BOTAS to sue Greece for outstanding $300 million gas debt

Today's Zaman, *14.09.2011*

BOTAS is expected to sue the Greek government for debts arising from natural gas purchases from Turkey in a Swiss court of arbitration. Energy Minister Taner Yildiz stated that Turkey was "not going to exercise its right to arbitration and will postpone recovery of the Greek debt until Greece gains financial stability."

Yildiz also ruled out the suggestion by international institutions that Greece could pay off its debt in the form of real estate, meaning the sale of Greek islands. He said such a move "would be taking advantage of a neighbor at a very difficult time."

As part of a deal with the Greek natural gas company DEPA, inked in 2007, BOTAS has been selling the natural gas it purchases from Azerbaijan to Greece since early 2008. Unable to repay the $300 million debt to Turkey whilst under heavy financial strain, Greece was expected to outline a plan for payment of the debt, which has been outstanding for 11 months now. BOTAS officials said they have taken the issue to the Swiss arbitration court -- which was stipulated as the responsible court for possible disagreements in a gas sale contract between BOTAS and DEPA -- and are expecting a response shortly. Sources said BOTAS's move was "necessary at a time when the debts are under the threat of not being paid."

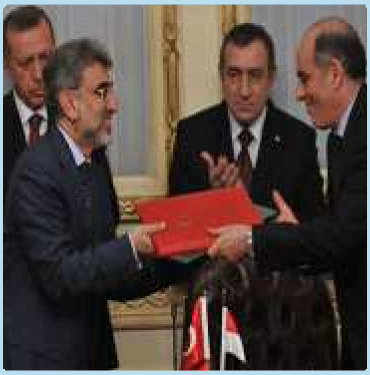
Greece received 443 million cubic meters of natural gas from Turkey in 2008 while this number increased to 721 million cubic meters in 2009. The total amount of natural gas sold to the western neighbor amounted to 660 million cubic meters last year. Following an earlier increase in price of gas imported from Azerbaijan, Turkey had to pay Azerbaijan $300 instead of the earlier estimated $120 for each cubic meter of Azerbaijani gas. Turkey considered the price increase on the natural gas it sold to Greece, too. Greece accepted the increase in prices; however, it failed to pay the $300 million extra debt incurred from the price hike in the past year. Turkey, in the meantime, paid $1.1 billion extra to Azerbaijan.

Greece expects to privatize DEPA before the end of this year. The country had earlier said it may sell its stake in the country's biggest refinery, Hellenic Petroleum. Following Yildiz's remarks, a number of Greek papers speculated that Turkey had "a hidden agenda" to eventually purchase DEPA, a claim that has surprised Turkish officials. There was also speculation aired by Turkish papers, which claimed Turkey would permanently stop selling natural gas to Greece and start using it for domestic purposes.

If the Swiss court rules in favor of BOTAS, Turkey will have the right to confiscate Greek belongings. According to international rules in this regard, Turkey can, for instance, seize Greek ships and airplanes at its ports in return for the unpaid debts.

Turkey to develop Middle East electricity transmission line

Today's Zaman, *15.09.2011*



A two-day visit to Egypt by Prime Minister Recep Tayyip Erdogan, accompanied by around 300 businessmen, has started to bear fruit as Turkey has secured a deal to develop a new electricity transmission line covering eight countries: Egypt, Lebanon, Jordan, Syria, Palestine, Morocco, Algeria and Libya.

Energy and Natural Resources Minister Taner Yildiz, who was in Cairo accompanying Erdogan, met with reporters in the Egyptian capital to provide the latest updates in relation to the North African country.

The minister said Turkey and Egypt had signed two deals on energy during the visit, one of them on electricity transmission and the other on joint oil exploration. "We have agreed to develop and run an electricity transmission line between eight countries in the region … this will help establish a healthy electricity power line on the southern side of the Mediterranean," he said, adding that the preparation of the project would be finalized in seven to eight years. Turkey will be responsible for outlining the entire details of the project.

Asked whether Turkey planned to import natural gas from Egypt, the minister said the two countries would consider natural gas exploration off Egypt's Mediterranean coast. The sea has been at the center of tension in the past few months:

The discovery of massive gas fields by Israel and plans by Greek Cyprus to drill as early as next month have received harsh criticism from the Turkish government. Ankara has challenged the island's right to launch offshore gas drilling as it says any hydrocarbon reserves do not just belong to Greek Cypriots but also to Turkish Cypriots, who run their own state in the north of the island. Recalling that Egypt's annual natural gas production is double the size of Turkey's annual consumption, the minister said officials from both countries are currently discussing a possible deal to benefit from such a potential.

Turkey and Egypt mull joint Mediterranean gas drilling

Reuters, *14.09.2011*

Turkish Energy Minister Taner Yildiz said Turkey may carry out gas exploration in the Mediterranean with Egypt and that it was considering importing gas from the North African country.

"Turkey and Egypt may work together in oil and gas. We have discussed this topic, now some time is needed. We may carry out exploration in the Mediterranean. We are importing natural gas from five countries, we are considering if we can add Egypt as the sixth, we are also in talks regarding LNG," Yildiz told reporters during a visit to the Egyptian capital.

