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Energy drives robust economic expansion

Hürriyet Daily News, *29.06.2011*

The Turkish economy rides out of global economic storms on the power of its energy companies. Turkish energy companies are leading the country through a sparkling recovery from the global financial crisis, thanks to impressive growth rates, according to a recent study by Fortune Turkey.

"We have cleared up the ruins of the global crisis," Ali Agaoglu, editor-in-chief of the Turkish magazine told, on the sidelines of a press meeting in Istanbul. Eight of the Top 10 companies on the Fortune list operate in the oil, energy or electricity sectors and the sum of their total net sales totaled $138.1 billion Turkish Liras in 2010.

Net profits for the Top 500 companies increased 22.2 percent in 2010 over the previous year, Fortune said. The companies in the list also hiked their net sales by 28 percent and total exports volume by 24.4 percent, the magazine revealed, adding that the net sales of the Top 500 companies totaled 452.8 billion liras in 2010, up from 353.5 billion liras a year earlier. "Still, the profit margins of the companies narrowed due to skyrocketing energy prices," said Agaoglu.

Comparing today's figures with those of 2007 – during the pre-crisis era when the total net sales of the Top 500 companies were 337.2 billion liras – one can say the country "has left the global economic crisis behind," Agaoglu said. Tüpras, Turkey's primary refiner of crude oil topped the list with $26.2 billion in net sales last year, representing a 28 percent increase over 2009. The Turkish Oil Refineries Corporation came second with net sales of $18 billion; the Petroleum Pipeline Corporation, or BOTAS, ranked third with $17 billion net sales volume, while Petrol Ofisi, the oil refiner acquired by OMV in 2010 for 1 billion euros, ranked fourth with $16.1 billion in net sales volume, a 14.5 percent increase compared to 2009, the survey said.

Turkey's Electricity Generation Corporation, or EUAS, climbed to fifth place from seventh as it increased its net sales volume by 39.6 percent to 12.4 billion liras. Türk Telekom, Turkey's main fixed-line phone company, and Turkcell, the country's biggest mobile phone operator, were the only two companies from outside the energy sector in the top 20. The total export volume of the companies in the Top 500 stood at 95.7 billion liras, a 24.2 percent jump over 2009.

Turkish exporters experiencing trouble in European markets have begun to focus on Middle Eastern and North African markets, Agaoglu told the Daily News. But as that region has been swept by turmoil, "this year's export figures are likely to be affected negatively," he added. The 500 companies in the list employed a total of 117,232 new workers last year, according to the research carried out by the Dun & Brandstreet Turkey, or D&B, and Finar Corporations.

Gazprom vows steady Europe volumes as it looks east

Reuters, *30.06.2011*

Gazprom will keep gas deliveries to Europe steady even as Asian customers start taking significant volumes, Chief Executive Alexei Miller said. "Future deliveries (to Europe) in absolute terms will remain, but the share of the European market in Gazprom's external revenues will decline with the appearance of new clients and the growth in gas prices in Russia," Miller told annual meeting for shareholders. "This is a conscious element of our strategy," he added.

He described an ambitious east-west expansion plan that included exploration and production at new fields as well as heavy investment in domestic and export infrastructure which will leave Gazprom's resources stretched.

For the time being, it will continue to pursue its strategy under the chairmanship of Deputy Prime Minister Viktor Zubkov, who replaced Dmitry Medvedev as chairman when the latter was elected president of Russia. Medvedev has ordered senior government members to leave the boards of Russian companies, and Zubkov will leave by Medvedev's autumn deadline, Miller said.

Gazprom's strategy which hinges on rapid rises in Asian demand -- appeared to stall when it failed earlier this month to close a deal to sell as much as 68 bcm per year to China via a pipeline starting as early as 2015. That would make China a competitor to Europe for Russia's gas resources, since the same fields on the Yamal peninsula which ship gas to Europe would supply 30 bcm to China. It will return to talks in July to work on a price deal on gas deliveries to China, Miller told reporters after the annual meeting. "The latest round of negotiations with our Chinese partners will take place next month, in July, very soon," he said.

