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PETFORM

Privatization board eases payment schedule for BaskentGaz bidders

Hürriyet Daily News, *31.07.2011*

Turkey's Privatization Board has eased the payment requirements for the potential bidders to a third tender for the natural gas grid in Ankara and its operational units in six surrounding cities.

Bidders will have the option to pay 50 percent of the amount in advance and the rest can be paid over installments in a two-year period for 80 percent stake in the Baskent gas grid privatization tender, which will be repeated for the third time in the last four years.

The past two tenders, which starting in 2008, were not completed successfully because the winners' were experiencing payment difficulties. This year, the plan to ease the payment requirements with installments targets "attracting potential foreign investors" to the gas grid tender, while both Russia and Poland are coincidentally undergoing important privatizations at the same time, according to the report.

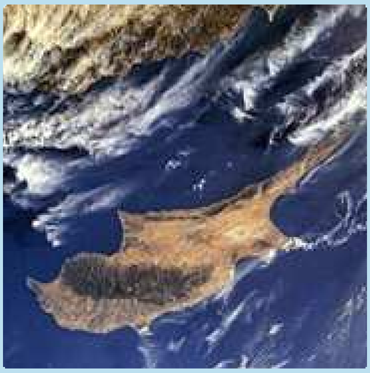
BaskentGaz, the country's second largest gas distribution company, operates a network of 8,300 kilometers and sold 2.1 billion cubic meters of gas last year, distributing natural gas to 1.2 million homes. In the first tender of the gas grid in March 2008, a consortium led by Turkey's Global Yatirim Holding bid $1.61 billion for the gas distribution grid. After several legal problems occurred during a block sale of BaskentGaz to Global Yatirim Holding, the auction was awarded to runner-up Elektromed, but Ankara Municipality canceled the tender before the share sale was finalized.

The second tender ended with a failure as well. The sale of grid to MMEKA was cancelled after the joint-venture between Mehmet Kazanci and Mehmet Emin Karamehmet failed to pay the $1.2 billion it bid for the 80 percent stake in August, the Privatization Board announced in May this year.

After officially making the third tender public by last week, the privatization agency implemented a series of changes to ease payments for the gas grid this time, according to Anatolia News Agency. It was claimed that the privatization agency held a series of bilateral, closed meetings with potential bidders for the tender and hold teleconference talks with possible foreign investors. Noting that both local and international investors remain to have a 'strong' interest, the report said the deadline for the bidding is Oct. 31 this year.

Turkey warns Greek Cyprus against hydrocarbon drill

Today's Zaman, *05.08.2011*



Turkey's foreign minister warned the Greek Cypriot government against drilling hydrocarbons in the Mediterranean, saying on Friday that Ankara will show the "appropriate reaction" if Greek Cyprus moves ahead with exploration plans.

"We will show the appropriate reaction if any further step is taken," Foreign Minister Ahmet Davutoglu told reporters. He said the Greek Cypriot administration does not have the right to embark on oil and gas exploration in the Mediterranean unless the Cyprus issue is resolved and a government representing the entire island is formed.

Turkey's stance is "firm and clear," he said, noting that the Greek Cypriot stance was in violation of international law norms as well. Davutoglu's remarks came after a Greek Cypriot announcement that drilling for hydrocarbons off the island's southern coast will start on Oct. 1. Greek Cypriot Energy Service Director Solon Kassinis said on Tuesday that once the drilling starts, the size of hydrocarbon reserves would be clear in two months' time, the Cyprus Mail reported on Wednesday.

Turkey objects to any Greek Cypriot search for oil and gas inside the island's 51,000 square-kilometer (17,000 square mile) exclusive economic zone off its southern coast, saying it is in violation of the rights of the Turkish Cypriot, who run their own state in the north of the island. Meanwhile, Turkey is considering plans to start oil and gas exploration off the coast of Turkish Cyprus.

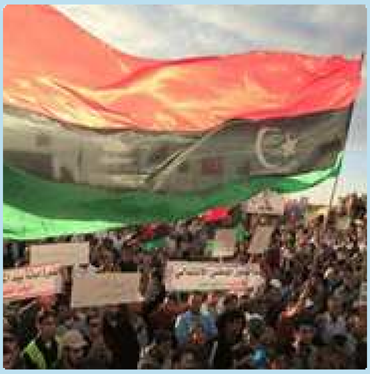
Cyprus was split into a Greek Cypriot south and a Turkish Cypriot north in 1974, when Turkey intervened in response to a coup by supporters of a union with Greece. Greek Cyprus joined the European Union in 2004, but only the internationally recognized south enjoys membership benefits. Turkey only recognizes Turkish Cyprus, where it maintains a military presence of 35,000 troops.

Greek Cyprus earlier licensed American Noble Energy to explore an 800,000-acre area bordering Israeli waters where massive gas fields were found under the seabed. Two fields, Tamar and Dalit, discovered in 2009, are due to start producing in 2012, and experts say their estimated combined reserves of 5.5 trillion cubic feet (160 billion cubic meters) of natural gas can cover Israel's energy needs for the next two decades.

Greek Cyprus and Israel signed an accord last November demarcating their maritime borders that triggered strong reactions from Turkey, which called the deal "null and void" because it ignores the rights and jurisdiction of Turkish Cyprus on the divided island.

