Oil & Gas Bulletin
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OMV names new CEO of Turkish operations

Rigzone (OMV), *25.05.2011*

OMV Chief Executive Officer Gerhard Roiss announced Gülsüm Azeri as new CEO of OMV's Turkish operations including Petrol Ofisi as of July 1, 2011. Mrs. Azeri has a good track record in leading various global acting companies.

Commenting on Mrs. Azeri's appointment, Gerhard Roiss said, "I am delighted that Gülsüm Azeri will join Petrol Ofisi as Chief Executive Officer. She brings a wealth experience and expertise to this role, which will complement the existing set of skills of the Executive Board. I look forward to her contribution and input as we further develop OMV's strategic review for Turkey."

Gülsüm Azeri said, "I am excited by the prospect of taking on the challenge of becoming Chief Executive Officer as of July 1, 2011. My background and experience are a very relevant fit for this role and I look forward to working with Gerhard Roiss and his team as we set about our future path for profitable growth."

Melih Türker, Chief Executive Officer of Petrol Ofisi since 2007, will leave the company after a structured hand over period. "We want to thank Melih Türker for his commitment to Petrol Ofisi, which he has positioned as clear market leader in the retail and wholesale business, especially in challenging times," Roiss stated.

Related to the corporate structure in Turkey, OMV decided to pool its power generation as well as power and gas sales and logistics activities in Turkey under a Turkish Gas and Power Holding which is currently in the process of being established. Petrol Ofisi will continue to focus on its core strengths, in particular the marketing and wholesale of refined oil products. The new Turkish Gas and Power Holding's parent company will be OMV Enerji Holding A.S. which is also the majority shareholder of Petrol Ofisi A.S.

Simsek: Ankara natural gas grid tender to be held by July at latest

Today's Zaman, *23.05.2011*

The Minister of Finance Mehmet Simsek has announced that the tender for the privatization of a majority stake in Ankara's natural gas distributor BaskentGaz will be held in June or July, the Anatolia news agency reported on Monday.

The agency said the minister made the remark about the sale of 80 percent of the company's shares on the sidelines of a visit he paid to his home city of Batman in eastern Turkey as part of his re-election campaign. According to the report, Simsek also noted that the grid's privatization will have been completed by the end of this year. "I gave the Privatization Administration (OIB) the necessary instructions," he added.

On May 10 an earlier tender held for the sale of BaskentGaz was cancelled because of the buyer's failure to make the required $1.21 billion payment on time. "There has already been a huge interest in Baskent, even now we are at the very beginning of the process for the second tender," the minister was quoted as saying in the report.

MMEKA shook hands with the OIB to purchase BaskentGaz as well as the electricity distribution companies of both the European and Asian sides of Istanbul for more than $6 billion but later fell into some financial troubles mostly because of a rift between the joint venture's two partners, Mehmet Karamehmet and Mehmet Kazanci. People familiar with the two businessmen and the problems MMEKA has been struggling with earlier told the media that the two moguls have not even spoken to each other for a long time.

The deadline for MMEKA to pay $5 billion to acquire the two electricity grids is May 31. The general expectation is that the joint venture will also fail to make the payment on time and that the tenders for the two grids will also have to be held again. Simsek told Anatolia that the government would wait until the last moment MMEKA has to fulfill its obligations vis-à-vis the agreement it made with the OIB regarding the two assets and that if it is unable to comply, "What is necessary will be done."

As part of an intensive privatization campaign, Turkey invited interested parties to bid for 18 state-owned electricity distribution companies between July 2008 and December 2010. Nine of those grids had already been transferred to their new owners and some of those new buyers paid the entire amount in a single down payment, although they have also been offered to pay the agreed amounts in equal installments, while others made much bigger-than-expected down payments. The processes on the transfer of eight other grids are still ongoing, whereas the tender on the sale of the remaining one Aras Electricity Distribution was cancelled by the Council of State. The total revenue the Turkish Treasury will bring in when all those transfers are completed is nearly TL 15.8 billion ($10 billion).

Nakhchivan back on Azeri radar

Upstream Online (Reuters), *26.05.2011*

German utility RWE reportedly has hammered out terms of a deal with Azerbaijan to revive exploration of the Nakhchivan oil and gas deposit in the Caspian Sea, which was written off by ExxonMobil a few years ago.

Azeri state oil company Socar's President Rovnag Abdullayev said the main commercial principles of a deal with RWE have been agreed upon. The two companies signed a memorandum of understanding last March. "Works on preparation of a contract are currently under way," Abdullayev was quoted as saying by Reuters.

