Oil & Gas Bulletin
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# BOTAS plan hits refusal by Gazprom

Hürriyet Daily News, *19.07.2011*

**Russian natural gas giant Gazprom has refused requests by Turkey's Petroleum Pipeline Corporation, or BOTAS, to permit private firms to handle the distribution of 6 billion cubic meters (bcm) of natural gas as part of the Blue Stream Pipeline contract.**

**"The Blue Stream Agreement was signed among governments on Dec. 15, 1997. Thus, the transfer [of distribution to private firms] is not possible," Gazprom reportedly wrote in a reply to BOTAS on the issue, sources from the latter were quoted as saying by daily Zaman in a report published Tuesday.**

Gazprom has also replied negatively to private firms that are willing to transfer contract rights, following BOTAS's call for the right to transfer the rights for its Blue Stream contract to private firms; the latter must obtain a compliance certificate by the providing country, Russia. Some 24 lots of a yearly capacity of 250 million cubic meters were put up for tender in a bid that BOTAS opened to private firms, which had until Sept. 7 to apply. Firms willing to apply for the tender had to sign with Gazprom before the application, BOTAS said in its requirements.

Sources told Zaman that Gazprom's decision implied the nullification of BOTAS's tender. "Private firms will be unable to get the Seller's Consent Protocol signed by Gazprom, which is not leaning toward the transfer of rights," said a sector representative, speaking on condition of anonymity. The source said Gazprom had made the move to avoid coming into conflict with private firms, thus choosing to work with BOTAS, a public enterprise.

Four private firms were able, however, to obtain rights for the West Pipeline contract, which provides Russian natural gas to Istanbul and surrounding areas, according to sector representatives. The West Pipeline and the Blue Stream Pipeline contracts are different in this regard, representatives said. There was no agreement between governments for the second West Pipeline contract for the distribution of 8 bcm, meaning that the rights for 4 bcm were transferred to private firms without any trouble. The gas from Russia was delivered to Gama Gazprom, a private firm, which was named Turusgaz after its partnership with BOTAS. But the same did not occur with the Blue Stream Pipeline contract, before which Russia and Turkey signed an agreement explicitly saying that "BOTAS will distribute the gas and Gazexport will sell it."

Sector representatives said they believed that if BOTAS went for the bidding of the 4 billion cubic meters of natural gas whose rights belong to Turusgaz, the "transfer crisis" would be solved. A total capacity of 16 bcm of natural gas is delivered to Turkey per year as part of the Blue Stream contract signed with Russia in December 1997 and valid until Jan. 1, 2026. BOTAS is willing to transfer the distribution rights for 6 bcm of gas per year to private firms. This seems unlikely to happen, though, following Russia's rejection. BOTAS is expected to transfer its rights to the private sector until its market shares are reduced to 20 percent, from the 85 percent it currently owns.

# Azerbaijan questions Turkey's Nabucco moves

Hürriyet Daily News (Ipek Yezdani), *19.07.2011*

**Azerbaijan has questioned Turkey's attitude on the Nabucco pipeline project after Baku failed to receive a copy of the signed contract from Ankara, according to a top official from the Caspian nation.**

**"Unfortunately nobody sent us the copy of this Project Support Agreement," Elshad Nasirov, the vice president of the State Oil Company of Azerbaijan, or SOCAR, told. "And we will not ask for it, because this will violate the principle of equal treatment for three projects – Nabucco, the Trans Adriatic Pipeline [TAP] and the Interconnection Turkey-Greece-Italy [ITGI]."**

Azerbaijan was the only project partner absent when the legal framework for the Nabucco Pipeline was reportedly signed and finalized on June 8 for the project support agreements, or PSAs, between Nabucco Gas Pipeline International GmbH and the responsible ministries of the five transit countries, Austria, Bulgaria, Hungary, Romania and Turkey. The signature ceremony was organized just before Turkey's June 12 general elections in the Central Anatolian province of Kayseri, where Turkish energy minister was running for a seat in Parliament. The agreements were described by the Nabucco consortium as the affirmation of an advantageous regulatory transit regime under European and Turkish laws, protection against any discriminatory changes in said laws and support for legislative and administrative actions for the implementation of the project.

