Oil & Gas Bulletin
► 23.09.2011

Turkey and Northern Cyprus clear gas drill hurdle

Hürriyet Daily News, *21.09.2011*

Turkey and northern Cyprus inked a continental shelf accord to determine maritime boundaries in the eastern Mediterranean Sea in which the Turkish state oil company will conduct exploratory drilling.

The deal, made in retaliation to Greek Cyprus's drilling operation in the disputed zones, was signed by Turkish Prime Minister Recep Tayyip Erdogan and Turkish Cypriot President Dervis Eroglu in New York, where both leaders are attending U.N. General Assembly meetings. Erdogan said companies that decide to work with Greek Cyprus in exploring for oil and gas would not be allowed to work with Turkey.

The agreement will set the maritime boundaries in which the Turkish Petroleum Corporation, or TPAO, will conduct seismic surveys. Turkey says this will be done in partnership with a Norwegian company, whose exploration vessel will be escorted by Turkish navy and air forces in a show of force. Norwegian Embassy sources told that they are trying to confirm the involvement of a firm from their country, but that they would not necessarily know if one was involved. The Turkish retaliation move came as Greek Cyprus geared up for the second stage of a controversial gas drilling operation. Turkey had already said the launch of its own exploration work in northern Cypriot waters was imminent. In Nicosia, Greek Cypriot energy chief Solon Kassinis said the first phase of the drilling operation, which began Sunday night, was completed and the second stage would begin late Wednesday. The targeted depth of 5,800 meters is to be reached within 73 days, Kassinis said.

In earlier remarks, Erdogan described exploration plans by both Greek Cyprus and Israel as "madness," following a meeting with U.S. President Barack Obama. He said Turkey did not intend to hamper the Greek Cypriots but to retaliate by launching its own exploration drive together with the Turkish Cypriots. "Our colleagues are making the preparations. The Turkish exploration ship will be speedily sent to the area," he said. "Our torpedo boats and frigates are already roaming there." Erdogan claimed the Greek Cypriot sought to "sabotage" both the U.N.-sponsored peace negotiations with the Turkish Cypriots and an upcoming round of cooperation talks between Turkey and Greece.

Turkish Cypriot Prime Minister Irsen Kücük said the areas in which the drilling would take place had already been determined, but the priority zones were yet to be decided. Ankara has declined to name its Norwegian partners. In 2008, TPAO awarded a major contract to Norway's Wavefield Inseis for seismic surveys in the Black Sea. Shortly afterward the company was acquired by Paris-Based CGGVeritas. With the row over drilling in the eastern Mediterranean Sea showing no sign of a let-up, British army chief David Richards, whose country is one of Cyprus' guarantor states, was scheduled to hold talks in Ankara with his Turkish counterpart Gen. Necdet Ozel. The issue was likely to be high on their agenda.

Turkish seismic survey ship sets sail for gas exploration in East Med

Today's Zaman, *23.09.2011*

Turkey's oil exploration vessel Piri Reis set sail toward the Mediterranean on Friday from the Port of Urla of the western province of Izmir. The vessel's departure from the port came two days after Turkey and the Turkish Republic of Northern Cyprus (KKTC) signed a continental shelf delineation agreement that allows the countries to explore and extract seabed resources in waters that lie between the countries.

Although the Piri Reis is drawing closer to the Mediterranean, Turkish Prime Minister Recep Tayyip Erdogan noted in his Thursday meeting with UN Secretary-General Ban Ki-moon that Turkey would "take a step back" from the exploration activities provided that the Greek Cypriots did the same.

"We would agree to an arrangement under which both sides agree to call the explorations off. You can give the Greek Cypriot administration advice to that effect," Erdogan was quoted as telling Ban on Thursday. "Otherwise, a situation will emerge that sabotages the Cyprus reunification talks." Erdogan also told Ban that Turkey supported efforts for a comprehensive settlement for the island. He complained that Greek Cyprus had acted unilaterally in marking out areas for gas exploration and warned that such moves contained "risks," reiterating that they would harm peace efforts on the island.

He said Turkish oil and gas exploration was a response to the Greek Cypriot move and that Turkey was ready for a mutual compromise on the issue. Turkey essentially opposes Greek Cypriot drilling off the coast of the island, saying that both the Turkish and Greek communities were entitled to any wealth around the island. The country considers Greek Cypriot drilling a move that undermines the UN-led negotiation process for reunification, which is expected to be brought to the international arena in October if the leaders of both sides can agree on core issues by that time.