ExxonMobil walked away from its exploration commitments on Nakhchivan in 2005 by paying Azerbaijan $18 million in compensation, citing the lack of significant reserves potential. The Nakhchivan deposit, located 90 kilometres offshore, was first discovered by Azeri oil explorers in 1960 and prepared for drilling as recently as 1994.

According to preliminary government estimates, Nakhchivan may contain up to 300 billion cubic metres of gas. RWE leads a consortium that plans to build the 31 billion cubic metre capacity Nabucco pipeline to bring Caspian gas to Europe. It needs to secure gas to fill it in the face of stiff competition for Central Asian gas from China and Russia. Meanwhile, Socar intends to acquire 1.6% of the Azeri-Chirag-Guneshli project in Azerbaijan from partner BP, Abdullayev said.

Ex Ukraine PM charged in Russia gas deal

Today's Zaman, *25.05.2011*

Ukrainian prosecutors have charged former Prime Minister Yulia Tymoshenko with abuse of office for signing a gas import contract with Russia at prices that officials say were too high.

Investigators say the 10-year contract signed in January 2009 was ruinous for the Ukrainian economy and that Tymoshenko did not have Cabinet approval to sign. Prosecutor General's office spokesman Yuri Boichenko said Tymoshenko's actions cost the state 3.5 billion hryvna ($440 million or 310 million euros) in damages. He declined further comment on the charges filed and the possible sentence.

Calik Energy to construct $400 mln power plant in Mosul

Today's Zaman, *23.05.2011*

Calik Energy started construction of a 750 megawatt natural gas conversion plant in northern Iraq's city of Mosul. Iraqi Deputy Minister Saad İbrahim Hammudi, Mosul Governor Esil Nuceyfi, Calik Holding Chairman Ahmet Calik and General Manager Osman Saim Dinc have laid the foundations for the new Nainawa Natural Gas Conversion power station, 60 kilometers south of Mosul, which will cost $388.5 million.

Calik Holding representatives have said the construction of the power plant will be completed in 2012. The Nainawa power plant will have an electricity output of 750 megawatts, able to provide 24 hours of electricity for 250,000 households.

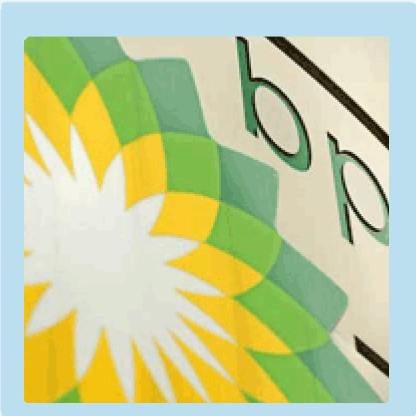
Six natural gas turbines of 125 megawatts each will be used to produce electricity for the country. Speaking at the foundation laying ceremony, Calik said they are happy to be part of the development of Iraq. "The Calik Group will do more to support the development and welfare of Iraq because we feel like we are at home in Iraq. The first gas turbine will start its operation in the summer of next year," Calik said.

Mosul's governor Nuceyfi underlined that the Nainawa power plant is an outcome of successful cooperation between the Iraqi and Turkish governments. "We expect more projects to be carried out by Calik Holding in our country. In order to complete this project on time, I expect every single person in this region to cooperate," he added.

Calik Energy also signed a $445.5 million contract for the construction of an electric power plant in the central Iraqi city of Karbala. Iraq's deputy premier for energy, Hussein al-Shahrestani, laid the foundations for the new 1,250 megawatt al-Khairat power station in Karbala on May 9. The power plant is expected to provide about 20 percent more power for Iraq if completed as scheduled in April 2013. The plant consists of 10 gas turbines, each producing 125 megawatts, giving 1,250 megawatt in total.

BP gets $1 bln settlement from Gulf well partner

CNBC (AP), *21.05.2011*



BP said that one of its minority partners in the blown-out Gulf of Mexico well agreed to cover about $1.1 billion in costs. That's raising hopes the oil giant can get money from other companies involved and reduce its bill for the disaster.

BP said that MOEX Offshore 2007 LLC, which had a 10 percent interest in the Macondo well, agreed to recognize findings by the U.S. Presidential Commission that the accident resulted from "oversights and outright mistakes by multiple parties and a number of causes." As a minority partner, MOEX was obligated to pay a percentage of the cleanup costs.

But it had refused to pay BP on the grounds that the incident was the result of BP's negligence. MOEX's about-face is important because it's the first time another company has agreed that BP wasn't solely responsible for the disaster. MOEX, a unit of Japanese trading house Mitsui & Co., agreed to pay $1.065 billion to settle all claims between the companies. BP said MOEX also acknowledged a U.S. Coast Guard investigation that placed some blame on Transocean, owner of the Deepwater Horizon rig that exploded and sank in April 2010.

