

Iran dominates Turkey's oil imports in first quarter

Hürriyet Daily News (AA), 30.05.2011



Turkey imported 6 million tons of oil in the first quarter of 2011 as Iran remains the top seller, the report of the Energy Market Regulatory Authority (EMRA) said.

Some 4.2 million tons of the overall 6 million tons of oil imports was crude oil, 1.4 million tons was diesel oil, 135,379 tons was fuel oil, 56,471 tons was jet fuel, 53,225 tons was 95 octane unleaded gasoline, and 2,082 tons was aviation fuel. Iran topped the list of countries from where Turkey imported oil with 1.8 million tons. Iraq and Russia followed. Iran's share in Turkey's oil imports was 30 percent, whereas Iraq had 12 percent share and the Russian Federation 11 percent.

Turkey exported 2.4 million tons of oil in the first quarter of 2010. The United Arab Emirates, Egypt, Malta and Italy were the main oil exports destinations with 294,000 tons, 288,000 tons, 246,000 tons, and 238,000 tons. Turkey's gross refinery production was 4.7 million tons in the same period.

Turkey's Nabucco move prior to polls not reciprocated by Baku

Hürriyet Daily News (Fulya Özarkan), 30.05.2011



Turkey's Nabucco initiative ahead of upcoming elections has found no response from Azerbaijan, leaving the future of the U.S.-backed natural gas pipeline project aimed at pumping Middle Eastern or Caspian gas to Europe in limbo.

Baku has not yet responded to a Turkish invitation to participate in the official signing ceremony on June 8 of an agreement between the participatory governments and the consortium of the Nabucco gas transit pipeline project. "We have received an invitation from the Turkish side but it is not yet clear if we'll attend," an Azerbaijani source speaking on condition of anonymity told.

The ceremony is set to take place in Kayseri, the hometown of Turkish Energy Minister Taner Yildiz. Azerbaijan's non-participation would be a strong signal showing the colors of Baku. "The invitation has been extended to Azerbaijan but, as of now, there has been no reply," a Turkish Energy Ministry official said. Azerbaijan has yet to decide among three other projects, namely the Interconnect Turkey-Greece-Italy, or ITGI, to ship gas from Azerbaijan via Turkey to Greece and Italy; the Trans-Adriatic Pipeline, or TAP, allowing gas to flow directly from the Caspian basin and the Middle East into European markets; and Nabucco, an Azerbaijani source told. "We'll have to decide between the three and eventually take part in one which will be the most profitable for us," the source said.

The uncertainties surrounding the European Union's flagship Nabucco project stemming from a lack of alternative sources to fill the pipeline is causing Baku to have second thoughts about its ultimate involvement. Azerbaijan is reluctant to meet all the gas needs of the project alone and says it would be profitable for it to commit to a project with a narrower volume instead of the multi-national Nabucco project, which is expected to ship 30 billion cubic meters of gas annually when it comes into force in 2015, the source added.

"Different countries are being depicted as an alternative source to fill the Nabucco pipeline but there is nothing concrete yet," said the source. Azerbaijan may consider involvement in Nabucco only if it shares full capacity of the pipeline with alternative countries. In the initial stages of the project, Turkey pressed for the Iranian gas to directly flow into the proposed pipeline; however, the ongoing sanctions imposed on the Islamic republic due to its controversial nuclear program have hampered this option.

Currently, Iraqi gas is being considered for the project but energy analysts say Iraq's involvement requires the construction of a nearly 757-kilometer pipeline, adding that it was unclear who would undertake its construction on the Iraqi side of the border given that the energy fields of the country were in the hands of international companies. Additionally, ongoing political instability in Iraq, as well as a lack of agreement over the hydrocarbon law between the Northern Iraq regional administration and the central government in Baghdad, makes gas from the country unreliable, according to reports.

"We are ready to support energy projects aimed at shipping gas to Europe but commercial concerns will play a key role in shaping our position," according to an Azeri source. "But at this current stage, there has been no decision on the part of the Azerbaijani government which project is to be supported." Sources said that even if the Azerbaijani side accepted the Turkish invitation to attend the June 8 ceremony, it would not be a criterion for Baku's participation in the Nabucco project. Azerbaijan's industry and oil minister, Natic Aliyev, participated in the ceremony of the Nabucco inter-governmental agreement in Ankara in July 2009.