Nasirov also said an obligatory bilateral transit agreement between Azerbaijan and Turkey to make the project a reality had not been signed yet either, he said. "We were very close to signing this agreement in April and May. But some minor and some important things prevented two parties to agree and finalize it," said Nasirov. "As we understand, this agreement supports the further implementation and development of the Nabucco concept. But I would like to ask you, does this signature of the project support agreement mean the decision of the Turkish Republic was made to start the transit of gas from Azerbaijan? And if it does, why don't we sign the bilateral transit agreement in order to enable the two other projects? If we have not yet signed the transit agreement, should we understand that Nabucco has still not been sanctioned by Turkey?" asked Nasirov. For the ITGI and TAP, Nasirov said that in order to transfer gas through Turkish territory, there needs to be a transit agreement between Turkey and Azerbaijan. "So these projects also cannot be implemented without a transit agreement."

Nasirov said there were also investment problems for Nabucco. "Azerbaijan has sent messages to European countries many times asking for an offer to invest. But we haven't heard anything from Europe yet," said Nasirov. Nasirov drew attention to the fact that there were still plenty of legal and commercial issues to be agreed on as part of the Nabucco project. "We have very limited time for these issues, we only have two and a half months left now," Nasirov said.

Nasirov said another Azerbaijani energy project, Sahdeniz, was huge, sophisticated and very expensive. “The shareholders have to invest 20 billion to 22 billion dollars just to start the production. Therefore, in order to find out how commercially feasible the Sahdeniz project is, we have to very carefully calculate what the sale price and transportation cost for the sale of gas in the markets outside Azerbaijan will be,” Nasirov said.

Regarding the United States’ open support for the Sahdeniz project, Nasirov said, “We don’t want to be involved in games wherever or however they are being played.” “We don’t think we will be involved in competition; after the Fukushima disaster in Japan, the demand for gas will only increase. And the gas of Azerbaijan will not and cannot make any negative effect on the other suppliers,” he said. Nasirov also said Azerbaijan did not want to depend solely on one buyer for gas in the region. “Russia wants to buy all the gas we have, but we do not want to commit to only one buyer – we prefer diversity among the buyers, so we sell gas to the EU and Iran, as well as Russia,” said Nasirov.

# Turkish firm to sign gas deal with Iran

Today’s Zaman, *19.07.2011*

**Iran has said a private Turkish company is expected to sign a gas deal that will result in importing 4 million cubic meters of gas to Turkey at a time when the US has stepped up its efforts to put companies that trade with Iran on a sanctions list.**

**Iranian Deputy Oil Minister Javad Oji said Iran will deliver 3-4 million cubic meters of gas a day to the Turkish company and that “the deal is different from the current exports agreement” of supplying Turkey with 25 to 30 million cubic meters of gas.**

Without mentioning the name of the Turkish company, Oji said the Turkish firm needs Iranian natural gas to convert it into liquefied natural gas for supplying the Turkish market. The Iranian officials also said the gas deal will be signed this year. According to the report, in January, the National Iranian Gas Company (NIGC) announced that Iran exported 8.25 billion cubic meters of gas to Turkey via pipeline in 2010.

# Global LNG market grows, new markets emerge

Rigzone (Karen Boman), *18.07.2011*

**The global LNG market continues to expand and transform as the volume of LNG traded globally keeps rising and new and existing players enter the market or expand LNG activity.**

**In 2010, the volume of LNG traded globally hit 223.8 million tones/annum (MMtpa), the International Gas Union's (IGU) World LNG Report 2010 noted, a 41 MMtpa increase from 2009 and the largest year-on-year growth experienced by the industry, thanks to newly-commissioned liquefaction trains and the ramp-up in output from trains commissioned in 2009. When compared to the 143 MMtpa of LNG traded in 2005, the market has grown by over 50 percent over the past five years.**

The year 2010 started with an LNG market facing record supply growth, driven mostly by Qatar, and a weak demand environment due to the aftermath of the economic crisis and the U.S. shale gas boom, according to the IGU report. However, demand recovered impressively, as did LNG imports, with most countries importing more LNG in 2010 than in the pre-crisis year of 2008.

