Oil & Gas Bulletin

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Yildiz: No natural gas shortage this year

Today's Zaman, *17.10.2011*

Energy and Natural Resources Minister Taner Yildiz has said Turkey will not experience any difficulty meeting its need for natural gas in 2011, dismissing speculation that some parts of the country, including two major provinces, would spend this winter in the cold.

Yildiz guaranteed that there will be no shortage of natural gas for the rest of the year. "Let no one worry about that," he said as he was leaving his hotel to exercise with Adana deputy Necati Cetinkaya. Cetinkaya also reacted against the speculation, saying: "We never let our people remain in the cold. What kind of a government do you think we are?"

Union of Natural Gas Importers and Exporters (DIVID) President Fatih Baltaci said last week that Bursa and Kayseri, two of Turkey's largest provinces, might be without any natural gas for industrial or domestic purposes because the Turkish Pipeline Corporation (BOTAS) refuses to share excess amounts of this essential product with private distributors.

Iran can step in after Turkey break with Gazprom

Reuters, *12.10.2011*

Iran said that it was ready to boost its gas exports to Turkey, after BOTAS ended its deal with Gazprom, a senior official told. "Turkey has previously had talks with Iran in regard to increase the volume of our natural gas export ... Iran is ready to boost its export upon the Turkey's request," Javad Oji, managing director of the National Iranian Gas Company told.

"Iran's gas export to Turkey has increased by 12 percent from March and NIGC has averagely delivered more than 24 million cubic meters of natural gas to Turkish BOTAS per day." he added.

When Oji asked about the possibility of any modification of the price of Iran's exporting gas, he said the deal had 'open conditions'. "Both sides have authority to hold talks over the price change based on the conditions and gas global market price. But so far no talks in this regards have been held," Oji said.

National Transitional Council confirms Gaddafi death

Upstream Online, *20.10.2011*

Muammar Gaddafi, the fugitive ex-leader of oil-rich Libya, has been shot dead by government forces, the country's ruling authority has confirmed.

The long-term ruler was killed while trying to evade capture as forces loyal to the country's National Transitional Council took control of the key oil town of Sirte. Mahmoud Jibril, the acting Libyan prime minister, confirmed Gaddafi's death at a press conference in Tripoli. "We have been waiting for this moment for a long time. Muammar Gaddafi has been killed. I think it's for the Libyans to realise that it's time to start a new Libya, a united Libya, one people, and one future."

NTC spokesperson: "Gaddafi is dead, absolutely dead. He was shot in both legs and in the head. It looks like Gaddafi and his close aides tried to flee. The freedom fighters tried to apprehend them but it looks like from the reports, which are not 100% confirmed, that as a result of the exchange of fire maybe Gaddafi was badly injured."

Middle Eastern television station Al Arabiya had claimed to have been given permission by Libyan authorities to photograph Gaddafi's body which is believed to be on its way to the coastal town of Misrata. Al Jazeera, another Middle Eastern news station, claimed to have footage of Gaddafi's body being dragged along the ground. Earlier, Reuters quoted NTC official, Abdel Majid, as saying: "He's captured. He's wounded in both legs. He's been taken away by ambulance."

Sirte is Gaddafi's birthplace and was the last major bastion of his dwindling power before it was overrun by new government forces this week. Gaddafi was ousted from power earlier this year following the onset of the Arab Spring in Libya in mid-February. Gaddafi's death is likely to further bolster the country's oil industry which continues to recover from being shut down in the wake of months of fighting.

Turkish and Azerbaijani ministers to meet in joint cabinet session in Izmir

Today's Zaman, *17.10.2011*

The first meeting of a High-Level Strategic Cooperation Council established between Turkey and Azerbaijan last year is scheduled to kick off in Izmir next week. Turkey is set to hold a joint session for Turkish and Azeri ministers from Oct. 25 to 26 under the chairmanship of Azeri President Ilham Aliyev and Turkish Prime Minister Recep Tayyip Erdogan.

Erdogan and Aliyev will also be attending the groundbreaking ceremony of a new Izmir refinery at an estimated investment worth of $5 billion, a joint initiative of national Azeri oil company State Oil Company of the Azerbaijan Republic (SOCAR) and its Turkish partner, Turcas.

The Azeri share in the new refinery to be built on Petkim field is 75 percent, and it is planned to be functional in 2015 and help reduce Turkey's current account deficit (CAD) by enabling the production of jet fuel and other similar oils.

Aliyev will be bringing along a large number of ministers, including ministers of economy, transportation, energy and foreign affairs, for the joint Cabinet session, a tradition Turkey has practiced with other countries in the past. During the joint session, the two countries are expected to discuss ways of boosting trade relations, and possible fields where ministries may be able to cooperate further will also be investigated. Ankara hopes to reflect the 'one nation two states' mentality on trade relations between the country, and the fact that the session will be held in İzmir is perceived as a gesture toward the Azeri government.

Another critical meeting is also scheduled to be held in November in Nakhchivan, where the foreign ministers of Turkey, Azerbaijan and Iran are to meet in line with a previous agreement in one of the participating countries on a rotating basis to discuss ways of increasing trade volume. The first meeting was held in April in Iran, and the second is scheduled to be held in Nakhchivan, according to diplomatic sources. The main focus of the meeting will be on providing a solution to problems arising at border crossings and issues of businesspeople trading in one of the three countries. Azeri sources also noted that many Turkish ministers will be visiting Nakhchivan in the following days.

