says EU energy laws are uncivilized 'robbery'

Today's Zaman (Reuters), *28.11.2010*

Russian Prime Minister Vladimir Putin criticized EU laws aimed at liberalizing the continent's energy market, saying they hinder investment and amount to uncivilized 'robbery'.

Putin, in Germany for talks with Chancellor Angela Merkel, demanded the EU consult Moscow when drafting such important legislation, which he said threatened key gas pipelines backed by Gazprom. "What is this? What is this robbery?" Putin said in a speech to German investors in Berlin, referring to the legislation which he said was damaging investments in major pipelines by forcing a separation of gas supply and transport assets.

"The investors of course counted on getting the right to use this infrastructure to pump their own gas. It is their gas, their investment, but then this Third Energy Package is accepted ... and they deny them the right to use their own property." The EU agreed in March 2009 to liberalize energy markets by splitting giant utilities, ensuring that small gas suppliers can get unhindered access to European infrastructure and compete on an equal footing with the dominant players.

The plan included a so-called 'Gazprom Clause' designed to prevent companies from outside the bloc from buying up strategic distribution networks without approval by governments. Echoing criticism from Gazprom, which supplies a quarter of European gas, Putin said the EU legislation undermines vast Russian and German investments in pipelines to Europe.

"We often hear from our partners both in Europe and North America: 'If you want to be members of a global family of civilized nations, you should behave in a civilized way.' What is this then? Have our colleagues forgotten the basic principles?" Putin said. He said the EU laws were already creating problems with pipelines that are to link into a trunk pipe being built across the Baltic Sea to Germany and with the gas distribution network in Lithuania, where Gazprom and E.ON Ruhrgas have warned of supply disruptions in a row over the EU regulations.

Criticism of the EU legislation has overshadowed Putin's visit to Germany, where he was set to discuss a deal under which E.ON would sell a $4.5 billion Gazprom stake to state-owned bank VEB, whose board is chaired by Putin. In response to former president Putin's criticism ahead of the visit, Merkel on Thursday lambasted Russia's protectionist trade measures which she said were hurting German exports.

Putin quipped that if Europeans did not want gas or nuclear energy, they would still have to rely on Russia for firewood to heat their houses. "I don't understand; how will you heat your houses? You do not want gas, you do not want to develop nuclear energy. Where will you get your heat from then? From firewood? But even for firewood you will need to go to Siberia, you do not even have wood," said Putin.

Putin mixed his criticism of the energy legislation with a proposal for what amounts to an alliance with the European Union, a step he said was essential for the survival of both Russian and European civilization. Putin said that Russia and the EU could one day even have a joint currency zone and that Russia was looking at ideas for increasing the role of the euro in energy trading.

The European Commission declined to comment directly on Putin's speech, but energy spokeswoman Marlene Holzner said the disputed legislation would lead to open and integrated markets. "The European Commission...is convinced that the third energy package will lead to open and integrated markets, which is good for competition and good for security of supply," she said. "Ensuring a good investment climate is one key aspect of the internal market legislation and of the infrastructure package that we recently presented."

GDF Suez: LNG demand will outstrip supply by 2020

Upstream Online, *01.12.2010*

Global liquefied natural gas demand will double by 2020, driven by increases in Asia, but supply will struggle to keep up over that period, GDF Suez's president of LNG Philip Olivier said today.

Difficulties in getting new production projects online will lead to a sellers' market in the future, said Olivier, a change from the buyers' market which currently exists due to ample supply. "New liquefaction projects remain very expensive and with permitting and (limited) availability to feed gas, financing remains quite problematic," Reuters quoted Olivier as telling the CWC LNG conference in Barcelona.

Moreover, existing liquefaction plants will underperform due to increased domestic needs in exporting countries. "There will be a future shortage of supply, turning the current buyers' market into a future sellers' market," he added.

BP updates operations in Azerbaijan

Oil & Gas Journal (Eric Watkins), *02.12.2010*

Rashid Javanshir, head of BP's subsidiary in Azerbaijan, said production will be reduced next year at the massive Azeri-Chirag-Gunashli (ACG) oil field in the Azerbaijani sector of the Caspian Sea.

Consortium members plan to reduce the field's oil production to 850,000 b/d in 2011, just under this year's projected level of 854,000 b/d. ACG's participating interests include operator BP 37.4%, Chevron 11.3%, SOCAR 10%, INPEX 11%, Statoil 8.6%, ExxonMobil 8%, Turkish Petroleum Corporation (TPAO) 6.7%, Itochu 4.3%, and Hess 2.7%.

