Oil & Gas Bulletin
► 08.07.2011

Energy consumption on the rise in Turkey

Hürriyet Daily News, *08.07.2011*

Turkey's primary energy consumption increased by 9.8 percent in 2010 compared to the previous year, according to an international company's report.

The country consumed energy equivalent to 110.9 million tons of oil during 2010, a 9.8 percent increase from 2009, according to the British Petroleum's Statistical Review of World Energy 2011. The amount accounted for 0.9 percent of total world energy consumption. Turkey's energy consumption has increased by about 45 percent since 2000, when it was 76.7 million tons, according to data published in the report.

Oil consumption in Turkey in 2010 was 28.7 million tons, accounting for 0.7 percent of the world total a 1.7 percent increase compared to 2009, when it was 28.2 million tons, the report read. Turkey consumed 39 billion cubic meters of natural gas in 2010, 1.2 percent of world consumption, recording a 9.2 percent increase from 2009. Consumption of coal also increased by 7.4 percent. The country kept its coal production constant at an equivalent of 17.4 million tons of oil, or 0.5 percent of the world coal production.

Turkey's hydroelectric energy consumption increased by 44.3 percent, whereas consumption in renewable energies increased by 88.1 percent, both accounting for 1.5 and 0.6 percent of world consumption, respectively. "World primary energy consumption grew by 5.6 percent in 2010, the largest increase in percentage terms since 1973," read the report, adding that consumption growth accelerated in 2010 for all regions and growth was above average in all regions.

"Chinese energy consumption grew by 11.2 percent and China surpassed the United States as the world's largest energy consumer." China's 20.3 percent share of global energy consumption was the world's largest.

Iraqi parliament starts debate on reviving national oil company

Rigzone (Dow Jones), *04.07.2011*

The Iraqi parliament has held its first hearing session to pave the way for the debate on a controversial draft law to reestablish the Iraqi National Oil Company, which the former Iraqi leader Saddam Hussein's regime invalidated in the 1980s, officials said.

The session was attended by the country's Oil Minister Abdul Kareem Luaibi, two former oil ministers Ibrahim Bahr al-Uloom and Thamer al-Ghadhban as well as the head and members of the parliament's oil and energy committee and several Iraqi oil experts.

Absent from the parliamentary hearing was deputy prime minister for energy affairs Hussein al-Shahristani, a key ally of Prime Minister Nouri al-Maliki. A draft law of the long-awaited new national oil company, which would revive a company originally established in the 1960s and merged into the Iraqi oil ministry in 1987, was passed by the then cabinet in July 2009 but has been stalled in the parliament since.

Oil minister Luaibi told the hearing that creation of a new Iraqi National Oil Company is not essential and "it would add nothing to the Iraqi oil sector." While speaker of the parliament Osama al-Nujaifi, head of the parliament oil and energy committee Adnan al-Janabi and Ghadhban who is also the current top energy advisor to Prime Minister al-Maliik, voiced their support for reviving the company.

The INOC, if restored, would act as the parent of the existing South Oil Co., Iraq's largest petroleum company, North Oil Co., Missan Oil Co. and Midland Oil Co. According to its draft law, the INOC would spearhead national and local strategy. It would carry out all sorts of oil operations from exploration down to marketing. The firm would also partner with or even compete against foreign companies to develop Iraqi fields. The INOC will be a cabinet-level organization led by a president with ministerial rank. The company's board will include officials from the ministries of oil, finance and planning and the Central Bank of Iraq.

Caspian Pipeline Consortium marks the groundbreaking for its $5.4bln expansion

Chevron, *02.07.2011*

Chevron Neftegaz, Inc., an affiliate of Chevron Corporation, announced at a groundbreaking ceremony in Atyrau, Kazakhstan, that the Caspian Pipeline Consortium has marked the start of the construction phase of the $5.4 billion expansion of the Caspian pipeline.

The capacity of the 1,500-km pipeline, which carries crude oil from western Kazakhstan to a dedicated terminal in the Black Sea, will increase to 1.4 million barrels per day from its current capacity of 730,000 barrels per day. The project will be implemented in three phases with capacity increasing progressively from 2012 to 2015.