Turkey sends fuel aid to east Libya

Today's Zaman (Reuters), *26.07.2011*



Turkey has delivered its first cargo of fuel to aid east Libya as part of multi-million dollar free oil supply deal with the cash-strapped rebel government aimed at easing shortages.

Libya's civil war has damaged oil infrastructure and severely hampered the rebel government's ability to produce and sell oil, increasing its reliance on foreign aid to pay for imports of refined products. Turkish Petroleum International Company (TPIC), a subsidiary of Turkey's state-owned Turkish Petroleum Corporation (TPAO), has shipped two fuel cargoes worth at least $10 million.

The first tanker, the Sentosa Island, arrived in Benghazi late last week, carrying about 5,000 tonnes of diesel, trade sources said. A second cargo, also carrying around 5,000 tonnes of diesel from Turkey was being delivered, the source said. Regular fuel supplies such as gasoline for cars and diesel used for power plants are vital to the rebels to win the war and retain popular support in a country long-accustomed to subsidised energy.

A second industry source said the Turkish government was seeking to line up more suppliers and that he expected one or two more cargoes to be sent. "The Turks are pushing for more supplies," he said. The supply deal is a sign of closer ties between Benghazi and Ankara, which recognised the rebel Transitional National Council earlier this month and pledged $200 million in aid. It was not clear whether funding for these fuel deliveries was included in this sum, but the trade sources said that the fuel was being delivered for humanitarian reasons, with no payment expected.

A spokesman at the Turkish foreign ministry could not immediately be reached for comment. "TPIC is considering sending some more fuel on top of these two cargoes. But after that, whether or not these shipments will continue will be up to the Turkish government," the first source said.

Diesel oil consumption rises in Turkey in first half of 2011

Hürriyet Daily News (AA), *29.07.2011*

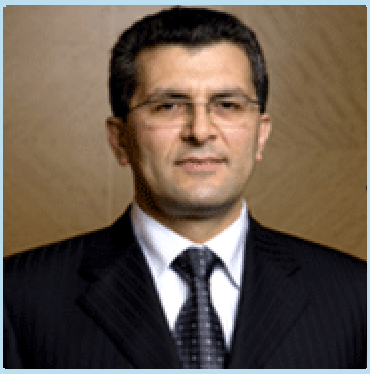
A survey conducted by the Turkish Petroleum Industry Association (PETDER) has revealed that diesel oil consumption in Turkey was on the rise while gasoline use dropped in the first half of the year.

Diesel oil consumption increased by 3 percent and gasoline consumption was down 8.3 percent in the first six months of 2011, according to PETDER's report covering the months from January through June. A total of 7.75 million cubic meters of diesel oil was used during the term covered, while gasoline use dropped to 1.17 million cubic meters.

The report also indicated that total consumption of automotive fuels grew 2.2 percent year-on-year in the reporting period, reaching 8.7 million tons. Indirect taxes obtained from fuel sales rose 7 percent to 17.6 billion Turkish Liras, nearly $10.45 billion, in the first half of this year compared with the same period a year earlier. Moreover, trading volume in the Turkish fuel sector recorded a 19 percent year-on-year increase in the same period and reached 33.1 billion liras, nearly $19.7 billion, the report said.

Azeri gas talks with Turkey may collapse over legal regulations

Today's Zaman (Abdullah Bozkurt), *24.07.2011*



Talks between Turkey and Azerbaijan over natural gas sale contracts from the second development phase of the Shah Deniz field have hit a snag over jurisdictional issues and legal rights, a senior executive of the State Oil Company of the Azerbaijan Republic (SOCAR) has said.

Khalik R. Mammadov, vice president of SOCAR, and Vagif Aliyev, general manager of the investments division, said most of the details of the contract, including transit fees, volumes of gas and transportation options, have been finalized. Yet both said the disagreement over what legal jurisdiction will govern the deal still hangs in the air.

Stressing that the Shah Deniz II investment may amount to $25 to 30 billion with the construction of pipelines, Aliyev stated that an investment of this magnitude must be secure. One of the means to achieve such security is a solid legal jurisdiction to protect the interest of all partners. “The legal rules governing the deal could be British or Swiss,” he said. In addition to SOCAR, other partners developing the field are the UK’s BP, Norway’s Statoil, France’s Total, LukAgip, Iranian NIOC and the Turkish Petroleum Corporation (TPAO).

Turkey, a key country for carrying Azeri gas to Western markets with one of possible three routes, argues that it should have jurisdiction since most the pipelines traverse Turkish territory. SOCAR and the state-owned Turkish Pipeline Corporation (BOTAS) signed a memorandum of understanding in June 2010 for the sale of additional gas volumes and the conditions of purchase of volumes intended for the European market. “We have agreed with our Turkish partners on the main substantive issues during our talks,” said Aliyev, adding that “the only thing left for us to do is to convert all these details into a legally binding contract.”

The SOCAR executive predicted that the talks, suspended due to this year’s national elections in Turkey, would resume again soon. “We wanted to finalize the talks by the end of April or mid-May, but it did not happen. Hopefully we will pick up where we left off soon, Aliyev said. Noting that the prior agreement with BOTAS from Shah Deniz Phase I, signed last year, was governed by British legal rules, he said a similar deal can be made for the Phase II gas supplies as well.