Javanshir's remarks coincided with release of BP's fourth quarter business update for its work in ACG, where it spent $270 million on operations and $1.149 billion in capital investment in the first 9 months of 2010. "For the full year we expect to spend about $587 million in operating expenditure and $1.584 billion in capital expenditure on ACG activities," BP said. BP said ACG production averaged 835,100 b/d of oil, amounting to 228 million bbl total from the Chirag, Central Azeri, West Azeri, East Azeri, and the deepwater Gunashli platforms.

The firm said its full-year plan remains an average 854,000 b/d production from the five ACG platforms, including 90,900 b/d from Chirag, 184,200 b/d from Central Azeri, 285,700 b/d from West Azeri, 158,100 b/d from East Azeri, and 135,100 b/d from Deep Water Gunashli. BP said Chirag has 21 wells in operation (15 oil producers and 6 water injectors) and produced 98,000 b/d in the first three quarters of 2010. Central Azeri (CA) has 18 wells (13 oil producers, 5 gas injectors) and during the first three quarters it produced on average about 206,600 b/d.

West Azeri (WA) has 21 wells (15 oil producers, 6 water injectors). In the first three quarters it produced an average 252,800 b/d. East Azeri (EA) has 15 wells (10 oil producers, 5 water injectors). It averaged 143,500 b/d production during the first three quarters. Deep Water Gunashli (DWG) has 22 wells (11 oil producers, 11 water injectors), and during the first three quarters it produced on average 134,100 b/d of oil.

BP said it continued in the first three quarters to supply associated gas via the 28-in. subsea pipeline from three platforms (CA, WA, and EA) to the Sangachal terminal and from there into Azerigas national grid system for domestic use. Some of the associated gas produced from the Chirag platform was sent to the SOCAR compression station at the Oil Rocks via the existing 16-in. subsea gas pipeline.

BP said the rest of the associated gas from the ACG platforms was sent via infield subsea gas pipelines to the compression and water injection platform on CA for reinjection to maintain reservoir pressure. Gas injection continues from five wells on CA. During the first three quarters, BP said it delivered 9.3 million cu m/day of ACG associated gas to SOCAR.

"In total we delivered 2.5 bcm of associated gas to SOCAR during the first three quarters, which already exceeds our original plan to deliver 1.9 bcm of ACG associated gas during the full year," BP said.

Meanwhile, BP said the consortium developing the Shah Deniz oil field spent $121 million on operations and $251.1 million capital expenditure during the first 9 months of 2010. Another $56.8 million is to be spent on operations and $253.7 million on capital expenditures by yearend, said BP, which operates the field with a 25.5% stake. The other shareholders include Statoil 25.5%, SOCAR 10%, OAO Lukoil 10%, Naftiran Intertrade Co. Ltd. (NICO) 10%, Total SA 10%, and TPAO 9%.

According to BP, Shah Deniz continued to produce from four wells to off-take points in Azerbaijan, Georgia, and the Turkish border during the first 9 months of 2010. It said the gas from Shah Deniz Stage 1 continues to be sold to Azerbaijan, Georgian Oil & Gas Corp. (GOGC), Turkey's state-owned BOTAS, and the BTC Co.

In the first three quarters of 2010, Shah Deniz produced more than 5.3 bcm of gas and 11.5 million bbl of condensate. By yearend, BP expects to produce 7.6 bcm of gas and 16 million bbl of condensate. "Production will increase as new platform-drilled wells are brought on stream over the next few years," BP said, adding that plateau production from Stage 1 is expected to be 8.6 bcm/year of gas and 45,000 b/d of condensate.

"Appraisal activities to support plans for the Shah Deniz full field development continue," BP said, noting the SDX-06 appraisal well was spudded in July and is being drilled to a planned TD of 6,272 m. Completion is expected in 2011.

Oil and gas from ACG and Shah Deniz continue to flow via subsea pipelines to the Sangachal Terminal, which has an overall capacity of 1.2 million b/d of oil and 39.5 million cu m/day, including 25.5 million cu m/day of Shah Deniz gas. In the first three quarters of 2010 the Sangachal Terminal exported 244 million bbl of oil. That total included 213.5 million bbl through the Baku-Tbilisi-Ceyhan (BTC) pipeline, 23 million bbl through the western route export pipeline [WREP] and more than 7.5 million bbl by rail.

Gas is exported via the South Caucasus Pipeline (SCP) and via a SOCAR gas pipeline connecting the Sangachal Terminal's gas processing facilities and Azerigas' national grid system. On average 19.3 million standard cu m/day of Shah Deniz gas was exported from the terminal during the first three quarters of 2010.