The Nabucco project is being developed by a consortium of six international companies, including Bulgaria's Bulgargaz, Austria's OMV, Turkey's BOTAS, Romania's Transgaz, Hungary's Mol Natural Gas and Germany's RWE. The companies and government representatives of the participant countries are expected to be present at the event, as well as the EU's energy commissioner. "This is going to be a standard agreement which every participant country has to sign from a legal point of view," said a European diplomat. "The ceremony will be one step closer to realize the project; without it the project cannot proceed."

Privatization Administration agrees to deadline extension for electricity grids

Today's Zaman, 02.06.2011



Turkey's Privatization Administration (OIB) has agreed to extend the deadline for making the necessary payments in the transfer of electricity grids in Turkey.

The top bidders for six state electricity distribution companies Toroslar, Dicle, Gediz, Trakya, Istanbul's Ayedas and Bogazic had asked for a deadline extension to make the necessary payments so that they could acquire various grids. The request came after MMEKA, jointly owned by two Turkish businessmen, Mehmet Emin Karamahmet and Mehmet Kazanci, was not able to deliver a payment of \$1.21 billion for a natural gas grid tender on time.

The OIB on decided to allow for a deadline extension for payments on the electricity grid tenders, but has also demanded additional collateral from top bidders. The total value of the tenders is around \$10.8 billion and must be paid before Aug. 29. The additional collateral, on the other hand, which the top bidders are now required to pay, is \$190 million and the deadline for this payment is June 30. If the top bidders are not able to make their payments by the deadline, their first and second down payment, with a total value of \$300 million, will not be paid back. Furthermore, the OIB will then start talks with the second highest bidders for the electricity grids in question.

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 have already been transferred to new owners and some of those new buyers paid the entire amount in a single down payment, although they were also offered the chance to pay the agreed amounts in equal installments, while others made much bigger-than-expected down payments.

The process of transferring eight other grids is still ongoing, whereas the tender on the sale of the remaining one Aras Electricity Distribution A.S. was cancelled by the Council of State. The total revenue the Turkish Treasury is expected to bring in when all the transfers are completed is close to TL 15.8 billion (\$10 billion).

OMV encounters oil in Northern Iraq

Oil & Gas Journal, 03.06.2011



OMV said good quality oil flowed to surface following a drawdown test at its Bina Bawi-3 exploratory well in Northern Iraq. Drilling continued to deeper objectives.

OMV, operator of the Bina Bawi block with 36% interest, said the well encountered the hydrocarbons in one of the primary reservoir targets. OMV has direct stakes in five blocks in the region. Besides Bina Bawi, it operates the Shorish and Mala Omar blocks with 100% interest. The company said it participated in three exploratory wells that were drilled and completed in 2010 and had two exploratory successes on the Sarta and Rovi blocks.

Pearl Petroleum Co. Ltd., in which OMV holds a 10% interest, ramped up gross production in Khor Mor field to 174 MMcfd of gas and 8,500 b/d of condensate in 2010. Through Khor Mor and Chemchemical gas fields, Pearl gives OMV access to significant gas reserves and contingent resources including condensate and liquefied petroleum gas.

WesternZagros has oil discovery at Sarqala

Oil & Gas Journal, 01.06.2011



WesternZagros Resources Ltd. said it has made an oil discovery in the Miocene Jeribe formation at the Sarqala-1 exploratory well in Northern Iraq.

The Jeribe formation flowed light, 40° gravity oil at an unstimulated, stabilized rate of 6,000 b/d during the 24 hr of the initial flow period. This rate was achieved through a 36/64-in. choke at 3,900 psi flowing wellhead pressure. No water was produced. The company in mid-April said it was starting a test program after drilling a sidetrack through the targeted path in the Jeribe formation to a total depth of 3,893 m. Drilling shows and log results indicate a potential gross pay interval of more than 55 m in this zone, the company said.

