Oil & Gas Bulletin

► *15.04.2011*

Yildiz: Too early to speak of oil discovery in Black Sea

Hürriyet Daily News, *12.04.2011*

Turkish Energy Minister Taner Yildiz has rejected claims published by the Turkish media last week of an oil discovery in the Black Sea region. "It is too early to say that we have found oil. I wish I could announce such news. However, unless we see oil bursting out, I cannot confirm such information. Our studies continue with hope, faith and a little bit of insistence," Yildiz told reporters.

He said the TPAO acted too early in announcing a discovery in Sürmene, a district in the northern province of Trabzon. The minister said oil exploration activities were continuing in five or six different locations in the region.

BIL laments debts due to gas price hike

Hürriyet Daily News, *11.04.2011*

Turkey's BOTAS International Limited, or BIL, which operates the Turkish section of the BTC pipeline, has applied for international arbitration against the consortium that provides natural gas for the route due to operational costs. BIL Chairman Ibrahim Palaz tells that the operational cost of the oil pipeline is higher than the profit defined by the agreement signed between the parties in 2002.

The operator of the Baku-Tbilisi-Ceyhan oil pipeline's Turkish section is applying for international arbitration against its natural gas provider due to a dramatic rise in the price of gas, which the company needs to run its oil pumps.

"The agreement that was signed between the parties nearly nine years ago is causing a great loss of money," Palaz told on the sidelines of a press meeting in Adana. He said BIL had posted nearly $31 million in losses and $91 million in debt at the end of last year and added that the operational cost of the oil pipeline was higher than the profit defined by the agreement signed in 2002.

Noting that Turkey has four major pump stations located in the eastern provinces of Ardahan, Erzurum, Erzincan and Erzincan, Palaz said, “These pumps operate with natural gas and the hike in natural gas prices has caused a great loss for the company.” In the last five years, natural gas prices have risen 45 percent, he said, adding that the operational cost was ‘unsustainable this way.’ In a period in the middle of March, the natural gas spot price jumped 13 percent.

Since 2006, around 1.2 billion barrels of oil have been transferred through the pipelines. The four oil pumps consume approximately $35 million worth of natural gas per year, Palaz said. “The prices were nearly $312 per thousand cubic meters in 2009 but this has now peaked up to $450.” Because of the prices, the only way for BIL to avoid constant financial loss is for it to renegotiate the current agreement with provider Baku, Tbilisi and Ceyhan Consortium, or BTC Co. and “fix the natural gas prices,” Palaz said. The operational income of the company will be nearly 27 cents per barrel of oil until 2021, but will be updated in 2021 and increased to 43 cents per barrel, according to the agreement. “Natural gas prices are increasing day by day, leaving us no option but to take a loss. Since we cannot increase the actual income per barrel of oil before 2021, we will continue to lose money,” Palaz said.

“Fixing the prices of natural gas per thousand cubic meters at $110 or below might give a breath to the debt-stricken company,” he said. If the situation is not rectified, the company could go default on its debt, which might mean that one of the most important export routes for Caspian oil could be threatened, he said. In order to continue the operation, the company has outsourced financial support from Turkish lender Vakıfbank over the past five years at a cost of roughly $195 million.

Palaz also said the operational income of BIL was lower than Azerbaijan and Georgian operations, noting that while Azerbaijan and Georgia charged 78 cents per barrel of oil, Turkey charged 35 cents at the moment. The BTC Consortium could make some changes in the agreement as a result of international arbitration in the next six months, said Palaz. Palaz said he was assigned to his current position in the company with the encouragement and invitation of Turkish Energy Minister Taner Yildiz nearly 13 month ago. “Yildiz knows the current situation of the company and supports me fully in this challenge of changing the fate of the company.”

“The claims of loss brought forward by BIL do not mean Turkey has a financial loss, it is the company itself that loses the money,” Murat LeCompte, the director of communications and external affairs for Turkey at BP, which leads the 11-members consortium that controls BTC Co., told. LeCompte said Turkish authorities could apply a transit pass tax that would amount to 20 cents per barrel. “There could be no loss in that sense,” he said, adding that the tax was similar to corporate taxation.