The agreement with Turkey has huge significance for Azerbaijan because all three consortiums competing to build the infrastructure to carry gas from Shah Deniz to Europe look to Turkey for the construction of the pipelines or to link up their own pipelines with the existing ones that pass through Turkey. These pipelines are the US and EU backed Nabucco, the Interconnector Turkey-Greece-Italy (ITGI) and the Trans Adriatic Pipeline (TAP). The development of Shah Deniz II is expected to complete by 2017.

Aliyev also underlined that SOCAR wants to open up to the Middle Eastern markets via Turkey. “We have already made preliminary inquiries with potential customer countries in the Middle East. Once Syria is stabilized, we will start selling natural gas to all customers in the Middle East,” he said. Last April, Azerbaijan signed a protocol on economic cooperation between Azerbaijan and Jordan, which included a framework for discussions about the export of an unspecified amount of Azerbaijani crude oil and natural gas to Jordan.

Since no pipeline exists for delivery of Azeri gas to customers in the Middle East, Turkey comes into play as a strategic partner. Turkey’s BOTAS plans to complete a route that will link Turkey to the Syrian city of Aleppo next year. That could allow SOCAR to sell gas to Jordan, Syria and even Israel. “Syria did express interest in building a pipeline to connect its grid to Turkey, while BOTAS has already completed some of the pipeline construction in border areas,” Aliyev said. He also predicted that Azerbaijan could sell gas to Greece via the established network between Turkey and Greece.

Aliyev is also chairman of the board of directors of Petkim, SOCAR’s Turkish subsidiary that produces petrochemicals in the western province of İzmir. “We have planned to invest $100 million this year alone to increase the capacity of the company,” he said, adding that Petkim continued to grow even during the economic crisis in 2008 and 2009.

As for the planned construction of a refinery in Aliaga, Izmir province, Aliyev announced that the company expects to break ground as early as this coming fall. The construction of the refinery, the expansion of an existing petrochemical plant and the construction of a power plant, is expected to cost for $5 billion. It will be one of Turkey's largest private investments ever made in one region. Petkim secured a license for construction of the refinery last year. The company will employ around 10,000 workers during the construction of the refinery. Some 1,000 people will be hired permanently following the completion of the project. The refinery will be capable of processing 10 million tons of raw materials, making it one of the most important processing centers in Europe. The plant is expected to be completed by 2015.

Petkim is also planning to expand Aliaga port to accommodate increasing traffic. The company is holding talks with a Dutch terminal operating company to expand and operate the port of Aliaga, which is projected to have a larger capacity than the port of Izmir by 2018. The port is planned to have a container capacity of 1 million 20-foot equivalent units (TEU), while its liquid cargo handling capacity is projected to be around 20-25 million tons. The environmental impact studies for the expansion of the port were competed and town hall meetings with the residents in the area were also held.

With all the new investments, Aliyev said the company is trying to create a "Petkim Peninsula" similar to that of Jurong Island in Singapore, one the most important production hubs in the Far East. "This master plan envisages the establishment of a special industrial zone in Aliaga with investment and development schemes having terms of 25-30 years," he said. Once the refinery goes into operation, Aliyev said they will start other investment projects. One of them is to build an electric power station in the region from wind power, he said. The company's application to produce 25 megawatts of wind energy annually has already been approved.

The company is also interested in the sale of IGDAS, Turkey's largest gas distribution network, based in Istanbul, through a tender offer. IGDAS services some 4.2 million customers and has an annual distribution of 4 billion cubic meters of natural gas. Asked if SOCAR is interested in the tender, Aliyev smiled and said: "We are an energy company after." He signaled, however, that the company is not interested in the sale of another gas distribution company in Ankara, BaskentGaz, Turkey's second largest natural gas distribution grid.

Asked whether SOCAR may consider the sale of Petkim for the right price, chairman of the board of directors Vagif Aliyev said, "We won't sell this company because this is a strategic investment for us." He emphasized that they consider Petkim to be a long-term investment and hope to expand into other markets from Turkey via Petkim. SOCAR and Turcas Petrol together acquired 51 percent of the shares of Petkim in 2008 at a cost of $2.04 billion in a privatization deal.

He also said the company is looking for increased profit this year, though he noted most of the profit will go into major expansion investment like capacity increase and the purchase of more raw materials. The company's investment plan earmarks $3.5 billion to $5 billion for the procurement of raw materials for the next several years. A project of investments in the Petkim units until 2040 is under development. It plans to reach the volume of output sales at the level of $15 billion by 2015 and up to $20 billion by 2020. The company ultimately aims to be one of the major players in petrochemicals and oil refining in the world.

Tüpras again tops Turkey's biggest industrial corporation list

Today's Zaman, *28.07.2011*

Turkey's largest oil refining company, the Turkish Petroleum Refineries Corporation (Tüpras), has retained its number one spot on the list of the top 500 industrial companies in Turkey.

The Istanbul Chamber of Commerce (ISO) announced Turkey's biggest 500 industrial companies in terms of turnover during a press conference at its İstanbul headquarters. According to the list, Tüpras, once again, is listed as Turkey's biggest industrial corporation with TL 20.82 billion in earnings. Tüpras has been at the top of the list since 2005.

