Oil & Gas Bulletin
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Consumers seek tax relief as gas prices break TL 4 mark

Today's Zaman (Ismail Altunsoy), *10.12.2010*

The second price increase in fuel products in just one week has raised the voices of consumers in Turkey against high tax rates, especially the 'crisis tax'.

With the price of a barrel of oil floating at around $80-90 in the international market, the public is finding it difficult to understand consecutive price increases in Turkey. The main reason for such high prices in Turkey is tax out of every TL 100 worth of fuel consumers purchase, TL 65 goes to the state in taxes, such as the Value Added Tax (KDV) and the Private Consumption Tax (OTV)

The price of 95 octane unleaded gasoline has increased from TL 3.70 to TL 3.87 per liter while the price of 97 octane unleaded gasoline has reached TL 4. In addition to regular taxes, the government added a tax of TL 0.20 for every liter of fuel, called the 'crisis tax', to cope with the financial effects of the global financial crisis. Turkish consumers' unions draw attention to this point, saying that since the crisis has ended, the crisis tax should be removed.

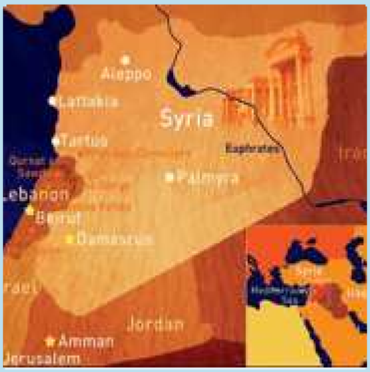
The Energy Market Regulatory Authority (EPDK) warned fuel distributors about the price increases in the past year and started to implement a cap price application, which aims to set an upper limit for fuel prices. Due to the cap price application, the price of a liter of gasoline dropped from TL 3.20 to TL 2.90 on May 28, 2009 but when the Turkish Finance Ministry increased the OTV rate, the TL 0.30 price decrease disappeared. Successive price increases in fuel products seem out of place to the general public with the Turkish automobile sector, with government support, showing a considerable boost in sales. Experts point out that these price increases could also negatively affect the inflation rate in Turkey.

Nazim Kaya, president of the Turkish Consumers' Union, noted that the two price increases in just one week's time are equivalent to a TL 0.01 price increase per day. "People are lucky if they filled their tank the previous day. If things continue on like this, Turks will give up driving cars and gasoline prices will reach TL 4.5-5 by next April," said Kaya, adding that both the private sector and the state are responsible for the high fuel prices. He recalled that fuel consumption could drop dramatically, which will lead to lower KDV and OTV revenue for the state. "On the other hand, fuel distributors are doing whatever they want in the absence of the EPDK and the Turkish Competition Authority. Fuel prices are increasing all over the world, but in Turkey it is just too much. When the price of a barrel of oil dropped to $37, the price decreases were just cents," said Kaya.

Kaya said they are preparing to protest the high price increases. "The price of gasoline is TL 1.20 per liter while we are paying TL 2.65 to the state in taxes. This means there is a 68 percent tax on fuel prices in Turkey. The government should see this and decrease the prices, at least a little bit," said the president of the union

Syria to import gas from Azerbaijan via Turkey

Hürriyet Daily News (Bloomberg), *06.12.2010*



Syria will begin importing natural gas from Azerbaijan next year under a new agreement between the two nations, Syrian Deputy Oil Minister Hasan Zainab has said. The Middle Eastern country will import roughly 3.5 million cubic meters of gas a day, Zainab said Monday.

Syria and Azerbaijan signed a final agreement on technical details of the purchase during a visit by Syrian oil officials to the Azerbaijani capital of Baku on Nov. 23. Zainab expects imports to start by the end of 2011, though the exact date will depend on the completion of a pipeline between Syria and Turkey, through which the gas would be shipped, he said.

Infrastructure work on the Syrian portion of the pipeline is set for completion in March, while Turkey is due to finish preparations on its side of the border by the end of 2011, Zainab said. The pipeline would add to a regional network connecting Syria with Turkey, Iraq, Azerbaijan, Iran, Egypt, Lebanon, Jordan and Europe. Syria currently imports around 1.5 million cubic meters of gas a day, all of it from Egypt, Zainab said. The government expects to boost its production of both gas and oil this year and has raised its estimated gas reserves, Oil Minister Sufian Alao said Nov. 22 in Damascus. He did not provide figures or details.

Ruttenstorfer: 'Turkey to become important energy hub'

Today's Zaman (Seyit Aslan), *07.12.2010*

Austrian energy giant OMV's CEO Wolfgang Ruttenstorfer said that the most important factor about the Nabucco pipeline project is that contracts are signed which guarantee the capacity usage of the project.

Ruttenstorfer underlined that the most important part of the Nabucco pipeline project was to make agreements on the gas transfers that are needed to operate the system. He added that talks for gas agreements with countries such as Azerbaijan and areas such as the northern Iraq have priority, while Turkmenistan is an alternative for gas deals.

Ruttenstorfer recalled that six months ago Turkish Energy and Natural Resources Minister Taner Yildiz explained Turkey's plans for buying gas and added that the final decision will be made public in mid-2011. "Moreover there are also negotiations going on with Iraq for gas agreements, but there are some delays due to political problems in Iraq," said.

Ruttenstorfer also highlighted that Turkey is becoming a very important energy hub. "The Nabucco pipeline project is like a very long highway. From the Caspian region to the Middle East, from Turkey to Eastern and Central Europe [the pipeline] is going to be used very intensively. Turkey is going to be a crucial player and a bridge in the energy sector," he said.