‘Turkey could invest as much as $280 billion on energy in next two decades’

Today’s Zaman, *10.10.2011*

Underlining that the Energy Market Regulatory Agency (EPDK) has prepared a 20-year projection to meet Turkey's electricity demand, EPDK President Hasan Köktas noted that the projection focuses mainly on renewable energy resources.

Köktas stated that if Turkey chooses to build new fossil fuel plants in the next 20-year period, it will have to spend $225 billion. On the other hand, the cost of adopting energy diversification mainly composed of renewable energy plants will be $280 billion.

Pointing out that the construction sector’s share of these investments will be TL86 billion, the EPDK president highlighted that, depending on the type of investment, the bill for Turkey’s investment in energy is going to be in the range of $225 to $280 billion by 2030.

He recalled that, as the most rapidly developing electricity market in Europe, Turkey is attracting attention, and said: “First, Turkey has a very fast-growing demand for energy. Second, we are in a comprehensive investment scheme to meet this demand. Last year, the Turkish private sector built a considerable number of power plants. In one year, thanks to private sector investment, Turkey’s established powers capacity increased by 10 percent and exceeded the 50,000 megawatts [MW] threshold. In the international meetings that we attended this achievement was received with surprise and praise.”

EPDK President Köktas responded to Today’s Zaman’s questions about Turkey's energy market, which has been privatized and opened to competition.

Mr. Köktas, first of all, could you brief us on the current structure of Turkey’s energy sector and its economic size? The state had a monopoly in the energy market until the end of the millennium. What can you say about the current situation?

Yes, certainly. In fact, Turkey has an energy market that has been liberalized, opened to competition, dominated by the private sector management and has gained strength in the last 10 years. Under the regulation and supervision of the EPDK, the oil sector of Turkey has been transferred to the private sector and opened to competition by privatizing public refineries and the biggest public distribution company and allowing private companies to import fuel and develop a free pricing mechanism for oil prices.

How do you assess the progress made in privatizing the electricity and natural gas sectors in Turkey?

Although we have made progress in privatizing the electricity and natural gas sectors in Turkey in recent years, we could not completely ensure the liberation of these sectors. However, we are taking strong steps toward liberalizing these two sectors. That is because we are deducing the share of the state in production and distribution of electricity via privatization and new private investments. Excluding transmission, private companies licensed by the agency will be allowed to carry out all transactions, such as production, distribution, wholesale and retail sale under the regulations of the EPDK.

Since 2003, private natural gas distribution companies that won the tenders for intra-city natural gas distribution of specified cities have supplied natural gas to residential, commercial and industrial buildings in many parts of Turkey. The wholesale market is rapidly developing and over time the domination of the state-owned Turkish Pipeline Corporation (BOTAŞ) in the import of natural gas will decrease.

What can you say about the fact that the transformation of energy markets has occurred at a time when there is a global economic crisis?

Yes, to be fair, I have to note that the economic and political stability that Turkey has maintained in recent years has greatly contributed to the important developments in the energy sector and it will continue to do so.

What are these developments?

Turkey is the most rapidly developing electricity market of Europe. Turkey ranks sixth after Germany, France, the United Kingdom, Italy and Spain in terms of current power plants and energy demand in Europe. According to calculations, Turkey will be the third biggest energy market in Europe in 2030.

This demand is important; however, what is more important is that Turkey has an energy market that is regulated according to the principles of the market. If you are a country that has a strong legal framework, predictable regulation and provides financing and investment conditions that are compatible with international standards, you can appeal to strategic investors that think big.

Can Turkey appeal to them?

The conditions are important. This market provides great opportunities in terms of acquisitions and mergers; in fact, nearly 40 percent of last year's acquisitions and mergers valued more than $12 billion were in the energy sector.

Indeed, there is a privatization aspect to this issue. We have experienced a rapid process in privatization tenders for electricity and natural gas distribution. Turkey's distribution network has been divided into 21 zones taking into consideration their geographical proximities, administrative structures, energy demands and other technical and financial factors. In 20 of them, joint stock distribution companies have been established.

A substantial proportion of these companies has either been privatized or their tenders are about to be finalized. In addition to this, our efforts in privatizing distribution companies that belong to the municipalities in Ankara and İstanbul continue. Although all these tenders have been made by the Privatization Administration (ÖİB), as the EPDK, we are trying to improve the quality of services without affecting consumers negatively by a five-year tariff system.

What is the current status of renewable resources?

Now, hydroelectric power plants have reached an annual production capacity of 15 billion kWh. The majority of these plants have been built in recent years. In the last two years, 153 new plants with a 3,830 MW capacity, which are valued at $8 billion, have started production. A total of 230 new hydroelectric power plants with the capacity of 7,000 MW are being built by licensed companies, and most of them are just about completed. New hydroelectric power plant projects the size of two Atatürk dams have been developed in the last four years. The construction of 230 new projects the size of three Atatürk dams is ongoing.

Is it true that investments have been halted with judicial injunctions?

Yes, a significant number of projects have been halted for different reasons which are not related to the duties and responsibilities of our agency. Likewise, there are some ill-planned projects that have become unfeasible in the implementation stage or continuously need to be repaired. Today, the energy sector needs the new initiatives.

What do you think about the utilization of Turkey's wind energy capacity?

Throughout the country more than 2 million people have been using electricity generated by wind power stations in the last five years. Now there are 72 wind power stations with a capacity of 1,600 MW and investments that have been made in these stations exceed 1.6 billion euros. The power capacity of private wind power stations that are licensed by the EPDK is 9,000 MW. The economic size of this power is nearly 9 billion euros.

Is Turkey too late to invest in solar and nuclear energy?

