Oil & Gas Bulletin
► *26.08.2011*

Gas and electricity prices hike on the pipeline

Hürriyet Daily News (Reuters), *23.08.2011*

Natural gas and electricity prices are set to be increased soon, Turkey's Energy Minister Taner Yildiz told reporters in a press meeting on Tuesday, responding to news reports on a possible hike. The minister said this is something that is re-evaluated by the ministry periodically and highlighted the rising cost of providing energy for homes.

Yıldız said a spike natural gas prices would be evaluated taking into consideration that the prices of importing natural gas have increased by 39 percent in 29 months. He added that the currency rates have also caused a significant rise in the cost of energy.

"While we will evaluate the subject, it is not possible to interfere with this system that operates with an automatic pricing mechanism," said Yildiz. The minister thus confirmed the rise in the price for natural gas used in homes, pointing out that acquiring and processing the gas has become more expensive for the ministry. "It is natural that we evaluate the price of natural gas once a month and the price of electricity every three months, and compare the production costs."

The prices for natural gas Turkey purchases from Russia have increased by about 39 percent in the last 29 months, Reuters reported Monday. On the other hand, Turkey's Petroleum Pipeline Corporation, or BOTAS, has not applied an increase in prices for customers for the last 34 months, which was considered 'unsustainable' by a private sector source.

Turkey to start power futures trading in September

Platts, *23.08.2011*

Turkey's derivatives market, Vadeli Islem ve Opsiyon Borsasi (VOB) plans to begin allowing the trading of Turkish power futures in September, the head of the exchange said.

"We have received permission to begin trading from the Capital Markets Board and from the Energy Regulatory Authority and now we need the go-ahead from our own board," Cetin Ali Dönmez said. Dönmez said VOB plans to offer cash settled trading based on prices on Turkey's existing state operated day ahead balancing and settling market 'PMUM'.

"The VOB market will use the existing market and contracts and will allow traders to buy and sell based on what they think the PMUM price will be," Dönmez said, adding that the VOB also is planning to allow for trading based on physical delivery contracts. But he cautioned that while the new trading facility plans to use the PMUM market as a basis, VOB is taking care not to disturb the existing settlement structure. "We will supply PMUM with details of who is buying and selling," he said. Exactly who will use the market is not clear.

According to Dönmez the VOB market could in theory grow to take on the full annual TRY50 billion ($28 billion) value of the current PMUM market. "As yet we don't know how much of that value will be reflected in derivatives trading," he said. Others though are more cautious. According to Mustafa Karahan head of Turkey's Electricity Traders' Association, which worked on the initial study for trading power in Turkey as a derivative, the new VOB market may encounter problems. "We think they need to wait until it becomes clear whether PMUM can actualy operate as a real spot market," he said. Dönmez said such complaints are premature. "We are aware of the criticisms, but we will be working closely with PMUM and can help it to reorganize into a true spot market," he said adding that he realized that current Turkish goverment plans forsee the establishment of a full OTC market in Turkey.

To that end the ETD last month launched a Turkish language version of the standard European Federation of Energy Traders (EFET) adapted to be in line with Turkish law and held a series of workshops to introduce the new contract to interested parties. But the new contract is unlikely to be used unless and until Turkey makes reforms to its contract law which imposes a stamp duty of 0.825% on all contracts bearing a value. As EFET contracts may be traded multiple times before the power they relate to is generated, and each trade would attract stamp duty, effectively ruling out trading using the contract. Turkish energy minister Taner Yildiz has previously stated his support for the creation of a full OTC market in Turkey but any decision on the removal of stamp duty is believed to lie with the Turkish treasury.

Northern Cyprus prepares its own drilling plan

Hürriyet Daily News, *21.08.2011*

Turkey and Northern Cyprus are planning to sign an agreement to draw an exclusive economic zone in the Mediterranean Sea and invite foreign companies for gas and oil exploration, in retaliation to Greek Cyprus' scheduled drillings set for October.