Yildiz said Turkey had signed two energy memorandum of understanding deals with Egypt, one of them regarding cooperation of third-party countries and the other was related to power. Yildiz also said Turkey would set up an electricity transmission line between Syria, Lebanon, Jordan, Palestine, Egypt and Libya in seven to eight years.

Rebuffing Turkey, Greek Cyprus pushes ahead on gas drilling

Today's Zaman (Reuters), *13.09.2011*

Greek Cypriot leader Dimitris Christofias said the island would press ahead with gas exploration, and that its plans were within its sovereign rights. "On the possibility of Turkey committing an unlawful act, something which we hope will not happen, we will expect a strong and effective response from the international community," he said.

Turkey objects to any Greek Cypriot search for oil and gas inside the island's exclusive economic zone off its southern coast, saying it is in violation of the rights of the Turkish Cypriots, 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. The internationally recognized Greek Cypriot government has given drilling rights to Texas-based Noble Energy, which is expected to start exploration work in one offshore sector southeast of the island around the beginning of October.

Turkish Prime Minister Recep Tayyip Erdogan issued a veiled criticism of Greek Cyprus in an interview last week, saying that, as a guarantor of the rights of the Turkish Republic of Northern Cyprus (KKTC) -- whose sovereignty is recognized only by Turkey, it had the right to monitor international waters in the eastern Mediterranean.

“In addition to questioning the sovereign rights of the Cyprus Republic, Turkey is also threatening our country and its associates,” Christofias said. “It is causing tension in the region, sending the message that it acts like a troublemaker and violates international norms.”

Ankara has said hydrocarbon exploration would be counterproductive to the latest round of on-off peace talks now under way to reunite the two estranged parts of Cyprus. Greek Cyprus and Israel signed an accord last November demarcating their maritime borders, triggering 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’s permanent representative to the European Union has, meanwhile, suggested that the member states should urge Greek Cyprus to “see reason” in order to stop the dispute over gas exploration from getting worse. “Europe, which has a stake in this, should say to the Greek Cypriot authorities that it is inadvisable to raise the stakes, because they are raising the stakes. We are not the ones who started exploration in disputed waters … the EU can tell the Greek Cypriots they have to be reasonable,” Ambassador Selim Kuneralp said in an interview with online news portal EUobserver aired on Tuesday.

“These are resources that belong to both communities on the island … and until such time as this has happened [an agreement on how to share them] we feel it is highly inappropriate for exploration to begin,” Kuneralp said. Asked if Turkey would use warships to stop Noble Energy from going ahead with exploration if necessary, Kuneralp said: “I hope it will not come to that and the Greek Cypriots will see reason. … I didn’t mention warships. I think it’s better to hope that reason will prevail.”

Turkey plans Cyprus gas drill tit for tat

Hürriyet Daily News (AFP), *15.09.2011*

Turkey and Turkish Cyprus have completed preparations for a retaliatory agreement for their own oil and gas exploration efforts, a diplomatic source says. Greece immediately condemned the move.

Turkey has warned that it will sign a continental shelf delimitation accord with Turkish Cyprus if Greek Cyprus proceeds with plans to start offshore drilling for oil and gas next month. Such an agreement would designate areas in the eastern Mediterranean Sea where Turkey and northern Cyprus could launch their own oil and gas exploration projects.

Meanwhile, Greece on Thursday said Turkey should drop threats to Cyprus over the latter's gas exploration plans. "Turkey is trying to escalate the tone... this is dangerous and it needs to stop," foreign ministry spokesman Grigoris Delavekouras said. "We hope that Turkey will behave soberly and will refrain from further raising tension...there needs to be stability in our area because we are in a very sensitive period," he added.

Turkish officials met Thursday with a Turkish Cypriot delegation to discuss the dispute with Greek Cyprus, which has been escalating in the background behind a crisis with Israel that has already prompted a Turkish decision to step up military presence in the East Mediterranean. "As a result of the meeting, it has been agreed that [Northern Cyprus] will conclude a continental shelf delimitation agreement if the Greek Cypriot administration proceeds with offshore drilling activities in the south of the island," a Foreign Ministry statement said. "We are determined to protect the rights of the Turkish Cypriots. They are not going to be spectators if the Greek Cypriots start to drill," a senior Turkish diplomat told the Hürriyet Daily News.

All preparations for the delimitation agreement between Turkey and Turkish Cyprus have been completed and it will be signed 'immediately' if Greek Cyprus starts exploration work, he said. A Turkish delegation, led by the Energy Ministry's undersecretary, will go to northern Cyprus on Friday for further consultations on the issue. The delegation will include representatives from the General Directorate of Petroleum Affairs, the Turkish Petroleum Corporation and the Foreign Ministry. Turkey has repeatedly urged Greek Cyprus to suspend oil and gas exploration plans, arguing that such unilateral action would preclude Turkish Cypriot rights to the island's natural resources.