The structure of LNG trading is evolving from a market focused on long-term arrangements between buyers and sellers to a market with more spot LNG trading, according to the report. Spot LNG trading has grown steadily since the 1990s and has experienced more rapid growth during the last five years. Up until 2005, spot trading accounted for only 10 percent of total LNG traded; since that time, spot trading has grown to more than a fifth of the market, or 47 mmtpa last year.

In 2005, 11 countries were active spot LNG exporters and 12 countries were spot cargo importers. By end 2010, these numbers have since increased to 16 and 22 respectively. "The appetite to buy LNG on a spot basis has increased significantly as the list of spot buyers has nearly doubled, whereas the list of spot sellers has increased, albeit at a slower pace," the report said.

The LNG trade also has spread in terms of geography, In 2005, 13 countries exported LNG, including Algeria, Australia, Brunei, Egypt, Indonesia, Libya, Malaysia, Nigeria, Oman, Qatar, Trinidad & Tobago, the United Arab Emirates (UAE) and the U.S. From 2006 through 2010, Equatorial Guinea, Norway, Peru, Russia and Yemen also began exporting LNG.

During that time period, Argentina, Brazil, Canada, Chile, China, Kuwait, Mexico, and the UAE begin importing LNG, joining 15 existing importers that included Belgium, Dominican Republic, France, Greece, India, Italy, Japan, Portugal, Puerto Rico, South Korea, Spain, Taiwan, Turkey, the UK and the U.S.

The growth in the global LNG industry is being fueled by Southeast Asia's growing economies and the Japanese earthquake and tsunami, which knocked offline nuclear power facilities in the country. The role of nuclear power is now being questioned by other countries; earlier this year, Germany announced it would shut down all of its 17 nuclear power plants by 2020. A decline in nuclear power generation would likely create long-term demand for gas.

Challenges remain in getting stranded supplies to markets, including accessing resources held by nations that limit participants in the oil and gas sector. Rising LNG development costs also present a challenge, meaning that the low hanging fruit has been picked and the ladder to the next level is becoming more expensive, said Peter Cleary, VP of corporate strategy and development for Santos Ltd., at the Asian Oil and Gas Conference on June 7.

Latin America is a key growth area for LNG as gas consumption increases in cities across the region, with countries such as Brazil, Chile, Jamaica, Mexico and Uruguay planning new terminals. "The region is a key area for floating regasification vessels as they can be used to elevate season demand shortages," said Douglas-Westwood analyst Lucy Miller. LNG also is being exported from South America. In 2010, Peru commissioned its first liquefaction plant, making it the 18th country to have liquefaction capacity to export LNG and the second LNG exporter in South America, IGU noted.

Growing gas demand in the Middle East, which is expected to account for about 20 MMtpa of LNG demand by 2020, will create a new market for LNG imports. Emerging LNG markets such as Dubai and Kuwait, which recently started importing LNG, and summer demand to power air conditioning are boosting LNG imports into the Middle East. Importing LNG for consumption is allowing Kuwait to allocate more liquefied petroleum gas for export. Dubai's domestic gas consumption also creating demand for LNG in that country; so far, Dubai has imported 26 Bcf, or less than 1 Bcf/d total since November 2010.

Bahrain, Israel and Lebanon also are considering construction of LNG import facilities. Qatar remains the world's largest LNG exporter at present, though a moratorium on further development of Qatar's North Field means that no new LNG capacity is likely to come online before the end of the decade.