The BP official also said Turkey collected a ‘good amount of tax’ out of the oil running through its 1,076-kilometer share of the BTC pipeline. The Turkish Petroleum Corporation, or TPAO, has close to a 6.53 percent share in BTC Co., LeCompte said, adding that the Turkish corporation received 6.3 million barrels of oil per year in return for the share. “If you calculated this amount with current prices, this would make a serious profit.”

RWE and Turcas launch giant natural gas power plant project in western Turkey

Hürriyet Daily News, *13.04.2011*

German power supplier RWE and Turkey's Turcas held a groundbreaking ceremony on Wednesday for a $500 million euro natural gas-burning power plant in the Aegean province of Denizli.

Speaking at the ceremony in Kaklik in Denizli, Turkish Energy Minister Taner Yildiz said RWE had earlier promised to invest $3 billion euro in the country and that the ministry was awaiting further projects from the company. "They can use the remaining energy sources such as wind, water or coal," the minister said.

The ministry decided to grow the energy sector in cooperation with the private sector and international capital because the savings of the country were not sufficient for the required growth figures, Yildiz said. It was a big energy investment from Turcas, a company that is mainly active in the oil business, said Batu Aksoy, the company's chief executive. The 775 Megawatt project will be active by the end of 2012, Aksoy said. "We wanted to enter the electric energy business with a big project." On average 1 MW of power can supply electricity to as many as 300 U.S. households per year.

The plant will meet 2 percent of the total energy requirement of the nation, he said. "This is equal to the energy needs of 3.5 million houses." "Turkey is a strategic partner for us because of its fast growth," said Dr. Andreas Radmacher, chief executive of the RWE Turkey Holding. RWE plans an additional $1 billion euro worth of renewable energy investment, he said, adding that Turkey would be a priority with the plan. The company will initially buy natural gas from Turkey's BOTAS, he said. "RWE is active in all sorts of power generation so we have the expertise in all of the technologies. We started at the gas fire power station but I think we will go into product and technologies and especially renewable energies," Radmacher said.

Turkish oil wells running dry

Hürriyet Daily News, *11.04.2011*

Turkey only has enough oil left for 17.3 years and natural gas for 8.6 years, the Turkish Petroleum Corporation, or TPAO, has warned following an announcement of the country's reserves. Turkey has 291.5 million barrels of crude oil and 6.2 billion cubic meters of natural gas reserves, the corporation announced.

It is predicted that global oil reserves will last 49.2 years while global natural gas reserves will last 59.5 years. TPAO announced the figures in its 2010 Crude Oil and Natural Gas Sector Report.

Russia removes visa requirements for Turks

Hürriyet Daily News (AA), *15.04.2011*

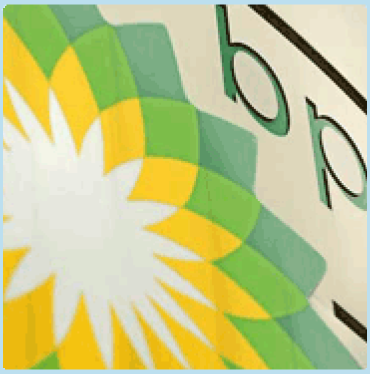
Russia is becoming the latest country to offer visa-free travel to Turks in a move to be implemented Saturday under an agreement signed by the two countries last year.

Turkey and Russia agreed May 12, 2010, to waive visa requirements for each others' citizens. The move raises to 58 the number of countries that do not require visiting Turks to obtain a visa. The agreement applies to trips that do not exceed 30 days within any given period of 90 days. With the removal of visa requirements, foreign trade volume between Russia and Turkey – which totaled $26.2 billion last year – is expected to reach $40 billion within a year.

The $26.2 billion volume of trade between Russia and Turkey in 2010 included both $21.6 billion in goods imported from Russia and $4.6 billion in Turkish exports. Turkey ranks fifth among countries Russia exports to, but only 11th in countries it imports from. The goods that Turkey sends to Russia primarily include textile fibers and materials, vegetables and fruits, land transportation vehicles, clothes and accessories, machines and electrical tools. Turkey imports coal tar pitch and crude oil materials, various types of gas and coal, iron and steel, nonferrous metals and metal substances from Russia.