Iran oil output may drop drastically by 2015

Yahoo! News, 30.05.2011



Iran's oil production may fall to 2.7 million pbd within five years unless 150 billion \$ is invested in its energy sector. "The national oil company plans to invest 150 billion dollars during the fifth development plan," which ends in 2015, said the deputy oil minister for planning, Mohsen Khojasteh-Mehr.

"If the investments are not realised, the country's oil output will drop to 2.7 million barrels per day" from the current production of 3.7 million. The proposed investment would raise Iran's oil production capacity to 4.7 million pbd by 2015, from the current 4.0 million, while gas production would increase to 1,470 million cubic metres from 600 million.

According to Khojasteh-Mehr, 75 billion dollars would be used to develop gas projects, 34 billion to develop oil fields, and 32 billion to maintain production capacity. Sixty billion dollars would be financed by foreign investors despite tight economic and financial sanctions which world powers have imposed on Iran over its disputed nuclear programme, he said.

Another 50 billion dollars would come from the oil ministry, and 40 billion dollars would be invested by Iranian banks. Iran is the second largest crude producer in the oil cartel OPEC and also has the world's second-largest natural gas reserves after Russia. But the development of its oil and gas projects have been affected by the departure of major Western companies, as well as those from Japan and South Korea, due to international sanctions against the Iranian nuclear programme.

Under pressure, Ahmadinejad names new oil minister

Today's Zaman, 02.06.2011



Iran's President Mahmoud Ahmadinejad has withdrawn as the caretaker of the country's vital oil ministry and named an ally instead. The report says Ahmadinejad appointed Mohammad Aliabadi, a day after Iran's parliament voted to take the president to court over his takeover of the ministry.

The vote was seen an indication of the power struggle between the president and the hard-line establishment that has turned against him ahead of parliamentary elections in 2012 and a presidential election in 2013.

Chevron to explore shale gas deposits in Bulgaria

Yahoo! News, 28.05.2011



Chevron, the number two US oil company, has won a tender to explore shale gas deposits in northeastern Bulgaria, Economy and Energy Minister Traicho Traikov said.

“Chevron, which won the tender, offered the government a 30-million-euro (43-million-dollar) bonus for the licence to explore a shale gas field near Novi pazar. It won in competition with Canadian BNK,” Traikov told a press conference. Two more tenders for shale gas exploration in the same region in northeastern Bulgaria were still underway with offers to be submitted by end-June, Traikov added.

Initial estimates of the companies interested in shale gas exploration in Bulgaria put the country's deposits between 300 billion and 1.0 trillion cubic metres, he explained. Bulgaria, which is almost totally dependent on Russian gas supplies via Ukraine, sees shale gas as a possibility of diversifying its energy sources. Bulgaria also hopes to link its gas transportation network to neighbouring Greece in 2014 and receive gas from Azerbaijan via an interconnector system.

OPEC could raise official oil output targets

Platts, 02.06.2011



OPEC's June 8 meeting promises to be one of the interesting events of recent years, as much for the political background against which the talks will take place as for the possibility that ministers will raise official output targets that have been kept in place since the beginning of 2009.

On May 31, a senior OPEC delegate told that the cartel could raise its 24.845 million b/d target to reflect the expected higher call on the organization's crude in the third and fourth quarters, which would imply an increase of as much as 1.5 million b/d.

There is, the delegate said, “the possibility of increasing the ceiling of OPEC to reflect the expected call on OPEC oil during the second half of the year plus the Libyan outage.” OPEC said in its most recent monthly oil market report, released on May 11, that it expected demand for its crude to average 30.87 million b/d in the third quarter of this year and 30.45 million b/d in the fourth quarter.

Iraq says signed contract with Kogas to develop Akkas Field

Bloomberg, 01.06.2011



Iraq signed an agreement with Korea Gas to begin developing the Akkas natural-gas field, an Oil Ministry official said, ending seven months of delays in progress at one of the country's biggest deposits of the fuel. Representatives of Korea Gas and Iraq signed the contract in a ceremony closed to the media, Sabah Abdel Kadhim.

Korea Gas, known as Kogas, said in a regulatory filing on May 26 that it would acquire 100 percent of the rights to Akkas, up from a planned 50 percent stake, after its original partner, KazMunaiGas Exploration Production of Kazakhstan, unexpectedly withdrew from the project.

