Oil & Gas Bulletin

▸ 11.11.2011

TPAO prepares for $2.5 bln petroleum drill in the Mediterranean

Today's Zaman, *23.10.2011*

The Turkish Petroleum Corporation (TPAO) is getting ready to begin its first petroleum drilling in the eastern Mediterranean, where 25 millions of barrels of reserve have been found off the shore of Iskenderun, in 2012.

TPAO General Manager Mehmet Uysal said, "There have been exploration activities for a long time; in fact the American company Exxon, came to Iskenderun in 1985 and discovered 10 million barrels of petroleum in the Gülcihan-I well but decided to discontinue operations because the price per barrel was $10 back then, which was not economical."

Uysal finds the company's decision correct because of the conditions at the time and noted: "Our studies show an estimated 25 million barrels are present in the area worth $2.5 billion. We plan to dig the well in 2012 and start the first production in the Mediterranean." Uysal explained that Turkey looked toward the Mediterranean because results from the first seismic research indicated potential reserves in the seabed. "We are about to close a deal with a big international company, which will be a partner in return for covering all expenses. TPAO also plans to buy a seismic research ship that will be used to search for petroleum and natural gas south of Cyprus," Uysal said.

Turkey and Northern Cyprus sign new energy deal

Hürriyet Daily News, *02.11.2011*

The Turkish Petroleum Corporation (TPAO) signed an oil field services and production agreement with the Turkish Cypriot Economy and Energy Ministry in Nicosia.

Delivering a speech at the ceremony, Turkish Energy Minister Taner Yildiz said Northern Cyprus and TPAO signed a transparent agreement complying with international law. The agreement gives permission to the TPAO to conduct exploration, drill oil wells and run a drilling platform on northern Cypriot soil. Turkish Ambassador to Nicosia Halil Ibrahim Akca also attended the deal ceremony.

Yildiz met Turkish Cypriot Prime Minister Irsen Kücük in Nicosia as part of talks in northern Cyprus. Yildiz said it was essential that any resources of oil or natural gas should be shared fairly if such resources were ever found around Cyprus. Meanwhile, a Turkish seismic research vessel concluded seismic research in the eastern Mediterranean yesterday. The Piri Reis arrived at Famagusta port and collected data to be evaluated later. The ship set sail from Izmir's Urla Port on Sep. 23 for the eastern Mediterranean to conduct geophysical research and collect seismic data on behalf of Turkish Cyprus.

Izmir Municipality sues Socar&Turcas over $5 bln refinery investment

Today's Zaman, *01.11.2011*

The Izmir Municipality has filed a lawsuit against Azerbaijani state-owned oil company Socar and Turkey's Turcas for a recently introduced joint oil refinery investment valued at $5 billion in the town of Aliaga in Izmir province on the grounds that the project contradicts the province's zoning laws.

The company earlier applied to the Ministry of Environment and Urban Planning for permission to commence work on the $5 billion project. Following approval by the ministry, Socar&Turcas started construction on the refinery with a groundbreaking ceremony attended by Prime Minister Recep Tayyip Erdogan and Azerbaijani President Ilham Aliyev last week.

Izmir earlier asked Socar&Turcas to make some changes to their construction plan, which they did. The revised plan was then sent to the municipality. The city council failed to announce a decision and the company later took its plans to the Ministry of Environment and Urban Planning. Following the approval of the ministry, the municipality said the project 'contradicted public interests. The issue is currently at court awaiting a final verdict.

Russian and German leaders launch Nord Stream gas pipeline

Ria Novosti, *08.11.2011*

Russian President Dmitry Medvedev and German Chancellor Angela Merkel launched the Nord Stream gas pipeline, starting delivery of Russian natural gas to Germany bypassing existing transit countries.

The ceremony to open the symbolic white tap of the gas pipeline in the town of Lubmin in northern Germany was also attended by Dutch Prime Minister Mark Rutte and French Prime Minister Francois Fillon. “This is a long-awaited event which signifies the strengthening of relations between Russia and the European Union. This event will enhance the security regime, including energy security in Europe,” Medvedev said.

Russian natural gas and the electricity produced with it will “make the life of a large number of people more comfortable,” Medvedev said, adding he hoped the European economy and gas demand would grow. ‘We expect that the economy of the European Union will be able to overcome all current difficulties and attain steady growth, after which annual additional requirements of our European partners for gas may increase to quite high levels by 2020 - to 200 billion cubic meters, according to expert estimates,” he said.