Indonesia is developing a series of LNG import terminals along its coast to satisfy domestic demand, said Miller. However, the country, which is a major exporter of LNG, has new LNG export terminals projects in development which target other Asia countries, such as the Donggi-Senoro and Abadi FLNG projects. Indonesia also has coalbed methane reserves which it believes can eventually be used for gas export, though this is many years ago, Miller said. Eastern Europe is another emerging LNG market, with construction underway on an import terminal in Poland, with others planned along the Baltic Coast and a few terminals planned for the Black Sea coast.

# Venezuela oil reserves surpassed Saudis in 2010

Rigzone (Dow Jones), *18.07.2011*


**Venezuela's crude proven reserves surpassed those of Saudi Arabia in 2010, making it the world's largest oil reserves holder, the Organization of Petroleum Exporting Countries said in its annual statistical bulletin.**

**Venezuela's reserves reached 296.5 billion barrels in 2010, up 40.4% on the year and higher than Saudi Arabia's 264.5 billion barrels, OPEC said. In the long run the boost in reserves, which comes alongside increases from Iran and Iraq, may empower members of OPEC who favor a defense of high prices. However, there are doubts over whether all of Venezuela's heavy oil discoveries are economically viable.**

The data broadly confirm Venezuela's statements that it had reached this level of reserves in January. OPEC normally relies on its members' assessments for statistical data. Iraq's and Iran's proven reserves were also respectively upgraded by 24.4% to 143.1 billion barrels and by 10.3% to 151.2 billion barrels respectively, roughly in line with the countries' earlier disclosures. Venezuela, Iran and Iraq were part of a group that refused to endorse a Saudi-led push to hike output at an acrimonious OPEC meeting June 8.

Analysts have questioned how economic Venezuelan reserves additions could be, as most come from the heavy and extra-heavy oil in the Orinoco Belt, which is difficult and expensive to extract. Venezuela's statistics have long been a controversial topic in oil circles, though disagreements on the matter have recently eased. The International Energy Agency last month said it revised the method used to calculate the country's oil-production figures, bringing its estimates closer to those of Caracas.

The set of statistics may also vindicate Iran's claims that sanctions aren't crippling the development of its oil and gas industry. For instance, crude oil exports from the Islamic Republic to Europe in 2010 rose 34.5% to 764,000 barrels a day on average. Overall, Iranian oil exports rose by 0.7% as exports to Asia and the Pacific fell by 11%. Iranian natural gas reserves and exports rose by 11.8% and 48.7% respectively.

Last year, the European Union implemented stringent sanctions on Iran which, without banning crude purchases, complicate them by putting restrictions on insurance, financial services and energy sectors. The numbers also underscore the recovery of the Nigerian oil industry with 17 more rigs active in the West African nation and 437 additional producing wells, following a successful amnesty for militants in 2009. Overall, the numbers show OPEC members strongly benefited from higher oil prices in 2010, with the total value of their petroleum exports up 27.2% at $745.1 billion and their overall gross domestic product rising 11.2% to $2,325 billion.

# BofA Merrill Lynch: Libya crisis could see Brent hit $175/b in 2012

Platts, *20.07.2011*

**Bank of America Merrill Lynch warned that should output cuts resulting from the ongoing Libyan conflict extend into next year, under the right economic conditions with global real GDP growing at 4.8% Brent crude prices risked climbing to levels of around $175/barrel.**

**Citing International Energy Agency estimates of current production of 80,000 b/d in June, down from pre-crisis production of 1.6 million b/d, the bank said it expected production to "remain extremely constrained near-term with minimal levels" for the remainder of the year.**

"Even looking into 2012, the likelihood of a swift re-start of production to pre-crisis levels looks small," BofA Merrill Lynch analysts said. Among the factors expected to impede a return to full production were damage to infrastructure that could take time to repair, the possibility of lengthy contract renegotiations and the need to rebuild reservoir pressure, which combined would see production at current levels until the second quarter of 2012 and then rising gradually to 700,000 b/d by the end of the year.