Gazprom was widely expected to finalize a deal before the middle of June, when Chinese President Hu Jintao visited Gazprom's headquarters and was guest of honor at the country's main economic forum in St Petersburg. Sources have said they remained as much as $100 apart on price. Russia has argued that Europe and China should yield equal netbacks on gas sales since the Yamal fields would be the source of supply in both directions. For its gas riches in Russia's east, it is also planning to build a new liquefaction plant on Russia's Pacific coast to enable seaborne deliveries and has already agreed preliminary LNG deals with three Indian companies. "India, Korea and China, these are the countries where we are working intensively on concluding new long-term contracts," Miller said.

Gazprom, which faced rising competition from liquefied natural gas into its core European market, got a reprieve from pressure to renegotiate long term contracts and boosted sales when LNG cargoes were redirected to Japan after Fukushima. Deliveries were up 26 percent in the first half of the year, Miller said. With Germany due to phase out nuclear power, Gazprom, which has so far enjoyed little success acquiring major gas assets abroad, has expressed interest in buying German generation capacity.

"We are very, very serious about electrical generation on the German market... We are ready to invest in new power generation, we are ready to buy shares in existing electricity stations...but as of now there are no offers from any German company," Miller said. Gazprom said earlier this month there could be opportunities for growth in Germany following its government's decision to phase out nuclear power.

30 detained in energy corruption case

Hürriyet Daily News (AA), *27.06.2011*

Ankara police took 30 people in 10 cities into custody on Monday within the scope of an energy corruption investigation launched into the state-run electricity generation company EUAS.

After publicly announcing the investigation, the police began to monitor coal- and gas-fired power plant renovation bids. The investigation led to the police carrying out operations in 10 cities including Ankara, Istanbul, Izmir, Sivas, Kirsehir, Zonguldak, Mersin, Kayseri, Urfa and Manisa. Within the scope of the operations, a total of 30 people were taken into custody on charges of rigging the energy bids and bribery.

The former director general of the EUAS, two department heads, branch managers and some businesspeople were among the suspects detained. The number of detained people may increase in parallel with the instructions of the prosecution in the upcoming days, according to officials.

Required inspection and investigation, which was launched by the Turkish Energy Ministry's inspection committee, is still ongoing, said a written statement from the EUAS on Monday. Within the scope of the operations, the police took three people into custody in the operation launched at the Sivas Kangal power plant, which is a subsidiary of the EUAS.

Iranian oil minister says OPEC strains solvable

Today's Zaman, *28.06.2011*

Iran's oil minister has acknowledged strains within OPEC after its last meeting exposed deep rifts between his country and rival Saudi Arabia, but said the organization can solve them internally.

Monday's comments by Mohammad Aliabadi and other OPEC officials appeared to be an attempt to patch up the image of the 12-nation oil producing organization after it ended an abortive June 6 meeting split into two camps one led by Iran, the other by the Saudis. Iran, which holds the OPEC rotating presidency, wanted to keep output steady and supplies tight.

The Saudis sought a decision to increase levels and they and their Gulf allies have since moved to boost production by themselves, shattering the image of OPEC unity. The unprecedented rift appeared in part to be political between the two Middle East rivals. But both Aliabadi and other OPEC officials sought Monday to play down any differences at a briefing at the end of annual OPEC and EU talks meant to find common ground on production and prices. OPEC member countries may 'have differences,' Aliabadi told reporters. "OPEC, however, is a family and solves its problems within the family."

Sunni-ruled Saudi Arabia has long vied with Shiite-rule Iran for regional dominance and the two have often been at loggerheads over pricing. In the past, however, OPEC usually fell in behind Saudi Arabia, which produces the lion's share of OPEC output. Tensions have recently been exacerbated by an invitation from Bahrain's Sunni rulers for a Saudi-led Gulf force to help suppress unrest by Bahrain's Shiite population, infuriating Iran. Sunni-dominated Arab countries, in turn, fear gains by Bahrain's Shiites could allow Iran to expand its influence. While both countries have been careful in the past to keep their rivalries out of public view, the Mideast unrest has sharpened tensions with OPEC caught in the middle.

In comments first reported by the Wall Street Journal, Saudi Prince Turki al-Faisal suggested this month that countries could use oil policy to hobble Iran. "Iran is very vulnerable in the oil sector, and it is there that more could be done to squeeze the current government," Turki, Riyadh' former ambassador to Washington and London, was quoted as telling US and British servicemen at an air base outside London. Saudi Arabia could easily make up for any reduction of Iranian oil exports, due to sanctions or other measures enacted to pressure Iran over its nuclear program, Turki was quoted as saying, adding that Riyadh has enough spare production capacity to "instantly replace all of Iran's oil production."