Turkish drilling is projected to commence soon, following a decision by the KKTC cabinet to issue the license for the drilling activities to the Turkish Petroleum Corporation (TPAO) late on Wednesday. KKTC Prime Minister Irsen Kücük announced after the cabinet decision that the KKTC was "determined in protecting all its legal rights on the continental shelf of the island," reported the Anatolia news agency on Thursday. Kücük also called on the Greek Cypriots show good will similar to that displayed by the KKTC in the UN-led negotiation process with the hope that the Greek Cypriots may refrain from creating further tension in the eastern Mediterranean and work with the Turkish side on a just solution for reunification.

Meanwhile, the president of the KKTC, Dervis Eroglu, commented on the effects of the Greek Cypriot drilling on the negotiation process as a factor that "further complicates the already complex Cyprus issue," in a written statement that came in response to the Greek Cypriot leader Dimitris Christofias' remarks at the UN on Thursday.

Christofias noted at the General Assembly that Turkish naval movements around the island of Cyprus constituted a "provocation" and "a real danger" for the region, but said after the UN speech to international media that he was not afraid of Erdogan's statements regarding naval vessels and planes escorting the research vessel. Christofias noted that his country was merely exercising its sovereign rights with the drilling and that it might commence new exploration within a year. Christofias also added that Greek Cyprus was willing to share the benefits if exploration activities turned out to be positive, regardless of a solution for reunification between the communities.

Although Christofias noted that Greek Cyprus was not readying for war with Turkey, a new draft resolution was reportedly submitted to the Greek Cypriot parliament under the title of war decrees, Anatolia reported on Thursday, citing Greek Cypriot media. The draft foresees the establishment of a new emergency unit that would help bolster Greek Cypriot defenses, such as setting up a warning system and evacuation of affected zones in the event of an emergency, or war. Christofias, however, denied claims of preparations for war, saying that the allegations were ridiculous given the fact that Turkey was many times stronger than Greek Cyprus.

Turkish warships head towards Cyprus in oil exploration dispute

Today's Zaman, *21.09.2011*

Turkish warships have set out for the Mediterranean at a time when Turkey and Greek Cyprus are deadlocked over possible deposits of oil and natural gas off the coast of the island.

Three warships set sail from Istanbul through the Dardanelles, heading for the Aegean. The warships' activity was interpreted as a sign that Turkey is ready to live up to its pledge and prepare for its own drilling in the company of warships in the debated waters around Cyprus. According to Greek Cypriot presidential advisor Ertan Ersan, Chief of General Staff Necdet Ozel and Turkish Land Forces Commander Gen. Hayri Kivrikoglu said that Turkey would start drilling within a week.

Ozel reportedly indicated that "the Greek Cypriots would not dare to escalate the tension," as he proposed that Turkey would start drilling since it is the country's right to do so. Kivrikoglu expressed the belief that Greek Cypriots would not make "a crazy move that would escalate the crisis." Ersan had talks with the generals earlier this week.

Azerbaijan may complete Turkey gas talks by Sept. 26

Today's Zaman, *20.09.2011*

Azerbaijan said it may complete gas transit talks with Turkey to ship exports from its Shah Deniz field to Europe by September 26 and sign a final deal in October, giving a potential boost to the European Union's Nabucco pipeline plans.

"We expect to complete talks with Turkey before Sept. 26. Turkey will be receiving some amount of gas as well as a transit territory to ship gas to Western Europe," Vagif Aliyev, head of Azeri state energy firm SOCAR's investment department, told.

Azerbaijan is negotiating to sell Ankara 6 bcm of gas per year in 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 by Turkish Prime Minister Tayyip Erdogan to Baku at the end of July, after breaking off during parliamentary elections in Turkey.

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. SOCAR Director Rovnag Abdullayev said that the final deal might be signed during Azeri President Ilham Aliyev's official visit to Turkey in October. "The possibility of the signing for this package taking place in Turkey in October hasn't been ruled out," he told reporters.

The 27-member EU bloc announced last week 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). All three consortiums had already submitted their final commercial proposals to SOCAR.

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.

Greece may reach agreement with Turkey in natural gas dispute

Today's Zaman, *21.09.2011*

Greece's state-owned natural gas company, DEPA, has said it is currently in negotiations towards a fair and mutually acceptable agreement with the Turkish Pipeline Corporation (BOTAS) within the contractual framework, and may come to an understanding with the Turkish corporation on a $300 million natural gas dispute.