The government expects to sign agreements for two other gas fields at Mansouriya and Siba on June 5, Abdul-Mahdi al-Ameedi, the head of the ministry's licensing department, said. Kuwait Energy Co., TPAO and Kogas secured the rights to develop gas at Mansouriya. Kuwait Energy and TPAO won the bidding for Siba. Iraq awarded licenses for all three gas fields in October. Mansouriya, Siba and Akkas together hold 11 trillion cubic feet of gas, Hussain al-Shahristani, the deputy prime minister for energy affairs and Iraq's former oil minister, said in October during the auction of licenses for the three fields. Akkas, in western Anbar province, contains 5.6 trillion cubic feet of gas, al-Shahristani said in May.

The government is also negotiating an agreement with Royal Dutch Shell Plc and Mitsubishi Corp. on a \$12 billion plan to develop and capture gas that is being flared off and wasted in southern Iraq. "I am optimistic that we will reach a final agreement next week," Deputy Oil Minister Ahmed al-Shamma said today by phone from Baghdad.

The signing for this gas-capture project has been delayed since last June, when the government approved the creation of a venture to be called Basra Gas Co. State-owned South Gas Co. would have a 51 percent stake in the venture, with Shell holding 44 percent and Mitsubishi the remainder. Iraq has signed 15 gas and oil licenses since the U.S. led invasion overthrew former President Saddam Hussein in 2003. The government has asked companies to begin this month submitting bids for a new, fourth round of exploration rights.

Gazprom to reach pre-crisis output 2013, sees increase in 2014

Rigzone (Dow Jones), 02.06.2011



Gazprom expects to reach its 'pre-crisis production level' in 2013, for which it needs to put the Yamal field on-line in 2012, said the company's Deputy Chief Executive Alexander Ananenko.

Speaking at a televised press conference, he said the company is aiming to reach a production level of about 550 bcm of gas, first reached in 2006, in 2013. He said Gazprom is currently producing gas ahead of the planned level of 505.6 bcm and may reach production of 519 bcm in 2011. By 2014 there will be a significant production growth and the company may increase production to 570 bcm.

Gazprom said late 2010 it expects gas production to be between 570 bcm and 580 bcm by 2015. Ananenko said to enable this production growth the company needs to start full production on Yamal gas field. He said the company is not planning to start any production on Kovykta gas field before 2017. Ananenko said Russia's total gas production may reach 1 trillion cubic meters by 2030.

Greece looks to open South Gas Corridor via ITGI project

Rigzone (Trend), 02.06.2011



The Turkey-Greece-Italy gas pipeline must act as the starting point for the South Gas Corridor for gas supplies from the Caspian region to Europe, Greek Environment Minister Tina Birbili said at a meeting with BP senior representatives, Athens News reported.

Birbili later said after there are additional volumes of gas, other pipelines will be connected. This position was voiced by the Greek environment minister during a meeting with BP Vice President Alasdair Cook. Gas produced within the second stage of Shah Deniz's development is regarded as the main source, not only for ITGI project.

The peak production is forecasted at over 9 bcm and 50,000 barrels of condensate. According to the forecasts, gas production can be brought up to 24 bcm a year within the second stage of field development. Shah Deniz reserves are estimated at approximately 1.2 trillion cubic meters of gas. First gas is expected to be received within the second stage of field development in 2017.

ITGI Transport Corridor includes the renovated Turkish pipeline infrastructure, as well as ITG projects and IGI. Edison (Italy) and Depa (Greece) established IGI Poseidon SA for the design and construction of IGI pipeline, known as Poseidon.

Shell: Arctic delay ‘highly unusual’

Upstream Online, 02.06.2011



Shell, blocked for about four years from developing 10-year Arctic leases purchased from the US, said the delays are ‘highly unusual’ and undermine confidence in the federal offshore programme. The company acquired oil leases in the Beaufort Sea in 2005, and added Chukchi Sea leases in 2008. Since then, Shell has been pursuing permits from drilling regulators and the Environmental Protection Agency.

“Although the leases were issued to Shell, the government’s permitting and regulatory process has not been equipped to deliver,” David Lawrence, Shell’s executive vice president of exploration and commercial, said in remarks prepared today for a House Natural Resources Committee hearing.