Tüpras's share in total sales of all companies in Turkey rose from 7.4 percent in 2009 to 8.2 percent in 2010. TUPRAS is followed by the state-owned Electricity Generation Holding Company (EUAS), which generated TL 9.74 billion in turnover. EUAS is the only public company in the top 10. EUAS retained its second position for the second year in a row while Ford, earning TL 6 billion, managed to climb to third position on the list having moved up from number six in 2009. According to research carried out by the İSO, EUAS recorded the highest profit last year at TL 4.85 billion.

In 2009 EUAS registered a profit of TL 1.42 billion. The Turkish Petroleum Corporation (TPAO), having recorded a profit of TL 1.30 billion, ranks second on the list of most profit-generating industrial companies, followed by TUPRAS, which made a profit of TL 929 million. On the top 10 list of most profit-generating corporations were four public companies this year, one more than in 2009. Last year, like every year, private companies were the most-exporting industrial corporations in Turkey, dominating the top 10 list.

Oyak-Renault was named the company with the highest exports, earning $3.24 billion from exports. With $2.85 billion, Tüpras ranks second on this list. Ford came in third, generating $2.64 billion from its exports. The share of the top 50 industrial companies in total sales of all the firms in Turkey combined increased from 48.5 percent in 2009 to 49.8 percent in 2010. Their share in total exports also rose, jumping from 20.1 percent in 2009 to 51.4 percent in 2010. However, their contribution in terms of employment last year dropped to 30.7 percent from 32.3 percent in 2009.

Goldman Sachs to acquire Aksa stake in Turkey for $450 million

Bloomberg (Ercan Ersoy), *25.07.2011*

Goldman Sachs Group Inc. agreed to buy 26.5 percent of Aksa Enerji Uretim A.S., one of Turkey's two biggest power producers, for about $450 million, driving a record gain in the utility's shares.

Goldman Sachs will pay 5.05 liras ($2.94) a share to Aksa's parent company, Kazanci Holding, which will invest the proceeds in power generation, Aksa Chairman Cemil Kazanci said today by telephone. "The price isn't certain and could change at the closing of the transaction," he said.

Turkey's energy industry is luring international companies as electricity demand is set to grow by an average 6.3 percent over the next 20 years, Hasan Köktas, head of the energy-market regulator, said June 15. Italy's Ansaldo STS SpA won a 640 million-euro ($919 million) order for an 865-megawatt plant this month. Austria's Verbund and OMV, Germany's RWE and U.S.-based AES Corp. have also bought power assets in Turkey.

Goldman Sachs loaned Kazanci Holding $192 million as part of the transaction, Kazanci said. The holding company pledged 43 percent of Aksa shares as collateral for the loan, which has a maturity of a year and one week, he said. Goldman Sachs's offer represents a 22 percent premium to Aksa's volume-weighted average share price over the 20 days through July 22, according to data compiled by Bloomberg. Aksa rose 33 kurus, or 8.7 percent, to 4.14 liras at the 5:30 p.m. close in Istanbul, the biggest one-day gain since the stock started trading in May 2010.

Aksa expects the deal to close in September. Kazanci Holding will use a 'large part' of the proceeds to pay its debts to Aksa, Zeynep Karaman, an analyst at BGC Partners Istanbul, said by telephone. In April, Kazanci Holding applied to the Istanbul Stock Exchange to sell 68.9 million shares in Aksa, or an 11.9 percent stake, on the bourse. The stock slumped 13 percent in the following three months. "I don't think Kazanci has given up on its plan for a secondary share sale at Aksa, but this plan has put pressure on the stock price," according to Karaman, who recommends buying Aksa shares. "Now that overhang seems to be going away."

TEPCO says will not join Turkey nuclear project

Reuters, *28.07.2011*

Tokyo Electric Power Co said it would not be involved in a planned nuclear power plant project in Turkey because it is focusing on overhauling its operations in the wake of the disaster at its tsunami-crippled Fukushima atomic station.

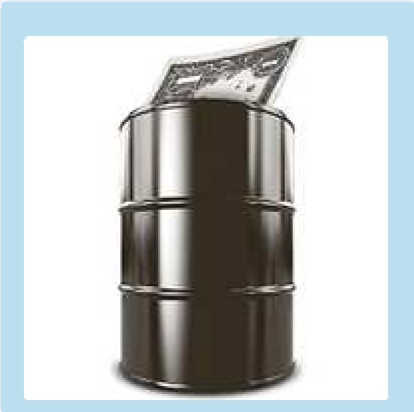
The company, also known as Tepco, had previously said it would join the project to build a second nuclear plant in Turkey on the Black Sea coast if industrial conglomerate Toshiba, which has been in talks with Turkey, asks for its help. "We plan to withdraw from operations except for those that are essential to the power business," a Tepco spokesman said. "We will not be involved in Turkey."

Turkey may end priority negotiations with Japan on building the plant by the end of this month, a move that could lead to competition for the project with other nations including France and South Korea, the Yomiuri newspaper reported. Turkey and Japan reached a basic agreement in December to build the plant and had aimed to conclude the deal within three months. But the talks were delayed after Japan's earthquake and tsunami in March crippled Tepco's Fukushima plant and caused a radiation crisis. The spokesman said, however, that Tepco would be involved in Japan's project to win a nuclear plant order from Vietnam.