Greek Cyprus vows to block Turkey-EU energy talks in gas row

Today's Zaman (Reuters), *14.09.2011*

EU member Greek Cyprus vowed to keep Turkey's entry talks on hold as long as Ankara challenges the island's rights to launch offshore gas drilling, in an escalating row among east Mediterranean neighbors over hydrocarbon reserves.

Rhetoric over ownership of speculated oil and gas deposits has sharpened after a deterioration of relations between Turkey and Israel, the discovery of massive gas fields by Israel and plans by Greek Cyprus to drill as early as next month. Greek Cyprus, an EU member since 2004, has blocked the opening of several negotiating chapters in Turkey-EU entry talks. One of those is energy.

"The position of Cyprus has not changed. Turkey must make a formal commitment to the EU that it will end its provocations towards the Republic of Cyprus and stop obstructing Cypriot efforts in the field of energy," said Stefanos Stefanou, the Greek Cypriot government spokesman.

Stefanou's remarks came the EU Commission, the 27-nation bloc's executive arm, has urged the member states for progress in accession talks with Turkey on energy chapter. In a document outlining the EU's energy policy, the Commission said progress in this area will help advance Turkish-EU cooperation and create a solid legal framework for the transfer of natural gas from eastern suppliers to European markets, Anatolia news agency reported on Tuesday.

Turkish Prime Minister Recep Tayyip Erdogan said last week Ankara was ready to deploy its navy across the Mediterranean in a dispute with Israel over an Israeli sea blockade of Gaza. Greek Cyprus falls under the radar of the warning since it coincides with its drilling southeast of the island, a right Turkey contests, and possible cooperation with Israel, whose rights to offshore reserves has also been questioned by Ankara.

Turkey says any hydrocarbon reserves do not only belong to Greek Cypriots, but also to Turkish Cypriots, who run their own state in the north of the island. Turkish Cypriots have not been part of any Cypriot government since 1963, when there was a constitutional breakdown just three years after independence from Britain. The row could complicate peace talks launched between the Greek and Turkish Cypriot sides in 2008, while the drilling coincides with a major push from the United Nations to resolve the Cyprus conflict by mid-2012.

"The unilateral actions undertaken by the Greek Cypriots for oil exploration and to determine areas of maritime jurisdiction in the eastern Mediterranean constitute a serious risk," said Besir Atalay, a deputy Prime Minister of Turkey. "If you are sincere about a solution, then you should refrain from doing these things and not create new problem areas," he was quoted as saying by the state-run Anatolia news agency prior to leaving Turkey for Turkish Cyprus for a four-day visit.

Azerbaijan sees Turkish gas deal by end of September

Today's Zaman, *12.09.2011*

Azerbaijan said it could sign a gas transit deal with Turkey by the end of September. "The first round of talks is completed and we have started the second round," Vagif Aliyev, the head of SOCAR's investment department told. "Signing of the gas agreement between Azerbaijan and Turkey may happen at the end of September," Aliyev said.

Azerbaijan is negotiating to sell Ankara 6 bcm of gas per year from the second phase of the giant Shah Deniz field and to ship 10 bcm to European customers via Turkey. Talks were resumed with the visit of Turkish Prime Minister Recep Tayyip Erdogan to Baku at the end of July.

The EU-backed Nabucco is one of three pipeline projects bidding for Azerbaijan to supply 10 bcm of gas per year to be pumped directly to Europe, bypassing Russia. The 27-member bloc announced earlier on Monday that it had agreed to negotiate a treaty with Azerbaijan and Turkmenistan to bring natural gas from the world's fourth-largest reserves across the Caspian Sea to Europe. But the European pipeline faces competition for Azeri gas from the Interconnector Turkey-Greece-Italy (ITGI) and the Trans Adriatic Pipeline (TAP).

Aliyev said all three consortiums had already submitted their final commercial proposals to SOCAR. "We are going to choose the most acceptable and promising project because we are talking about gas shipments for the next 20-30 years," he said. The Shah Deniz field is being developed by BP and Statoil as well as SOCAR and several others. It is estimated to contain 1.2 trillion cubic meters of gas.

Production began in 2006 and the second phase is expected to come on-stream by 2017. Azerbaijan has been in talks with more 20 companies and consortiums looking to buy gas from Shah Deniz II. Azerbaijan's gas output rose by 11.2 percent in 2010 year-on-year to 26.2 bcm from 23.6 bcm in 2009. The oil-rich country plans to produce 28.0-29.0 bcm of gas this year. Total gas reserves are estimated at 2.5 trillion cubic meters.

Northern Iraqis halt oil exports

Hürriyet Daily News (AFP), *11.09.2011*

The regional northern Iraqi administration stops exporting oil over disputes with the central government. The move will cause a significant loss for both parties, an Iraqi minister says. The decision is also likely to affect Turkish businesses.

The regional administration in northern Iraq halted crude exports on Sunday, nearly a week after it rejected a new oil and gas law approved by the central government, Oil Minister Abdelkarim al-Luaybi said. "The government today halted oil exports without giving a reason," Luaybi told the AFP on the sidelines of an oil conference in the Jordanian capital.