“This is highly unusual. The federal government’s decision to hold a sale is, in effect, a decision that outer continental shelf exploration and development is desired.” The company has said it needed two years to prepare for drilling in the Beaufort Sea and was ready in 2007. Shell filed two exploration plans last month to drill as many as two wells per year in the Beaufort Sea, where the leases expire in 2015, and as many as three per year in the Chukchi Sea from 2012 through 2013.

A delay in issuing an air permit last year forced the company to postpone exploratory drilling in the Beaufort Sea that was planned for this year. The Beaufort and Chukchi seas are among “the most unique places of the planet” and oil exploration might pose a threat to polar bears and walruses, the Natural Resources Defense Council said.

Russian arms depot fire halts oil pipeline flows

Reuters, 03.06.2011



Russian authorities battled a blaze raging through an arms depot on Friday that halted oil pipeline flows from the country's top crude producer and forced tens of thousands to be moved out of the area.

State television showed flames colouring the night sky orange and sparking explosions overnight at the military complex near the city of Izhevsk 1,200 km east of Moscow. Two people died of heart attacks during the fire --the second at a Russian munitions store in less than a week-- and at least 45 were injured, the local health minister in the central Russian region told news agencies.

By morning, a thick cloud of smoke rose from the depot, which stores more than 10,000 tonnes of artillery shells. A Defense Ministry official said there were two or three loud blasts every minute. Russia's pipeline monopoly Transneft said it had stopped receiving 161,000 barrels per day (bpd), or 22,000 tonnes, of oil on a domestic pipeline after the blasts.

Transneft spokesman Igor Dyomin said one of its pipelines had stopped receiving 131,000 barrels per day of oil from Russia's top crude producer Rosneft. Shipments from producers LUKOIL and Russneft, equal to 30,000 barrels per day, had also been halted. "The pipeline stopped getting oil from 0100 Moscow time on Friday. Customers are still getting oil as we have reserves," he said.

The depot near the village of Pugachyovo housed munitions scheduled for disposal which were equivalent in power to about 58,000 tonnes of TNT, Russian agencies reported. "There is a sizable store of rocket-propelled missiles stored at the depots but they are encased in a 60 cm-thick cement storage site. They will not explode," Deputy Defense Minister General Dmitry Bulgakov told. He added that an investigation had been launched into the causes of the fire.

A military source told the Interfax news agency it would take at least two days to douse the blaze. Nearby residents said the force of the explosions blew out the windows of their homes. Last week, 12 people were injured and 40 buildings were damaged in a fire at munitions storage depots in Bashkortostan. A military serviceman was suspected of being behind the incident, local investigators said. It caused estimated damage worth 100 million roubles (\$3.5 million). Blasts and fires at munitions depots in the former Soviet Union have often been caused by negligence.

Egypt 'reviews' Israel gas blockade

Upstream Online, 02.06.2011



A gas dispute between Egypt and Israel caused by the sabotage of a pipeline earlier this year may be resolved as Egyptian officials hint they may be coaxed back to the negotiating table, a report claims.

The reported willingness of Egypt to resume gas supplies to Israel comes after legal action was threatened by US and Thai investors over the stalled contract. Egypt's Petroleum Minister, Abdullah Ghorah, told a meeting of the Gas Exporting Countries Forum in Cairo that the issue of restarting exports is 'under review'.

The Minister said the country is reviewing the timetable for resumption of exports while Egypt wants to renegotiate more flexible contracts with importing countries. Egypt and Israel penned a 20-year gas supply contract in 2005 but the tap was turned off in April this year after the pipeline was sabotaged through an explosion. Israel relies on Egypt to supply between 40% and 45% of its gas with the current impasse threatening to push up prices in Israel by 15%. American and Thai shareholders in the company which operates the disrupted pipeline have recently threatened legal action over the axed exports.

Announcements & Reports

► *OPEC Bulletin (May 2011)*

Source : Organization of the Petroleum Exporting Countries

Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/OB052011.pdf

► *IEA Climate and Electricity Annual 2011*

Source : International Energy Agency

Weblink : <http://www.iea.org/w/bookshop/add.aspx?id=410>

Upcoming Events

► *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?>