A consortium of Japanese utilities and nuclear power developers including Tepco set up a venture in October, aiming to win nuclear plant orders from overseas, including Vietnam. The group includes Japan's top three utilities Tepco, Chubu Electric Power Co and Kansai Electric Power Co, along with Toshiba, Hitachi Ltd and Mitsubishi Heavy Industries.

Iran: Turkey not part of India oil payments

Today's Zaman (Reuters), *01.08.2011*



Iran will recover billions of dollars' worth of debt for oil exports to India without the help of Turkey, its central bank chief said, while another official said Turkey was one of several possible intermediaries to unblocking the funds.

"Turkey does not have any role in transferring Iran's money from India," the semi-official Mehr news agency Mehr quoted Mahmoud Bahmani as saying. "Iran itself will receive its debt arrears." Indian buyers owe Iran $5 billion for months of supplies after India scrapped a previous clearing mechanism in December under pressure from the United States.

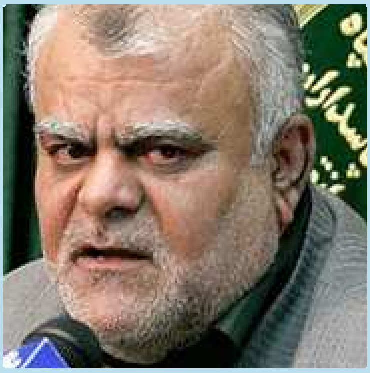
Washington wants to isolate Tehran which it believes is developing nuclear weapons, something the Islamic Republic denies. While the sanctions do not stop Iran from selling its oil, they are increasingly making it difficult to receive petrodollars via foreign banks. Iran's biggest Indian customer, state-run Mangalore Refinery and Petrochemicals Ltd (MRPL) , made a test payment in euros through Turkey's state-controlled Halkbank with a view to using that channel to overcome the blockage, two sources with direct knowledge of the matter said on Friday.

In the Mehr report, Bahmani did not say how the payments would be made to Iran where sanctions have made it increasingly difficult to perform international banking transactions. The central bank was not immediately able to comment. In a separate article, Mehr quoted Iran's ambassador to India confirming that Turkey was one possible intermediary. "Iran and India's officials' efforts to resolve the problem led to negotiations with two or three third parties of which Turkey was one," Mehdi Nabizadeh said.

India and Iran have been looking for ways for New Delhi to pay for some 400,000 barrels per day of Iranian crude, or 12 percent of India's oil demand, since the Reserve Bank of India halted a clearing mechanism under U.S. pressure in December. Executives at Indian refineries said in late July they had still not received any crude oil supply notices for August after Iran told them it would stop shipments over the ballooning debt. The head of the National Iranian Oil Co. (NIOC), Ahmad Ghalebani, said on Sunday the problem had been solved and that the debt would begin to be paid "in the coming days".

Iran parliament approves Revolutionary Guards Commander as Oil Minister

Rigzone (Dow Jones), *03.08.2011*



Iran's lawmakers approved a sanctioned senior official from the powerful Islamic Revolutionary Guard Corps as oil minister, as hardliners scored a major victory in tightening control over the country's most important sector.

Brig. Gen. Rostam Ghasemi, who had been proposed by President Mahmoud Ahmadinejad, was approved by 216 votes from a total of 246, according to Iran's Parliament website. Ghasemi, who heads Khatam al-Anbiya, the most powerful economic wing of the Revolutionary Guards, will be the first commander from the elite paramilitary force to move into a ministerial post not related to defense.

The appointment is a strategic gain for the Guards, who are responsible for safeguarding Iran's Islamic revolution and defending its borders, and who are now likely to increase their reach in the economy. Ghasemi's arrival at the ministry is also likely to complicate internal relations within the Organization of the Petroleum Exporting Countries, over which the Islamic Republic presides under a rotating system. A key OPEC meeting split acrimoniously in June after Iran successfully thwarted a Saudi push to hike oil output.

Ghasemi is subject to sanctions by the U.S. and European Union for his role in helping Iran's nuclear program. After Ahmadinejad took office in 2005, the Revolutionary Guards won multiple contracts in the oil and gas sector, signaling the group's rising political and economic influence. That has grown, notably in the oil and gas industry, as sanctions force international companies to pull out of Iran.

According to Ahmad Ghalebani, head of the state-owned National Iranian Oil Co., Khatam al-Anbiya has won an estimated $25 billion of contracts. And in remarks to parliament ahead of the vote, Ghasemi pointed out that the contractor had won deals in projects where Total of France and Anglo-Dutch oil giant Shell refused to enter. Ghasemi's "more pressing challenge is to try to revise the oil production that has been slipping" due to bureaucracy and sanctions, said Mehdi Varzi, president of U.K. oil consultancy Varzi Energy.

According to the International Energy Agency, a reference on energy statistics, Iran's available oil production capacity fell by 246,000 barrels a day over the 12 months to June. But the fact Ghasemi is "much closer politically to the current political leaders of Iran" may actually help him in solving the oil sector's problems, said Varzi, who is himself a former Iranian oil official. In recent months, Ahmadinejad has been at loggerheads with the parliament and with supreme leader Ali Khamenei over political influence.