In a letter addressing debt-crippled Greece's parliament on Tuesday, DEPA said, "Based on the progress that has now been made, it could reasonably be said that both parties will reach an agreement within a relatively short period of time,"

"Otherwise, the issue will be settled through arbitration, as provided in the contract," DEPA added. The statement to the Greek parliament came in response to a question raised by opposition Popular Orthodox Rally (Laos) deputies Ioannis Korantis and Alekos Chryssanthakopoulos.

BOTAS officials had earlier said they would sue DEPA for debts of around $300 million, arising from natural gas purchases from Turkey, in a Swiss court of arbitration. Greece received 443 million cubic meters of natural gas from Turkey in 2008, increasing to 721 million cubic meters in 2009. The total amount of natural gas Turkey sold to its western neighbor amounted to 660 million cubic meters last year. Following an earlier increase in the 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 added this price increase into the price of the natural gas it sold to Greece, too.

The Greek company said Tuesday that "any references made by Turkey or others to outstanding debts owed by DEPA to Turkey's BOTAS constitute unrecognized unilateral assessments," underlining that that it does not accept the readjustment of the natural gas price it was supposed to pay to BOTAS.

Previously, Turkey insisted that it was not going to force Greece to pay the $300 million until its neighbor proves strong enough to stand on its own two feet. Energy and Natural Resources 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." The minister 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 in the Aegean. Yildiz said such a move "would be taking advantage of a neighbor at a very difficult time."

KRG publishes all oil production-sharing contracts

Platts, *21.09.2011*

The Regional Government in Northern Iraq (KRG) published all production-sharing contracts it has signed with foreign oil companies for 42 license areas in the semi-autonomous northern Iraqi province as part of a transparency drive.

“The Regional Oil and Gas Council, headed by Prime Minister Barham Salih, has decided to take the next step in implementing our policy of transparency and commitment to freedom of information in Northern Iraq oil and gas sector, in line with the region’s oil and gas law of 2007,” said Energy Minister Ashti Hawrami in a statement posted on the KRG’s website.

“These contracts have put the region firmly on the global energy map, and have helped to internationalize the economy here after years of enforced isolation,” Hawrami said, referring to the Saddam Hussein era, which ended with the US-led invasion of Iraq in March 2003. Since then, the Regional Government has signed production-sharing contracts for 42 oil blocks with foreign oil companies based on an oil and gas law passed by the regional parliament. Baghdad considers the contracts illegal because they were not approved by the central government and has banned companies with assets in Northern Iraq from participation in its oil and gas sectors.

Hawrami said in the statement that as a result of the contracts awarded, the Regional Government now knew that the region has potential reserves of 45 billion barrels of crude oil and 3-6 trillion cubic meters of gas. “We are exporting oil from the region for the first time, with export capacity reaching 200,000 b/d by the end of the year,” Hawrami said. The Regional Government resumed oil exports in February this year after reaching agreement with the Iraqi government on payment of costs to foreign contractors, although the two sides failed to reconcile their differences over the status of the production-sharing contracts.

The decision by the Regional Government to publish the contracts comes amid a renewed dispute between the two sides over oil jurisdiction and a revived row over a draft federal hydrocarbon law, which has been approved by the Iraqi cabinet and is awaiting parliamentary approval. In early September, the Regional Government denounced the cabinet draft which proposes to give wide-ranging powers over energy policy and oil contracts to a federally-controlled committee.

Oil industry warns against end of oil refining in Europe

EurActiv, *21.09.2011*

The European oil industry rang the alarm on the impact of EU energy efficiency legislation on oil refining activities, warning of the end of the sector in Europe. Recent EU legislative proposals on energy efficiency pose "a substantial risk of leaving many regions and probably countries without indigenous refineries," warns a new report published by Europia, the European petroleum industry association.

This may be good news for environmentalists and local populations which are increasingly scared of potential health risks linked to having a refinery near home.

However, the loss of refineries could have serious consequences on employment, innovation and the security of supplies, according to Europia, which represents oil giants such as Total, Chevron, ENI, and ExxonMobil. According to Europia figures, refineries employ in Europe around 600,000 people, and the sector supports the significant petrochemical industry, which employs in turn almost 800,000 people. "The EU should thoroughly assess the risks associated with a disengagement of EU refining in Europe," warned Isabelle Muller, Europia's Secretary General. Europia's position has hardened in recent months following the Commission proposal in June of a new directive on energy efficiency.