The BTC pipeline has throughput capacity of 1.2 million b/d of oil and currently carries mainly ACG oil and Shah Deniz condensate from Azerbaijan. However, following a new transportation agreement in July, crude from Turkmenistan is being transported through the line, and BTC also has agreements to carry oil from the Tengiz field in Kazakhstan.

During the first three quarters, BTC had $20.1 million in capital expenditures and exported 213.5 million bbl altogether, reaching its record high throughput of 1.057 million b/d on July 21. BTC shareholders are BP 30.1%, Azerbaijan (BTC) Ltd. 25%, Chevron 8.9%, Statoil 8.71%, TPAO 6.53%, Eni 5%, Total 5%, Itochu 3.4%, INPEX 2.5%, ConocoPhillips 2.5%, and Hess 2.36%.

Brazil gives Petrobras more control

Upstream Online (Bloomberg), *02.12.2010*

Brazil's lower house of Congress approved new oil regulations that will increase government control over the energy industry and reduce competition against Petrobras.

The regulations allow Petrobras to be sole operator of oilfields where licences have not yet been auctioned. The oil producer will be able to explore every field in areas it designates as 'strategic'. The bill still needs the president's signature, Bloomberg reported. Brazil is tightening the state's grip on the domestic oil industry after the discovery of the Tupi and Libra fields, which may hold as much as 8 billion barrels of oil and 15 billion barrels, respectively.

The new legislation will give Petrobras a minimum 30% stake in joint ventures that bid for exploration licences. The government expects other oil companies to bid for the rights to explore fields as Petrobras' partner. The companies that offer the biggest share of oil output to the government will win the contracts.

The bill defines strategic areas as fields in the pre-salt region along Brazil's coast and fields with low exploratory risks and high oil output potential. Under current laws, Petrobras is required to compete equally with other companies to bid on exploration and production accords. The bill also allows non-producing Brazilian states and cities to receive more royalties from the sale of oil and creates a fund to finance social programmes with future oil revenue.

Petrobras faces the risk of being 'overwhelmed' with projects, given its extensive capital expenditure programme, Banco Santander analysts Christian Audi and Vincente Falanga Neto said in a note to clients dated today. Petrobras aims to invest $224 billion through 2014 to develop reserves in a deep-water region along Brazil's coast. The budget does not include any projects under the new law.

Russia opening door for foreign players

Upstream Online, *01.12.2010*

Russia is working on a host of new legislation and framework changes to allow foreigners to more easily explore for oil and gas as Moscow moves to unlock its vast Arctic hydrocarbon resources.

The initiatives are intended to simplify the process of applying for exploration licences and allow international companies a greater opportunity than before while at the same time keeping state control over offshore projects. Russia's total oil and gas resources are put at approximately 100 billion barrels of oil equivalent and three quarters of the total are located in the Kara, Barents and Okhotsk.

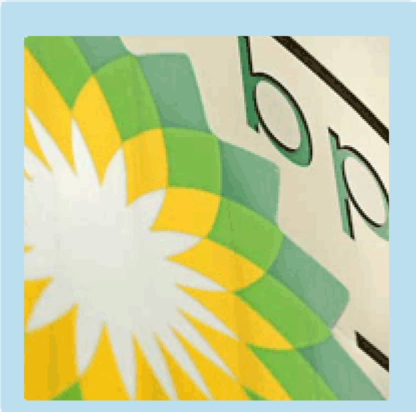
The greatest amount of the discovered reserves lies in the Barents Sea. "Certainly the seabeds of the Arctic Ocean hold most of the resources," said a director of the Department for State Policy and Regulation at Russia's Ministry of Natural Resources, Denis Khramov. One of the key features of the proposed law improvements is that companies which make commercial oil and gas discoveries will either be guaranteed a stake in the development or given compensation comprising the actual costs spent plus a financial reward for its exploration risk, explained Khramov.

Also new regulatory procedures will be implemented covering permits for drilling, for the installation of offshore structures and artificial islands and installing subsea pipelines and cables. Russia is keen to get foreign expertise to help explore its Arctic plays where historically there has been little activity. The ministry said that private exploration investments in the country this year would total 28.3 billion roubles ($898 million) but only 100 million roubles was earmarked for the Arctic compared to 21 billion roubles for Russia's Far East.