Chevron, one of the largest CPC shareholders, is providing project management services to the project. Andrew McGrahan, President of Neftegaz, Inc., said, “CPC is a key strategic asset for Chevron and adds to our strong position in the region. Chevron greatly appreciates the efforts of all shareholders, especially the representatives of Transneft and KazMunaiGaz, in reaching this important landmark.”

McGrahan added, “CPC is a model of cooperation between Russia and Kazakhstan and is an indication of the confidence we have in Russia and in oil transportation from the Caspian region. This groundbreaking event represents years of dedication and commitment to expanding the commercial links between the two countries and sends a powerful signal that Russia and Kazakhstan are countries where major, long-term capital investments can be made with confidence.”

The project will consist of the refurbishment of the existing five pump stations, the addition of 10 new pumping stations, the replacement of a 88-km section of the line, six new storage tanks and the addition of a third offshore mooring point at the Black Sea terminal, 10 km north of the Port of Novorossiysk. CPC awarded all the major construction contracts in May 2011. The first CPC groundbreaking ceremony took place 12 years ago. In October this year, CPC will celebrate 10 years of successful tanker loading. Since the start of operations, over 2 billion barrels of oil (250 million tons) have been transported through the system.

Saboteurs bomb Egypt gas pipeline to Israel and Jordan

Hürriyet Daily News (AFP), *04.07.2011*

Saboteurs bombed an Egyptian gas pipeline in the Sinai Peninsula, sending flames shooting into the sky and cutting supplies to Israel and Jordan, a security official said. Officials said a car had parked near the pipeline in the Bir al-Abd area, 80 kilometres from the northern Sinai town of El-Arish, shortly before the explosion.

They said the bomb was activated remotely. Emergency services were deployed to the area to try to bring the fire under control, an official said. Witnesses said the flames reached as high as 10 meters. There were no immediate reports of casualties.

It was the third attack on the gas pipeline since February, when an uprising toppled former president Hosni Mubarak and saw power handed over to a military council. On April 27, the pipeline in Al-Sabil area of north Sinai was also attacked, cutting off international gas supplies. In February, attackers used explosives against the pipeline in the town of Lihfren in north Sinai, near the Gaza Strip. There was also a failed attempt to attack the pipeline in March.

Jordan, which buys 95 percent of its energy needs, imports about 240 million cubic feet (6.8 million cubic metres) of Egyptian gas a day, or 80 percent of its electricity requirements. Jordanian officials have been in talks with their Egyptian counterparts “to determine the damage and discuss solutions,” Jordan’s state-run Petra news agency said. “Jordan will face unusual problems this summer if this issue continues,” Abdul Fattah Nsur, director of Jordan Central Electricity Generation Company, told Petra. Egypt also supplies about 40 percent of Israel’s natural gas which is used to produce electricity. In December, four Israeli firms signed 20-year contracts worth up to $10 billion (7.4 billion euros) to import Egyptian gas. In April, Egypt’s Prime Minister Essam Sharaf asked for the revision of all contracts to supply gas abroad, including to Israel.

Sharaf said the contracts would be revisited so the gas “would be sold with deserved prices that achieve the highest returns for Egypt.” The controversial gas deal with Israel has been repeatedly challenged in Egyptian courts on the grounds of its secretive clauses and because it was sealed without parliamentary consultation. A court imposed an injunction on the deal, in a move ignored by Mubarak’s government. A higher court overturned the freeze in 2010, on condition the government regulate the quantity and price of gas exported. Israel’s government viewed the ouster of Mubarak with alarm.

Putin sees $309bln in oil investment by 2020

The Moscow Times, *06.07.2011*

Domestic oil companies plan to invest 8.6 trillion rubles ($309 billion) to 2020, Prime Minister Vladimir Putin said. Of that, 5.9 trillion rubles will be spent developing fields and 780 billion rubles will be spent on modernizing refineries, Putin said Thursday at a meeting of the United Russia party in Yekaterinburg.

The prime minister also said one of the government's top priorities is to put conditions in place for small and medium businesses to operate in the oil sector. The development of small fields and raising well flows is a considerable reserve for sustaining oil production at 500 million tons, he said.