We have discussed nuclear power plants too much. To start off, we drafted legislation to produce 600 MW of electrical power by solar power stations; we will receive applications for this soon. We also completed the license application procedure concerning the Akkuyu nuclear power plant and the process is still under way.

Do your projections comply with the important goal for 2023, the centennial of the Turkish Republic, of Turkey becoming one of the top 10 economies in the world?

Turkey's energy strategy paper emphasizes effective use of all of Turkey's local coal resources and hydraulic potential, an increase in its established wind power to 20,000 MW, expanding geothermal power to 600 MW and generating 5 percent of all its electricity production from nuclear power by 2023. So we prepared a projection by extending this goal to 2030. In our projection, we adopted an energy production diversification that is mainly based on renewable energy. In a fossil fuel-based power generation, a 25,000 MW additional capacity is needed for the next 20 years.

If we choose to build new fossil fuel plants, Turkey will spend nearly $225 billion on them over the next 20 years. On the other hand, if we decide to go with mainly renewable energy resources, Turkey's energy investment will have to increase to $280 billion.

It seems that all these projects will provide significant opportunities for the construction sector.

You are right. It is estimated that the construction sector's share of these investments will be TL 86 billion if Turkey decides to adopt the energy production diversification mainly based on renewable energy. In order to take part in these projects, investor companies will have to provide an equity capital of TL 70-100 billion.

Will consumers have the right to choose their energy service provider?

In the upcoming period, all consumers will be eligible consumers. After retail sales companies are separated from distribution companies and the licensing of new retail sales companies is completed, all consumers will be able to choose their energy providers.

The latest price increases in energy have sparked controversy. Are price fluctuations normal?

Ever since the Turkish electricity market was opened to competition, prices have been determined according to market conditions. Depending on rapid changes in electricity demand, the price of energy imports, and changes in exchange rates, price fluctuations are inevitable.

Do these fluctuations also come with some risks?

In order to minimize the investors' risk in the energy market, these fluctuations have to be predictable as much as possible. At this point, it is important to provide a risk management based on the market tools in order to strengthen the market by giving long-term price signals and increasing confidence in the market. As an institution that regulates the energy market, we attach great importance to this issue.

Have your policies resulted in a discount in utility bills for the consumer?

The EPDK tries to involve as many investors as possible in the energy production stage to create a competitive environment in favor of the costumers. Thanks to arrangements such as responsible consumer usage, residential and industrial consumers received a nearly 20 percent discount.

Turkey's Piri Reis vessel is OK, says official

Hürriyet Daily News, *13.10.2011*

While Turkey denies claims that the engine of the Piri Reis, a vessel searching for energy in the eastern Mediterranean, has broken down, Greek Cyprus is preparing for a second hydrocarbon licensing round in its exclusive economic zone.

A Turkish vessel continued a renewed round of gas exploration in the eastern Mediterranean, a Turkish official said, denying media reports that said the vessel's engine broke Oct. 12. The news came on the same day that Greek Cyprus announced plans for a second round of hydrocarbon licenses to prospect for gas off its shores.

The Turkish research boat Piri Reis spent the night conducting research in an eastern Mediterranean area earlier determined by the Turkish Petroleum Corporation (TPAO), Turkish official Seda Okay said, denying claims that the search had been curtailed due to engine failure. Okay said the vessel stayed at the Famagusta port of the island overnight Oct. 12 because of poor weather conditions. Meanwhile, Greek Cyprus is stepping up procedures for a second hydrocarbon licensing round in its exclusive economic zone, Commerce, Industry and Tourism Minister Praxoula Antoniadou said, adding that decisions on the issue were expected before the end of 2011, Cyprus news agency reported yesterday.

Commenting on press reports that the ministerial committee dealing with the issue of hydrocarbon exploration decided to expedite the second hydrocarbon licensing round in offshore blocks, Antoniadou said: "What is certain is that the next steps with regard to the exploitation of possible hydrocarbon reserves are being discussed at a high political level as well as at the level of the ministerial committee. What is currently under discussion is how to expedite procedures so we can proceed with the second licensing round soon."

The Piri Reis is conducting geophysical research and has collected seismic data on behalf of Turkish Cyprus. "We have collected data from a 1,000-kilometer area so far," the Piri Reis' captain, Cagdas Konusur said. Turkish Prime Minister Recep Tayyip Erdogan and Northern Cyprus President Dervis Eroglu signed an agreement in New York on the delineation of the continental shelf between the two countries in the eastern Mediterranean. The deal gives Turkey the green light to search for oil and natural gas inside Turkish Cypriot waters.

Greek Cyprus to set up a fund for gas riches

Hürriyet Daily News, *20.10.2011*

Greek Cyprus has yet to confirm the existence of natural gas off its shores but is already contemplating setting up a sovereign wealth fund to manage the riches it hopes will come its way, according to officials.

Gas has the potential to transform the eastern Mediterranean island, but assuming the first results from exploratory drilling due in December are positive, it will be a long time before the Eurozone's third-smallest economy is able to export gas, Energy Minister Praxoula Antoniadou said, Reuters reported yesterday.

"We are talking about the medium and long term – a very minimum of three years before anything can materialize with reference to supplying the local market, and many more years before we could be exporting," she said in an interview on the sidelines of an economic conference. Texas-based Noble Energy started drilling last month in a bloc abutting a prospect controlled by Israel that has been dubbed the largest natural gas find of the last decade. If Noble finds gas, two more appraisal wells will be sunk. How many hydrocarbons are in the reserves will be clear within six to eight months, officials said.