Aliabadi said he could not comment on Turki's reported comments. But OPEC Secretary-General Abdullah Al-Badri said the OPEC rift that doomed the June 6 meeting reflected a difference of views over production and "has nothing to do with political" issues. Both officials were critical of the decision by industrialized countries to start releasing 60 million barrels of oil from emergency supplies after OPEC failed to agree to up output levels. "The stocks are supposed to be for emergencies only and not for commercial activities," Al-Badri said, suggesting the move was an attempt to influence markets at a time when stocks were plentiful and prices reasonable. Aliabadi said that OPEC is capable of meeting market requirements. "We believe that the IEA ... should not intervene commercially," he said, referring to the Paris-based International Energy Agency, which coordinated the oil release. In announcing the move Thursday, the agency said it was pre-emptive to prevent a sudden spike in prices.

Russia to review Ukraine gas prices after merging with Naftogaz

Ria Novosti, *30.06.2011*

Gazprom will discuss the possibility of revising the gas pricing formula for Ukraine only after signing an agreement on merging with Ukraine's energy company Naftogaz, Gazprom CEO Alexei Miller said.

"We can meet our Ukrainian colleagues half way, but only with the understanding that it will be one company," he said, adding that Ukraine insists on decreasing the gas price while Russia is proposing that Gazprom and Naftogaz merge. The idea of merging the two energy companies was put forward by Russian Prime Minister Vladimir Putin in 2010.

Miller said at the time that both companies should seek the merger through joint ventures as the first step towards consolidation, adding that Russia could contribute reserves, while Ukraine could contribute its gas transportation system.

However, in October 2010, Ukrainian Prime Minister Mykola Azarov ruled out a merger between Gazprom and Naftogaz, but welcomed the idea of a joint venture between the two companies to develop gas deposits in the Astrakhan region in southern Russia and in the Yamal region in the Russian Arctic. "The talks with our Ukrainian colleagues are about the creation of a joint venture, but this proposal only comes from our side. We are talking about [our] readiness to set up a joint venture, the first step, preceding the merger of both companies," Miller said.

Ukraine is seeking to revise a 2009 gas supply contract signed by former Prime Minister Yulia Tymoshenko. The country is $295.60 per 1,000 cubic meters of Russian gas in the second quarter of this year and expects to pay $350 in the third quarter.

South Korea to release 3,467,000 barrels of oil from reserve

The Wall Street Journal (Dow Jones), *23.06.2011*

South Korea said it has decided to release 3,467,000 barrels from its emergency reserve as a part of the IEA's plan to release a total 60 million barrels globally amid continually high oil prices. As the globally coordinated decision to release emergency oil reserves puts downward pressure on crude prices, it would in turn, weigh on oil product prices on the domestic front for the world's fifth-largest crude importer.

The government's announcement comes amid recent concerns within South Korea that its oil product prices would face upward pressure as a temporary cut in the nation's diesel and gasoline prices is due to expire in early July.

In April, all four refiners SK Energy, GS Caltex, Hyundai Oilbank and S-Oil Corp. cut gasoline and diesel prices by KRW100 a liter, effective for three months, in response to government pressures to combat soaring inflation in Asia's fourth-largest economy. Earlier this week, the nation's second-largest oil refiner GS Caltex requested an emergency supply of 870,000 barrels of diesel from the government to meet an unexpected surge in demand. While some cited a temporary shutdown of one of the GS Caltex's diesel-producing units as a reason behind the company's supply shortage, an official at the company had cited 'advance buying,' by gasoline stations ahead of the expiration of oil product price cuts on July 6, as one of the reasons.

Whether the 870,000 barrels meant for GS Caltex will be counted as a part of the newly announced release of 3,467,000 barrels has yet to be decided, said a government official by phone. Discussions will have to take place with the nation's four refiners, including GS Caltex, as well as the Korea National Oil Corp. to decide on how the total will be distributed among the refiners, as some may welcome the distribution more than others, he said.

According to an analysis conducted by the IEA, there have been concerns that the global oil supply could be disrupted in the near term due to the decrease in oil supply from Middle East and North African countries including Libya, the Organization of Petroleum Exporting Countries' failure in coming to an agreement for a production increase and the rise in demand due to seasonal factors, the Ministry of Knowledge Economy said in a statement late Thursday. As of December last year, South Korea, one of the world's key crude importers, held an emergency reserve of 173 million barrels, including a state-owned 87.2 million barrels and 86 million barrels from the private sector, according to the statement.