Natural gas transportation via the first stage of the Nord Stream pipeline will reach its full capacity of 27.5 billion cu m as soon as 2012, Gazprom Deputy CEO Alexander Medvedev said. “In 2012, the first stage of Nord Stream will transport up to 27.5 billion cu m. Specific volumes will depend on customers’ requests but the contractual volume for 2012 is 27.5 billion cu m,” he said.

The pipeline will deliver Russian gas via the Baltic Sea to Germany, bypassing key transit countries Ukraine and Belarus. Gazprom’s Medvedev said the company would not cut gas transit via Belarus after the launch of Nord Stream. Russia currently provides almost 30 percent of the gas consumed in Europe. The $11-billion Nord Stream project includes two roughly parallel pipelines with an overall annual capacity of 55 billion cubic meters. Russia’s gas giant Gazprom, which holds 51 percent in Nord Stream, has already signed long-term gas contracts via the Nord Stream pipeline with several European countries, including Germany, Denmark, the Netherlands, Belgium, France and Britain.

Sivas basin exploratory joint venture pending

Oil & Gas Journal, *10.11.2011*

TransAtlantic Petroleum Ltd., Dallas, signed an agreement in late October 2011 with an undisclosed major international oil company to explore central Turkey's Sivas basin.

TransAtlantic holds 13 licenses that cover 1.6 million gross and net acres, essentially the entire basin, near pipelines and population centers. The agreement is subject to finalization of definitive agreements and Turkish government approval of the planned exploration program, including the extension of the deadlines for the Sivas basin license drilling obligations to December 2013.

The Sivas basin has more than 8 km of Neogene sediments penetrated by a single stratigraphic well that did not reach the main reservoir and source rock. The work program includes a minimum of 1,000 line-km of 2D seismic and two wells to a depth of 3,500 m.

BP spins drill bit again in Gulf of Mexico

Upstream Online, *03.11.2011*

BP has started drilling an appraisal well at its Kaskida discovery, its first Gulf well since last year's Macondo blowout. "The well has been spudded," spokesman Daren Beaudo told.

The super major last month received US regulatory approval to drill four wells in the Gulf of Mexico's Keathley Canyon blocks 292 and 336 after undertaking revamped government-mandated and voluntary safety measures. Seadrill's dynamically positioned West Sirius semisubmersible rig was planned to drill in depths of 6034 feet to a measured depth of 34,149 feet, BP's exploration plan says.

Greek Cyprus speeds up drilling research

Hürriyet Daily News, *08.11.2011*

The Greek Cypriot government is soon set to announce a second licensing round for hydrocarbon exploration off the country's shore, the interior minister said. "We are in the process of planning and soon the second round of licensing will be announced," Neoclis Sylikiotis said.

Sylikiotis said work was underway to prepare the proposals and documents and added that an experts' group that would advise the government on energy and natural gas issues would also soon be announced. Houston-based Noble Energy has already begun drilling off Cyprus' southeastern coast.

Greek Cyprus has signed an agreement to delineate the Exclusive Economic Zone (EEZ) with Egypt and Israel with a view to exploiting any possible natural gas and oil reserves in its zone. A similar agreement has been signed with Lebanon but the Lebanese Parliament has not yet ratified the deal.

Sylikiotis made the comments after a meeting with the new board of the Scientific and Technical Chamber of Greek Cyprus (ETEK). Sylikiotis said ETEK asked him, in his capacity as member of the ministerial committee that will deal with Greek Cyprus' hydrocarbon issues, to provide them with an overall briefing on energy developments, noting that most technocrats dealing with the issue were members of ETEK. He also said a technical committee under the Communications Ministry had been appointed to decide on the site of a new power plant.

Meanwhile, the Greek Cypriot administration is preparing to form an expert committee to outline a strategy for hydrocarbon trade research, processing and extraction. The proposal is expected to be presented to the Cabinet, Anatolia news agency reported. The committee will be composed of five members who are expected to provide suggestions and scientific data on several issues, including how to build a liquefied natural gas station, how to transport natural gas to land and how to finance exploration.

ExxonMobil takes Northern Iraq leap

Reuters, *07.11.2011*

ExxonMobil has signed a deal to explore for oil and gas in the Northern Iraq region. The integrated company last month signed contracts with the Regional Government to explore for hydrocarbons in the six blocks in the region.

"The Regional Government has for the last few months been in discussions with a number of major oil companies," Michael Howard, an adviser to the Regional Government, told. "This resulted in the recent signing by ExxonMobil of contracts to explore in six blocks." The reported deals make ExxonMobil the first super major to enter Northern Iraq.