He also touched upon the crisis in Europe and said his country and Germany were the two best ones at managing the crisis. "Austria has a strong fiscal system and a diversified economy. We have not focused only on the finance sector and therefore were not affected heavily by the global financial crisis. Moreover, Austria has a very competitive structure in sectors like banking, insurance and agriculture, which have all prevented the country from plunging into crisis," said Ruttenstorfer. He mentioned that Turkey has an advantageous location, since on one side it has the opportunity to export to Europe and on the other side to the emerging markets of Iraq, Syria and Azerbaijan.

Referring to Turkish State Minister Ali Babacan's comment that there is the possibility of a second crisis, Ruttenstorfer stated he does not agree with Babacan and does not expect a strong recession. "But the growth figures of West European countries will remain flat in the near future while the growth rates of East European countries will be much higher," said the former Austrian state secretary in the finance ministry.

In an earlier report, Ruttenstorfer said that OMV wants to make Petrol Ofisi (POAS) an important energy concern. "By this I meant that we are not only considering operating in the fuel sector. We want to invest in energy plants and want to import natural gas from other countries. All of these activities we are going to perform under the name POAS, but we are not sure if we are also going to use POAS legally for our international activities," said OMV's CEO.

Ruttenstorfer, who has been working for OMV for more than 25 years and has held the position of CEO for eight years, noted that there are some speculations in the market that the company will face difficulties with the payment the acquisition POAS. "We have the sufficient cash and loans to finance this deal," said Ruttenstorfer. He added that the Austrian market has reacted positively to the news of the POAS acquisition. "But the market wants to see that OMV has acquired a new energy searching production license."

The Vienna-based OMV, the largest energy company in Europe, recently purchased Dogan Holding's stake in Petrol Ofisi for 1 billion euros ($1.4 billion) while its total investment in Turkey neared 3.5 billion euros. With the deal, OMV's stake in the fuel retailer rose to 95.75 percent from 41.58 percent. With a turnover of 17.92 billion euros in 2009, OMV is the biggest company in Austria. It operates in 13 different countries, while predictions show that its turnover will pass 20 billion euros. Ruttenstorfer, who has held the CEO position since 2002, will retire in 2011.

Shahristani: Oil from Northen Iraq could soon flow

Reuters, *06.12.2010*

A dispute between Northen Iraq and the central government that halted Northen Iraq oil exports is "supposed to be resolved and oil could flow early next year", Iraqi Oil Minister Hussain al-Shahristani said.

Northern Iraq has been locked in a dispute with Baghdad that stopped exports last year. The central government deems illegal contracts signed by the Regional Government (KRG) with foreign companies to develop northern oilfields. KRG could produce 150,000 barrels per day next year, Shahristani told reporters in Baghdad when asked if the dispute between the two governments had been resolved.

"It is supposed to be resolved and the region will start handing over the oil at the beginning of next year," he said. The minister's comment suggests some movement in the dispute that makes both sides believe KRG oil is going to flow soon. Iraq has signed contracts with foreign oil majors aimed at boosting its output capacity to around 12 million bpd from the current 2.5 million bpd. Output from the KRG will be a key to boosting exports, upon which Iraq relies for about 95 percent of its federal budget.

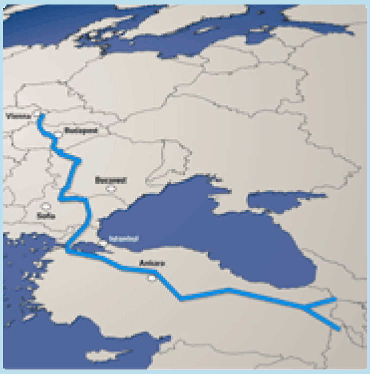
Baghdad has insisted on controlling Iraq's energy resources, including the oilfields in the northen region. Shahristani has repeatedly said contracts signed by the KRG with foreign firms such as Norway's DNO are illegal. But the KRG's oil minister told that his government expected to secure recognition of its oil contracts from a new government in Baghdad, adding he was confident oil would flow from the region by early next year.

Baghdad and Arbil have longstanding disagreements over land, oil resources, revenue-sharing and reimbursements to foreign operators for expenses. On Monday Shahristani said Baghdad was "not concerned with the (Regional Government) contracts" and that the firms working in Regional Government should submit receipts for equipment and other reasonable expenses to the central government. "They will be reviewed. If they are acceptable and reasonable like the rest of the contracts that have been concluded in the rest of Iraq, the costs will be paid to the companies," Shahristani said.

Shahristani also said Iraq had signed contracts to build four new floating ports in the Gulf and that two of them would be ready for service by the end of next year, helping Iraq boost exports. He offered no details. Global oil companies have reported increases in production at some Iraqi fields already, but analysts have questioned whether Iraq's feeble export infrastructure is up to the task of handling increased output. "Oil production has started to increase but our export facilities in the Gulf are still below the required level," Shahristani said.

Nabucco in battle for Azeri gas

EurActiv, *10.12.2010*



Pressure is growing on the Nabucco consortium to reveal its hand over its tender for Azeri gas. The winner, to be announced in April, will be the master of Europe's Southern Gas Corridor. Azerbaijan heaped pressure on the pipeline consortium to reveal its intentions, or recognise its alleged weaknesses.

Elshad Nasirov, the country's top negotiator for a tender to access 10 bcm of Azeri gas from the Shah Deniz II field, said that two Nabucco competitors, namely the Turkey-Greece-Italy Interconnector (ITGI) and the Trans-Adriatic Pipeline (TAP), would "turn out to be more attractive".