"Turkish Cypriots will sign their own agreements and start their own offshore exploration activities, if the Greek Cypriot side fails to suspend its activities to explore and extract oil and natural gas off the southern shores of Cyprus," Kudret Özersay, Turkish Cypriot leader Dervis Eroglu's special representative, told.

Before a unification deal with Turkish Cyprus is brokered, Greek Cypriot ambition to benefit from potentially rich gas and oil reserves in the Mediterranean Sea has once again increased regional tension. The announcement that a U.S. firm, Noble Energy, would begin drilling for natural gas off southern Cyprus' coast on Oct.1 has drawn Ankara's reaction both against Greek Cyprus and countries whose companies have been involved in the process. Turkey urged the United States to convince interested U.S. companies to stay away from these kinds of activities if they do not want to push the region into turmoil. It also said such moves would seriously hurt ongoing reunification talks between the two sides of the divided island.

"We will act in the context of the principle of reciprocity," Özersay said. Even if countries are divided, they could get all the benefits of a former partnership, he said, implying that if reunification talks fail and the island becomes divided into two states, the Greek Cypriots' benefits from the island's natural resources must be shared. "If Greek Cypriots do not suspend the natural gas drilling and receive its benefits in the future, Turkish Cypriots would obtain their share on the island's natural sources," he said. A unilateral act of the Greek Cypriot side did not mean that the island's natural resources belong solely to them.

Another official from the Turkish Cypriot administration, who wanted to remain anonymous, clarified their future plan for action if the Greek Cypriots insist on drilling for natural gas. "We can sign an agreement with Turkey for delimitation of the exclusive economic zone, so the ships of TPAO (Turkish Petroleum Company) can explore off the southern and western part of the island," the official said. "In the past, foreign companies asked us about gas and oil exploration. We can also invite them and provide a license for them to perform explorations around the island," he added.

Since the early 2000s, Greek Cyprus has signed a number of agreements with littoral countries of the Eastern Mediterranean Sea to draw economic zones, with each of them being able to benefit from gas and oil reserves. Turkey made counter-attacks against the move, urging all Eastern Mediterranean countries suspend these deals with Greek Cyprus.

More than 108.4 Bcf produced from Shah Deniz field

Rigzone (Trend News Agency), *22.08.2011*

During the first half of 2011, the Azerbaijani Shah Deniz field produced about 3.07 billion cubic meters (more than 108.4 billion cubic feet) of gas and 0.8 million tonnes (6.5 million barrels) of condensate or over 17 million cubic meters of gas per day (about 600 million standard cubic feet per day) and about 35,800 barrels of condensate per day, BP reported.

In 2010, the Shah Deniz field produced about 6.9 billion cubic meters of gas and 1.9 million tons (14.7 million barrels) of condensate. Then, the average daily production at the field was 19 million cubic meters of gas and 40,000 barrels of condensate.

For the full year, it is expected to spend $169.9 million in operating expenditure and $791.6 million in capital expenditure on Shah Deniz activities. In the first half of 2011 Shah Deniz spent $ 86.8 million in operating expenditure and $298.2 million in capital expenditure.

Since the start of Shah Deniz production in late 2006 till the end of the second quarter of 2011 about 56.3 million barrels (7.13 million tonnes) of Shah Deniz condensate was exported to world markets. Peak production from the Shah Deniz project is forecasted at over 9 billion cubic meters of gas and 50,000 barrels of condensate per day.

According to forecasts, within the second phase of the field's development gas production may be increased to 25 billion cubic meters per year. Shah Deniz reserves are estimated at an amount of 1.2 trillion cubic meters of gas.

The contract to develop the offshore Shah Deniz field was signed June 4, 1996. Participants to the agreement are: BP (operator) -- 25.5 percent, Statoil -- 25.5 percent, NICO -- 10 percent, Total -- 10 percent, LukAgip -- 10 percent, TPAO -- 9 percent, SOCAR-10 percent.