BP shares rose 91 cents to $44.80 in New York. Analysts said the deal puts pressure on BP's other minority partner, Anadarko Petroleum Corp., to reach a similar deal. Argus Research analyst Phil Weiss said the settlement should benefit each of the well owners. That includes Anadarko, which has maintained that BP is responsible for all spill-related costs because it was grossly negligent in its handling of the well.

Weiss said MOEX seems to be getting off easy. A fair contribution would have been about four times more than what MOEX agreed to pay, since the spill cost BP about $40 billion so far and MOEX owned 10 percent of the well. He said the settlement increases the odds that BP can collect from Anadarko and other companies involved. That includes Transocean and oil services contractor Halliburton Co. And it signals to shareholders that BP may not face tougher fines for gross negligence under the Clean Water Act.

Anadarko was on the hook for as much as $10 billion, Weiss said, because of its 25 percent stake in the well. Now it knows BP may accept much less. If it gets the same deal as MOEX, that payment could be about $2.5 billion, Weiss estimated. "This is going to accelerate the pace of talks between them, and I'll bet they'll settle within the next few months," Weiss said.

Anadarko shares added $3.82, or 5.3 percent, to $75.46 per share in afternoon trading. BP shares gained 99 cents, or 2.2 percent, to $44.88 and Mitsui shares lost 25 cents, or 1.5 percent to $16.46. Anadarko officials said Friday the MOEX settlement hasn't changed anything. "Our position remains consistent with our previous statements; however, we view BP's willingness to reach settlement with MOEX as a positive step," Anadarko spokesman John Christiansen said.

BP is targeting $30 billion in asset sales by the end of the year to shore up funds. The news of the settlement coincided with a report from London-based financial services group Investec calling on BP's board to split the company into three separate groups - focused on the United States, Britain and emerging countries.

Investec noted that BP has underperformed the market by 14 percent in dollar terms. Shares are still down 26 from their level just before the oil spill in the Gulf. "BP's business model is broken, in our view," Investec analysts Stuart Joyner and Angus McPhail said in a note. The analysts suggested a U.S. unit listed in New York containing BP's U.S. refining and gas exploration & production businesses. A separate exploration & production business could be listed in London focusing on Britain and mature markets, the analysts said, with a high-growth unit targeting developing countries listed in London and Mumbai/Hong Kong.

Russia eyes Shell as Arctic partner

Yahoo! News (AFP), *26.05.2011*

Russia's Rosneft oil company is discussing a strategic Arctic development partnership exclusively with Shell after its alliance with BP fell apart last week, a report said.

Shell chief executive Peter Voser this week met Rosneft head Eduard Khudainatov and Igor Sechin, a close ally of Prime Minister Vladimir Putin who orchestrated the January BP deal. Sechin said last week that Rosneft was ready to discuss an Arctic partnership with several global oil companies including ExxonMobil, Chevron and Petrobras. But the Russian company is only talking to Shell, Vedomosti daily said, citing sources in the government and close to Rosneft.

Rosneft is not planning to meet with other companies in the near future, and Shell could become Russia's strategic partner in Arctic exploration, the report said. Russia will need to incorporate foreign expertise and technology to undertake exploration and drilling for the collossal Artic oil reserves. The partnership with BP included a share swap with Rosneft before it disintegrated in litigation with BP's existing partner in Russia TNK-BP.

However Shell is not currently discussing swapping shares with the Russian company, a Shell spokesman told Dow Jones Newswires. Shell is involved in Russia's Sakhalin 2 oil and gas project, which includes a gas liquifying plant, off Russia's far-eastern coast in which it owns 27.5 percent.

Libya oil chief to attend OPEC meeting

Hürriyet Daily News (The Associated Press), *25.05.2011*

Libya's oil chief will represent Moammar Gadhafi's government at the upcoming OPEC meeting, the country's deputy foreign minister said, appearing to debunk reports that National Oil Corp. head Shukri Ghanem had defected.

Ghanem, who in his capacity as the NOC's chief serves as Libya's oil minister, had left for Tunisia on May 16, in a move several of his close Libyan colleagues described as a defection. The news was seen as a blow to Moammar Gadhafi, the defiant Libyan leader whose forces are locked in a fierce battle with rebels in the east.