Greek Cyprus' prospecting has angered Turkey, which says the status of divided Cyprus must be resolved first before any exploration. Cyprus is finalizing plans to launch a second offshore licensing round for oil and gas before the end of the year, and Antoniadou said a 'significant' number of companies had purchased preliminary geophysical data that point to extensive deposits ranging from 4 trillion to 10 trillion cubic feet. She declined to go into detail about which companies had expressed interest, citing commercial confidentiality.

Meanwhile, speaking after an Oct. 19 meeting with Turkish Cypriot leader Dervis Eroglu, Greek Cyprus President Demetris Christofias said he could not send a hopeful message regarding talks to solve the Cyprus problem, Cyprus news agency reported yesterday. The two leaders will meet today for the last time before their meeting in New York with U.N. Secretary-General Ban Ki-moon.

The two sides reviewed the positions of the two sides on core issues during the Oct. 19 meeting, Christofias said, noting that differences remained regarding executive powers. "In the property chapter, there are significant differences, as in the EU chapter. We are very close on issues concerning legislative power," he said.

Iraq to pass energy law, respect all contracts, advisers say

Bloomberg, *19.10.2011*

Iraq will respect all oil and natural-gas contracts with investors and is likely to approve a new energy law by March, senior advisers to the government said.

The country needs $360 billion in investment across the economy, including a combined $57 billion in the Rumaila and West Qurna oil fields, said Thamir Ghadhban, chairman of the advisory commission to the prime minister. Security in Iraq is "still a concern despite improvements," and the country's 'vague' legal environment poses a challenge to oil and gas projects, he said today at a conference in Istanbul.

Iraq has the fifth-biggest gas reserves in the Middle East and the world's fifth-largest deposits of crude, according to data from BP that also include Canadian oil sands. The country depends on sales of crude for most of the revenue it needs to rebuild the economy after years of war, sabotage and economic sanctions. Passage of the energy law, delayed for five years because of political wrangling, would help the government draw investors. "I wish it would be passed by the end of the year, but I expect it by March," Ghadhban said in an interview. The law will "settle all issues" relating to existing energy contracts.

Natik al-Bayati, a senior petroleum expert on the prime minister's advisory commission, said the government "will and should respect all oil contracts." Iraq has signed 15 gas and oil licenses since the U.S.-led forces overthrew former President Saddam Hussein in 2003. Officials plan a new, fourth round of oil and gas exploration rights "around March," al- Bayati said at the conference.

Ghadhban, a former oil minister, said refinery projects are open to all investors, with incentives that include a 5 percent discount on oil prices. Iraq is seeking about $30 billion in investment to build five oil refineries, hoping to add enough fuel-processing capacity to avoid the need to import gasoline and diesel. The country is currently pumping 2.9 million barrels a day of crude and will produce 3 million barrels a day by the end of October or early November, Ghadhban said. Oil exports are "close to target" at 2.2 million barrels a day, he said.

Al-Bayati forecast exports to reach 2.5 million barrels by the end of the year and said Iraq has potential to export 10 million barrels a day "under the right conditions." The government aims to boost production to 12 million barrels a day by 2017, Hussain al-Shahristani, the deputy prime minister for energy affairs, said in July.

Iraq's cabinet approved a draft energy law on Aug. 28. A parliamentary oil and energy committee rejected the draft because it was incomplete and had numerous "shortcomings," Qassim Mohammed Qassim, a lawmaker, said on Sept. 7.

The law's approval may resolve differences between the central government and the Northern Iraq Regional Government in northern Iraq over the sharing of revenue from oil produced at Kurdish fields. The semi-autonomous Kurdish region is exporting 100,000 barrels of oil a day and may increase that amount by 50 percent next year, Ghadhban said. Iraq's central government will "most probably" make a third payment to foreign oil companies operating in the Kurdish region this year, he said.

The pipeline transporting oil from Iraq's northern oil hub of Kirkuk to the Mediterranean port of Ceyhan, Turkey, will be upgraded in a few years, Ghadhban said. The link, Iraq's main overland outlet for crude exports, was a favorite target for saboteurs in the wake of the 2003 invasion. Iraq is in talks with Turkey and Syria about new pipeline projects, Ghadhban said.

Gaddafi's death to hasten return of Libyan oil

Reuters, *20.10.2011*

Libya's oil chief said the death of ousted leader Muammar Gaddafi and an end to NATO's bombing campaign would hasten the return of the OPEC country's oil to world markets by improving road links and quelling security concerns.

"This will improve transport to fields and we can now concentrate on rebuilding the sector," the chairman of the National Oil Company (NOC), Nouri Berouin told. The oil chief said daily output had risen to 430,000 barrels per day after two more eastern oil fields operated by Benghazi-based Agoco had successfully been restarted following delays last week.

Concerns about security and limited transport links have hampered efforts to inspect damaged oil fields and begin making repairs. Many oil fields, including the giant Elephant and El Sharara fields operated by Eni and Repsol, which account for around a quarter of the country's 1.6 million barrel per day output, have been largely abandoned due to security worries.

Prospect have improved for sending staff to areas that had been viewed as vulnerable to attacks by roaming loyalist militia. In addition, an end to NATO's bombing campaign will help firms repatriate key staff and make it easier to deliver equipment to remote outposts in the Saharan desert where sites have been looted and supporting infrastructure razed to the ground by retreating troops.

Ukrainian court sentences Tymoshenko to seven years

Today's Zaman (Reuters), *11.10.2011*

A Ukrainian court on Tuesday sentenced former Prime Minister Yulia Tymoshenko to seven years in prison for abuse of office in relation to a 2009 gas deal with Russia that she brokered, a case regarded widely in the West as politically orchestrated.