ExxonMobil sues US government over seizure of oil leases

The Telegraph, *18.08.2011*

Oil major ExxonMobil is suing the US government for cancelling some of its deep-water exploration permits in the Gulf of Mexico.

The case comes after the US authorities took away three out of five of Exxon's leases for the Julia field, which is thought to contain billions of barrels of oil. The leases expired and the US Interior Department said Exxon had not met the requirements for an extension. It concluded that Exxon 'lacked commitment' to developing the field, after the company tried to request a suspension of production in October 2008.

Exxon argued that federal law allows suspensions in order to ensure a development advances in a safe manner. In the lawsuit, filed last week in Louisiana, Exxon said the decision arbitrarily deprived it of rights and denied the company its ability to produce from the field. Two other leases for the field have yet to expire.

President Barack Obama's administration has criticized companies for sitting on big oil finds and not developing them, a practice which deprives the US of tax revenue. However, the drastic step of taking away an oil discovery is rare and raises the prospect of a protracted legal battle, with co-owner of the field, Statoil, also affected.

"Our priority remains the safe development of the nation's offshore energy resources, which is why we continue to approve extensions that meet regulatory standards," an Interior Department spokesman told Reuters. "We are reviewing the complaint in accordance with standard procedures." Licensing in the Gulf of Mexico has been under scrutiny ever since BP's Gulf of Mexico oil spill heavily affected the region in April last year. After the accident, all permits for new deep-water wells were suspended and the authorities have only just begun to grant new ones to oil companies.

EU may propose Kyoto Protocol extension

EurActiv, *23.08.2011*

The EU could propose a lifeline for the beleaguered Kyoto Protocol and secure the future of the Clean Development Mechanism (CDM) beyond 2012, government negotiators and observers have said. EU officials will discuss whether to back an extension to the climate treaty in the next few weeks, on the condition that it expires in 2018 and is replaced with a deal that caps all major nations' emissions.

If all 27 countries agree, the EU could announce the plan at UN climate talks in South Africa in November, as part of an attempt to overcome the four-year impasse over Kyoto's future.

Such an agreement could bolster confidence in the CDM, for which new investment shrank to a fifth of its peak last year as UN negotiators tied the future of the offsetting system to new targets under the Kyoto pact that underpins it. "It's not a formal EU position yet, although it is something that has gained ground in recent months," said one senior EU negotiator who requested anonymity. "We see there are a lot of parties that want to maintain the Kyoto Protocol and its rules-based system. Maybe it's possible to preserve the rules, but not ratify" he added.

EU leaders will discuss the proposal ahead of an October meeting of environment ministers, at which the bloc is expected to agree a collective negotiating position for November's Durban talks. Earlier this year, the EU rebuffed an offer by developing nations to unilaterally sign a second Kyoto period in return for extending the CDM, which provides the offsets used by EU nations to meet their emissions targets.

Since then, the EU which opposes extending Kyoto without commitments from other major nations such as China, India and the US has grappled with various alternatives. "To ratify will take countries years," said Mark Lynas, climate advisor to the president of the Maldives, which is vulnerable to rising sea levels, a by-product of global warming. "This is for some kind of transitional legal arrangement to keep the Kyoto mechanisms in operation, or in some kind of suspended animation until a new Kyoto period is agreed," he said.

It might also keep the pact's strict auditing system and carbon markets working without immediately taking on new internationally-binding pledges. Green groups and developing countries want a second Kyoto phase to preserve the pact's system of independently-verified emission reductions rather than a voluntary pledge-and-review system that major emitters are lobbying for, but have yet to agree the rules. Canada, Russia and Japan have all ruled out ratifying a second phase of targets, despite the Japanese government spending hundreds of millions of dollars buying Kyoto-backed carbon credits to meet caps. "These EU parties [backing the plan] do not want to kill the Kyoto Protocol," said Hans Verolme, a Germany-based consultant who works for environmental groups including WWF."