Russia may sell $14 billion Rosneft stake in record offering

Bloomberg, *27.07.2011*

Russia plans to sell as much as 15 percent of oil company OAO Rosneft next year in the biggest state asset sale in the nation's history.

The government will auction the stake as part of an expanded state asset-sale program and wants to find buyers for its entire 75 percent holding by 2017, Alexei Uvarov, head of the Economy Ministry's property department, which is overseeing the plan, said in an interview in Moscow yesterday. The current market value of the stake is about $14 billion.

President Dmitry Medvedev is seeking to increase asset sales to reduce the state's role in the economy and bolster the investment climate. The government plans to sell its entire holdings in Rosneft, Russia's largest oil producer, Alrosa, VTB Group and 11 other major companies to raise a maximum of 1 trillion rubles ($36.4 billion) a year, Uvarov said.

"Compared with other companies, Rosneft is entirely ready for privatization," Uvarov said. "Investors abroad know Rosneft and they're waiting for it. Rosneft may be the main attraction in next year's sales." The government owns 75.16 percent of Rosneft through investment vehicle OAO Rosneftegaz. Rosneft stock has gained 8.5 percent this year, valuing the company at 2.5 trillion rubles. Rosneft's shares fell 1.7 percent to 237.50 rubles at 6:31 p.m. in Moscow.

BP's proposed $7.8 billion share swap and Arctic exploration accord with Rosneft collapsed in May after the U.K. producer's billionaire partners in its existing Russian venture blocked the alliance. Medvedev ordered the government last month to draft a revised asset-sale program by Aug. 1, broadening the offerings to attract "effective private investors" and boost budget revenue. The new proposal, signed by First Deputy Prime Minister Igor Shuvalov, has been sent to the president, Uvarov said.

The revised plan calls for selling off the entire state stakes in Rosneft, VTB, Alrosa, OAO Sovcomflot, Sheremetyevo International Airport, OAO Inter RAO UES, OAO RusHydro, Russian Agricultural Bank, Rosagroleasing, United Grain Co., OAO Aeroflot, OAO Zarubezhneft, OAO Rostelecom and State Transport Leasing Co. The government also plans to reduce its holdings in United Shipbuilding Corp. and United Aircraft Corp. to 50 percent and in Uralvagonzavod to 75 percent, Uvarov said.

The new list doesn't set deadlines for the sales because the government doesn't want to "limit its room for maneuver," Uvarov said. The authorities sought the advice of a "very wide circle of people," including state companies' management, independent board directors and investment banks, Uvarov said. The government has selected 23 Russian and international investment banks to advise it on the program, including Goldman Sachs Group Inc. (GS), Morgan Stanley, JPMorgan Chase & Co. (JPM), Deutsche Bank AG, VTB Capital, Troika Dialog and Renaissance Capital.

"We don't intend to overpay," Uvarov said. "Since a lot of banks want to work with us, we've got the opportunity to be selective, and we're using it." Consulting fees for the sales will be capped at 2 percent, he said. The state's goals haven't changed since a first-round of sales turned Soviet behemoths into private companies such as OAO GMK Norilsk Nickel and OAO Mechel (MTLR), Uvarov said.

"The task is the same -- stimulating private business, developing the stock market, raising capital for companies and increasing their transparency," Uvarov said. "We're going to conduct this privatization so that afterward it's beyond reproach both from an economic and administrative point of view," Uvarov said. "We understand that a successful privatization, in addition to providing financial benefits, will also help Russia's institutional transformation."

Even so, credit rankings of as many as 60 percent of state companies analyzed by Fitch Ratings may be downgraded if the government withdraws support as a result of the its asset-sale program, the rating company said July 7. State support adds one level to standalone credit ratings of Alrosa, the diamond monopoly, and Aeroflot, Russia's biggest airline, as well as shipper Sovcomflot and Rosneft, Fitch said.

"We believe it's absolutely incorrect to cut ratings for companies that the state is exiting," Uvarov said. "When a company is preparing for a listing, it becomes transparent and understandable to everyone. If investors are going to buy the company that means they're happy with it." Should another economic crisis hit Russia, the government will again step in to support all businesses to meet its social obligations to workers and consumers, Uvarov said.

The government also wants to retain so-called golden shares in Alrosa, RusHydro, Zarubezhneft, United Grain and Rosneft, Uvarov said. That gives the state voting rights roughly equivalent to a 25 percent blocking stake, he said.

Rosneft's initial public offering in 2006 raised $10.7 billion, according to the company's website. To date, that sale is Russia's biggest state asset sale. The Moscow-based company controls most of the former assets of Yukos Oil Co., Russia's largest oil producer before it was declared bankrupt in 2006 after facing $30 billion in back-tax claims. Rosneft's management, including Chief Executive Officer Eduard Khudainatov, is "fully supportive" of the plan, Uvarov said.

The company is preparing for the government to reduce its stake, Khudainatov said July 21 in a meeting with Medvedev. "It's up to you as the state, as the main shareholder, to determine when to sell and what the state's revenue should be, and management will follow through," he said, according to a transcript on the Kremlin website.

Islamic pipeline contract signed

Trend.az, *25.07.2011*

Iran, Iraq and Syria signed one of the biggest gas deals in the Middle East in the Pars Special Economic Energy Zone (PSEEZ).