"As an average for 2012, we only see Libya produce 313,000 b/d, a rather modest increase from current levels," the analysts said. "Such a protracted output shortage will clearly challenge Saudi Arabia's ability to raise production to keep pace with global oil demand growth in 2012." Under such conditions, the analysts said spare capacity would be reduced from current levels of 3.6 million b/d to just 2.7 million b/d, almost half the pre-crisis levels of 5.2 million b/d. "Thus, the risks to our Brent crude oil price forecast on Libya's production profile are firmly skewed to the upside," the analysts said. "In fact, if Libyan production does not return in 2012, monetary policy remains ultra-loose, and real global economic output accelerates to 4.8% as our economists' project, Brent crude oil prices could briefly spike to $175/bbl next year."

Should Libyan production, however, return to full production by mid-2012, the analysts said OECD stocks would then likely build by 340,000 b/d, instead of an expected draw of 290,000 b/d, allowing Saudi Arabia to take back some of its production increases, restoring some spare capacity to the market. "Should Libyan oil come back in full by mid-2012, Brent crude oil prices could see a decline of about 10% relative to 2011 levels, averaging close to $100/b next year?" While these are two extreme cases, BofA Merrill Lynch has forecast Brent prices of $114/b for 2012, ahead of which it has price forecasts for the third and fourth quarter of this year at $110/b and $102/b respectively. For WTI, meanwhile, the bank has forecast $92/b for this quarter and $88/b for the final quarter of the year, to be followed by an average oil price of $102/b for 2012.

# Poland brokers deal on Nabucco

Hürriyet Daily News, *20.07.2011*

**Poland, holding the EU presidency, has brokered a deal on talks with Azerbaijan and Turkmenistan on the Nabucco pipeline, a key project to bring Caspian gas to Europe, a newspaper reported. Poland, holding the EU presidency, has brokered a deal on talks with Azerbaijan and Turkmenistan on the Nabucco pipeline, a key project to bring Caspian gas to Europe.**

**Quoting an anonymous Warsaw government source, the Polish daily Gazeta Wyborcza said that the accord drafted by Poland would empower the bloc's executive European Commission to start negotiations in September.**

Poland is at the helm of the EU until the end of the year, and energy ministers from its fellow member states must still approve the plan. The Nabucco pipeline would run from the Caspian Sea via Turkey. The pipeline is meant to help diversify gas sources for the European Union and reduce its dependency on energy giant Russia, as well as on Ukraine as a transit country. The initial plan was for the pipeline to begin pumping gas by 2015, but that target has since been pushed back to 2017. The Nabucco project is in competition with the South Stream plan pushed by Russian gas powerhouse Gazprom and Italy's ENI, which also aims to pump Caspian supplies to Europe.

# Lebanon and Israel should explore for oil and gas

Today's Zaman (AP), *21.07.2011*

**A senior UN envoy is urging Lebanon and Israel to promote oil and gas exploration off their coasts despite a dispute over their maritime border. Michael Williams, the UN's special coordinator for Lebanon, told reporters Thursday that such disputes are common and companies will avoid the contested area.**

**Two large natural gas fields have been discovered in uncontested waters off Israel's coast. Williams said Lebanon is about seven years behind Israel and needs to ratify a law paving the way for companies to start exploring off its coast.**

# Egypt and Israel seek court action over gas contract

Oil & Gas Journal (Eric Watkins), *22.07.2011*

**Shareholders in East Mediterranean Gas are seeking more than $8 billion in damages from the Egyptian government due to repeated attacks on a pipeline that have disrupted contracted supplies of natural gas to Israel.**

**Nimrod Novik, an Israeli board member of EMG, said the blasts have led to financial losses, caused serious problems in the Israeli energy market and "undermined Egypt's reputation as a reliable supplier." Novik said, EMG reached a deal with Egypt 2 years ago that offered what he said were generous prices for Egyptian gas.**

"Given that even this far-reaching price concession has not secured reliability of supply, the shareholders were left with no alternative but to seek protection" from the International Center for the Settlement of Investment Disputes, he said. As part of the legal procedure, initial consultations among the parties are expected to take place in the coming weeks. But if no settlement emerges, the case would then go before the center's judges.