"This is a great loss for the Iraqi economy, as well as the Kurdish and Iraqi people in general." An oil ministry official told AFP that the regional administration's exports of 150,000 barrels of crude per day "dropped in the past two weeks to around 55,000 barrels."

The development came after the administration condemned the draft law, which was approved by the central government in August, and called on parliament to reject it. "The presidency of the [northern Iraq] region condemns this maneuver and calls on the council of ministers to withdraw the draft immediately, because it contradicts the constitution," the presidency said in a statement.

The northern Iraqi leaders and the central government have squabbled over a number of oil-related issues, including payments, revenue sharing and Baghdad's refusal to recognize the dozens of oil contracts Arbil has signed with international energy firms. There is also the issue of the oil-rich Kirkuk province, which northern Iraq authorities want incorporated into their autonomous region, while officials in Baghdad strongly oppose such a move.

The Cabinet passed the draft oil law, which would govern the sector and divide responsibility between Baghdad and Iraq's provinces, and submitted it to the Iraqi parliament on Aug. 28. The dispute between the central and regional governments is likely to hurt the Turkish energy businesses as well.

Genel Energy, a group formed via a merger of Vallares and Turkey's Genel Enerji, was planning for acquisitions in northern Iraq and aims to expand in the Middle East and North Africa, Chief Executive Tony Hayward said earlier on Thursday. The company plans to make the acquisitions with its $2.2 billion in cash, Hayward, the former boss of BP, told reporters in Istanbul. "Consolidation is going to take place in the region. There are 41 different entities operating in the region today," Hayward said. Genel Enerji Chairman Mehmet Serpil said Genel had invested a total of $600 million in the region.

EU to negotiate Trans-Caspian pipeline

EurActiv, *13.09.2011*

The EU has agreed to negotiate a treaty with Azerbaijan and Turkmenistan to bring natural gas from the the Caspian Sea to Europe, EU energy Chief Günter Oettinger said.

The European Commission will lead negotiations on behalf of the whole 27-nation bloc on the proposed pipeline, which is part of a planned corridor of links known as the Southern Corridor. "Europe is now speaking with one voice; the trans-Caspian pipeline is a major project in the Southern Corridor to bring new sources of gas to Europe. We have the intention of achieving this as soon as possible," Oettinger said in a statement.

A series of projects have been competing to carry gas to Western Europe as alternatives to supplies from dominant producer Russia. They gathered momentum after a row between Russia and transit nation Ukraine led to the cut off of supplies to Western Europe in 2009.

The European Commission has thrown its weight behind the Nabucco pipeline, which would carry gas through Turkey, Bulgaria, Romania and Hungary into Austria and Western Europe. Analysts say the pipeline has the advantage of political backing, but could struggle to find enough gas for its planned 31 bcm capacity. It is among three pipelines bidding for contracts for 10 bcm of Azeri gas per year from the second phase of Shah Deniz in Azerbaijan. The deadline for the three bidders to submit their case is 1 October. Analysts had been saying there was no other gas available in the near term, which meant the size of the Nabucco project – the most ambitious of the three schemes could be a problem.

Turkmenistan is the holder of the world's fourth-largest natural gas reserves and with ambitious plans to expand. A Trans Caspian pipeline between Turkmenistan and Azerbaijan could provide a route for Turkmen gas to link up with the Nabucco scheme.

"On the mandate for Turkmenistan and Azerbaijan, it is crucial because those countries are vital if we were to develop the southern corridor for gas and oil delivery," Polish European Affairs Minister Mikolaj Dowgielewicz told a news conference in Brussels. "We are not talking about just those two countries but we are talking about potentially new important partners for the European Union in terms of supplies of raw materials, so that's why it's also significant."

Russia calls on EU to halt talks on Caspian gas pipeline

Reuters, *13.09.2011*

Moscow said the European Union should halt talks on a proposed Caspian Sea pipeline to carry natural gas to Europe, characterizing the bloc's involvement in the project that would by-pass Russia as 'meddling' that could add to tensions in the region.

The 27-member bloc agreed to kick off negotiations to secure a pipeline deal with Turkmenistan and Azerbaijan two of the five states bordering the Caspian Sea to allow gas from the region, which has the world's fourth-largest reserves, to flow directly to Europe.

An agreement would boost the EU-backed Nabucco pipeline project to build a pipeline between Turkey and Austria aimed at reducing the bloc's dependence on Russia for a quarter of its natural gas supplies. Russian gas deliveries to Europe have been interrupted as a result of chronic disputes with transit state Ukraine.

"Outside attempts to meddle in affairs in the Caspian could very seriously complicate the situation in this region and negatively affect the ongoing five-party negotiations on the Caspian Sea's legal status," the Russian Foreign Ministry said on its website. The ministry statement called on the European Union's executive "to respect the position of Russia and the other member state of the Caspian Five and refrain from action." Russia and the other Caspian Sea littoral states, Iran, Kazakhstan, Azerbaijan and Turkmenistan, have been locked in sensitive talks over dividing claims to the sea's huge hydrocarbon reserves currently regulated by Soviet-era agreements.