North Korea agrees gas pipeline deal with Russia

Ria Novosti, *24.08.2011*

North Korean leader Kim Jong-il agreed on a deal with Russian President Dmitry Medvedev for a gas export pipeline to South Korea. North Korea has been in negotiations with Russian gas giant Gazprom on a pipeline that would be laid through its territory to South Korea. Reports suggest such a deal could be worth around $100m a year for the North.

“As for gas cooperation, we have results. We’ve ordered our government bodies to establish a special commission…to outline the details of bilateral cooperation on gas transit through the territory of North Korea and the joining of South Korea to the project,” Medvedev said.

The technical work on the pipeline will start soon, Medvedev said, adding that he had told Gazprom CEO Alexei Miller to “pay the issue the closest attention.” In early August, Russian Foreign Minister Sergei Lavrov held talks on the issue with his North Korean counterpart Kim Son Khvan. Lavrov said then that if talks were successful on a corporate basis, then the project could get trilateral political approval. In 2009 South Korea’s Kogas and Gazprom signed an agreement on a joint study into the gas delivery project. The construction of the pipeline, however, was stalled because of tensions on the Korean peninsula.

Oil prices slip on 1st day of Libyan end-game

Hürriyet Daily News (Reuters), *22.08.2011*

The world oil market anticipates return of Libyan crude as rebels against the Moamar Gadhafi regime reached Tripoli late Sunday.

Given that the Brent price was below $100 before the uprising started in March, prices have some way to go, but it won’t come down as quickly, says an expert. Brent crude fell more than $2 on Monday towards $106 a barrel with traders and investors anticipating the resumption of oil exports from OPEC-member Libya as a six-month civil war there appeared close to an end.

Rebels swept into the heart of Tripoli and crowds took to the streets to celebrate what they saw as the end of Moamar Gaddafi's four decades in power, but government tanks continued to shell parts of the capital. Brent crude was down $2.30 to $106.32 at 0841 GMT. U.S. crude was up 35 cents to $82.61 a barrel after dropping to as low as $81.13 earlier.

"Brent is taking more of a battering but that's only to be expected," said Christopher Bellew, a trader at Jefferies Bache. "The divergence is just another graphic example of the dislocation between WTI (a grade of crude oil named West Texas Intermediate) and Brent."

Libya pumped around 1.6 million barrels per day, nearly 2 percent of global supply, before the war cut output. Most of Libya's high-quality crude flowed to European refiners, but after Libyan exports ceased, tighter supply drove Brent to a two-year high of $127.02 in April. Output has fallen to almost nothing during the conflict. The question now is how soon Libyan output will be restored. Carsten Fritsch, an analyst at Commerzbank in Frankfurt, said it could be about six months before output climbs back to 1 million bpd or so, having looked at what happened in Iraq in 2003. "Output was close to zero in the months after the U.S. invasion," he said. "The big question is how much damage has been done to the oil facilities in Libya where the fighting has gone on much longer than in Iraq. There's a risk it may take a bit longer in Libya."

The premium that has been in the Brent oil price since civil war broke out in Libya should now start to shrink, but Fritsch said this is unlikely to happen overnight. "Given that the Brent price was below $100 before the uprising started in March, prices have some way to go, but it won't come down as quickly." Olivier Jakob, oil analyst at Petromatrix, agreed saying he did not expect a flood of Libyan crude oil on a very prompt basis as when it restarts some of the oil production will probably go to local refineries.

Tight supplies of Libya's light sweet crude in Europe helped fuel a widening of the spread between Brent and U.S. crude. The spread is already narrowing from a record $26.69 reached last week, and could contract further with the prospect of resumption in Libyan supplies. "The weekend event in Tripoli is obviously more negative for crude oil in Europe (or the U.S. Gulf) than in Cushing and the immediate overnight response has been not surprisingly a narrowing of the Brent premium to WTI," said Jakob.