BP races to save deal with Rosneft

Financial Times, *12.04.2011*



BP is scrambling to reach a deal on a buy-out of its Russian billionaire partners in TNK-BP and save its alliance with Rosneft before an April 14 deadline. Pressure on BP is mounting ahead of its annual meeting on Thursday amid increasing investor concerns over its handling of the Rosneft alliance.

Calpers, the biggest US pension fund, and its Florida equivalent, which between them own 0.4 per cent of BP shares, added to the pressure. The funds said they will oppose the approval of the company's annual report and accounts as a sign of protest at the Gulf of Mexico spill.

Talks between the UK oil group, the Russian billionaire shareholders and the Russian state-controlled company entered a second day on Tuesday, people familiar with the situation said, as pressure mounted on BP to reach a deal. Igor Sechin's decision to step down early as Rosneft chairman on Monday also threw fresh uncertainty on the prospects of a deal. But people familiar with the situation said Mr Sechin, who also serves as deputy prime minister in charge of the energy sector and had been an architect of BP's $16bn (£9.8bn) share swap and Arctic exploration proposal with Rosneft, was still engaged in talks.

His position came under fire after Dmitry Medvedev, Russia's president, ordered government ministers to step down from their positions on state companies' boards by July 1. But Mr Sechin's early move to fall in line could help win support for any deal and remove questions over conflict of interest surrounding his role, bankers and analysts said. "Mr Sechin is still the deputy prime minister and he is still engaged," said one person familiar with the situation. "It's a smart move by him. The other ministers will no doubt go soon too."

Rosneft is still keen to get the deal [with BP] done, people familiar with the situation said. "There is pressure on all sides and all sides are talking but it is difficult to predict how it will play out," they added. BP, Rosneft and Alfa-Access-Renova, the Russian partners in TNK-BP, declined to comment. Chris Weafer, chief strategist at Uralsib Capital, the Moscow investment bank, said Mr Sechin's resignation as Rosneft chairman "puts him in a stronger position to manage the process and oversee the structure of the deal without suspicion of conflict of interests".

BP would require government approval to take its stake in TNK-BP, its existing Russian oil venture, above 50 per cent if it were to buy out AAR or do so in tandem with Rosneft. It has been locked in arbitration with its Russian partners in the venture since it announced its deal with Rosneft in January. AAR, which claims BP's Rosneft alliance breaches its shareholder agreement with the UK oil group, won a second international arbitration ruling on Friday, extending a block on the share swap past April 14. On Tuesday, BP called off the TNK-BP board meeting scheduled for Wednesday. The oil company declined to comment on the cancellation of the meeting. BP shares fell 13.45p to 461.35p.

Thursday morning's statement concluded: "BP remains fully committed to TNK-BP as its primary business vehicle in Russia and fully supports its strategy and investment programme, which should ensure its success for decades to come." The company made a point of highlighting its close ties to the industry in Russia by referring to its 1.3% owning interest in Rosneft while reiterating that it "has been exploring offshore Sakhalin for over a decade and engaging in Arctic studies".

Last month shareholders in TNK-BP blocked BP's joint deal with Rosneft for exploration and production in Russia's Kara Sea, alleging it infringed on its rights under the evenly-split joint venture. BP had hoped the share swap element would survive even though the planned exploration tie-up had been stopped. Under the proposed share swap agreement, BP was looking to exchange 5% of its own shares for a near 10% cut in Rosneft.

Russia's Deputy Prime Minister Igor Sechin stepped down as chairman of Rosneft on Tuesday after President Dmitry Medvedev ordered the removal of ministers from the boards of state companies as part of his campaign to separate politics and business. The change was thought to have added another layer of difficulty to BP's efforts to push through any deal although Thursday's development suggests it may have aided the supermajor's cause to some extent.

IEA warns oil price rally may lead to global slowdown

Today's Zaman, *13.04.2011*

Sky-high oil prices are beginning to dent oil demand growth, the International Energy Agency said on Tuesday, but added prices could ultimately moderate through a global economic slowdown.

Its view echoed a report from the International Monetary Fund on Monday which said that oil prices and inflation were the key risks for to the global recovery. That had contributed to a 3 percent drop in oil prices on Monday, but Brent crude rose a dollar on Tuesday to over $125 a barrel as some analysts said the IEA report was less negative than expected.