Nabucco is among several pipelines schemes, including Russia's South Stream project, competing to build a trans-Caspian link with Azerbaijan and Turkmenistan. Russia has long-term agreements to buy gas from Azerbaijan and Turkmenistan, former Soviet Union republics, which it views as part of its traditional sphere of influence. Analysts say the Caspian Sea states only produce enough gas to fuel one of the costly new trans-Caspian pipeline projects.

Iran opposes EU plans to support Caspian pipeline

Ria Novosti, *16.09.2011*

Iran has said it shares Moscow's concern over an offer by the EU to broker talks on a proposed pipeline to carry natural gas to the West. The 27-nation bloc agreed to negotiate a deal between energy-rich former Soviet nations Azerbaijan and Turkmenistan aimed at building a Caspian Sea pipeline that would carry Turkmen gas directly to Europe.

The scheme would boost the EU-backed Nabucco pipeline project. Nabucco, slated to carry natural gas from the Caspian region to Austria via Turkey, is part of an effort to reduce the EU's almost total dependence on Russian imported natural gas.

Russia has said it 'regretted' the EU move, saying only the five states bordering the Caspian Sea had the right to settle issues concerning its body of water. "Outside attempts to meddle in the affairs of the Caspian Sea could very seriously complicate the situation in this region and hamper the ongoing five-party negotiations on the Caspian Sea's legal status," the Russian Foreign Ministry said. A statement from Iran's embassy in Moscow said Tehran shared Moscow's concern. "The two countries oppose this decision, which runs against ecological interests and the authority of each of the five states in solving issues concerning the Caspian Sea," the statement said.

TNK-BP plans $45B investment by 2021

Rigzone (Dow Jones), *15.09.2011*

Anglo-Russian oil joint venture TNK-BP Ltd. plans by 2021 to invest $45 billion in upstream production and $4 billion in the downstream segment, the company's head of strategy and business development Stan Miroshnik said Thursday.

Miroshnik also said that by 2021, 27% of TNK-BP's overall production will come from the northern Yamal region, while the share of hydrocarbons from the Orenburg region in Western Siberia will fall to around 20% from over 50% today.

TAP scores points in race for Southern Gas Corridor

EurActiv, *09.09.2011*

The Trans-Adriatic Pipeline (TAP) has submitted “99% of the applications needed for its construction,” according to a company source, apparently establishing the project as a frontrunner in the race for Azeri gas ahead a 1 October deadline for the submission of transportation offers to the consortium exploiting the Shah Deniz II gas field.

Almost all applications have now been submitted for TAP. An official communiqué says that the consortium has submitted its Third Party Access Exemption (TPA) applications in all three host countries – Albania, Greece and Italy.

Third Party Exemption will allow TAP AG to enter into long term ship-or-pay Gas Transportation Agreements (GTAs) with the suppliers of the Shah Deniz II gas field in Azerbaijan. One of TAP’s advantages in the race for Azeri gas appears to be the fact that Statoil, one of the company’s shareholders, is a 25% owner in Shah Deniz. Applications will now be scrutinized by the European Bank of Reconstruction and Development (EBRD), especially with regard to environmental standards. In the meantime, work on the Environmental and Social Impact Assesments (ESIA) in Albania, Greece and Italy continues.

TAP spokesperson Lisa Givert told EurActiv that the company had so far engaged so far with over 2,000 stakeholders along the pipeline route to get their input and feedback. Many options have been assessed to improve the route and avoid sensitive protected area and cultural heritage sites, she said.

In the meantime, a top official in the state energy company of Azebaijan announced that his country would be able to supply 10 billion cubic meters (bcm) of natural gas a year to Europe when the Shah Deniz II offshore deposit comes on stream in 2017. The estimated volume matches exactly with the projected capacity of TAP and ITGI, the Turkey-Greece-Italy Interconnector, but not with EU’s flagship Nabucco project, which has a planned capacity of 38 bcm.

However, both TAP and ITGI depend on the existing pipelines across the territory of Turkey. “It is crucial for Turkey and Azerbaijan to sign an agreement on gas sales and transit tariffs before a decision on pipeline options,” Jennifer Coolidge, executive director at research company CMX Caspian and Gulf Consultants Ltd., was quoted saying by Bloomberg.

Pair on board for South Stream

Yahoo! News (Reuters), *10.09.2011*

Gazprom has formally signed an agreement to bring onboard Germany's Wintershall and EDF of France as shareholders in the South Stream gas pipeline project.

Under the pact signed on Friday, the two new partners will each gain a 15% stake in the scheme, reducing Italian stakeholder Eni's interest from 50% to 20% with Russian gas monopoly Gazprom holding the remaining 50%. "This is a legally binding agreement between shareholders, a formalization of the co-operation between the companies to implement the South Stream project," a South Stream spokesman said.