Major investment is needed in exploration, oil recovery and new technology, the prime minister said. Putin said 60 percent of the 500 million tons of oil that the country produces comes from the West Siberian oil province. “I again ask the Finance Ministry and Economic Development Ministry to look at the profitability of small fields and to build a midterm policy,” he said. Putin said the ministries should analyze taxation in the course of this work. “If [tax breaks] cannot be introduced right now, let them show when this will be possible, so that small business are able in the long term to plan their work, their incomes and expenditures,” Putin said.

Small oil companies should not expect tax breaks in the short term. “The oil and gas sector is considered to be profitable and it does not need special tax regimes. Small fields are usually in regions that have communications and infrastructure as a rule. At a time when the budget is not balanced, the fiscal agencies, above all the Finance Ministry, object to lower taxation and tax breaks. It is difficult to argue with this for now,” Putin said. Indeed, the government is raising taxes for the gas industry. But the government will “definitely return” to the issue of tax breaks for small oil companies once the budget has been balanced, Putin said.

The prime minister also addressed Russia’s presence in the Arctic, saying the country is seeking to expand and will “firmly and consistently” defends its geopolitical interests in the region. Putin also addressed the possibility of upgrading the Glonass satellite system. “Satellites were rather old and quickly broke down at the beginning of the program. The period of their useful life was three to four years,” he said. Now the government will replace them with more modern satellites with a useful life of seven to 10 years, Putin said.

“The land-based infrastructure is the main problem,” he added. “It would be cheaper to make that equipment in China, India, and South Korea and so on. However, the production of the equipment with good quality and good prices inside the country would be absolutely perfect,” Putin said. It is also necessary to form a civilized market of services. “We must control the domestic market and take relevant niches on the world market,” he said.

Gazprom restates terms for Naftogaz

UPI, *06.07.2011*

Adjusting the price "our Ukrainian friends" pay for natural gas would be considered once its energy company merges with Russia's Gazprom, an executive said. Alexei Miller, chief executive at Russian gas company Gazprom, welcomed his Ukrainian counterpart Yuri Boiko to Gazprom headquarters in Moscow to discuss bilateral energy ties.

Kiev is pushing for revisions to natural gas contracts with Gazprom. Opposition leader and former Prime Minister Yulia Tymoshenko is under investigation for charges stemming from a gas deal with Russia she helped broker in 2009.

Gazprom has tried to persuade Ukraine that a merger with Ukrainian energy company Naftogaz might be the best course of action. "The gas price adjustment for our Ukrainian friends may be considered upon the merger of Gazprom and Naftogaz," said Miller in a statement. Kiev said the current price mechanism is unfair. Opponents of the merger in Kiev complain it would move the country too close to its former patrons in the Kremlin. Ukraine transits 80 percent of all Russian natural gas bound for European consumers through its Soviet-era pipeline network.

Libya looking to replace Eni

Upstream Online, *07.07.2011*

Libya has turned to big Russian and Chinese firms to fill the void in the country's oil industry left by Italian major Eni's withdrawal. The beleaguered North African country's official government has already begun speaking with unidentified companies about taking over Eni's portfolio in the country.

Eni was once the largest oil firms operating in the Libya but pulled the plug on its operations there once the Arab Spring swept the country in February. "This withdrawal happened without warning and the Libyan state has started negotiating with big Russian and Chinese oil companies to enter into a partnership in these investments," the news wire quoted a Libyan official, who did not want to be identified, as saying.

Dutch likely to release full IEA volume

Upstream Online (Reuters), *07.07.2011*

The Netherlands became the first European country to offer its entire volume of oil and oil products as part of the IEA emergency release plan, and Dutch officials said they were likely to sell the full volume.

On 23 June, the IEA announced plans for its member countries to release 60 million barrels of oil and oil products from strategic reserves to cover the lost oil supply from Libya and to cool prices. Other European countries have released only part of their allocated volumes. The Dutch government offered 600,000 barrels of condensate and Forties crude directly to refineries, on top of 600,000 barrels of Brent crude and diesel it tendered last week, officials said.

“This totals 1.2 million barrels,” said Ted Van Dam Merrett, managing director of the Dutch COVA stockpiling agency. The government has already sold 300,000 barrels of condensate and 150,000 barrels of Forties from Thursday’s offer, Van Dam said. He declined to provide details on the remaining 150,000 barrels pending final sale.