Few expected OPEC oil producers to formally agree to pump more to bring prices down, the IEA said. "That leaves a less palatable route to price moderation -- namely economic slow-down and weaker demand growth," it said in its monthly report. "There are real risks however that a sustained, $100 per barrel plus price environment will prove incompatible with the currently expected pace of economic recovery." The agency said data for January and February suggested that high oil prices may have started to dent demand growth. But it kept its 2011 global oil demand growth forecast unchanged at 1.4 million barrels per day or 1.6 percent.

Britain set to veto EU carbon tax plans

EurActiv, *14.04.2011*

British government is 'highly likely' to block European Commission proposals for a carbon tax contained in a widely-circulated draft version of the Energy Taxation Directive, EU diplomatic sources said.

"Without saying that we will definitely kill this thing before it is born, I think it is highly likely that we will block it," a diplomat from one member state told. The draft directive, seen by EurActiv and expected to be presented today, proposes separate carbon dioxide and consumption taxes on fuel to advance the EU's climate goals for 2020.

It would oblige member states to set minimum rates of CO2 taxes at €20 per tonne for fuel used for purposes of transport and heating, from 2013. The tax would be automatically linked to inflation – measured every third year - and it would compel member states to institute 'fuel-neutral' taxation from 2020, ensuring higher taxes for energy-intensive fuel such as coal and diesel. A litre of diesel would be taxed at 8% more than a litre of petrol under the proposals, to deter the use of gas-guzzling SUVs and pick-up trucks.

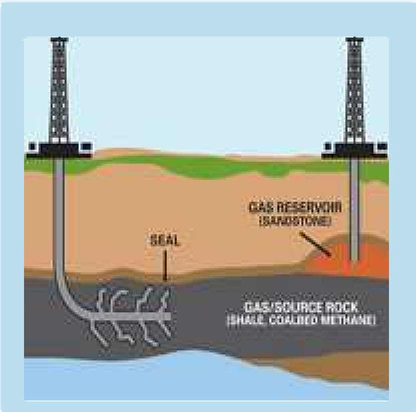
This would also entail changes to national legislation across the European Union. Several commissioners were pushing for the proposal to be postponed until 2023. Less contentiously, electricity companies and other firms that are currently trading carbon in the Emissions Trading Scheme would not be affected by the directive. "Our objective is less about introducing a new tax than about restructuring energy taxation so as to meet the EU's high priority goals of climate change, energy efficiency and fair competition," said Algirdas Šemeta, the bloc's commissioner for taxation.

The motor lobby in Britain has responded angrily to news of the proposed tax, with the Automobile Association describing it as 'madness' at a time of rising prices. But a new report released today by the environmental think-tank Transport and Environment claims that fuel prices have declined by 10 cents per litre in real terms since 1999. If the taxes had been inflation-corrected and revenues had been used to cut labour taxes instead, the report says that 350,000 jobs could have been saved, oil imports would have been cut by €11 billion and road transport CO2 emissions would have been 6% lower.

The current Energy Taxation Directive was adopted by the European Commission in October 2003 with a string of exemptions and phase-in periods. It defines minimum taxation levels for all traded energy products – such as petrol, diesel and kerosene used for transport, heating and electricity. But it excludes international aviation and shipping. Even so, many of its measures have been embraced by environmentalists.

Shale gas drilling likely to be banned in France

EurActiv, *12.04.2011*



The French government has backed a draft bill that would ban shale gas drilling in the country, citing fears that the extraction method is a risk to water quality.

MPs from the ruling centre-right UMP party tabled the bill in the National Assembly using an accelerated procedure. As a result, it will only be examined in a single reading in the Assembly and the Senate. If adopted, the text would suspend drilling permits granted in March 2010 to Total, GDF Suez, and Schuepbach Energy by former Environment Minister Jean-Louis Borloo.

A shale gas drilling ban is also supported by the opposition Socialist Party, which presented its own alternative text with the same aim. In March, the French government had prolonged a moratorium on shale gas drilling until June. This had followed protests opposing the drilling method, notably in the village of Villeneuve-de-Berg in southern France. Shale gas drilling near the town had been planned for the end of 2011.