The legislative text suggests "recalibrating" the emissions trading system, possibly by making it binding by 2013 rather than 2020. This will inevitably increase costs on energy-intensive industries, including refining. Europia considers this move "a major competitive blow and disappointment to the refining sector." Brussels has pushed in this direction because the target of reaching 20% energy savings by 2020 looks to be far from being fulfilled on time. It is indeed the only energy target that is likely not to be met among the three 20-20-20 objectives adopted by the EU in 2008.

"Instead of changing consumers' behavior, the EU legislator is attacking the production," said Muller, "but production is mobile," she added, underlining the risk that EU refineries could relocate in third countries. The loss of refineries would also imply the gradual disappearance of the petrochemical industry which is usually closely located to refining activities, goes on her reasoning.

The allies that Europia has found in the energy directorate-general of the European Commission were however not enough to win the internal battle over a more assertive anti-climate change policy. In Brussels, indeed, the positions of those who play down the so called 'carbon leakage' threat seem to prevail, arguing that the EU economy will only be partially affected by the possible relocation of certain industries outside the EU.

Romania explores shale gas possibilities

Natural Gas Europe, *17.09.2011*

Shale gas has been on the agenda of the talks between Romanian and U.S. officials during the recent visit of the Romanian authorities to Washington.

A Foreign Ministry press release, issued after the meeting with the U.S. officials, says "the possibility of an involvement of the United States in providing expertise for joint projects for shale gas exploration and the support of the American party for energy and alternative routes such as the South Corridor" was discussed. Romania and shale gas has drawn the attention of Chevron Corp, as well as Hungary's MOL.

In July 2010, Chevron submitted winning bids for three blocks in SE Romania, totaling 2,700 square kilometers. The company also has exploration rights for a block in Barlad (Eastern Romania); the Americans' target is to find shale gas. "There are no accurate data about Romania's shale gas potential, but judging from our current knowledge of the country's geology, there might be sufficient non-conventional gas for 60 years, about 1,000 billion cubic meters. We are in the early stages of research and do not know whether all this gas can ever drilled," says Gheorghe Buliga, chairman of the Society of Petroleum and Gas Engineers.

Romania's Energy Strategy for 2011-2035 shows that by the end of this year, the country will have reserves of 60 million tons of oil and 134 billion cubic meters of natural gas left. At the current consumption rate they will be exhausted in 15 years unless major deposits are discovered. The latest survey by U.S. Energy Information Administration shows the potentially recoverable shale gas resources amount to almost 540 million cubic meters in Romania, Hungary and Bulgaria, based on the data collected in the region. The survey considered 32 countries. The estimates of Buliga and of the U.S. Energy Information Administration differ tremendously, but both indicate a potential that is attractive to oil companies.

Despite the positive economic impact a potential shale gas discovery might have on the Romanian market, there are also great risks. "There is a really serious impact on the environment, much more serious than the drilling for conventional resources. Just think that this gas is pushed up by injecting huge quantities of water and sand deep underground to fracture the rock that contains the gas," warns Valentin Batistatu, geologist and scientific secretary with the Petroleum and Gas University of Ploiesti.

OMV eyes shift towards E&P

Upstream Online, *21.09.2011*

Oil and gas group OMV said it planned to gradually to shift its portfolio from refining and marketing to exploration and production and to gas and power, the Austrian company said at its capital markets day in Istanbul according to a report.

OMV wants E&P to make up around 55% of its business in 10 years' time versus 35% now; its new chief executive Gerhard Roiss as saying. The company added it could divest up to 1 billion euros ($1.37 billion) worth of R&M assets by 2014. It also said it expects production growth of up to 4%, including acquisitions, by 2016.

OMV had said on 10 August that production this year was expected to remain below the 2010 level of 318,000 barrels of oil equivalent per day because of Arab unrest. Turmoil in Libya which used to provide a tenth of its OMV's output would continue to halt its production there for the rest of the year, it said at the time. OMV's Libyan production was normal until 20 February, then plunged to zero as the revolt against Muammar Gaddafi's rule forced it to turn to other countries for oil. It obtained around a tenth of its production from Libya last year.

Eni in major pipeline sale to Fluxys

Upstream Online, *22.09.2011*

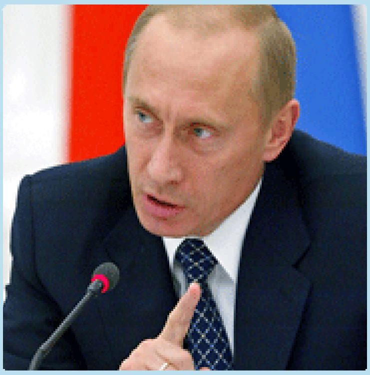
Italy's Eni has agreed to sell part of its stake in two European gas pipelines to Belgian operator Fluxys. Eni will sell a 46% stake in the Transitgas pipeline, which carries Russian gas through Switzerland to Italy, as well as a 100% stake in Eni Gas Transport International, which owns the transportation rights for the Swiss section.