Judge Rodion Kireyev handed down the sentence -- the maximum sought by state prosecutors -- at the end of a three-month trial that has polarized society in the ex-Soviet republic and risks undermining Ukraine's relations with the West. "The court has ... found Tymoshenko guilty... and sentenced her to a prison term of seven years," he said. Her lawyers said they would appeal against the verdict.

The European Union, a major trading partner for Ukraine, immediately denounced the judgment as politically motivated and told President Viktor Yanukovich's leadership that it would boomerang seriously against relations. "The way the Ukrainian authorities will generally respect universal values and rule of law, and specifically how they will handle these cases, risks having profound implications for the EU-Ukraine bilateral relationship," EU foreign policy chief Catherine Ashton said in a statement on behalf of the bloc. This included "the conclusion of the Association Agreement, our political dialogue and our cooperation more broadly," the statement issued in Brussels said.

Her supporters say Yanukovich wants to neutralize her as a political force before next year's parliamentary election. The EU had earlier warned that jailing the charismatic Ukrainian opposition leader will jeopardize ratification of the agreement, which entails the creation of a free trade zone and is due to be signed later this year. Tymoshenko, 50, who described the trial as a "lynching" organized by Yanukovich and denied any wrongdoing in negotiating the 2009 deal, smiled faintly as the sentence was pronounced. But the former Orange Revolution leader then rose to her feet and -- even as Kireyev continued in a monotone to deliver the rest of his judgment -- denounced Ukraine's "authoritarian regime" and decried the lack of justice under Yanukovich.

Kireyev said that she had exceeded her powers by stampeding the state energy concern Naftogaz into signing a 10-year gas supply contract with Russia that resulted in Ukraine paying an exorbitant price for gas. "In January 2009, Tymoshenko Yu. V., exercising the duties of prime minister ... used her powers for criminal ends and, acting deliberately, carried out actions ... which led to heavy consequences," he said. Her actions had led to a loss for Naftogaz of 1.5 billion hryvnias ($188 million), he said.

Though Russia has rejected charges by the Yanukovich leadership that the deal was improperly negotiated, it is again talking with Ukraine about its terms. The Kiev government says it hopes a new contract will be tied up by the end of the year.

A deal struck between Ukraine and Russia in 2009 was greeted with relief by the EU since it ended a pricing dispute that led to disruptions in gas supplies to parts of the bloc. At least 2,000 Tymoshenko supporters massed outside the courtroom in Kiev city centre to hear the verdict, shouting words of encouragement and waving flags in solidarity with her.

When the verdict was pronounced, there were scuffles with police, but no serious clashes. Tymoshenko was driven away in a police van within minutes of the trial ending. At the start of the day, Tymoshenko, wearing her trademark peasant hairbraid, bristled defiance. Flanked by her daughter, Yevhenia, and husband, Oleksander, in court, she told reporters: “You know very well that the sentence is not being pronounced by Judge Kireyev but by President Yanukovich. “Whatever the sentence pronounced, my struggle will continue. This sentence, written by Yanukovich, will not change anything in my life or in my struggle.”

Iran replaces Gazprom with domestic companies in Azar project

Rigzone (Dow Jones), *12.10.2011*

Iran said it had awarded domestic companies a $1.9 billion contract to develop the Azar oil field, effectively abandoning plans to work with Gazprom’s oil unit on the project.

The move comes as new oil minister Rostam Ghasemi, who previously headed Revolutionary Guards-owned contractor Khatam al-Anbiya, has warned that he would increasingly rely on local contractors instead of waiting for elusive foreign investors. Huge oil and gas contracts Iran was hoping to clinch with non-Western concerns after European giants pulled out amid mounting sanctions have failed to materialize.

The state-owned National Iranian Oil Co. had signed a deal to develop West Iran’s Azar field with a consortium of domestic companies, including Oil Industries Engineering and Construction Co. Shana quoted Ghasemi as saying the ministry had decided to sign the contract with local contractors after a foreign company failed to finalize a deal within a 20-day deadline. He didn’t name the company but Gazprom’s oil unit Gazprom Neft had been previously in talks to finalize an agreement to develop the field. And an official said over the weekend it would be replaced by local companies. Gazprom Neft didn’t return a request for comment.

Ghasemi said that delays in negotiations with foreign companies proved they were not interested in taking part in Azar, a cross-border field shared with Iraq. The news could be a setback for the Middle Eastern strategy of Gazprom Neft, which has agreed to develop the Iraqi side of Azar, called Badra.

Turkmenistan holds world's second largest gas field

The Telegraph (James Kilner), *11.10.2011*

The announcement is likely to intensify the battle to gain access to energy reserves in the Central Asian state, considered one of the most reclusive and repressive countries in the world.

This year, delegations from China, Iran, India, Russia and the European Union have all travelled to Ashgabat, Turkmenistan's capital, to woo Turkmen President Kurbanguly Berdymukhamedov and other senior officials. Now, after months of research, Cline & Associates said that the South Lolotan field contains between 13.1 and 21.2 trillion cubic meters of gas, second only in size to Iran's South Pars.

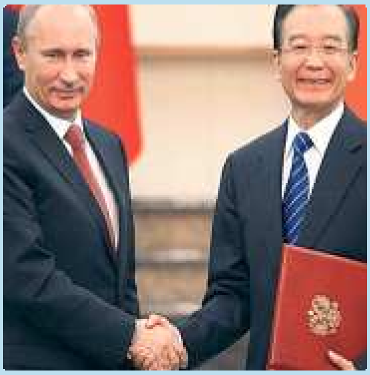
This is a rise from their 2008 estimate of between 4 and 14 tcm of gas. "Turkmenistan's gas reserves are more than enough for any potential demand over the foreseeable future, whether it be from China, Russia, Iran or Europe," Reuters quoted, Jim Gillett, Gaffney, Cline & Associates business development manager as saying.