However, Egypt's Minister of Petroleum Abdallah Ghorab is threatening that Egypt will seek the cancellation of the current gas supply agreement with Israel and will demand a new price from Israel. Egypt is reportedly preparing a request of its own to the International Centre for the Settlement of Investment Disputes, demanding that EMG raise the value of the gas agreement to $10 billion.

Earlier, however, Israel said the price it pays for gas is on par with international standards and that it will not renegotiate the price, which was already adjusted upward about a year ago. Israeli energy officials say the Egyptian government receives more than $3/MMbtu from Israel. "EMG's price is higher than that of any other Egyptian export venue, is better than other regional exporters receive and is in line with international prices," Novik said.

Meanwhile, a source cited by Egypt's Youm 7 newspaper threatened that the attacks on the gas pipeline, which stretches to Ashqelon in Israel from Al Arish in the Sinai, will continue unless implementation of the agreement in its present format is halted. The most recent bombing earlier this month was the fourth in 6 months, cutting off badly needed supplies during the hot summer months when Israelis' increased use of air conditioning sends electricity demand off the charts.

EMG is owned by Egyptian businessman Hussain Salem, Egypt Natural Gas Co., Thailand's PTT PCL, EGI Chairman Sam Zell, and Yosef Maiman through Ampal-American Israel Corp. and his private company Merhav Ltd.

# TAP and Albania sign MOUC in support of SEE security of supply

TAP, *21.07.2011*

**The TAP consortium and the Ministry of Economy, Trade and Energy of Albania (METE) agreed to cooperate on the development of South Eastern Europe (SEE) natural gas markets and the strengthening of security of supply and diversification of gas resources in the region.**

**Trans Adriatic Pipeline and the government of Albania signed today in Tirana a Memorandum of Understanding and Cooperation (MOUC) with a focus on exploring possibilities for connecting the Ionian Adriatic Pipeline (IAP), a major regional natural gas project, to the Trans Adriatic Pipeline system at a tie-in point near Fier in Albania.**

Earlier this year TAP signed similar agreements with other IAP participants, including Croatian gas system operator Plinacro Ltd, Bosnian gas system operator BH-Gas and the government of Montenegro. TAP supports the objectives of these countries in further developing the SEE regional gas market and integrating it to the EU energy market. By having signed agreements with all four participants of the Ionian Adriatic Pipeline, TAP consolidates the framework necessary for the further development of the TAP and IAP's interconnection. Next steps will include alignment of the projects' schedules and technical specifications of the pipelines.

The IAP connection to TAP will provide SEE, a region heavily dependent on a single gas supplier, with new and reliable natural gas supplies from the Caspian region. What is more, it will bring major energy security and economic benefits to the region. Recently, the significance of the IAP project was recognized by the Western Balkan Investment Framework (WBIF), which decided to grant the Ionian Adriatic Pipeline project 3.5 million Euro for the execution of a feasibility study and environmental impact assessment (EIA). The TAP consortium, comprised of European energy leaders Statoil, E.ON Ruhrgas and EGL, is aimed at constructing a natural gas pipeline via Greece, Albania and Italy to bring Caspian gas to Europe. The pipeline will be a key component in opening the European Union-designated Southern Gas Corridor. TAP is envisaged with reverse-flow capabilities that will also support reliability in the region in the event of energy supply disruptions.

Under the terms of the MOUC, a joint working group will be established immediately to further evaluate areas of potential cooperation, ranging from the alignment of overall schedules and sharing of best practice, to facilitating the mutual understanding of each project's technical requirements. This will include capacity needs, new construction and upgrades of existing infrastructure, the coordination of maintenance, and environmental and social impact assessments.