Eni will sell the TENP gas pipelines, which run to Germany. That portion of the deal includes Eni's 100% holdings in both Eni Gas Transport Deutschland and Eni Gas Transport, as well as a 49% stake in Trans Europa Naturgas Pipeline and a 50% interest in Trans Europa Naturgas Pipeline.

In exchange, Fluxys will pay Eni 974.7 million Swiss francs ($1.1 billion) for the shares in the Transitgas pipeline, and €60 million ($82.1 million) for the TENP lines. The deal is expected to close by the end of the year, Eni said in a statement. The price will be adjusted at closing, the company added.

Putin says Arctic trade route to rival Suez

Reuters, *22.09.2011*



Russian Prime Minister Vladimir Putin on Thursday predicted Arctic shipping routes along Russia's northern coast would soon rival the Suez Canal as a quicker trade link from Europe to Asia. Russian plans to revive the Soviet-era shipping lane as polar ice cover receded to near record lows this summer could speed energy deliveries to China and boost business for cargo suppliers such as state-owned Sovkomflot.

Officials at the Arctic Forum in the White Sea port city of Arkhangelsk said Russia must develop infrastructure to guard against oil spills, revamp ports and build more icebreakers to realize Putin's vision of year-round shipments.

"The shortest route between Europe's largest markets and the Asia-Pacific region lie across the Arctic. This route is almost a third shorter than the traditional southern one," Putin told participants, who included Iceland President Olafur Grimsson. High energy prices fueled by demand from China and other emerging economies are helping spur interest in the Northern Sea Route, which trims 4,000 nautical miles off the southern alternative via the Suez Canal.

"I want to stress the importance of the Northern Sea Route as an international transport artery that will rival traditional trade lanes in service fees, security and quality," Putin said. "States and private companies who chose the Arctic trade routes will undoubtedly reap economic advantages."

With scientists across the globe predicting a thaw linked to climate change could deliver ice-free Arctic summers within a decade, Sovkomflot and others have increased test cargoes via the polar region, in spite of higher costs. The Arctic was crossed in a record eight days last month by the STI Heritage tanker, owned by Scorpio Tankers Inc., powering from the United States to Thailand. In August, Sovkomflot's supertanker, the Vladimir Tikhonov, ferrying 120,000 tons of natural gas condensate, became the largest vessel of its kind to forge the passage. "I have no doubt this is just the beginning," Putin said of the latest pioneering voyages.

Russia plans to sell a 25 percent stake in state-owned shipping giant Sovkomflot to the public, but has postponed the sale due to turmoil in financial markets. Russia's Novatek, which is eyeing the short-cut as part of an ambitious project to ship liquefied natural gas from the Yamal peninsula, estimates the route will slash 10-15 percent off shipping costs.

In another marker of rising interest, Rosatomflot, which sends one of its ten atomic-powered icebreakers to smash through ice as thick as 2 meters, received 15 requests to escort Arctic voyages in 2011, against four in 2010. To meet demand, Putin said Russia will spend 38 billion roubles ($1.2 billion) through 2014 on adding to its atomic icebreaker fleet and plans to build three more by 2020. "There is interest in transport on the Northern Sea Route and it is now shifting from the experimental to the commercial sectors," Russian deputy transport minister Viktor Olersky said.

One of the chief lures of the Arctic transport corridor is as a means of avoiding pirates in the waters off East Africa, Sovkomflot's deputy chief Evegeny Ambrosov told forum guests. Worried over tanker traffic in the Arctic's pristine waters, in addition to resource drilling, ecologists warn it could be far harder to stem any oil leaks, for instance, than in the Gulf of Mexico after BP Plc's catastrophic spill in 2010. "Each company that produces risks in the Arctic -- from oil production to transportation -- should ... donate a certain amount per barrel to a fund that would secure rehabilitation and capacity for urgent action," World Wildlife Fund's Evgeny Schwartz told Reuters.

EU lifts sanctions on Libyan NOC, clears more Libyan oil imports

Rigzone (Dow Jones), *23.09.2011*

The European Union said it was lifting sanctions on Libya's National Oil Corp. ending a key hurdle to the meaningful return of the country's oil exports to European consumers.