The first official agreement on gas export and transit between Iran, Iraq and Syria was signed by Iraqi oil minister Abdul Karim al-Luaibi and Syria's oil and mine minister Sofian Allaw and Iranian oil ministry caretaker Mohammad Aliabadi. Iran, Syria and Iraq signed this agreement to export and transit gas from the South Pars through Iraq, Syria to Lebanon, Mediterranean Sea and European countries.

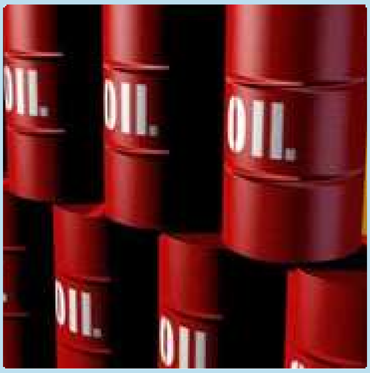
The so-called Islamic pipeline is considered to become a rival to Nabucco and South Stream pipeline's future rival. It is expected that foreign companies and a consortium formed by Iran, Syria and Iraq will provide part of financial sources of the gas pipeline project and international consultant will realize the pipeline construction.

Deputy Oil Minister Javad Owji said Mehr News Agency that Iran's gas production capacity increased to 600 mcm per day and this figure would reach to 1.2 billion cubic meters after the implementation of new phases of South Pars oil and gas field by 2012. “The construction of pipeline requires $10 billion investment including the expense of building gas coprocessors and other equipment and will be constructed within three years,” he said.

Owji underlined that the five international investors have announced their readiness for participation in building the Islamic pipeline. “The model of projects financing would be BOO (build, own, operate) or BOT (Build, Own, Transfer),” he said. The pipeline length is more than 1,500 kilometers from Assaloyeh to Damascus with transfer capacity of 110 million cubic meters of natural gas per day. At present, construction of 661 kilometers of the pipeline is completed but the trio considers constructing a 5,600 kilometer pipeline to transfer 110 mcm natural gas in the future.

China and Iran in talks for oil barter

Hürriyet Daily News, *25.07.2011*



Tehran and Beijing are in talks about using a barter system to exchange Iranian oil for Chinese goods and services. United States financial sanctions have blocked China from paying at least $20 billion for oil imports.

The U.S. sanctions against Iran, which make it extremely difficult to conduct dollar-denominated business, mean that China could owe the oil-rich nation as much as $30 billion, according to people familiar with the problem. China and India together buy about one-third of Iran's oil, the country's economic lifeblood. China's oil imports from Iran have risen 49 percent this year.

Iran last week threatened to cut off oil exports to India, which owes $5 billion for oil but has not been able to move the money out of an escrow account to Tehran. Unlike India, which exports almost nothing to Iran, China is dominant in Iranian business and could use a barter system to balance trade between the two countries. Beijing is involved in everything from building tunnels to exporting toys and has been expanding into Iran's oil sector, where European companies such as Shell and Total have been deterred by the difficulties of operating without contravening sanctions.

China and Iran's bilateral trade totaled $29.3 billion last year, up almost 40 percent from 2009. The two countries this month signed several infrastructure and trade collaboration agreements that would see Chinese companies invest in big infrastructure projects in Iran, while Iran would export large quantities of chrome ore to China.

Iran, Iraq and Syria meanwhile inked Monday a memorandum of understanding for the construction of pipelines designed to deliver Iran's natural gas to the two Arab nations in the next three to five years and possibly to Lebanon and Europe in the future. "The overall cost of the project is estimated at around $10 billion," said Javad Ouji, the deputy oil minister and chairman of the Iranian National Gas Company, or NIGC.

Eni profits down as Libya crisis hits output

Upstream Online, *29.07.2011*

Italy's Eni posted lower profits during the first half of the year while output was hit by the ongoing crisis in Libya. The company posted an adjusted net profit of €3.8 billion ($5.4 billion), or €1.05 per share, for the first six months of the year, compared to a profit of over €4 billion, or €1.12 per share, during the same period last year.

"The main feature impacting Eni's results in the first half of 2011 was the disruption of oil and gas from Libya, which affected all of our business activities," chief executive Paolo Scaroni said.

Output for the first half of the year fell 12% to 1.6 million barrels of oil equivalent per day, down from an average of 1.8 million bpd during the first six months of 2010. About 170,000 bpd of production was lost due to the ongoing crisis in Libya and attributed another 30,000 bpd decline lower entitlements in its production sharing agreements due to higher oil prices.

However Eni said that when excluding lost production from Libya and price effects output was down 1% year-on-year with the continued ramp-up of production from operations in Norway, Egypt and Iraq offsetting natural decline in mature fields.

All of Eni's production facilities in Libya ground to a halt earlier this year as the country decended into a violent civil war with the exception of the Wafa field which is supporting the production of local electricity. As a result Eni said its current output from Libya was averaging about 50,000 barrels of oil equivalent per day, down from the expected level for the year of 280,000 bpd.

The drop in output hit the net sale figures for the company's exploration and production segment which fell to about €14.2 billion during the six months to 30 June, down 2.2% from nearly €14.6 billion a year ago.

Statoil hits record profit

Upstream Online, *28.07.2011*

Booming energy prices and a large divestment in a Brazilian offshore field sent Norway's Statoil to a record profit in the second quarter. The result was achieved against the backdrop of slumping production caused in part by political and social upheaval in Libya as well as lower gas off-take.