Turkmen gas is vital to a number of ambitious pipeline projects. The European Union considers the Nabucco project, which aims to pump gas from the Caspian to central Europe central to its plan to reduce its dependency on Russia but to make the project work it needs Turkmen gas.

This year India, Pakistan and Afghanistan have also been negotiating with Turkmenistan for supplies to the so-called TAPI pipeline project which wind its way from Central Asia through South Asia. Russia, too, has been trying to mend relations damaged during a row over gas prices in 2009. Against all this is China's growing influence in the region. China has made several major deals over the last few years and now owns large swathes of Central Asia's oil. To drive oil and gas east it has also laid down a web of pipelines, including from Turkmenistan. Chinese state oil and gas company CNPC is one of four companies that won a tender in 2009 to develop the South Loloten field. The other three companies were Petrofac Emirates and South Korea's LG International Corp and Hyundai Engineering Co.

Russia says final stage is close on China gas deal

Today's Zaman, *11.10.2011*



The Russia said it was nearing the final stage of a huge gas export deal with China, in what would be a landmark trade agreement between the long-wary neighbors.

A deal to supply the world's second biggest economy with up to 68 billion cubic meters of Russian gas a year over 30 years has long been delayed over pricing disagreements." We are nearing the final stage of work on gas supplies," Russian Prime Minister Vladimir Putin told reporters after talks with Chinese Premier Wen Jiabao.

Putin is hoping his two-day visit his first trip abroad since revealing last month that he plans to reclaim Russia's presidency will broaden trade with China, which he expects to grow to $200 billion in 2020 from $59.3 billion last year." Our goal is to diversify our economic ties," said Putin. "I think that everyone will agree that compared with the known difficulties in the global economy, this aspect of the Russian-Chinese relationship has a stabilizing impact."

An agreement on Russia's gas deliveries to the world's second-largest energy consumer, China, would boost Moscow's efforts to reduce its export dependency on the European market. But Moscow and Beijing have haggled for five years over the commercial settings for the deal. The tortuous negotiations have been a reminder that, despite frequent professions of brotherly goodwill between Moscow and Beijing, relations are held back by mutual distrust, especially on the Russian side, extending back to the Cold War, when border disputes almost erupted in full-fledged war.

Earlier, his Deputy Prime Minister Igor Sechin said that there had been "significant" progress in the gas talks with Chinese Vice Premier Wang Qishan.Yet despite the upbeat talk, there are plenty of stumbling blocks that could hold back a final agreement." Russia wants to link the gas price to oil prices the way it does in Europe, but China considers that price too high. So unless Russia was willing to move away from an index-linked deal it would be hard for any agreements to be made," said Gordon Kwan, Head of Regional Energy Research for Mirae Asset Securities. The price gap the two sides need to bridge remains around $100 per thousand cubic meters, which is some 30 percent of Gazprom's average gas price to Europe this year, he said.

Medvedev warns Europe of response to Energy Package

Ria Novosti, *14.10.2011*

The EU's Third Energy Package is causing problems for Russia's cooperation with Europe and Russia will have to take retaliatory measures, President Dmitry Medvedev said.

The third package of legislative proposals for Europe's electricity and gas markets stipulates the assurance of consumer choice, fairer prices, cleaner energy and security of supply. The Third Package for Electricity and Gas markets was adopted on September 19, 2007. The package was to be implemented by March of this year; however, not all EU member states have met the deadline.

It aims to separate production and supply from transmission networks, facilitate cross-border trade in energy, more effective national regulators, and promote cross-border collaboration and investment, greater market transparency on network operation and supply, as well as increased solidarity among the EU countries.

It particularly affects the operation of vertically integrated companies such as Russian state-controlled gas monopoly Gazprom. Medvedev said he and his colleagues had repeatedly queried the EU on "the consequences of the direct implementation of these rules." "A number of developments have occurred recently that will cause problems for gas cooperation," he said. "I am referring to the regulatory basis, contracts, and organization." Medvedev asked Russian Energy Minister Sergei Shmatko and Gazprom CEO Alexei Miller to submit proposals on how Russia should build its relations with the EU in the context of the Third Energy Package.

Finish close for Russia-Belarus gas deal

Upstream Online, *19.10.2011*

Russia and Belarus are close to signing a gas deal, Russian Prime Minister Vladimir Putin said. Russia and Belarus have so far failed to renew a contract on gas supplies and gas transit, due to disagreements over how much Russian state gas firm OAO Gazprom should pay for a stake in Belarussian state-owned gas pipeline company Beltransgaz.

Gazprom bought a 50% stake in Beltransgaz in 2006 for $2.5 billion. Belarus has agreed to sell the remaining 50% stake to the Russian company, but the price depends on a new gas contract.

“Literally a few minutes ago Gazprom management told me that the talks on Beltransgaz are practically finished,” Putin said. “We are practically reaching the new agreements with Belarus on our energy cooperation. Prices will be different next year.” Putin said he wasn’t ready to talk about the final parameters of the deal, adding the issue will be resolved at a meeting of Russian and Belarus presidents that will take place soon.

Eni CEO: Europe must do more to develop shale gas

Rigzone (Dow Jones), *18.10.2011*

Europe must do more to develop shale gas and better integrate its pipeline network in order to improve energy security, the chief executive of Eni said Tuesday.