"Shukri Ghanem will be representing Libya as the minister of oil" at the Organization of the Petroleum Exporting Countries' June 8 meeting in Vienna, Khaled Kaim, the deputy foreign minister told. Kaim said Ghanem had been in touch 'a couple of times' with the Libyan prime minister's office in Tripoli since his departure from the country. He did not elaborate on what Ghanem said. Ghanem's apparent defection raised questions about who would represent Libya at the 12-nation producer group's meeting. Officials in the rebel held east had expressed an interest in attending the meeting, but OPEC has made no public comments about who would be allowed to represent Libya.

The rebels' participation would have further bolstered their bid to secure firmer international recognition as Gadhafi's regime grows increasingly marginalized in the West and even the Arab world. In April, the Gulf state of Qatar helped the rebels complete the sale of 1 million barrels of crude that netted roughly $129 million for the anti-Gadhafi forces. Ghanem has remained largely out of sight since leaving Libya, and has offered no confirmation that he has defected.

While his comments appeared to raise new questions about Ghanem's departure, Kaim said he had not personally been in contact with Ghanem and that the NOC chief was free to resign. "At the end of the day, it's up to any official to leave his post, if he wishes," he said, adding that a Libyan government delegation, including one of Ghanem's deputies, was attending preparatory OPEC meetings.

EU in Iraqi gas deal

Upstream Online, *27.05.2011*

European Union countries look set to receive Iraqi gas after an 'enhanced strategic energy partnership' was penned in Brussels. Iraq could also see increased oil exports to the EU and other international markets as part of the joint declaration between the two parties.

Following on from a strategic partnership on energy memorandum of understanding between the EU and Iraqi government signed on 18 January 2010, the new deal will look to develop Iraq's energy policy as well as promote renewable energy, the declaration released by the EU read.

Iraq is set to supply EU countries long term with gas through the Southern Corridor with the EU and Iraqi government set to discuss export volumes in the next few months. "The export of natural gas is a potentially significant source of national revenues for the producer countries concerned," the declaration read.

The parties will also "explore possibilities to increase oil exports from Iraq to the EU as well as to international markets", it continued. EU Commissioner for Energy, Gunther Oettinger, said: "As gas imports will increase in future, we need new supplier countries and Iraq is naturally amongst them". European Commission President Jose Manuel Barroso said a deal would be reached soon: "These negotiations are going very well... there are already very concrete details now."

South Stream's Brussels promo tour falls flat

EurActiv, *26.05.2011*

Gazprom held an event in Brussels to promote its South Stream gas pipeline but failed to answer questions about the project. The event was attended by EU Energy Commissioner Günther Oettinger, Russian Energy Minister Sergei Shmatko and the entire Gazprom hierarchy, including Chairman Alexei Miller and Alexander Medvedev, director-general for exports.

Paolo Scaroni, CEO of Eni, one of South Stream's major shareholders, was also present and Bulgaria, one of the key partners in the project, was represented by Energy Minister Traycho Traykov.

But the presentation, which took place in a Brussels hotel, appeared well below the expectations raised by Russia's energy minister at the last EU-Russia summit in February. Oettinger delivered a political speech, repeating the EU's well-known line that EU-Russia energy relations is a give-and-take process, which was not necessarily understood in the same manner by both sides.

While Russian speakers stressed Europe's growing need for imported gas, Oettinger argued that the demand side was only part of the picture. "It is equally important to know how the Russian market will develop, what will be the available production and export capacity for oil and gas, and whether the investment climate in Russia will improve to attract European companies," Oettinger said.

The energy commissioner responded to earlier criticism from Russia regarding the EU's latest energy market liberalisation package, which forces integrated gas companies to separate their pipeline businesses from energy supply services so-called "ownership unbundling". "Just to illustrate an example: as Gazprom can ship gas round the EU, Novatek can do so in Russia. I would like to see Novatek in Europe, and EU gas companies in Russia. And pluralism between us." Novatek is Russia's largest independent natural gas producer after Gazprom, but is prevented from selling to Europe because the state-owned Russian giant holds exclusive export rights.

Regarding diversification of supplies, the commissioner drew a comparison between Nord Stream, another Gazprom pipeline that is already under construction, and the proposed South Stream. "Nord Stream is a good example of diversification of routes, a wholly new route from an established supplier and an established counter-party, Gazprom," he said. "In the Southern Corridor we are looking at new routes pipelines such as Nabucco, ITGI, TAP and White Stream and LNG projects. We have a series of possible supplier countries, with which we will have direct contacts for gas supply such as Azerbaijan, Iraq and Turkmenistan, as well as the Gulf," Oettinger insisted.

Cutting short Russian demands to grant South Stream 'Project of European interest' status, like Nabucco, he said "South Stream is not our top priority". However, he added that the EU nevertheless recognised its value, in particular for diversifying routes. In response to Russian demands for a "level playing field for financing, permitting and regulatory processes, he said: "We will support South Stream in its administrative processes in the EU, and we will not impose any unreasonable or unjustified level of administrative or regulatory requirements. We will act as fair partners."