Most of Russia's exploration success dates from the Soviet era, with only six fields having been discovered since 2005 – five of these were in the Caspian and one in Russia's Far East, he told a seminar at Osea 2010. There are currently 55 licences on Russia's continental shelf and local companies Gazprom, Rosneft and Lukoil account for 33 of those. Forty three more applications have been submitted for the period 2010 to 2020.

BP to sell 60% stake in PAE for $7bln

Rigzone, *29.11.2010*



BP has entered into an agreement to sell its interests in Pan American Energy (PAE) to Bridas Corporation. PAE is an Argentina-based oil and gas company owned by BP (60 percent) and Bridas (40 percent). Bridas will pay BP a total of $7.06 billion in cash for BP's interest in PAE. The transaction is expected to be completed in 2011.

The sale of its interests in PAE is part of BP's plan, announced in July 2010, to divest up to $30 billion of assets by the end of 2011. Before the agreement to sell its interests in PAE, BP already had sales agreements in place totaling some $14 billion.

Under the terms of the agreement, Bridas is required to pay BP a cash deposit of $3.53 billion with the balance of the proceeds due on completion of the sale. $1.41 billion of this deposit is due to be paid on December 3, 2010, with the balance of $2.12 billion to be paid by Bridas Corporation on December 28, 2010. The transaction excludes the shares of PAE E&P Bolivia Ltd, and the figures below exclude amounts attributable to PAE E&P Bolivia Ltd.

Completion of the transaction is subject to closing conditions including the receipt of all necessary governmental and regulatory approvals, as well as the requirement that there has been no material adverse effect on PAE and no material adverse effect on BP's ability to complete the transaction. In the event that any of these closing conditions is not met, BP will be required to repay the deposit to Bridas. BP has guaranteed the payment obligations of BP under the agreement.

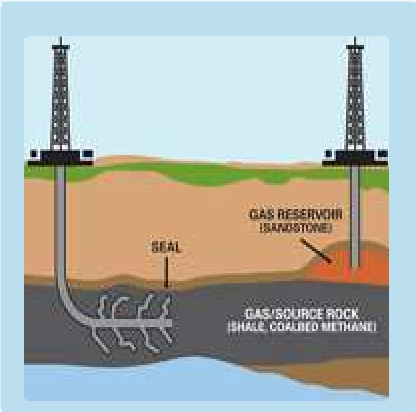
The aggregate profit before taxation attributable to BP's 60 percent interest in PAE for the purposes of calculating group profits for the year ended 31 December 2009 was $581.5 million. The aggregate value of the gross assets attributable to BP's 60 percent interest in PAE for the purposes of calculating the BP Group's gross assets as at September 30, 2010 was $2,602 million.

PAE is involved in the exploration, development and production of oil and gas and has interests in the Southern Cone region of South America. The company's main interests are in Argentina, where it is the second largest producer of oil and gas. It holds blocks in four hydrocarbon basins in Argentina including Golfo San Jorge - including the large Cerro Dragon block - Austral, Neuquen and Northwest. The company also has interests in various portions of the oil and gas value chain, including oil and gas transportation, oil storage and loading, gas distribution and power generation.

As of December 31, 2009, proved reserves attributable to BP's 60 percent interest in PAE were, for BP Group reporting purposes, 917 million barrels of oil equivalent. Net production associated with BP's 60 percent interest in PAE is approximately 143 thousand barrels of oil equivalent per day

Shale gas development drives U.S. reserves to new high

Rigzone, *01.12.2010*



U.S. natural gas proved reserves, estimated as 'wet' gas which includes natural gas plant liquids, increased by 11 percent in 2009 to 284 trillion cubic feet (Tcf), the highest level since 1971, according to the U.S. Energy Information Administration's (EIA) Summary: U.S. Crude Oil, Natural Gas, and Natural Gas Liquids Reserves, 2009, released Nov. 30.

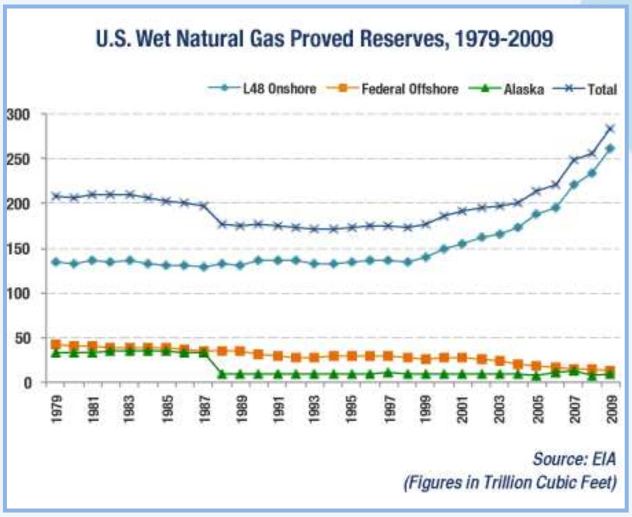
"Shale gas development drove an 11 percent increase in U.S. natural gas proved reserves last year, to their highest level since 1971, demonstrating the growing importance of shale gas in meeting both current and projected energy needs," said Richard Newell, EIA's Administrator.