The oil price remains at elevated levels despite the optimism around Libyan crude due to ongoing concerns about the health of the global economy. Market participants are awaiting a speech from the U.S. Federal Reserve Chairman Ben Bernanke on Friday at a lodge in Wyoming's Jackson Hole, where policymakers and academics meet once a year. Fritsch said the possibility of a third round of quantitative easing is keeping oil buoyant. "Talk of QE3 will prevent a steeper price drop for the moment. Prices will remain above $100 for the time being." Bellew also pointed to the U.S. sanctions against Syrian oil exports, announced last week. The EU is also drawing up plans for a possible oil embargo. "The next worry is that as fast as you see Libyan crude returning to the market we could see Syrian crude disappearing. That could be stopping it from falling so much," said Bellew.

Hopes high for Libyan oil output resumption

Platts, *23.08.2011*

Libyan crude oil output is likely to resume within three to four months after the end of hostilities at a rate of 300,000-400,000 b/d initially and rise to 1 million b/d within a year or less, Shokri Ghanem, the former chairman of the National Oil Corporation and de facto oil minister, said.

Ghanem's comments came as the war in Libya was seemingly nearing an end after rebels took control of most of the capital Tripoli. European oil companies, whose shares rose across the board, said they were watching developments closely to gauge when they may be able to return to the country and restart oil and gas operations.

Ghanem said it would take "two to three months for oil to start oozing" once hostilities end in Libya, home to the largest crude reserves in Africa. "I don't think they can resume production immediately. It might take place in three or four months but to go back to the level they used to produce it may take two years," Ghanem told, his first since he defected in mid-May. Global oil prices fell August 22 in anticipation of the imminent return to markets of Libya's high-quality sweet crude oil. But Ghanem said an immediate resumption of production at pre-crisis levels would take time, echoing analysts' projections and International Energy Agency assessments.

Libya was producing an average 1.6 million b/d of crude before the crisis, which now appears to be in its final chapter with rebel forces now in control of most of Tripoli. "To get back to normal, it will take two years because there is some damage to installations and there is a problem with some wells that were not closed properly," Ghanem said, referring to the hasty departure of foreign oil companies at the start of the Libyan rebellion on February 17.

"They may start at 300,000-400,000 b/d and in a year's time they may reach a million, maybe before that. But first there will be some repairs to the pipelines and the boosters and pump stations," he said. He said some equipment at the abandoned fields had been looted and contractors' camps were destroyed. "So to build and repair will take some time. There is a big need. All the cars have been looted," he explained.

The eastern oil fields of Mesla and Sarir, which are under the control of the Arabian Gulf Oil Company (Agoco), which split from parent NOC at the start of the crisis, can produce as soon as they are given the green light but possibly at a lower rate than their capacity. Mesla and Sarir, Libya's biggest oil producing field, may be able to produce 150,000 b/d if they export from the eastern port of Marsa el Hregha, he said. Production could be ramped up to 300,000 b/d if the blend is exported from Ras Lanuf, Ghanem said, but noted that Sarir installations had been damaged in attacks in April by troops loyal to Moammar Qadhafi and the extent of the damage is not known. There was also some damage to Mesla, he said.

Furthermore, Sarir crude is waxy and would need to be spiked with Mesla for export, Ghanem said of the two major fields in the Sirte Basin, where nearly 90% of Libya's total reserves of 46.62 billion barrels are located. There is also the status of the pipelines to consider, some of which were bombed in the west in an effort to cut off supply to Qadhafi's troops and logistics. "It is not simply a question of opening the tap," Ghanem said.