However, various speakers representing South Stream left unanswered many questions asked by journalists. In fact, Oettinger offered a decent summary of the uncertainties surrounding the project. "What we know is that the gas in South Stream will leave Russia, cross the Black Sea and arrive in Europe. Beyond that, there are a number of questions. Where will the gas actually come from? Where will it arrive? How will it arrive, by ship or by pipeline? Will it divert gas from Ukraine? Once it gets to Europe, what will happen? Most importantly, who can ship gas in the project? Is it only Gazprom, or also other players?" Oettinger asked. In what was described by guests as "typical Russian style", Medvedev answered that Russia would supply Europe with as much gas as it needed.

Gazprom and Japanese companies set for $7bn LNG plant

Upstream Online (Reuters), *26.05.2011*

A total of $7 billion will be invested by Gazprom and Japanese companies in a long-mooted LNG plant destined for Far Eastern Russia, Reuters reported.

South Korea could also benefit from the plant which could be built near Vladivostok as Russian energy monopoly Gazprom looks to double its LNG production. Plans for the plant are long in the offing but financial details have been conspicuous by their absence. Today, however, news wire Reuters quoted an unidentified Gazprom source as saying: "Total investments to build the plant will total $7 billion."

The source continued: "The return on the investments is expected in seven to eight years". Japan is set to get seven million tonnes of LNG per year from the plant if it comes to fruition with the remained produced to head to South Korea, Reuters reported. It is due online in 2016, the report read. A consortium of Japanese companies would join in the venture with the Russian company which is looking to boost annual LNG production to 20 million tones.

Statoil and Petrobras to join forces in exploration agreement

Rigzone, *25.05.2011*

Statoil and Petrobras have signed a letter of intent (LOI) to expand the cooperation between the companies within exploration, and to assess how the two companies can benefit from operational synergies.

The agreement focuses on two key initiatives, including the possible joint acquisition of new exploration acreage in areas of mutual interest (AMI). This would be acquired through joint participation in public bid rounds. The second initiative will entail a joint screening study to evaluate possible operational synergies.

Chinese oil demand reaches third highest level since 2005

Rigzone (Platts), *23.05.2011*

China's oil demand in April reached to 9.37 million b/d, marking an 8.3% increase from April 2010. This was the third highest monthly demand rate since Platts began tracking the data in 2005, behind 9.62 million b/d in December 2010 and 9.58 million b/d in February 2011.

"Beijing has in recent weeks directed state oil majors to ensure adequate domestic supply of products by cutting back on exports and running refineries flat out to meet increased demand from the transportation sector and agriculture sector, with the onset of the spring planting season," said Calvin Lee, Platts senior writer, China.

Gazprom and Namcor to form venture for Kudu gas in Namibia

Hürriyet Daily News (Bloomberg), *23.05.2011*

Russia's Gazprom and Namibia's state-owned oil company, Namcor, will form a joint venture and take up a majority stake in the southern African nation's Kudu Gas project, the Namibian Sun reported, citing a government memorandum.

The other partners on the project are Tullow Oil and Itochu Oil Exploration, the newspaper said. The country's Minister of Mines and Energy, Isak Katali, has asked the Namibian cabinet to approve economic stabilization clauses in the agreement that will render the agreement unchangeable over the project's 15 to 25-year lifespan.

The Kudu gas project is expected to cost about $7 billion and generate 800 megawatts of electricity for Namibia and export to South Africa, according to Nampower, Namcor and goverment documents.

Announcements & Reports

► *EMRA Petroleum Market Report – 2010 (English Version)*

Source : Energy Market Regulatory Authority
Weblink : http://www.epdk.org.tr/documents/10157/937e5e3e-e72d-43d0-8f9b-5c1226b71e43

► *EMRA Petroleum Market Report – Q1 2011*

Source : Energy Market Regulatory Authority
Weblink : http://www.epdk.org.tr/documents/10157/96eb30aa-583d-4108-8b84-252136a5ac98

► *IEA Climate and Electricity Annual 2011*

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=410

Upcoming Events

► *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/

► *GeoPower Turkey* ***(in Turkey)***

Date : 20 – 21 September 2011
Place : Istanbul – Turkey
Website : http://www.greenpowerconferences.com/geopowerturkey

► *Iraq Future Energy 2011* ***(in Turkey)***

Date : 26 – 29 September 2011
Place : Istanbul – Turkey
Website : http://www.theenergyexchange.co.uk/3/13/articles/255.php?