Van Dam also said that last week’s tender, which closed on Thursday at 09:00 GMT, resulted in the sale of 450,000 barrels of crude. A tender for the remainder 150,000 barrels of diesel will be reissued because of technical difficulties, he added. Forties and Brent are light, sweet crude from North Sea, which match the quality of crude oil that the IEA intended to release from member countries’ stocks.

The initial allocation from the IEA showed the Dutch release would be crude oil only, but the tender included diesel. Europe has a structural supply shortage of diesel. The US government’s tender to sell light sweet crude from its strategic oil reserves was also oversubscribed. Stock releases in other European countries have been slow. Germany has sold about 63% of its allocated volume, more than half of which was heavy crude. But it has not decided whether to sell the remainder.

France has extended the period in which oil companies can free their stocks due partly to the slow progress of the release. The UK government and UK-based oil companies have not provided any data regarding the released volume. The government said Britain has no intention of extending the release period. One physical oil trader said the Netherlands had a geographical advantage as Europe’s oil trading hub. “Look at the countries releasing the stock. They are not main trading hubs,” the trader said.

Lithuania lets contract for floating LNG terminal

Oil & Gas Journal, *05.07.2011*

Lithuania state oil company Klaipedos Nafta AB has awarded Fluor Corp. a contract to provide engineering and business support for a floating LNG import terminal at Klaipeda, Lithuania. Fluor booked the undisclosed contract value in this year's second quarter.

Under the contract, Fluor will provide engineering, technical, risk management, safety, and environmental advisory services. It will prepare the technical development plan and assist in selecting technologies, as well as developing a business plan for the terminal, the company said.

Floating or dock-based LNG regasification technologies are currently in use in the US, Brazil, Argentina, UK, Kuwait, and Abu Dhabi. Fluor's announcement did not specify which technologies were being considered. Italy's Adriatic LNG operates from a gravity-based platform off Porto Levante. Fluor said it has previous experience in Lithuania as the engineering, procurement, and construction contractor for the Butinge oil terminal Mazeikui Nafta in Butinge in 1999. Klaipedos Nafta operates an oil terminal in the city of Klaipeda, on the Baltic Sea.

Statoil to resume North Sea Project following tax decision

Rigzone (Dow Jones), *05.07.2011*

Statoil said it will resume development of the projects in the North Sea after the Treasury announced it would increase a tax allowance to companies investing in marginal fields.

"We welcome and are encouraged by the positive steps made by this announcement. The negative impact from the tax increase announced in March has been neutralized for the Mariner investment and the project is back on track," said Statoil spokesman Bard Glad Pedersen. He added that the company is "working diligently with both the Mariner and Bressay projects. But it is with Mariner we expect the final investment decision by the end of 2012."

The U.K. government Tuesday offered a concession to the oil and gas industry by raising one tax allowance that applies to North Sea fields. The Ring Fence Expenditure Supplement will rise to 10%, from 6% previously, allowing companies to offset a greater amount of their expenses against their taxes and, “support investment in marginal fields,” the U.K. Treasury said in a statement. Statoil, Norway’s largest oil producer, in March postponed development of the projects following the government’s decision to raise to 32% from 20% the supplementary charge levied in addition to corporation tax on profits from U.K. oil and gas production.

Announcements & Reports

► *EMRA Strategic Plan (2011 – 2015)*

Source : Energy Market Regulatory Authority
Weblink : http://www.epdk.org.tr/documents/10157/311edd6b-bb5d-424f-adc8-52d9f7b38319

► *Energy Balances of OECD Countries 2011*

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=573

► *IEA Open Energy Technology Bulletin*

Source : International Energy Agency
Weblink : http://www.iea.org/impagr/cip/index.htm

► *Energy Statistics of OECD Countries 2011*

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=572

Upcoming Events

► *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/

► *Iraq Mega Projects* ***(in Turkey)***

Date : 18 – 20 October 2011
Place : Istanbul – Turkey
Website : http://www.cwcimp.com/

► *20th World Petroleum Congress*

Date : 4 – 8 December 2011
Place : Doha – Qatar
Website : http://www.20wpc.com/