The EU said it was striking NOC, along with state-controlled oil-field and port operator Zueitina Oil Co., from a list of entities European companies were barred to have transactions with. Until now, European companies were generally barred from buying lift crude from Libya. The only exception was Arabian Gulf Oil Co, or Agoco, an Eastern oil company long controlled by the rebels which restarted production this month.

That created a legal conundrum for foreign companies, which, like Total SA are about to restart exports and would be expected to get an entitlement on their production through NOC. The European move will also ease access to overdues from cargoes that were loaded by European companies but not paid after sanctions kicked in. Though the end of the sanctions had been expected, its timing was unknown.

EU states warned over 'messy' bilateral energy deals

EurActiv, *22.09.2011*

Arrangements between individual EU countries and energy suppliers such as Russia will create "a mess for investors and a mess legally," warned Philip Lowe, the head of the Commission's directorate-general for energy. Lowe said the member states have opposed proposals to grant Brussels more powers to supervise energy deals.

The Commission proposed new rules earlier this month that would force EU states to share the details of planned energy accords in advance with Brussels and give the EU executive the power to negotiate some energy deals on behalf of governments.

Analysts have interpreted the plan as an attempt to prevent cosy bilateral ties between big gas consumers, such as Germany and Italy, and the EU's main supplier Russia. "Without exception, all smaller member states strongly backed the direction of the paper," Lowe said after the 27 member states had set out their positions on the proposals earlier this week at an informal meeting of energy ministers in Poland.

"Without exception, all the major member states said 'well, we might be prepared to look at it on a case-by-case basis if there is some justification, but in other cases bilateral agreements are a national issue'," Lowe told an EU energy policy seminar held by the Brussels-based think-tank Bruegel.

Lowe said bigger EU governments had agreed on the need to ensure energy deals are in line with the bloc's internal energy market rules – but they were against revealing the details of such deals in advance, as proposed by the Commission. "You don't need to be Einstein to work out what that all leads to: a mess. A mess for investors and a mess legally," Lowe said.

EIA: World energy use to jump 53% by 2035

Rigzone (Dow Jones), *19.09.2011*

World energy consumption will grow 53% by 2035, led by demand growth in India and China, the U.S. Energy Information Administration said Monday in a report.

The 2011 International Energy Outlook predicts that consumption of energy from renewable sources will be the fastest growing energy sector, reaching 15% of the world energy use by 2035 compared to 10% in 2008. But fossil fuels will still be the world's dominant source, accounting for about 78% of the world's energy use in 2035. The EIA expects oil prices to remain high, reaching $125 per barrel in 2035, but the consumption of oil will still grow during that period.

The EIA also said, however, that petroleum prices are "very sensitive to both supply and demand conditions" and that prices could fall to $50 per barrel or approach $200 per barrel, depending in part of the rate of economic growth in developing countries. The report released Monday projects changes in world energy markets between 2008 and 2035. It doesn't take into account the potential impacts of policy changes that have not yet been implemented.

One area that will be particularly sensitive to policy actions: competition between coal, natural gas, and renewable sources to meet electricity demand, said Howard Gruenspecht, the acting EIA administrator, during a speech at the Center for Strategic and International Studies. The report projects, absent policy changes, tremendous growth in coal consumption by China and to a lesser extent India and other developing countries. That growth is a key driver of a projected increase in worldwide carbon dioxide emissions, which EIA predicted would jump about 43% between 2008 and 2035. China's carbon emissions were somewhat higher than those of the U.S. in 2008, but are projected to be "more than twice as high" as U.S. emissions by 2035, Gruenspecht said.

Natural gas consumption was projected to grow at a faster rate than any other type of fossil fuel, thanks in part to increased supply from the U.S. and elsewhere. Consumption will grow from 111 trillion cubic feet in 2008 to 169 trillion cubic feet in 2035, the report predicted. Use of nuclear power increases slightly in the EIA projections, but "the full extent of the withdrawal of government support for nuclear power is uncertain" in the wake of the Fukushima Daiichi crisis in Japan, Gruenspecht said. Gruenspecht said that due to budget cuts impacting the EIA, the outlook report might not be released next year. "That's a little bit of question mark in the present resource environment."

Announcements & Reports

► *World Economic Outlook (Sep 2011)*

Source : International Monetary Fund
Weblink : http://www.imf.org/external/pubs/ft/weo/2011/02/pdf/text.pdf

Upcoming Events

► *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/

► *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/