After the announcement of the suspension of drilling, researchers at the hydro-science centre at the University of Montpellier said they were reassured. In the event of shale gas drilling, Montpellier's region "and all the water reserves close to the drilling area would have been seriously threatened," said researcher Francoise Elbaz.

No such drilling has yet taken place in France, but researchers cite the example of the city of Pittsburgh in the United States. Elbaz says that following the use of chemicals to fracture the rock and ensure permeability, the waters of the city have reached a salinity level inappropriate for consumption. During a presentation of his company's annual results last February, the director-general of Total, Christophe Margerie, said he was "annoyed by the noise" surrounding shale gas. He expressed frustration with excessive concern about the safety of drilling, saying "it's good to talk about the problems this can pose – if one day there are some – but today, there are none". Margerie also raised fears that red tape could hinder production. "[If] we need to ask the authorisation to one day ask for authorisation, we're going to start falling into useless paperwork," he said.

If the law is passed, the French debate on shale gas should be closed, but the discussion continues at the European level. Last February, European leaders agreed that "Europe's potential for sustainable extraction and use of conventional and unconventional fossil fuel resources should be assessed". A report by the consultancy firm McKinsey – commissioned by major gas giants Gazprom, Centrica and others – claimed that shale gas could meet the continent's energy needs for 30 years. Cuadrilla Resources, a British energy company, has begun exploratory drilling near Blackpool, Lancashire. Drilling of shale gas is already taking place near Gdansk, Poland.

Pakistan delegation heads to Iran for gas talks

Hürriyet Daily News, *12.04.2011*

A Pakistani delegation is scheduled to visit Tehran for talks on the Iran-Pakistan gas pipeline project. The delegation will assure Iranian authorities that it will complete the first phase of implementation of the pipeline project within six months. Gas is scheduled to begin flowing from Iran to Pakistan by mid-2014, with the pipeline set to supply 750 million cubic feet of gas per day by the end of 2015.

"All of the imported gas will be dedicated to the power sector. The imported gas volume will support approximately 5,000 megawatts of power generation and will result in significant annual savings when compared with the alternative fuels," a senior Pakistani official told the Pakistan Observer.

"The project is planned to be funded through a public/private partnership. The capital cost for the Pakistan section is estimated at $1.65 billion" he said. Pakistan's delegation during the talks will be headed by the additional secretary of the Ministry of Petroleum & Natural Resources, Dr. Zafar Iqbal Qadir. Pakistani officials plan to convey to their Iranian counterparts that they will come up with a bankable feasibility study, a Front End Engineering Design, an environmental impact assessment and supervision of detail route survey within six months. The Pakistani delegation will also visit the gas delivery point and examine the gas meter of the pipeline that exports the gas from Iran to Turkey.

Announcements & Reports

► *Natural Gas Market License Regulation Amendment*

Source : Energy Market Regulatory Authority
Weblink : www.epdk.gov.tr/documents/10157/4f19809f-c825-4fd5-a0bf-68789440557d

► *GDPA Administrative Activity Report (2010)*

Source : General Directorate of Petroleum Affairs
Weblink : http://www.pigm.gov.tr/duyurular/pigm_2010_idare_faaliyet_raporu.pdf

► *TPAO Activity Report (2010)*

Source : Turkish Petroleum Corporation
Weblink : http://www.tpao.gov.tr/v1.4/condocs/2011/activities2010_2402_OK.pdf

► *OPEC Monthly Oil Market Report (April 2011)*

Source : Organization of the Petroleum Exporting Countries
Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMR_April_2011.pdf

► *Energy Prices and Taxes*

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=601

► *Investment Climate and Market Structure in the Energy Sector of Bosnia and Herzegovina (2011)*

Source : Energy Charter
Weblink : http://www.encharter.org/fileadmin/user_upload/Publications/Bosnia_and_Herzegovina_ICMS_2011_ENG.pdf

Upcoming Events

► 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/

► International Electricity Summit *(in Turkey)*

Date : 14 – 16 September 2011
Place : Ankara – Turkey
Website : http://www.energy-congress.com/