Ghanem said European operators Eni, Total and Repsol were better placed to restart their production from Sirte Basin fields and western fields, including the offshore al-Jurf oil field operated by Total. "Total and Eni, they can start some production and Eni can start some production from the west while Agoco can start from the east, together it can come up to 600,000 b/d," Ghanem said. There may also be some gas production from Eni's Wafa field, he added. It will be more difficult for the Waha Group, previously the Oasis Group, to resume output because not all ports are under rebel control and there is some damage to pipelines, he added. The Waha Group is a joint venture between NOC and the US' Marathon, Hess and ConocoPhillips and produced around 350,000 b/d before the crisis.

Russia approves Total's participation in Yamal LNG project

Oil & Gas Journal (Eric Watkins), *24.08.2011*

Russia's Federal Antimonopoly Service said it has approved the intention of Total unit Total Razvedka Razrabotka Yamal to join the shareholding structure of the Yamal LNG project.

"We are satisfied with our interaction with Total Razvedka Razrabotka Yamal when considering this application, which ensured timely accomplishment of all procedures necessary for this major transaction to take shape," said FAS Deputy Head Andrei Tsyganov. In March, Total Chairman Christophe de Margerie and Novatek Chairman Leonid Mikhelson signed two agreements to develop cooperation between their companies.

Total will become the main international partner holding a 20% share, while Novatek will hold a 51% interest. The firms also agreed that Total will take a 12.08% stake in Novatek with the intent of both parties to increase the share to 15% within 12 months and to 19.4% within 36 months.

The Yamal LNG project will develop the South Tambey field in the Arctic area of the Yamal peninsula. The reserves of the field are estimated at 44 tcf of gas, allowing production of more than 15 million tonnes/year of LNG. Total said it will have access to proved and probable reserves of 800 million boe within the license duration and to a plateau production in the next decade of 90,000 boe/d. Novatek expects to build the Yamal LNG project in three phases: the first is to be completed in late 2016, while construction of the second and third is to take place in 2013-17 and 2014-18

EU embargo on Syrian oil likely next week

Reuters, *24.08.2011*

EU governments are likely to impose an embargo on imports of Syrian oil by the end of next week to ratchet up pressure on President Bashar al-Assad, although new sanctions may be less stringent than those imposed by Washington.

A round of discussions was held in Brussels, diplomats said, and EU capitals raised no objections to banning Syrian crude imports, in a move similar to a decision by the United States earlier this month. The new measures if approved are unlikely, however, to prevent European oil majors such as Royal Dutch Shell or Total from continuing to produce crude in Syria through their joint ventures in the country.

The bloc's 27 governments agreed last Friday to explore new sanctions against Assad in response to his five-month crackdown on pro-democracy demonstrators, in which the United Nations says 2,200 civilians have been killed.

"The whole process could be completed by the end of next week if all goes according to plan," one of the diplomats said, speaking on condition of anonymity. An oil embargo would constitute a big step for the EU, because several governments have been reluctant so far to target Assad's oil industry because of concerns over potential damage to their commercial interests. Syria produces about 385,000 barrels of oil a day and exports about 150,000 barrels per day, of which most goes to European countries, particularly the Netherlands, Italy, France and Spain.

EU adoption of any further tightening measures against Syrian industry remains uncertain. Several governments have raised objections to proposals for a ban on exports of oil-related equipment and investment in Syrian companies. "The sanctions will target exports to deny the government of revenues, but production will likely stay unaffected," said one EU diplomat.

Others said Britain, backed by several other EU states, have raised objections to banning the sale of refined products and equipment to Syria. Further talks among EU capitals are set for Friday, and any decision will have to be unanimous. Britain is among EU countries most heavily invested in Syria, with Anglo-Dutch Shell involved in a joint venture that is the main producing consortium in Syria. France's Total is also a significant producer in the country.

Ernst & Young: IEA release won't meet demand

Upstream Online, *25.08.2011*

The International Energy Agency's recent release of emergency oil supplies will not be enough to meet an expected surge in demand at a time when spare capacity has hit a 20-year low, a report claims.