# Iran halts supplies of oil to India over $5 billion debt

Oil & Gas Journal (Eric Watkins), *22.07.2011*

**Iran has halted exports of crude oil to five of India's refiners as a result of an impasse over the payment of $5 billion for previous supplies.**

**Mangalore Refinery & Petrochemicals Ltd., Hindustan Petroleum Corp. Ltd., Bharat Petroleum Corp. Ltd., Indian Oil Corp. Ltd., and Essar Oil all purchase oil from Iran, and their collective debt to Iran now stands at the alarming multibillion-dollar sum. Iran earlier stated that, despite the outstanding debt, it would continue to supply all of the Indian firms with oil in an effort to avoid losing its market share to rival producer, Saudi Arabia.**

"Exporting oil to India, one of our traditional and long-term customers, will continue," said Mohammad Aliabadi, Iran's caretaker oil minister. "India will solve the problems about the payments for oil exports within the next 1 or 2 months," he said. Despite that statement, none of India's five refiners has received a crude supply plan from Iran for August loading cargoes, according to Indian officials and executives at the companies, as well as other sources.

"BPCL, HPCL, and Essar have told us that they have not received allocation (from Iran for August). They did not get a response from Iran and they want to secure supplies," said an executive with Aramco who requested anonymity. That view was confirmed by K. Murali, head of refineries and international trade, for India's state-owned refiner Hindustan Petroleum Corp. Ltd. "We have not got allocation for August. They said the payment issue has to be resolved first," said Murali.

"We will draw more from other suppliers with whom we have term deals. The year has just begun," Murali told, adding that HPCL has made adequate arrangements to replace Iranian volumes for August. "As of now it suffices. We are going by rolling plan month by month," said Murali, who also confirmed earlier reports that HPCL has sought an additional 1 million bbl of oil for August from Aramco.

Another refiner, also requesting anonymity, already has made alternative arrangements after hearing nothing from Iran following a June 27 letter that threatened to halt supplies over the payment issue. "Since there was no communication from Iran after June 27, we assumed there would not be any supplies in August and accordingly made arrangements. They have not made any allocation for us," said an executive of the refining company.

India's Oil Minister S. Jaipal Reddy downplayed any concerns over a shortage resulting from Iran's decision to halt its regular supply of 400,000 b/d in August. "There will not be any shortage or problem," said Reddy, adding, "We have a back-up plan."

# Eni signs Memorandum of Understanding with Sinopec

Rigzone (Dow Jones), *22.07.2011*

**Eni confirmed it signed a memorandum of understanding with China Petroleum & Chemical Corp., or Sinopec, as the company strengthens ties with Chinese hydrocarbon firms.**

**Eni confirmed an earlier report from Italian newswire ANSA on the accord. Eni is particularly interested in the development of shale gas in China, said Chief Executive Paolo Scaroni. The deal "signed today allows us to analyze together a series of opportunities in China and outside China," said Scaroni. "I believe that if shale gas is found in China, its development will be strong.**

Once the companies move from assessing the situation to an operational phase in China, Eni will sign deals in which it become the owner of gas produced, he said. Chinese companies are interested in expanding abroad through deals with Eni, especially in Africa, he added. Eni and Sinopec are no strangers as they have some joint deals, such as Angola's 15/06 block. Eni, which entered the Chinese market in 1984, is a small player in China with a daily output of 12,000 barrels of oil equivalent. At the start of the year, Eni signed a deal with China National Petroleum Corp.

# Crude oil advances after IEA says it won't release additional inventories

Bloomberg, *21.07.2011*


**Crude oil increased after the International Energy Agency announced it won't extend a release of stockpiles and as European leaders met to discuss the region's debt. Futures advanced as much as 0.7 percent as the IEA said that tightness in the prompt oil supply has diminished.**

**The leaders gathering in Brussels are seeking solutions for the debt crisis. The euro rose against the U.S. currency, bolstering the appeal of dollar-priced assets. "There's chatter that European leaders will agree to some resolution of the debt crisis, which has sent the dollar lower and boosted crude," said Gene McGillian, an analyst at Tradition.**

# Russia and Total to invest $38B in Arctic gas production

Rigzone (DPA), *20.07.2011*

**Russia and the French energy giant Total will jointly invest 38 billion dollars in a liquefied natural gas project in the Arctic, Prime Minister Vladimir Putin said Wednesday.**