"We are not going to pay for the empty capacity of Nabucco," said Nasirov in a much-noticed interview, published by the European Energy Review. Nasirov was referring to the fact that Nabucco has a designed capacity of 31 bcm, while for the time being, no gas is available to fill the pipeline – except for the 10 bcm at Shah Deniz. "We do not promise additional gas. Everything depends on the price," Nasirov said, adding that Azerbaijan would not put "all its eggs in one basket" and hinting that the 10 bcm could be sold to more than one bidder.

"We tell Nabucco: quote your tariff'," Nasirov said, adding that he was waiting for "a serious proposal from Nabucco" in order to compare it with other proposals. But he made plain that in his view, Nabucco was "still uncertain" without a second source of gas. A similar message came on from Umberto Quadrino, CEO of Edison, the Italian energy company promoting ITGI. "Nabucco doesn't justify investment for a pipeline with a capacity of 30 bcm," he said.

Quadrino was speaking at a European Parliament dinner hosted by Greek and Italian MEPs in the presence of EU Energy Commissioner Günter Oettinger. There, he pleaded for 'collaboration' between ITGI and Nabucco, saying that Oettinger could convince the Nabucco consortium to adopt a two-step approach to building the Southern Gas Corridor. The first step would be taken by building ITGI, with Nabucco coming only at a later stage, when gas from new sources becomes available, he said.

Quadrino suggested that contact had already been established between ITGI and Nabucoo to discuss such a scenario. But a Nabucco spokesperson denied that any contact had been made. "I cannot talk for our shareholders but our project company," said Cristian Dolezal. For Dolezal, the two-step approach promoted by the ITGI partners is incomprehensible to his company. Nabucco, he said, is the only project in the Southern Gas Corridor that provides a new highway from Turkey's eastern border right up to Austria. "ITGI would lead to Brindisi, as far as I know," Dolezal said.

ITGI's promoters insisted that Brindisi would not be a dead-end for the pipeline and said they would be able to supply up to five bcm through an interconnector linking Greece and Bulgaria, which they said would be ready in two years' time.

Morningstar: Nabucco is good, but not only project

Trend.az, *09.12.2010*

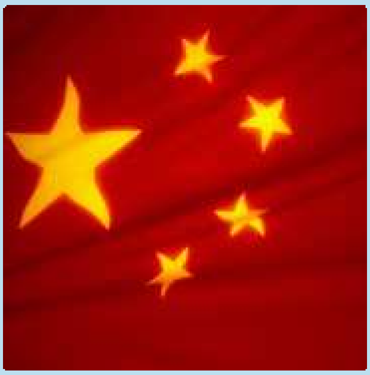
U.S. Secretary of State Special Envoy for Eurasian Energy, Ambassador Richard Morningstar said the Nabucco pipeline project is “a good, but not the only project.”

“We support not only Nabucco, but also the entire South Energy Corridor - a series of pipelines that will be required to deliver Caucasian and Central Asian gas to Europe via Turkey,” he said in an interview with the Kommersant newspaper. The Southern Corridor is a priority energy project for the EU aimed at increasing energy security, and includes projects such as White Stream, Nabucco, ITGI and the Trans-Adriatic Pipeline.

“We would have preferred Nabucco, but that does not mean it will be implemented first,” he said. He added that the consortium developing Shah Deniz will soon make a decision about the direction of its gas sales. “This could be Nabucco, ITGI or another project,” Morningstar said. “The main thing is to have the ability to expand the pipe. In any case, the first pipeline will not transport very large volumes of gas. However, it must have the potential for expansion if supply volumes increase. And this will surely happen. Therefore, the infrastructure should be prepared now.” he said.

China increases crude imports

Upstream Online, *10.12.2010*



China’s crude imports jumped 22.1% last month from a year earlier to 5.09 million barrels per day, the fourth highest on record, data from China’s General Administration of Customs showed today. The volume was also up 31.9% from the 19-month low of 3.86 million bpd in October, Reuters calculation showed, as oil companies stepped up shipments to support high refinery crude throughput amid widespread diesel shortages.

Imports of refined oil products rose 29.4% to 3.52 million tonnes last month, the highest volume since July 2009, while exports of oil products rose 10.6% to 2.08 million tonnes.

EU shifts energy policy focus to consumers' bills

EurActiv, *09.12.2010*

European consumers should be able to switch to the cheapest energy supplier more easily, EU energy ministers said at a meeting last Friday.

Conclusions adopted by an Energy Council last week commit EU member states to put into practice provisions laid down in the Third Energy Package, agreed in 2009. Under the package, consumers were meant to be able to obtain information on their energy consumption and rights, enforced by an energy ombudsman. As part of their Energy Efficiency Action Plans, member states are also supposed to introduce new technologies like smart meters for use by consumers.

Last week's Council conclusions speak of "providing correct, transparent and user-friendly information so as to change the behaviour of consumers towards energy savings," which are made most effectively with lower energy consumption. The idea is that by having access to consumption-monitoring devices and simpler bills, consumers will be more aware of their energy expenditure and can change supplier if they want to.

The conclusions highlight the 'urgent need' for consumers to compare prices and be able to switch energy suppliers easily, with 'special attention' placed on consumers' bills. A European Commission study found last month that EU consumers could save around €13 billion or €100 per household each year if they were to shop around for energy prices and switch to the cheapest tariff available to them. However, less than one in three consumers actually bother to do so. Liberalisation of the electricity market will therefore not be as beneficial to consumers as it could be, the study concluded. Consumers must be "properly trained and educated," according to the energy ministers, who underlined that "the energy bill is one of the most important means of information to the consumer."