Gas infrastructure is increasingly important because Europe will one day consume more gas than oil as it offers a cleaner alternative, Paolo Scaroni said on the sidelines of the International Energy Agency ministerial meeting here. “We should be doing the most on shale gas in our continent, because domestic conventional gas is decreasing rapidly in traditional gas producing countries,” Scaroni said.

“Gas consumption will be in excess of oil consumption in Europe simply because the best way to meet CO_2 targets is to replace coal with gas,” he said. “Creating a network of pipes which connect the different countries of Europe is essential to give security of supply,” he said, adding that this could require the creation of a single European pipeline authority.

Massive shale gas discoveries in Spain

Rigzone, *20.10.2011*

Massive natural gas discoveries in northern Spain are reportedly sufficient to supply the country's requirements for five years. Spain's Basque regional premier Patxi Lopez says that surveys in Alava province have identified 13 unconventional gas holdings totaling 180 billion cubic meters in Gran Enara, which could supply the Basque region for six decades, or the entire nation for five years.

The natural gas deposits are located in shale rock deposits, which would require hydraulic fracturing to release them, a contentious technique which has encountered growing resistance in the United States.

Despite such environmental concerns, Remier Lopez told the media that the Basque regional government will invest $55 million in the project while U.S. companies Heyco Energy and Cambria Europe will jointly invest $82.4 million, Madrid's El Pais newspaper reported. According to Lopez, Basque government studies have found a total of roughly 185 billion cubic meters of shale gas in 13 wells in the Gran Enara field in northern Spain's Basque Alava region. According to preliminary reports, two wells are to be drilled initially in the Gran Enara field to see if natural gas extraction is technically feasible and economically viable.

BP free to bid on new Gulf of Mexico leases

Upstream Online, *13.10.2011*

US offshore regulators have decided to allow BP to bid on new oil drilling leases in the Gulf of Mexico later this year. The move by the Bureau of Safety and Envirionmental Enforcement (BSEE) comes less than two years after BP's Macondo well erupted and caused the worst offshore oil spill in US history.

While testifying at a congressional hearing, BSEE chief Michael Bromwich said his agency "considered and thought about this issue quite a lot", but eventually determined to allow BP into an upcoming auction known as Lease Sale 218.

The news for BP comes just a day after the Interior Department issued its first set of citations related to the spill at the Deepwater Horizon rig, accusing BP and two of its contractors of breaking several rules. The citations are likely to carry fines.

EU sets conditions for signing up to Kyoto - II

EurActiv, *11.10.2011*

Environment ministers of the European Union responsible for only 11% of global carbon emissions said they would commit to a new phase of the Kyoto climate change pact, on the condition that nations blamed for the rest join up too.

The environment council conclusions, agreed in Luxembourg, outline the bloc's negotiating position ahead of the next global climate conference in Durban, South Africa, which starts at the end of November. "What's the point of keeping something alive if you're alone there? There must be more from the 89%," EU Environment Commissioner Connie Hedegaard told.

The European Union stated the need for a road map that would indicate when the biggest emitters led by the United States, China and India would sign up. The milestones on the way, however, were imprecise. A first commitment phase of the Kyoto Protocol the only global, legally-binding contract on tackling climate change ends at the end of next year and analysts say time has run out to get a new world-wide deal in place before then. The United States signed, but has never ratified the Kyoto Protocol. Developing countries were excluded from the original pact signed in 1997, but have since become major emitters. As a bloc, the EU has taken a lead with binding EU goals that exceed its Kyoto commitments.

"If we do that (agree to a second commitment period) without any conditions attached, some would say we have saved Durban, but Durban would not result in one less tons of carbon dioxide," Hedegaard said. Meeting also tackled the issue of allowances under the Kyoto process, known as Assigned Amount Units (AAUs) and referred to by critics as "hot air. The allowances to produce greenhouse gases up to a certain limit are divisive within the EU. East European nations such as Poland, holder of the rotating EU presidency, are keen to hold on to a surplus they have, EU sources said, as they can sell them to governments struggling to meet Kyoto targets.

The environment council only managed to agree on an "ambitious approach to environmental integrity," EU sources said, without a firm decision on how many allowances could be carried over into a second phase of Kyoto after phase one expires. Polish Environment Minister Andrzej Kraszewski told reporters the AAUs were a problem. "We're going to have to continue to work on it," he said. Denmark said it had long pressed for a discussion on restricting the amount of allowances to ensure they had value. "We have not got very strong language on this," Danish Climate Minister Martin Lidegaard told Reuters, but said Denmark considered even loose wording amounted to a breakthrough. Analysts say the AAU issue has the potential to have an indirect impact as any EU language insisting on a restriction could encourage those holding a glut to sell them in haste.

Badri says markets balanced, oil prices comfortable

Platts, *11.10.2011*

World oil markets are balanced and prices are comfortable at current levels, OPEC Secretary General Abdalla el-Badri said October 11. "The market is balanced. The price at this time is comfortable," Badri told. "Things are quiet. We are not panicking."

Oil prices have fallen in recent weeks as concerns about the global economy in general and the Eurozone area in particular have intensified. North Sea Brent crude futures last week settled below $100/barrel for the first time since February, well below the 2011 intra-day peak of $127.02/b recorded in April.

Addressing the conference later, Badri pointed out that OPEC no longer had an oil price target and that the $75-85/b level embraced by some member countries a few years ago had not been formally adopted by the group. "We were talking $75-85/b...and that was not really adopted by OPEC. It was really an idea that maybe $75-85/b is a fair price," he said. Industry costs have risen over the past few years, he said. "What we said four to five years ago is not really valid anymore." He also stressed that, while OPEC had used a price of $85-95/b for its medium-to-long-term projections, this price range was "only an assumption."