Eni chief executive Paolo Scaroni told at the signing on the sidelines of an economic conference in the Black Sea resort of Sochi that the cost estimate was €10 billion ($13.8 billion), compared with earlier estimates of $15 billion. However, he said this was subject to change, depending on the cost of steel, "which is a big part of the investment". He added that the partners would mandate an investment bank to prepare a presentation on financing proposals and aim to be ready for a final investment decision by the end of 2012. A feasibility study on South Stream was due to be launched in the current quarter. For the onshore section of the pipeline, Gazprom has set up joint ventures with companies in Austria, Bulgaria, Croatia, Greece, Hungary, Serbia and Slovenia.

European Parliament rejects calls for offshore oil drilling ban

EurActiv, *14.09.2011*

The European Parliament has rejected calls for a moratorium on offshore drilling, pushing instead for Brussels to adopt new rules obliging oil majors to subscribe to insurance schemes. Imposing a ban on offshore oil drilling would be "a disproportionate reaction" to last year's oil spill in the Gulf of Mexico, members of the European Parliament agreed in a resolution adopted.

Following last year's disaster, the European Commission had contemplated imposing a moratorium on offshore oil drilling but later abandoned the idea, saying such decisions would best be taken at national level.

The Commission is now expected to follow up in the autumn with a legislative proposal to improve offshore oil and gas drilling safety. The legislation will need approval from the European Parliament and EU member states to become law.

In its resolution adopted with 602 votes in favor, 64 against and 13 abstentions – the Parliament refrained from calling for an outright ban on offshore oil drilling, saying it could damage Europe's economic growth. "Offshore sources are the world's fourth-largest production area and it is crucial to meeting Europe's energy needs," argued Vicky Ford MEP (European Conservatives and Reformists; UK), the Parliament's rapporteur on the resolution.

Environmentalist were disappointed but welcomed the Parliament's call for oil companies to subscribe to mandatory insurance schemes in order to cover the potential clean-up costs of offshore drilling activity. The resolution also supported calls to strengthen the European Maritime Safety Agency (EMSA), which they said should be empowered to coordinate national responses in the event of an accident.

Gazprom inks Eni Libya deal

Upstream Online (Reuters), *16.09.2011*

Gazprom has inked a deal with Eni giving it the rights to a share of one of the Italian's oilfields in war-ravaged Libya. The deal, signed on Friday, gives the Russian state oil giant the right to claim half of its Italian counterpart's one-third stake in the Elephant oilfield.

Reuters had earlier in the day reported that the deal was in the offing with signatures due as soon as Friday. "The companies will sign an option agreement on Elephant," Reuters quoted a Gazprom source which it did not identify as saying. "The option will not expire soon as there is war in Libya, and it won't end soon."

Eni later confirmed the deal had been struck during a meeting of company executives in Sochi. This deal replaces an earlier deal mooted since February for Gazprom to take over Eni's 33.33% stake in Elephant for $170 million. That deal hit the skids in April amidst continuing political and social unrest in the North African country following the onset of the Arab Spring in February which eventually led to the overthrow of long-term leader Muammar Gaddafi. Eni had said in April that the deal had only "temporarily" hit the skids.

"Due to the ongoing situation in Libya, the involvement of Gazprom in the Elephant project will remain temporarily on hold," Eni wrote in a statement in April following a meeting between chief executive Paolo Scaroni and his Gazprom counterpart Alexey Miller. The Elephant oilfield is situated 800 kilometres from the Libyan capital Tripoli. Although the original deal was signed by both the Italian and Russian parties, it was awaiting approval from Libyan authorities.

Libyan oil production to resume in days, says minister

Yahoo! News (Reuters), *10.09.2011*

Libya can resume oil production in just three to four days and will reach full pre-war output levels within a year, interim Oil and Finance Minister Ali Tarhouni said on Saturday.

Oil production in the North African country has been at a virtual standstill for months as the war that ousted Muammar Gaddafi raged near coastal terminals, causing damage to facilities and driving out foreign workers. "On Tuesday or Wednesday we will start at Sarir and Mesla (oilfields)," Tarhouni told reporters at the Brega export terminal. "We also will produce gas and oil, not simultaneously, from Sharara and Wafa. We are looking at a difference of days."

The eastern fields of Sarir and Mesla have been in territory controlled by the ruling National Transitional Council (NTC) for months and a core group of staff are already on site, according to operator the Arabian Gulf Oil Company (Agoco). Before the war, Libya pumped 1.6 million barrels per day and the NTC is keen to restart fields quickly to earn revenues from the country's main resource and escape the surging cost of fuel imports.

Tarhouni said the biggest challenge to getting the oil industry up and running will be security, adding that there was still a risk of militia attacks on oilfields like those in the Sirte Basin that lie deep in the desert. Asked if there was still a risk of sabotage to facilities, he said: "There is. Only two weeks ago I would have told you it was a lot higher. The risk of sabotage is an ongoing process."

Foreign oil companies have yet to return to Libya in large numbers due partly to concerns about security. Tarhouni said foreigners would not be allowed to bring their own security personnel into the country. "If security is good enough for Libyans it should be good enough for foreign workers," he said.