**The plan calls for the construction of an Arctic Sea terminal in Russia's Yamal Peninsula which would, once completed in 2018, allow France to receive annually 15.5 million tonnes of liquefied gas by tanker, Interfax reported. "Thanks to the project Russia's presence in the market for liquefied natural gas (LNG) will expand," said Putin at a Moscow press conference.**

Russia's government had previously approved Total's purchase of a 20.5 percent stake in Yamal SPG. Yamal SPG is owned by Russia's largest private gas producer, Novatek. Total in April purchased a 12 percent stake of Novatek. Novatek holds a production license to some of the richest gas fields in North West Siberia. The region according to estimates contains some 1.3 trillion cubic meters of gas and nearly 52 million tons of gas condensate. The Yamal peninsula is a remote Arctic territory of permafrost, tundra, swamp and pine forest. Its remoteness and harsh conditions makes energy development costly.

# CNOOC says to acquire oil sands developer OPTI Canada for $2.1 billion

Platts, *20.07.2011*

**China's offshore oil and gas producer CNOOC Ltd said that its subsidiary CNOOC Luxembourg has entered an agreement to acquire oil sands developer OPTI Canada for approximately $2.1 billion.**

**The transaction is expected to be completed in the fourth quarter of this year, subject to government and regulatory approvals, CNOOC said in a statement. OPTI owns a 35% stake in the Long Lake oil sands project, while operator Nexen holds the balance. The Long Lake project includes a steam assisted gravity drainage operation and an upgrader.**

According to CNOOC, the SAGD Operation is expected to have throughput rates of approximately 72,000 b/d of bitumen at full production and the upgrader is expected to produce approximately 58,500 b/d of sweet crude at full capacity.

Last week, OPTI and Nexen said that bitumen production at the end of June was at about 30,000 b/d and production is expected to reach the mid-30,000 b/d level by the year end. The upgrader at the project during the second quarter processed 98% of the bitumen produced at the project, in addition to 9,200 b/d of externally sourced bitumen, OPTI said last week. Premium sweet crude yields decreased from 74% during the first quarter to average 70% during the second quarter, the Canadian company said.

# India gives Reliance-BP deal nod

Upstream Online, *22.07.2011*

**The Indian cabinet has approved Reliance Industries' plan to sell a stake in 21 of 23 planned oil and gas blocks to BP as part of a $7.2 billion deal, Indian Oil Minister S. Jaipal Reddy said today.**

**Reddy said the cabinet has not approved the remaining two blocks for "technical reasons". He added that India "needs gas desperately" but declined to say if the deal would yield an increase in production, reported Reuters. India's Oil Ministry had earlier recommended approval for the deal. Reliance agreed in February to sell 30% stakes in 23 of its oil and gas blocks, including some in the KG basin.**

For Reliance, it brings the benefits of BP's expertise and deep-water experience, which could be used to accelerate developments on India's east coast. The agreement is significant because is not solely focused on exploration, but gives BP a key interest in the prolific D6 block in the Krishna Godavari basin, which is producing gas for the local market. Reliance and BP have also formed a 50:50 joint venture to source and market gas, an arrangement that will involve joint investments of more than $11 billion in the next few years. The joint venture also intends to tap the growing liquefied natural gas market and develop nationwide gas network.

# Announcements & Reports

### ► *EMRA Activity Report (2010)*

**Source** : Energy Market Regulatory Authority
**Weblink** : http://www.epdk.org.tr/documents/10157/34e34f7c-9a18-43ae-a322-c85547239d35

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**Source** : General Directorate of Petroleum Affairs
**Weblink** : http://www.pigm.gov.tr/duyurular/pigm_2011_kurumsal_mali%20durum_ve_beklentiler_raporu.pdf

### ► *OPEC Bulletin (June 2011)*

**Source** : Organization of the Petroleum Exporting Countries
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### ► *OPEC Oil Market Report (July 2011)*

**Source** : Organization of the Petroleum Exporting Countries
**Weblink** : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMR_July_2011.pdf

# Upcoming Events

### ► *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/