"Louisiana, Arkansas, Texas, Oklahoma, and Pennsylvania were the leading states in adding new proved reserves of shale gas during 2009," he said. Louisiana led the nation in additions of natural gas proved reserves with a net increase of 9.2 Tcf, or 77 percent, owing primarily to development of the Haynesville Shale. Both Arkansas (Fayetteville Shale) and Pennsylvania (Marcellus Shale) nearly doubled their reserves with net increases of 5.2 Tcf and 3.4 Tcf respectively. These increases occurred despite a 32 percent decline in the natural gas wellhead prices used to assess economic viability for 2009 reserves as compared to the prices used in reserves reporting for 2008.

The increase in proved gas reserves during a low-price environment that resulted in negative revisions to existing reserves "underscores the major improvements in shale gas exploration and production techniques - horizontal drilling coupled with hydraulic fracturing - and efficiencies," EIA noted in its report.

Natural gas from shale plays represented 21 percent of U.S. gas reserves in 2009, with the majority coming from six major shale areas: Barnett, which remains the largest U.S. shale play, Haynesville/Bossier, Fayetteville, Woodford, Marcellus and Antrim. The only shale of the six to experience a reserve decline during 2009 was the Antrim shale in northern Michigan, a mature, shallow biogenic shale gas play discovered in 1986 that is no longer being developed at the same pace as the other leading shales.

The natural gas price drop began to impact development plans as operators started shifting investments in late 2009 toward the development of shale gas plays in areas with a higher yield of natural gas liquids (NGLs) and crude oil, including portions of the Marcellus shale in southwest Pennsylvania and the Eagle Ford shale in Texas. The addition of higher priced crude oil, condensate and NGLs improved project economics.



Proved reserves of U.S. oil (crude oil plus condensate) also increased in 2009, rising 9 percent to 22.3 billion barrels. Driven by net revisions and a fourth consecutive increase in discoveries, the overall increase was the largest in the 33 years that EIA has published estimates.

Texas showed the largest increase in reserve volume with an 11 percent increase, or 529 million barrels, nearly all from the Permian Basin. Meanwhile, North Dakota had the second largest increase, 481 million barrels, or 83 percent, reflecting growth in the Bakken Shale. Unlike the situation for natural gas, where proved reserves grew robustly despite lower wellhead prices, the rise in proved reserves of crude oil was supported by a 37 percent increase in the crude oil prices used to estimate reserves. Proved reserves are those volumes of oil and natural gas that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. EIA's estimates of proved reserves are based on an annual survey of about 1,200 domestic oil and gas well operators.

Shell and Gazprom to deepen Russian ties, develop internationally

Rigzone, *30.11.2010*

Alexey Miller, Chairman of the Gazprom Management Committee, and Peter Voser, Chief Executive Officer of Shell, signed a protocol on strategic global cooperation. This agreement establishes basic guidelines for the companies' broader collaboration.

Amongst the opportunities the companies will consider are further development of bilateral cooperation in exploration and production of hydrocarbons in western Siberia and the far east of Russia and cooperation in the downstream oil products business in Russia and Europe, as well as Gazprom participation in Shell upstream projects outside of Russia.

"This agreement is a vivid example of the mutually beneficial development of strategic partnership between the world's largest energy companies. Ahead of us, we have new large-scale projects and growing joint presence in new markets," said Alexey Miller. Shell and Gazprom will set up joint working groups to further develop these opportunities.

Announcements & Reports

► *Draft Regulation on Amendment in the Natural Gas Market License Regulation*

Source : Energy Market Regulatory Authority
Weblink : http://www.epdk.org.tr/duyuru/dogalgaz/taslak/lisansyonetmeliktaslak03122010.doc

► *Form for Natural Gas Distribution Companies*

Source : Energy Market Regulatory Authority
Weblink : http://www.epdk.org.tr/tarife/dogalgaz/DagitimilaveVeri/DagitimilaveVeri.xls

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/