Oil prices are also set to rise this quarter although high levels of economic uncertainty are likely to persist in the US and Europe in particular, the market report from auditor giant, Ernst & Young, reads. The IEA recently flooded an extra 60 million barrels of oil on to the market in reaction to a drop in production in civil war-ravaged Libya and the wider Middle East and North Africa.

However, the short-term effects of this decision and disagreement amongst OPEC members over supply increases represent "the big unknowns" for oil producers, the report claims. "The IEA's release announcement brought prices down temporarily and [was] expected to fill the void of Libyan supplies," Ernst & Young wrote in its latest oil and gas outlook report. "However, as the market moves into the high-demand season, the IEA release will not meet that increased demand, and the market will need more supply from OPEC at a time when its spare capacity is at its lowest level in more than 20 years. "Beyond the short-term, over the next three to five years, pressures on OPEC to increase capacity and production are expected to increase substantially."

Oil demand, like the oil price, is forecasted to continue to rise in the third quarter "in spite of an uncertain economic recovery, deficit-reduction initiatives in the US and the debt crisis in Europe". Global oil and gas head at the company, Dale Nijoka, commented:

"Oil prices are dictated by supply and demand, and all signs point to modest oil demand growth and uncertain supply. Barring a strong economic shock, continued strong oil prices seem to be in order over the next three to five years." On the gas scene production in the US has hit a 40-year high driven by the shale boom which now accounts for about 30% of US gas production. Chine, meanwhile, is on a drive to double natural gas production by 2015 which should increase competition for supplies from Central Asia, Russia and Australia, the report contends. The second quarter proved another strong period in terms of industry transactions with the US again grabbing the limelight. "Looking into the second half of year, transaction activity should stay fairly strong, boosted by the expected continued high oil prices and the ever-high geopolitical risk, tempered only by the still reasonably high levels of economic uncertainty, particularly in the US and Europe."

Denmark opts for private investment in the Arctic

The Wall Street Journal, *24.08.2011*

Denmark launched its first formal strategy for the Arctic region, a plan intended to facilitate private investment and help international companies enter the far north as the ice melts and vast natural resources become accessible, the country's foreign minister said.

The Arctic plus the vast Arctic Ocean, has long been treated as a highly fragile ecosystem that must be protected against commercial exploitation. Denmark's new strategy marks a shift in priority to focus on economic development and improving the living standards of local people, Lene Espersen told.

"Previously, the discussion about the Arctic region has focused on the environment, on whether we oughtn't to turn the region into one large natural preserve. But Denmark, Greenland and the Faroe Islands have agreed that we want to utilize the commercial and economic potential of the area," Ms. Espersen said.

Environmentalists and nongovernmental organizations have traditionally opposed industrial development in the Arctic, and in June, Greenpeace activists boarded an oil rig belonging to Britain's Cairn Energy in an unsuccessful attempt to block the first oil exploration drilling in offshore Greenland. But the government of Greenland, which, like the Faroe Islands, is a largely autonomous entity under the Danish throne, maintains that its people have the right to benefit from the riches of its land and waters. The new strategy makes this position Denmark's official stance.

"With the new strategy we are opening up for international corporations from the whole world to come to the Arctic and to Greenland. The signal we are sending is that we will welcome them with open arms, we are not nervous, we are not afraid of letting industry into the area," Ms. Espersen said, adding that all investments will be subject to strict environmental regulation. Greenpeace expressed disappointment at the news. "It shows that Greenland's economic independence is now prioritized over the environment," Mads Flarup Christensen, executive director of Greenpeace Nordics, told The Wall Street Journal. "Denmark and Greenland display a very aggressive approach to the development of natural resources in and around Greenland it's quite discomforting."

Chinese interest in mining in Greenland with its wealth of copper, nickel, zinc, gold, diamonds and platinum, among other minerals offers financial hope for the island, which receives 40% of its state budget in Danish subsidies. The biggest Danish Arctic asset, however, is the vast oil and gas reserves off the coast of Greenland. The U.S. Geological Survey estimates reserves of 31 billion barrels of oil equivalent yet to be tapped off the west coast, while another 17 billion are estimated to sit under the seabed off the island's east coast.