China opens oil field in Iraq

The New York Times, *28.06.2011*

China's largest oil company has begun operations at Al-Ahdab oil field in Iraq, making the field the first major new area to start production in Iraq in 20 years. Operations began June 21, and the field is expected to produce three million tons of crude oil per year, reported China Daily. The oil field was discovered in 1979 and is believed to contain a billion barrels of crude.

The China National Petroleum Corporation, a state-owned enterprise, secured rights to the field under a technical services contract signed with the Iraqi government in November 2008.

Under the contract, the company has development rights for 23 years. It is investing $3 billion. The contract, the renegotiation of a deal first signed in 1996 with the government of Saddam Hussein, was postponed after the United Nations imposed economic sanctions on Iraq and the American military toppled Hussein in 2003. Analysts say the Ahdab operation is China National Petroleum's largest in the Middle East. The contract stipulates that the company receive a fee for every barrel of oil produced, rather than an equity interest in the oil field, as it would have under the original agreement with Hussein's government. A Chinese oil executive said in 2009 that the company would make a profit of less than one percent, but that the contract was a way to "get a foot in the door" of the Iraqi oil industry, which has much larger fields than Ahdab.

The deal began drawing intense criticism from residents and officials in Wasit Province, where the field is located, shortly after the contract was signed. Some people demanded that Wasit be granted a royalty of $1 a barrel to improve access to clean water, health services, schools, roads and other public needs in the province, which is among Iraq's poorest. The Iraqi government rejected the demands. Local residents complained in 2009 that Chinese development of the field would have no benefits for them, other than providing several hundred people with jobs as laborers and security guards for less than $600 a month. At the time, China National Petroleum said it was in an exploration phase and did not need much labor. Now, with the start of production, it is unclear whether the company has hired more residents. At the time, the 100 Chinese workers at the compound were too scared to leave the area for fear of being kidnapped.

The Ahdab field's estimated reserves are small by Iraq's standards. The Rumaila field near the southern city of Basra, for which China National Petroleum and BP signed a development deal in June 2009, is Iraq's largest oil field, with an estimated 17.8 billion barrels. Iraq as a whole is estimated to have reserves of more than 100 billion barrels. China's energy needs have soared, and it has been scouring the world for energy sources. On Tuesday, President Omar Hassan al-Bashir of Sudan, in which China has large oil interests, arrived in Beijing for talks with Chinese leaders. Mr. Bashir faces indictment by the International Criminal Court on war crimes and genocide charges, but China is not obligated to arrest him because it is not a signatory to the Rome Statute that established the court. He is scheduled to meet President Hu Jintao.

Iran expects oil price to stay at $100

Reuters, *30.06.2011*

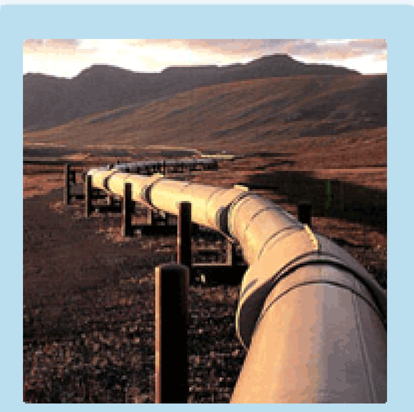
Iran has introduced a higher oil price option for its 2011/12 budget of $95 a barrel, its minister of economic affairs and finance said, offering a robust picture of its economy in the face of sanctions.

"Oil prices have been rising and we predict that they will stay at the $100 we asked permission from the government to have an oil price level ceiling in the budget which is $95," Shamseddin Hosseini said. Even with a possible tumble in the price, Iran will be able to meet all its development needs at $81.5 per barrel, the figure used in current budget calculations, said Hosseini.

"Around 20 percent of the $81.5 will go into the country's development fund," he said, speaking on the sidelines of an industry event in Jeddah. By cutting back on subsidies for staples, Iran had reduced domestic demand and conjured up surpluses which could be exported. Adjusting flour subsidizes had cut consumption by 30 percent, allowing wheat exports, and a similar move on motor fuel and swung Iran from being a net importer of gasoline to an exporter. "We currently have 2 million tons of wheat that we plan to export over the spot market and we have one billion liters of gasoline (around 700,000 tons) that can also be exported," he said.