In September, the Commission agreed to come up with a definition of energy poverty in a bid to put consumers on the bloc's energy policy agenda. Over 50 million Europeans are estimated to be unable to pay their energy bills and maintain comfortable living standards. However, it will be up to member states to set out what can be defined as energy poverty, the ministers said, meaning citizens' rights could be better protected in some member states than others. The Commission will then analyse how member states came up with their definitions.

Ways of settling consumer disputes related to energy currently vary amongst member states. To fill these gaps, ministers proposed to establish an EU-wide "independent mechanism" to handle disputes in order to secure "efficient and effective treatment" of out-of-court settlements. The mechanism could adhere to the model for treating complaints used by the existing European Energy Ombudsman Group, which is made up of ten consumer rights groups and energy companies.

Croatia champs at LNG bit

Upstream Online, *09.12.2010*

Croatia is determined to speed up the building of an LNG terminal and may even look for new partners for the project, a senior economy ministry official said today. “It is our strategic interest to build such a terminal to diversify supply routes. We’re now getting close to issuing a location permit which will be valid for two years and we want implementation of the project to start in that period,” the official told.

E.On Ruhrgas, OMV, Total and Slovenian Geoplin formed the Adria LNG consortium to build a terminal in 2007 but this year pushed back the final investment decision until 2013 at the earliest, amid a lower demand for gas on the European markets. Originally, the decision was to be taken in 2011.

Croatia’s state-owned power board HEP and gas pipeline operator Plinacro are in talks to join the consortium. State-run INA, whose biggest shareholder is Hungary’s MOL may also take part. The official said Croatia had no time to lose for diversifying its gas supply routes and also wanted to secure financial support from the European Union for the LNG terminal.

At the moment Croatia, which hopes to conclude the EU entry talks next year and join the bloc in late 2012 or 2013, imports 40% of its gas needs, exclusively from Russia. The LNG project, which is planned on the northern Adriatic island of Krk, is expected to be worth €800 million ($1.06 billion) and have a capacity of up to 15 billion cubic metres of gas per year. The target markets are central and south-east Europe and Italy. The project has moved very slowly in recent years largely due to a slow decision-making process in Croatia.

The official said Croatia would look for other investors for the Krk terminal if no concrete moves were made from the current partners once the location permit had been issued. “An alternative is also to install a floating terminal off the coast of Krk, but the decision on that depends on developments related to the land-based one,” the source said. The floating terminal would have a capacity of 6 bcm per year and the investment is seen at €50 million. “In any case we want to have a clear situation on the ground by 2015,” the official said.

PETFORM

Feasibility studies to decide future of oil shale power plant in Jordan

The Jordan Times (Taylor Luck), *10.12.2010*

Plans for Jordan's first oil shale power station may become a reality pending the results of feasibility studies expected this month, according to a senior energy official. Estonian state-owned company Eesti Energia will present technical and financial feasibility studies for the construction of a 300 megawatt (MW) oil shale-burning power plant to the Prime Ministry within the next two weeks, said Natural Resources Authority (NRA) Director General Maher Hijazeen.

The firm, which has spent the past two years conducting the feasibility studies, is expected to offer an estimated price per kilowatt-hour.

Should the terms be favourable, the government will enter a power purchasing agreement with the firm, which will then construct the power plant, he said. "Once they submit the study, the government will evaluate it. If we negotiate and agree on everything, they will start building," Hijazeen told The Jordan Times over the phone on Wednesday.

The plant, which is to be constructed on a build-own-operate basis, is to be completed in 2016 and expanded to a 900MW capacity some five years later, he added. Hijazeen indicated that if the quoted electricity tariff is too high, the government will not enter negotiations, and plans for the power plant will be shelved. Under a separate deal signed by the firm and the government in May, Eesti Energia is working to extract oil shale in a 41-square-kilometre concession area in Attarat, in the central region.

The 44-year agreement, which was approved by the Cabinet earlier this year, entails the initial production of 20,000 gallons of oil shale a day, a number that is expected to increase to 36,000 barrels daily. Involving an estimated $6 billion in investments, the company is expected to begin production of oil extracted from shale within five to seven years. If built, the power plant would be constructed near the concession area, according to Eesti Energia.

Electricity produced by oil shale is to account for 14 per cent of the Kingdom's energy mix within the next decade, under the national energy strategy. Previous NRA studies revealed that 40 billion tonnes of oil shale exist at 21 sites concentrated near the Yarmouk River, Buweida, Beit Ras, Rweished, Karak, Madaba and Maan.

EIA sees bumper OPEC earnings

Upstream Online, *08.12.2010*

Higher oil prices and stronger global demand will see OPEC's earnings from oil exports increase by nearly a third this year and keep rising through next year, the US Energy Department said.

The US Energy Information Administration (EIA), the department's forecasting arm, raised its estimate for OPEC's oil export earnings for the year to $750 billion, up 32% from $571 billion last year. Saudi Arabia, the world's biggest oil producer, is expected to account for one fourth of OPEC's total oil export earnings.

Expensive oil, which reached a 26-month high of almost $91 a barrel, has benefited OPEC but hurt consumers at the gasoline pump. OPEC's oil export earnings are forecast to rise another 13% next year to $847 billion. That would still be far from 2008's record of $966 billion for the producer group when oil was trading at a record $147 a barrel and US gasoline soared to $4.11 a gallon that summer. The EIA's earnings estimate comes ahead of OPEC's 11 December meeting in Ecuador.