Emerging market demand to boost oil prices, analyst says

Hürriyet Daily News (AFP), *15.09.2011*

The shadow of recession in developed countries bodes ill for global oil demand, but a top analyst predicts that crude prices will rise to about $130 per barrel over the next 12 months upon demand from emerging markets.

Oil prices will likely rise to about $130 a barrel in the next 12 months as demand in emerging markets such as China and India make up for weak developed world growth, Goldman Sachs said Thursday. Despite concerns about the U.S. economy and Eurozone sovereign debt, which have hit crude prices due to an expected fall in demand, the Wall Street giant forecast commodity prices to remain buoyant.

At the same time it tipped gold - a safe haven in times of economic uncertainty - to cost $1,860 an ounce in a year, much lower than the record high of $1,921 it hit last month. The large emerging economies of the BRICS - Brazil, Russia, India, China and South Africa – are forecast to grow 7.7 percent this year and 7.9 percent in 2012.

By contrast, advanced economies are projected to expand only 1.7 percent this year and 2.1 percent next year, Goldman Sachs said. Brent crude, which is traded in London, is expected to hit $130 a barrel in the next year, from current levels around $112, the bank said. West Texas Intermediate, or WTI, light sweet crude oil, traded on the New York Mercantile Exchange, is forecast to reach $126.50 a barrel over the same period from current $88. Both contracts touched all-time highs of above $147 a barrel in July 2008 before the onset of a global financial crisis.

“Clearly, there is very little growth anticipated to come from the U.S., EU and the developed markets,” said Allison Nathan, senior commodities economist at Goldman Sachs. “But we expect quite robust emerging market demand growth with China still anticipated to grow at 9.2 percent next year and overall the BRICS countries close to 8 percent,” she told reporters in Singapore. Nathan said the spread between WTI crude and Brent should narrow in the future but it was still unclear when the gap will close.

The high inventory level at the U.S. oil hub in Cushing, Oklahoma has led to WTI trading at a significant discount compared with other light sweet crudes such as Brent, Goldman Sachs said. It added that transportation pipelines must be upgraded to improve delivery. “While we expect that alternative transportation capacity such as rail, truck and barge shipments will expand rapidly over the coming months, we believe that WTI will remain volatile and prone to dislocations in the future until the pipeline infrastructure is improved,” it said.

Deloitte: Rising demand making shale gas dominant US source

Oil & Gas Journal (Nick Snow), *14.09.2011*

Growing demand will push North American natural gas prices higher, spurring producers to increase activity and eventually make shale gas the dominant US supply component, a new analysis by Deloitte's Center for Energy Solutions predicted.

"Increasing shale gas output bolsters domestic gas production, which grows from about 66 bcfd in 2011 to almost 79 bcfd in 2018 before tapering off," it said in its reference scenario. "The great thing about this growth is that it's not in the future. It's happening now," observed Peter J. Robertson, a retired Chevron Corp. executive who is an independent senior advisor at the financial services firm.

US gas prices, which climbed to unprecedented levels during 2005-08 before retreating, allowed technologies to be developed that helped shale gas grow to 20% of total US production in 2010, he said during the report's Sept. 14 release at the US Energy Association.

"The technologies themselves weren't new. The combinations were, and they grew more sophisticated," Robertson said, adding, "We've seen in other instances where repetitive use of technologies helps drive production costs down. We expect it to happen increasingly with shale gas, but there also could be more regulatory expenses. Frankly, there's a lot of shale gas that can't be produced economically below $7/MMbtu, but you won't hear many producers say this."

The report, "Navigating a Fractured Future: Insights into the Future of the North American Natural Gas Market," also contains a higher demand scenario and a lower shale gas cost scenario. Under its reference scenario, prices rebound as gas demand for power generation grows sharply. Basis differentials dramatically change as production from the Marcellus and other eastern shales grows, and consumers no longer need to pay transportation charges for gas from the Gulf Coast and Rocky Mountains.

Shale production costs will be the key, suggested Tom Choi, natural gas market leader at Deloitte MarketPoint LLC and coauthor of the report with Robertson. "We certainly have substantial shale gas supplies, but not all of them are in sweet spots," he said. "As those spots are depleted, more technically challenging supplies will need to be produced and prices will rise."

Choi said Deloitte expects more growth in gas demand for power generation over the next 20 years than the US Energy Information Administration because higher nitrogen oxide and sulfur oxide restrictions will accelerate the retirement of US coal-fired power plants.

Up to 30% of them will be closed in the next 20 years, either for environmental or economic reasons, he indicated. More stringent carbon dioxide emissions requirements would accelerate the process, although Deloitte did not make that part of its forecast model, he said. “The Mid-Atlantic region, where the Marcellus shale is located, has historically been one of the highest US gas price points. That will change as production grows,” Choi said. “There’s been a lot of activity in other shale areas, but much of that started when prices were higher. Some of it has fallen since.”