World's longest natural gas pipeline in operation

Xinhua, *30.06.2011*

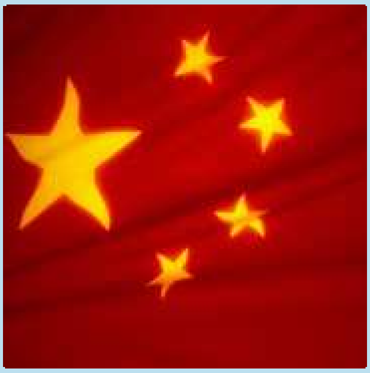


China's second east-west natural gas pipeline went into operation on Thursday. The pipeline, connecting central Asia and China, will send natural gas from Turkmenistan to east China's Pearl River Delta after passing through 15 of the country's provinces.

The pipeline is the world's longest, with a total length of 8,700 km. The pipeline was built with 142.2 billion yuan ($21.98 billion) in investments.

China held first shale gas block auction

Rigzone (Dow Jones), *28.06.2011*



China's Ministry of Land and Resources held its first shale gas block auction Monday, a ministry official said Tuesday, marking a move to exploit on a large scale the new source of the cleaner-burning fuel.

There are serious concerns about contamination of ground water during hydraulic fracturing--known as fracking, the process by which shale gas is extracted from wells drilled deep into relatively impermeable rock beds--but the country's massive estimated reserves could help to slow its increasing reliance on imported energy.

The auction results will likely be announced in mid-July, and the firms that win blocks will be allowed to work with foreign companies, said the official, who didn't wish to be named. PetroChina, China Petroleum & Chemical Corp., CNOOC, Shaanxi Yanchang Petroleum Group, China United Coal Bed Methane Co. and Henan Provincial Coal Seam Gas Development and Utilization Co. participated in the auction, the official told Dow Jones Newswires.

The auction covered four blocks in southwestern Guizhou province and Chongqing city, covering an area of 11,000 square kilometers, the state-controlled Xinhua News Agency said. The ministry is expected to hold at least one more auction later this year, which could allow more companies, such as China Sinochem Group Corp. and China Zhenhua Oil Co., to participate. Technical advances allowing the development of shale gas have transformed the U.S. energy sector in recent years, prompting a wave of merger-and-acquisition activity and sharply reducing reliance on gas imports.

Earlier this year, CNOOC Ltd. bought into several shale oil and gas leases in the U.S. owned by Chesapeake for $570 million in cash, following a similar deal in October. The U.S. Energy Information Administration estimated in a report that China holds 1,275 trillion cubic feet of technically recoverable shale gas reserves, the largest in the world. Beijing has invited U.S. and European companies into its tightly controlled onshore gas acreage in order to gain technical know-how.

Announcements & Reports

► *EMRA Petroleum Market Report (April 2011)*

Source : Energy Market Regulatory Authority
Weblink : http://www.epdk.org.tr/documents/10157/304adcd3-9f83-4491-9f75-b12ed94e04c7

► *TPAO Silivri Natural Gas Storage Facilities Usage Procedures and Principles (Draft)*

Source : Turkish Petroleum Corporation
Weblink : http://www.tpao.gov.tr/tpfiles/AnnounceDocs/files/TPAO_KUE_komisyon_28_06_2011-1.doc

► *Energy Efficiency Policies of Kyrgyzstan (2011)*

Source : Energy Charter
Weblink : http://www.encharter.org/index.php?id=537&L=0

Upcoming Events

► *Iraq Petroleum 2011*

Date : 12 – 14 July 2011
Place : London – UK
Website : http://cwciraqpetroleum.com/venue/index.aspx

► *Offshore Europe 2011*

Date : 6 – 8 September 2011
Place : Aberdeen – UK
Website : www.offshore-europe.co.uk

► *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?

► *MPGC 2011*

19th Middle East Petroleum & Gas Conference

Date : 2 – 4 October 2011
Place : Dubai – UAE
Website : http://www.cconnection.org/conference/MPGC/2011/MPGCHome.html

► *KIOGE 2011*

Kazakhstan International Oil & Gas Exhibition & Conference

Date : 5 – 8 October 2011
Place : Almaty – Kazakhstan
Website : http://www.kioge.com/2011/