The agency said in its new monthly energy forecast released that OPEC's oil production will increase by 400,000 barrels per day during next year "to accommodate increasing world oil consumption". The EIA expects global oil demand to grow by 1.4 million barrels per day next year. OPEC's surplus oil production capacity should remain at close to 5 million bpd, compared with 4.3 million bpd last year and 1.5 million bpd in 2008, the EIA said.

ONGC set to finalize Kazakh deal

Upstream Online, *07.12.2010*

Kazakhstan is in talks with India to reach an agreement for state-run ONGC to finally pick up a 25% stake in Kazakhstan's Satpayev Block, following years of delays.

The Economic Times cited Indian Oil Secretary S.Sundareshan as saying the two countries were finalising the terms of the agreement. "We hope to sign it before the end of February 2011," he said after inter-governmental meeting in New Delhi. A heads of agreement was signed last year but the Economic Times said the two countries were still ironing out unspecified commercial issues.

“India is an important partner for Kazakhstan. There are some issues the agreement will be signed by end of February,” Kazakhstan oil and gas minister Sauat Mynbayev was quoted as saying. Under the planned agreement ONGC will have to pay $26 million as a signing amount to the Kazakhstan government for the block and an $80 million assignment fee, the Economic Times cited officials with knowledge of the matter as saying.

The officials added that ONGC had committed to invest a minimum of $165 million for exploring the field with an option to raise it to $235 million. The 1582 square kilometre Satpayev Block is in shallow water, with estimated reserves of 1.85 billion barrels of oil and is located close to major fields Karazhanbas, Kalamkas, Kashagan and Donga.

The block was initially allocated to ONGC Videsh in February 2005 and later transferred to ONGC-Mittal Energy, an equal joint venture of ONGC Videsh and LN Mittal group. However, last year Mittal left the project due to a shift in its business strategy, leaving ONGC as the sole beneficiary in the project. Kazakhstan’s national oil company, KazMunaiGaz will hold the remaining 75% interest in the block, however ONGC has an option to increase its stake by a further 10% after any commercial discovery is made.

New European Union gas regions proposed

Oil & Gas Journal (Doris Leblond), *08.12.2010*

In a move to bolster cross-border regional energy cooperation, European Union Energy Commissioner Gunther Oettinger suggested the Regional Iniative and the European Regulators Group for Electricity & Gas target specific goals.

These would include natural gas market couplings by 2015, pilot tests of experimental procedures, identifying regional infrastructure priorities, and coordinating cross-border investment to secure supply and cope with gas crises. Oettinger proposed geographic regions for gas be adapted by adding Italy to the South Region (France, Spain, Portugal) and by splitting the current South and Southeast regions into three new regions:

Central-South region, including Italy, Austria, Slovakia, Slovenia, Hungary, Romania, Bulgaria, and Greece; Central-East region with Germany, Poland, Czech Republic, Slovakia, and Austria; and a new Baltic region comprised of Sweden, Finland, Estonia, Latvia, Poland, Germany, and Denmark. Regulators, transmission system operators, and other stakeholders may share their views with authorities through Feb. 15, 2011.

Russia and Poland focus on energy

EurActiv, *07.12.2010*

Russia wants to take part in the privatisation of Polish companies, its president said during a visit designed to draw a line under old disputes and highlight burgeoning economic ties. From Warsaw, Medvedev left for Brussels, where an EU-Russia summit is being held today.

On a trip rich in symbolism, President Dmitry Medvedev promised to cooperate with Poland to investigate a plane crash in Russia that killed Poland's president in April. He also confirmed his readiness to work with NATO on missile defence.

"There are big energy projects in Poland with regard to privatisation that would be of interest to Russian entities," Medvedev told a joint news conference with Poland's President Bronislaw Komorowski. In his remarks, he singled out Poland's second-largest refiner Lotos as a potential target. The Polish government has put up for sale a controlling 53% stake in Lotos and will be awaiting offers until early 2011.

Russian Energy Minister Sergei Shmatko told reporters in Warsaw that a number of Russian companies had shown interest. "Rosneft and Gazprom's oil arm Gazpromneft, among other Russian companies, are eyeing the possibility [of acquiring a stake in Lotos]," Shmatko said. Although energy dominates trade, Moscow increasingly sees Poland, the only European Union member state to avoid recession last year, as a key trading partner in other areas as well. Bilateral trade was $10 billion in the first six months of 2010, growing by up to 50% from same period in 2009.

Medvedev, the first Russian president to visit the Polish capital in eight years, said some Russian firms may be interested in listing on the Warsaw bourse, emphasising the role of small and medium-sized businesses. Medvedev's visit to Warsaw comes amid a wider 'reset' of relations between Russia and the West. Last month, he and NATO leaders, including from Poland, agreed to cooperate on missile defence, an issue long viewed by Moscow with deep distrust. The NATO system will link existing European anti-missile systems to radars and interceptors the United States plans to deploy in the Mediterranean, Romania, Poland and maybe Turkey.

Addressing Komorowski, Medvedev said Russia was committed to full transparency in investigating the 10 April plane crash that killed 96 people, mostly top Polish officials. "This is a very sad page [in our history]. We must do all we can so that no practical questions remain, so we agreed [with Komorowski] to continue to work in this direction under our joint patronage," Medvedev said. Some, mainly from Poland's right-wing opposition Law and Justice Party have accused Moscow of trying to cover up the crash. A small group of protesters waved Polish flags and banners reading "We want the truth" near the presidential palace where Medvedev and Komorowski held their talks.