The report’s reference scenario suggested that Canadian gas production would decline over the next several years, reducing imports to the US, before beginning to rebound as production from the Horn River and Montney shales starts to replace depleting Western Sedimentary Basin supplies. Canadian gas production shifts could affect price basis differentials in California markets, making them increase as East Coast differentials come down, Choi said.

Near-term US demand for LNG imports looks bleak, but could begin to grow significantly in the middle of this decade and eventually become a fairly significant US supply component, the report’s reference scenario said. “In 2025, what’s pushing US imports up would be the advent of Venezuelan exports,” said Choi. “Even if they grow significantly, US imports of LNG won’t approach domestic import and storage capacity, which is significantly greater than much of Europe and Asia.”

Economics could temper prospects for US imports of LNG, he continued. “Exporters have other markets that offer higher net-backs,” he explained. “Why would Qatar sell LNG to US customers, which it could do economically, if it can sell to Europe and Asia for $10/MMbtu?”

But the report’s North American gas outlook inevitably swung back to prolific US shales, which Gary Adams, vice-chairman of oil and gas at Deloitte LLP, said has revived US mergers and acquisitions. “There’s a significant production talent gap that needs to be addressed,” he said. “Transportation and supply infrastructure needs to be developed, which will require significant investments.”

Adams predicted that there also will be a major effort to reduce production costs. “Low gas prices are helping the petrochemical, fertilizer, and other US industries stay competitive,” he said. “Shale gas formations in Europe offer interesting possibilities. It’s a global resource, but the US still has the best political environment.”

“There’s no question that regulation adds costs,” Robertson added. “But I’m a great believer that the US will get this right, particularly since so many important people are working together behind the scenes to make sure that it happens.”

China expands lead in Afghanistan energy auctions

Hürriyet Daily News (Bloomberg), *13.09.2011*

China National Petroleum Corp., or CNPC, offered the highest royalty and a refinery to win Afghanistan's first oilfield auction last month, using a strategy that helped Chinese companies gain access to African resources.

CNPC will pay 15 percent royalty on oil from three blocks in northern Afghanistan and 30 percent corporate tax and also build a refinery, Abdul Jalil Jumriany, policy director at the mines ministry in Kabul, said. Australia's Buccaneer Energy proposed 10 percent royalty and was second.

The deal, to be completed in a month, will boost China's position as its neighbor's biggest foreign investor after a state company won the right in 2007 to mine the biggest copper deposit in Afghanistan by pledging to build a coal mine, power plant, smelter and railroad. In Africa, producer of 12 percent of the world's crude, Chinese companies promised billions of dollars in aid, investment and loans for energy supplies. Afghan President Hamid Karzai's cabinet late last month approved the mines ministry's decision to allow CNPC to drill for oil in three blocks of the Amu Darya basin, a geological zone that extends into Turkmenistan and Uzbekistan.

While CNPC's oil deal, for blocks that hold an estimated 80 million barrels, is relatively small, its win may give the company an advantage in chasing bigger Afghan reserves. The Afghan-Tajik Basin, a geological zone in the northeast, is estimated to hold 1.9 billion barrels of undiscovered oil and natural-gas liquids along with gas deposits equivalent to 1.5 billion barrels of oil, based on U.S. Geological Survey data.

The government will hold its next oilfield auction in the area in February. A refinery is crucial for Afghanistan, which imports almost all its fuels and has seen supplies halted by border closures with Iran and Pakistan. In January, Iran blocked as many as 1,900 fuel tanker trucks at its border for a month, forcing a spike in transport and food prices across Afghanistan. Afghanistan's only working refinery, opened last year on its northern border with Uzbekistan, has a capacity to produce 500 tons (3,650 barrels) of fuels a day, according to its owner, the Kam Group. The nation uses 46,000 barrels of petroleum products each day, Jumriany said.

Announcements & Reports

► *EMRA's Board Resolution on Postponement of Deadline for Capacity Reservation Requests*

Source : Energy Market Regulatory Authority
Weblink : http://www.epdk.org.tr/documents/10157/bb081571-6f3b-4266-bc8e-e54656e64a19

► *EMRA Petroleum Market Report (June 2011)*

Source : Energy Market Regulatory Authority
Weblink : http://www.epdk.org.tr/documents/10157/88fb3f64-ccaa-4fd9-af2c-d52b344fa047

► *OPEC Monthly Oil Market Report (September 2011)*

Source : Organization of the Petroleum Exporting Countries
Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMR_September_2011.pdf

► *IEA Oil and Gas Emergency Policy – Norway 2011 Update*

Source : International Energy Agency
Weblink : http://www.iea.org/publications/free_new_Desc.asp?PUBS_ID=2419

Upcoming Events

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

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

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

► Shale Gas Environmental Summit

Date : 2 – 3 November 2011
Place : London – UK
Website : http://www.smi-online.co.uk/events/overview.asp?is=5&ref=3742

► Shale Gas World Europe 2011

Date : 28 November – 1 December 2011
Place : Warsaw – Poland
Website : http://www.terrapinn.com/2011/shale-gas-conference/