Badri, a former Libyan oil minister, said the North African OPEC member was on track to restore crude production to an interim level of 1 million b/d in six months' time and should achieve pre-uprising levels of nearly 1.6 million b/d within a year or 15 months. Badri didn't give a level for pre-uprising production, which had been running at close to 1.6 million b/d before the start of the rebellion against the regime of Moammar Qadhafi in mid-February.

"I said before...that in six months' time Libya will produce 1 million b/d," he said. "In a year, 15 months or less, Libya will go back to normal production," he added. "There is not much damage to oil facilities and the [National Oil Corporation] and the companies are moving fast to come up with a million in six months and then go back to normal production in 15 months or less." "Now Libya is on track and the market must be ready to receive the Libyan crude," he added.

Kinder Morgan to buy El Paso Corp. for $20.7 billion

Yahoo! News (AP), *16.10.2011*

Kinder Morgan plans to buy El Paso Corp. in a $20.7 billion deal that's expected to create America's largest natural gas pipeline operator.

Kinder Morgan Inc. is expanding its reach as the U.S. becomes increasingly reliant on natural gas. Drillers are pumping ever-increasing amounts from underground shale deposits across the U.S. Natural gas prices have dropped to less than a third of their level of three years ago, and power companies are using more of the fuel because it emits fewer greenhouse gases than coal.

The deal also adds to founder and CEO Richard Kinder's energy empire. Kinder, 66, started the company with friend William Morgan after leaving his post as president of the now-defunct Enron Corp. Forbes lists his net worth at $6.4 billion.

Kinder Morgan will more than double the size of its pipeline network by purchasing El Paso. The new pipeline system would stretch 80,000 miles — long enough to wind around the globe three times. Kinder Morgan's pipelines in the Rocky Mountains, the Midwest and Texas will be woven together with El Paso's expansive network that spreads east from the Gulf Coast to New England, and to the west through New Mexico, Arizona, Nevada and California.

Robert McFadden, a Houston-based natural gas pipeline consultant, said the expanded network will make it easier to move natural gas from new shale fields that have mushroomed across the U.S. in the past few years. "Think of it like federal highways and toll roads," McFadden said. "The more options you have to get from point A to B, the shorter your trip."

Pipeline companies, which get paid for moving natural gas from the field to the market, have been in big demand recently as drillers tap rich new deposits in Pennsylvania, Montana, Utah and other states. The pipeline companies have been able to keep transport fees roughly constant during the past several years, even though natural gas prices have dropped from more than $13 per 1,000 cubic feet in 2008 to less than $4 this year. The acquisition comes on the heels of other consolidation in the industry. Energy Transfer Equity is planning to buy Southern Union Co. for $5.7 billion after a tug of war with Williams Cos.

With more pipelines under its control, Kinder Morgan could charge suppliers higher transport fees, and that may affect the price that utilities and other major natural gas buyers pay for natural gas. But home owners and other retail customers won't notice much of a change on their monthly bills, if any. Retail gas bills are largely influenced by local distribution costs and other items that won't change with this deal, McFadden said.

Turkmens slam Russian bid to hinder gas pipeline

Today's Zaman, *19.10.2011*

Turkmenistan lashed out what it says is a Russian attempt to stymie the creation of a natural gas supply route to Europe. The Turkmen Foreign Ministry said in a statement that it supports the EU's plans to broker negotiations between former Soviet nations Azerbaijan and Turkmenistan on speeding up the creation of a trans-Caspian pipeline.

The legal status of the Caspian Sea has been in limbo since the 1991 Soviet collapse. The Turkmen statement followed last week's warning from Russia's President Dmitry Medvedev, who said that the trans-Caspian pipeline should not go ahead without the approval of five coastal countries.

"So far, nobody has argued that such actions are illegal, and nobody has tried to limit them because of a lack of documentation defining the legal status of the Caspian Sea," the Turkmen Foreign Ministry said. It rejected Russia's argument that the underwater pipeline could threaten the environment, saying that the Central Asian nation will build it to international standards. Turkmenistan already sells gas to Russia, China and Iran, but it wants to ship it to Western Europe, as well as Afghanistan, Pakistan and India to the east.

Birol: Oil price to rise without Mideast investment

Today's Zaman, *18.10.2011*

A reluctance to invest in energy infrastructure in Middle Eastern and North African countries, partially because of unrest in the region, could drive up oil prices, a leading economist warned.

Fatih Birol, the Turkish chief economist for the International Energy Agency, said that $1.5 trillion dollars needs to be invested each year if the world is going to meet the energy demands from now until 2035. Much of that money has been forthcoming, he told reporters on the sidelines of a meeting of energy ministers and industry leaders in Paris.

Announcements & Reports

► OPEC Bulletin (September 2011)

Source : Organization of the Petroleum Exporting Countries
Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/OB092011.pdf

► Energy for All: Financing Access for the Poor

Source : International Energy Agency
Weblink : http://www.iea.org/publications/free_new_Desc.asp?PUBS_ID=2445

► IEA Scoreboard 2011 – Implementing Energy Efficiency Policy: Progress and Challenges in IEA Member Countries

Source : International Energy Agency
Weblink : http://www.iea.org/W/bookshop/add.aspx?id=416

Upcoming Events

Supported by PETFORM

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

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

CIS OIL AND GAS TRANSPORTATION

► 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/