Cancún summit delegates battle clock for climate deal

EurActiv, *10.12.2010*

Delegates from 193 nations are struggling to strike a deal on steps to fight global warming before the UN Cancún climate conference closes today. If they fail, it will herald a damaging setback for the multilateral process after the Copenhagen summit ended in disarray last year.

Several environment ministers said failure at the talks in Mexico could undermine faith in the ability of the United Nations to tackle global problems in the 21st century as power shifts toward emerging nations led by China and India. "I think that what is at stake here is also multilateralism," said European Climate Commissioner Connie Hedegaard.

"It's absolutely crucial that this process, which is the only one we can prove that it can deliver results." The talks in Cancún have more humble ambitions than those at Copenhagen last year but there are still yawning gaps over issues such as the future of the Kyoto Protocol for curbing greenhouse gas emissions by rich nations until 2012.

Japan, Canada and Russia say they will not extend the pact unless poorer nations also commit to emissions cuts. Developing nations, especially Bolivia, insist the rich world must lead by setting deeper cuts beyond 2013 before they take on curbs. "I believe that an ambitious, broad and balanced package is within reach," Mexican Foreign Minister Patricia Espinosa told delegates. "That does not mean that we already have it in our grasp." China also saw signs of hope on Kyoto. Asked if there was room for a deal, Assistant Foreign Minister Liu Zhenmin said: "I think that will be possible. That is still under discussion."

Shinsuke Sugiyama, a senior Japanese official, said that Tokyo's position was unchanged. But he added: "I don't think anybody would try to make use of any part of the questions at hand to block everything, including us." "A car crash of a summit is in no one's interest," UK Climate Change Secretary Chris Huhne added.

One senior delegate said there was progress on several core issues but that other hurdles could arise. Small island states, for instance, want the talks to set an end-2011 deadline for agreeing on a treaty, an idea opposed by Beijing and Washington.

Norway's Prime Minister Jens Stoltenberg, who led a UN-commissioned task force exploring how to raise the $100 billion per year by 2020 pledged at Copenhagen to help poorer countries deal with climate change, told the BBC that carbon emissions must be cut further in the developed world to raise monies. "Carbon pricing has a double climate effect - it's a huge source for revenue, but also gives the right incentives for reducing emissions by making it expensive to pollute," he said.

Apart from auctioning emissions permits and transactions levies, the UN task force's report recommended increasing taxes on shipping and aviation, banking and public monies to raise funds. Such measures are not universally popular in the developed world. Some countries linked deadlock in Cancún to Obama's failure to pass US legislation to curb climate change. All other industrialised nations have already capped their emissions under the Kyoto Protocol. "We cannot afford to be held hostage by the political backwardness of one developed country," said Tuvalu's deputy prime minister, Enele Sosene Sopoaga. "This is life and death, a survival issue for Tuvalu," he said of rising sea levels.

The success or failure of the summit will be judged in large part by how it resolves the future of the Kyoto Protocol. At heart this is a dispute about who should be held responsible for past emissions and how rich and poor nations should share the burden of curbing future ones. The 1997 protocol requires emissions cut by almost 40 industrialised countries from 2008-2012. Developing countries want rich nations to set deeper cuts under Kyoto until 2020, while emerging nations sign up for a separate accord.

At least three developed countries, Japan, Canada and Russia, instead want a single new binding agreement that lists pledges by all nations. A success will be declared if the talks leave open the question of whether the Kyoto Protocol should be the basis for future greenhouse gas emissions cuts. That would unblock a very modest deal to set up a "global climate fund" to help poor nations, create a mechanism to share clean technologies, protect tropical forests and help the poor adapt to impacts ranging from storms to rising sea levels. Such a deal would fall far short of the goals set at the 2009 Copenhagen summit.

The measures are less important than proving that the unwieldy talks can come up with any agreement at all, as China and India becoming more assertive and rich nations struggle with weak growth. Failure in Cancún could squelch any hope of solving climate change any time soon via the United Nations, which demands unanimity from all. Climate change could become a lower priority for governments, even though the UN panel of climate scientists said world emissions need to peak by 2015 to avoid the worst of more droughts, floods, mudslides and rising seas.

The annual talks would continue but governments might invest less effort, abandoning hopes that the UN is the right place to oversee a shift toward cleaner energy. That in turn could drive alternative approaches to tackle the problem, perhaps through the G20 or other major economy groups, parallel to, or instead of, the United Nations.

Interview with Elshad Nasirov: 'We do not want to depend on only one pipeline'

Trend, *09.12.2010*

In an exclusive interview with EER in Baku, Azerbaijan's top negotiator Elshad Nasirov, sets out quite clearly what his country wants in return for supplying the EU-backed Nabucco pipeline with gas: not just competitive tariffs, but access to downstream markets as well.

As Elshad Nasirov, Vice-President of SOCAR, tells EER's reporter Rudolf ten Hoedt in his office in Baku, Azerbaijan's main concerns are revenues and independence. Azerbaijan does not want to supply more than 10 bcm annually to the 31 bcm Nabucco pipeline, and only against very sharp tariffs and conditions.

Nassirov reports directly to the country's president Illham Aliyev who took over in 2003. Aliyev was SOCAR's Vice-President for more than 6 years and was succeeded by Nasirov when he changed the oil company for the presidency.

SOCAR seems to be exuding ambition at the moment. How do you see the future of the company developing?

Our aim is to create an international company, an important player in the energy market, by the time the oil production in Azerbaijan will be diminishing. We want SOCAR to be involved in the global energy trade. We created several trading companies in Geneva, Nigeria, Singapore and Vietnam. Half of their trading volume consists of Azerbaijan crude and derivative products. The other half comes from trade with third parties. We trade oil and products from Egypt, Turkmenistan, Kazakhstan and other countries.