In all, Greenland has issued 17 exploration licenses for its west coast, to 11 companies. Of these, 12 licenses are active, but the only company currently test-drilling is Cairn Energy. The other license-holders include majors such as Royal Dutch Shell, ConocoPhillips, ExxonMobil, Chevron, Statoil, Petronas and GDF Suez, as well as Denmark's own Maersk Oil and DONG Energy. In 2012 and 2013, Greenland plans to tender licenses for the east coast, which has a rougher climate. In total, the USGS estimates the Arctic to contain some 30% of the world's undiscovered natural-gas reserves and 10% of all oil reserves.

Rival Arctic powers are scrambling to take advantage of this potential bonanza. Last month, Russia said it would deploy two army brigades to the north to defend its interests in the region, and Canada is currently conducting its largest ever modern-day Arctic military exercise, involving more than 1,000 troops. Ms. Espersen said another leg of the new strategy aims to secure the kingdom a key role in the development of the whole region. Denmark will work to achieve uniform region-wide environmental standards, common rules on coast guarding and a joint plan for the regulation of traffic through the Arctic waters.

Until recently, issues affecting the Arctic have been discussed primarily by the eight members of the Arctic Council, a group of countries abutting the Arctic Circle: Russia, the U.S., Canada, Norway, Denmark, Sweden, Finland and Iceland. But the organization is coming under pressure as commercial interest in the region grows, and other parties are keen either to get a seat at the table or to transfer responsibility to the U.N. At the council's next meeting on ministers level in 2013, Denmark will push to enlarge the group, Ms. Espersen said, admitting new countries with observer status. This, she said, could help lend the council legitimacy as the key forum for Arctic matters.

"The European Union, China, Singapore, Italy and a number of other countries wish to join the council as observers, and I think it's important that we welcome in countries with an interest in the region," she said. The minister also said Denmark will work to promote the establishment of a nature reserve in the disputed area around the geographic North Pole. In 2008, Denmark, the U.S., Russia, Canada and Norway, which are all expected to file claims for parts of the area, agreed to let the U.N. resolve the issue. But whatever happens, Denmark hopes the area will remain untouched. The disputed area holds about 3% of the Arctic's estimated oil and gas reserves.

"Once the borders have been finally drawn, we hope it will be possible to reach a decision between the neighbors to turn it into a permanent nature reserve," she said. Flarup Christensen of Greenpeace said he welcomed the minister's proposal for the area around the pole, but called for immediate action. "In my experience, it's difficult to make countries give the pieces back, once the cake has been sliced up and distributed," he said. "If the minister is serious, Denmark should champion this proposal now instead of maintaining its claim."

Announcements & Reports

► *MENR Blue Book (2011)*

Source : Ministry of Energy and Natural Resources
Weblink : http://www.enerji.gov.tr/yayinlar_raporlar/Mavi_Kitap_2011.pdf

► *EMRA Announcement on LNG Terminal Storage License Application*

Source : Energy Market Regulatory Authority
Weblink : http://www.epdk.org.tr/documents/10157/67a2c95d-113c-45db-9317-356582aaa820

► *OPEC Oil Bulletin (Jul – Aug 2011)*

Source : Organization of the Petroleum Exporting Countries
Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/OB07_082011.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/

Supported by PETFORM

► *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/

► CEVI Energy School *(in Turkey)*

Date : 10 – 11 October 2011
Place : Ankara – Turkey
Website : http://www.centerforenergyandvalue.org/eschool.html

Supported by PETFORM

► CIS Oil and Gas Transportation *(in Turkey)*

Date : 25 – 27 October 2011
Place : Istanbul – Turkey
Website : http://www.theenergyexchange.co.uk/