Statoil booked a net profit of Nkr 27.1 billion ($5.01 billion) in the three months to the end of June as against Nkr 3.1 billion in the comparable period last year. A major factor in the rise was the 32% increase in the average price of liquids with average gas prices soaring 28% and Statoil seeing an 18% hike in lifted volumes.

This sent revenues soaring from Nkr 129.3 billion to Nkr 159.5 billion while Statoil managed to keep operating costs in check at Nkr 107.7 billion as against Nkr 102.9 billion. Statoil also booked a gain of Nkr 8.8 billion from the sale of a large chunk in the Peregrino offshore oilfield to to China's Sinochem in a deal which was agreed in April. Sinochem stumped up $3.07 billion for the 40% slice in the field which began producing at the start of April. It is located 85 kilometres offshore Brazil in the Campos basin in blocks BMC-7 and BMC-47.

Statoil chief executive Helge Lund termed the second quarter result a 'record' in terms of net income and said it delivered "an operational performance in line with expectations". Total liquids and gas production fell from 1.77 million barrels of oil equivalent per day to 1.49 million boepd. Total equity production slumped from 1.96 million boepd to 1.69 million boepd. "The 14% decrease in total equity production was primarily caused by lower gas off-take, reduced production permits, reduced water injection at Gullfaks, planned maintenance activities and natural decline on mature fields," Statoil wrote in today's result announcement. "Also suspended production in Libya added to the decrease."

Statoil reiterated that it expects total capital expenditure this year to hit around $16 billion with a similar figure envisaged in 2012. This year it expects to complete around 40 wells with total exploration activities to cost $3 billion.

"Planned turnarounds are expected to have a large impact during the third quarter of 2011 with an anticipated effect on production of around 70,000 boepd in the quarter, of which approximately 80% are liquids. In total, the turnarounds are estimated to have an impact on equity production of around 50,000 boepd for the full year 2011, of which most are liquids. For the period beyond 2012, Statoil has an ambition to reach an equity production above 2.5 million boepd in 2020. The growth is expected to come from new projects in the period from 2014 to 2016. A second wave of projects is expected to come on stream from 2016 to 2020."

Gazprom agrees to cut gas prices for Edison

Ria Novosti, *21.07.2011*

Russian energy giant Gazprom has agreed to cut gas prices for Italy's Edison SpA, the first European consumer to turn to the courts to demand lower prices on long-term contracts, business daily Kommersant reported.

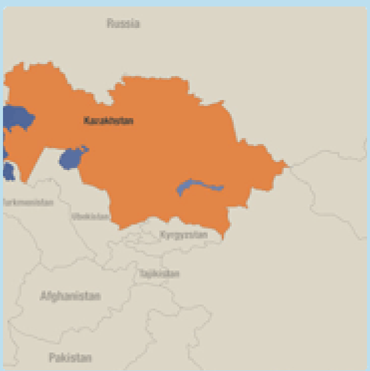
Edison, Europe's oldest energy firm, filed a lawsuit last November with the Stockholm Arbitration Court against Promgas, a joint venture between Gazprom and Italy's Eni, saying it lost money buying gas from Gazprom as market gas prices had fallen. Edison announced last Friday it had reached agreement on gas prices with Gazprom but declined to disclose the terms of the deal.

Edison's statement said that the deal took into account the fact that "market conditions have changed." The Italian energy company further said in the statement that it was terminating its litigation with Gazprom. Edison CEO Bruno Lescoeur was quoted as saying that the Russian side had agreed to review the gas price for Edison considering that prices on the Italian gas market had been falling in the past few years.

Gazprom Export, the export arm of Gazprom which held negotiations with Edison, confirmed to the paper that the conflict had been resolved but declined to disclose details of the new deal. The concessions will not be a major loss for Gazprom directly as Edison buys no more than 2 billion cubic meters from the Russian energy giant, but are likely to complicate Gazprom's negotiations with larger gas consumers, the paper said.

Kazakhstan increases oil export duties

Ria Novosti, *28.07.2011*



Kazakhstan has increased the rate of its customs duties on the export of oil products by 16.2%, but has not changed the duties on crude oil, the government said in a statement. According to the directive published by the government, customs duties for the export of light oil will be $114.05 per ton and oil products will be set at $76.03 per ton. Crude oil export duties will remain at the present $40 per ton.

Customs export duties presently stand at $98.13 per ton for light oil products and $65.42 per ton for oil products. The new customs duties will come into effect after August 7.

Announcements & Reports

► *Turkish Energy Market: An Investor's Guide*

Source : Energy Market Regulatory Authority
Weblink : http://www.epdk.org.tr/web/guest/yatirimci_el_kitabi

► *PETDER Sector Report (Jan – Jun 2011)*

Source : Turkish Petroleum Industry Association
Weblink : http://www.petder.org.tr/default.asp?path=editor&tur=haber_oku&id=517

► *OPEC Monthly 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

► *Oil Information 2011*

Source : International Energy Agency
Weblink : http://www.iea.org/W/bookshop/add.aspx?id=576

► *Electricity Information 2011*

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=578

► *Coal Information 2011*

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=579

► *Renewables Information 2011*

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=580

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/