The acquisition of important refinery assets in Turkey and your downstream expansion in Georgia and Ukraine also seem to indicate that SOCAR wants to become an important regional oil company. Is this also a means to increase the political leverage of Azerbaijan in the region?

We are pursuing commercial profits, not political ones. History has taught us that for a small country squeezed between Russia and Iran, it is very dangerous to mix politics with the commercial values of the oil and gas industry. Azerbaijan was Sovietized after two years of full independence from the Russian Empire between 1918 and 1920. After regaining independence in 1991, Azerbaijan has become the only country between Russia and Iran that does not belong to a political bloc and where you can transit oil and gas from Kazakhstan, Turkmenistan and Uzbekistan. Our peculiar and delicate location dictates that we act accordingly, cautiously, never adventuring, never acting without giving full and serious consideration to the consequences.

Is energy a means to secure your security and independence?

We in SOCAR do not consider our neighbours as enemies or competitors. We find that every neighbour is a valuable partner in our energy chain. We do not see any reason why we should not cooperate with Russia in energy issues. We transport crude oil and gas to Russia, despite the fact that we have a huge export partner (i.e. Turkey, ed.) that connects us to the Mediterranean, and despite our pipeline to the Georgian port of Supsa on the Black Sea. We have never shut down any of the pipelines, despite the proposals of foreign oil companies that the oil pipelines to Novorossiysk (Russia) and to Supsa were no longer needed as soon as the BTC oil pipeline was ready in 2006. As a landlocked country we realize, the more pipelines the better.

Oil production in Azerbaijan is near its peak. Gas is the new game. Your current gas production is approximately 24 billion cubic metres per year (bcm/a). It's understood that this will more than double after the second development of the Shah Deniz field.

That is correct. Shah Deniz II (SD2) wil produce 16.7 bcm/a out of which 6 will be exported additionally to Turkey. Approximately 10 bcm of SD2 gas is ready to be exported through Turkey to the EU. After the evacuation route to the EU market has been decided upon, SD2 will be followed by the development of other gas fields. We are talking then of the deeper layers in the Azeri-Chiraq-Gunashli (ACG) field with reserves of approximately 500 bcm and some other fields that we are currently developing ourselves without foreign private company involvement. The decision to develop ACG's gas reserves has not been taken yet and we are in the process of a final decision.

The negotiations for selling the gas that eventually will come out of Shah Deniz 2 have started. How are they going?

March 31, 2011 is our target to have reached agreements with potential buyers and to have signed all the necessary documentation for the transportation of gas across Georgia and Turkey. Everything has to be synchronized, everything has to be in place. Between $20 and $22 billion is needed for the development of SD2. The investors will not invest anything without guarantees that the state of Azerbaijan will reimburse all costs. If we sanction SD2 without any pipeline from Turkey or elsewhere, we will be cornered in the Turkish market. We are now conducting talks with different buyers divided in different clusters. Some of the buyers are ready to buy gas in the Nabucco line. Some are ready to buy here or in the ITGI or TAP pipeline. We are conducting these negotiations in order to find out which buyers are providing the most valuable commercial offers. And which of the three transportation routes through Turkey to Europe (Nabucco, ITGI or TAP) are providing the most efficient and viable transit and transportation tariffs and conditions.

Do you prefer any of these three evacuation routes for gas to Europe that are currently vying for your gas?

We keep all the doors open. Each of the three projected pipelines has its merits and disadvantages. Important to us is that whatever pipeline we choose, we want the right to sell our gas to the nearest markets. We do not consider the idea of Nabucco merely transporting our gas from Baku to Baumgarten. We demand from the Nabucco consortium access to the nearby markets. We are not limiting ourselves to the participating countries only.

The benificiaries of Nabucco will not only be BOTAS, Bulgar Transgas, Romgas, MOL and OMV. With a small upgrade, more Balkan countries can be linked to Nabucco. These countries have expressed their interest in getting small volumes of our gas. From Nabucco, we want to supply Greece as well. If we go ahead with the smaller pipelines like ITGI, we will also not limit ourselves to the supply zones Greece and Italy only. From Greece we can supply Bulgaria, Macedonia, Albania and Serbia too.

Nabucco claims to be the only secure evacuation route for Azeri gas for several reasons. With Nabucco, you will have a dedicated pipeline through Turkey. It will be your big gas highway to the huge, rich and transparent European market. Does that sound attractive to you?

We appreciate that. The other pipelines claim the same. The state of Azerbaijan, SOCAR and the main partners in Shah Deniz will decide on commercial principles. It is not geopolitics but a combination of profit and reliability of the pipeline and reliability and competition in the market. Therefore we have delivered our message that first of all we are not going to pay for the empty capacity of Nabucco. We will pay transport costs for our 10 bcm as if the pipeline is full. The EU is supporting Nabucco but is not supporting Nabucco financially in the case of a half empty pipeline. Somebody has to take that risk and it will definitely not be us. If we agree on a half empty pipeline, Nabucco will lose the stimulus for finding a second source. If we have to pay elevated tariffs for transport through a very expensive Nabucco pipeline, we cannot sell our gas to European consumers against a higher price, because the level of the market is the same in the EU. The costs will be reimbursed at the expense of the producers and in the long run at the expense of Azerbaijan as the host country. And we are not willing to do that.

So where do we go from here?

'For now, all these pipelines only exist on paper'. We have to agree once and for all on an inflationary corrected fixed transport tariff based on a Nabucco that is used at full capacity. And we are still waiting for a serious proposal from Nabucco in order to compare them with the other proposals and to find out which route is more efficient. But for now, all these pipelines only exist on paper. Without dedication of gas, none of these projects can be implemented. Once a decision will be made in favour of one of these pipelines, all the support and financial dedication will end up there.

Nabucco claims all of the 10 bcm out of SD2. If it does not get all the gas, there will be no Nabucco and you will have to deal with TAP and ITGI only. What is your view on that?

We can guarantee 10 bcm to Nabucco now in order for them to agree on tariffs and to have the project sanctioned. Without a second source of gas, Nabucco is still uncertain.

German gas trader and Nabucco shareholder RWE seems pretty convinced they can secure gas from Iraq as a second supplier to Nabucco. How do you assess that?

We don't care. Our principle is we are willing to provide 10 bcm. But we do not want to depend on only one pipeline. What if the Americans leave Iraq? What if a civil war breaks out? What if the Kurdish government cannot come to an agreement with Baghdad? We tell Nabucco: quote your tariff. We do not want our tariff to depend on the availability of gas from Iraq or Turkmenistan. If something goes wrong in Iraq, should we pay for that?

What about Turkmenistan? European energy companies and the EU seem to do everything they can to get Turkmeni gas flowing through the Caspian Sea to Azerbaijan and further on to Europe. It might be the solution to Nabucco's sourcing problem as well. But Turkmeni gas supplies are still in the air. How cooperative is Azerbaijan in this respect?

For several reasons, we are very much willing to transport gas from Turkmenistan. Turkmenistani gas can facilitate Nabucco, even if we do not choose Nabucco as our main source of supply to Europe because ITGI and TAP turn out to be more attractive. So it will help the diversification of the means of evacuation.

You have a long-standing disagreement with Turkmenistan with regard to the national boundaries in the Caspian Sea. That will not hinder the construction of a pipeline over the sea bottom?

That is not an obstacle for the transport of gas across the Caspian Sea. The environmental arguments against a pipeline because the Caspian Sea is a delicate environment with sturgeon and so on are made up by somebody.

Was this environmental argument invented in Moscow?

Well you know where it was invented. Anyhow. There are more than 5,000 oil and gas pipelines in our sector of the Caspian Sea alone. Another gas pipeline will definitely not do any harm. The distance between the two shores is 200 kilometres. But we can also connect off shore gas fields and then there is a distance of less than 120 kilometres to be bridged.

Are you willing to step up the already planned expansion of the South Caucusus gas pipeline (SCP) to enable Turkmeni gas to be fit in? (Editor's note: the SCP runs from Baku through Georgia to Erzurum in Turkey. If Nabucco gets built, the SCP will have to be upgraded, as Nabucco will connect up with the SCP. If SCP is to be accommodated for gas from Turkmenistan as well, further upgrades would be necessary.)

It is possible. But it is not our decision. Turkmenistan has to agree on a tariff for the transport of their gas through Azerbaijan. We have offered several times at several levels average European transport tariffs, flexible, transparent, fixed for thirty years or longer, in order for the producers in Turkmenistan to make their calculations. Again, it is their decision. But they have to make it now. It has to be synchronized with our own plans. If we expand our SCP pipeline and later Turkmenistan comes with its offer to deliver gas, then adaptations will be much more expensive. But we do not need Turkmenistani gas to make the evacuation of our gas possible. We still have more than three options of evacuation of our gas through Turkey or across the Black Sea or to other markets in Russia. And as you know, Russia is ready to buy all of our gas. Of course we consider the Russian offer as very interesting.

But you know very well that the price the Russians are willing to pay for your gas will drop as soon as they manage to get Nabucco off the table.

We understand that without access to the open markets of the European Union, our gas prices with Gazprom are not guaranteed.

There is much more gas in Azerbaijan being devloped than just Shah Deniz. What is your potential capacity?

In the best case scenario, if everything is El Dorado, an additional 30 bcm/a plus of gas could become available for the EU in addition to Shah Deniz. At a certain point we could produce 50 or even 70 bcm of gas. The question is, do we need that? Do we need to deliver 40 bcm/a to Europe when we have an overheated supply already?

Some say the EU is betting on these additional resources to make a second source of gas for Nabucco superfluous. Is this a realistic bet?

We are not limiting ourselves to one field, Shah Deniz. If a pipeline is efficient, we can add additional gas from other fields. But if it comes to guarantees, we can guarantee Shah Deniz only. We do not promise additional gas. Everything depends on the price. May be we can offer more at a later stage, if Nabucco or whatever other pipeline provides better evacuation conditions. If they do not, we will still dedicate 10 bcm to one of these pipelines and we will evacuate additional volumes through other sources. We will not put all our eggs in one basket, however attractive and beautiful it may seem.

Announcements & Reports

► *Oil Market Report (Jan – Sep 2010)*

Source : Energy Market Regulatory Authority
Weblink : http://www.epdk.org.tr/yayin_rapor/petrol/2010/2010ilkdokuzAylik.pdf

► *LPG Market Report (Jan – Sep 2010)*

Source : Energy Market Regulatory Authority
Weblink : http://www.epdk.gov.tr/yayin_rapor/lpg/2010/2010ocakeylul/2010Ocak-Eylul.pdf

► *Draft Regulation on the Amendment of the Petroleum Market License Regulation*

Source : Energy Market Regulatory Authority
Weblink : http://www.epdk.gov.tr/duyuru/petrol/taslak/pply/07122010/pply.html

► *OPEC Bulletin (Dec 2010)*

Source : Organization of the Petroleum Exporting Countries
Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/OB11_122010.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/