Other companies of ExxonMobil's size have so far shied away from signing deals with the Regional Government in order to avoid backlash from Baghdad. The Iraqi government has been notified of the contracts. ExxonMobil declined to comment. Major producers such as Hess and Marathon Oil have already signed deals to explore in Northern Iraq that Baghdad says are 'illegal'.

ExxonMobil may lose other Iraq oil contract on Kurdish deal

Rigzone (Dow Jones), *11.11.2011*

The Iraqi government said ExxonMobil could lose its current contract to redevelop West Qurna oilfield if it proceeds with an agreement to explore for oil in the Kurdish region.

The spat highlights the political challenges for foreign companies operating in Iraq and threatens to further inflame tensions between the Baghdad government and the semi-autonomous Kurdish region, who have long disputed the right to grant oil licenses. It also represents a clear risk for ExxonMobil, which is struggling, like other giant oil companies, to get access to new oilfields large enough to replace the vast amount of oil it produces from its reserves.

"Exxon should choose between either continuing with its deal with the Regional Government or lose its contract in southern Iraq," Abdul Mahdi al-Ameedi, head of petroleum contracts and licensing directorate at Iraq's Oil Ministry, said in an interview with Dow Jones Newswires.

ExxonMobil has signed agreements to explore for oil and gas in six blocks in the Kurdish region, Michael Howard, communications adviser to the resources minister of the Regional Government, told. ExxonMobil declined to comment.

Exxon, the world's largest oil company, has a reputation of playing conservatively; that it seems to be in the middle of a big dispute endangering a key contract puzzled some analysts. "It does seem a bit out of the ordinary for Exxon," said Phil Weiss, an analyst with Argus Research. A number of smaller foreign companies already produce oil in Kurdish region, but ExxonMobil is the first of the major international oil companies to reach such an agreement.

The KRG is embroiled in a long and often contentious dispute with Iraq's central government over oil licenses issued to foreign companies. The dispute has periodically caused the disruption of oil exports from the Kurdish region. Iraq's central government sent ExxonMobil three warning letters before it signed its deal to explore for oil and gas with the KRG, al-Ameedi said. "The letters stressed that, according to regulations of the central government, any company which signs deals with the KRG wouldn't be allowed to work in the center and south of the country," he said. "We are not going to give Exxon a long time to decide," he said. "This is very sensitive issue and companies working in southern Iraq such as BP, Lukoil, Shell are watching the situation closely."

ExxonMobil is already producing about 370,000 barrels a day of oil from the West Qurna field in southern Iraq, under a service contract with the Baghdad government. Many other large oil companies, including BP, Royal Dutch Shell, Eni SpA and Lukoil have similar contracts to redevelop aging oil fields.

BP says consortia invested $33B in Azeri energy projects

Rigzone (Dow Jones), *02.11.2011*

Investments in Azerbaijan's Azeri-Chirag-Guneshli, or ACG, and Shah Deniz fields in the Caspian Sea total $33 billion to date, the operator of both projects BP said.

Investments include construction of the Baku-Tbilisi-Ceyhan and the South Caucasus pipelines, said Ian Sutherland, chief financial officer for BP in the Azerbaijan-Georgia-Turkey region. ACG and Shah Deniz have produced 1.8 billion barrels of oil and 26 billion cubic meters of natural gas since they began production in 1997 and 2006, respectively, said Sutherland.

BP operates Azeri-Chirag-Guneshli in a consortium that includes Chevron, Statoil of Norway, Inpex and Itochu. BP also operates the Shah Deniz field with Statoil, Azerbaijan's Socar, Russia's Lukoil Holdings, France's Total, National Iranian Oil Co. and Turkey's TPAO as partners.

Oettinger: Russia using energy as 'diplomacy weapon'

Rigzone (Dow Jones), *10.11.2011*

Russia is using its natural gas as a 'weapon' in international relations, the European Union's energy chief said Thursday, underscoring again how energy relations between the two countries are becoming increasingly tense.

"Putin is not interested in having a new Red Army, he sees energy as being his weapon," Guenther Oettinger said during an event about Europe's energy security at the European Parliament. The EU has to recognize that quickly and react jointly, he said. Outside experts have long said that Russia's new foreign policy tool is its gas, but top EU officials have rarely used such stark language in public.

Pressed by journalists, Oettinger, who has a reputation as one of Brussels' more outspoken officials, specified that his words were just aimed at providing a picture of the situation. There has long been friction on energy between Russia and Brussels, where some officials remain leery after conflicts between Russia and the Ukraine disrupted some shipments to Eastern Europe in recent years. The European Commission, which has executive and antitrust powers in the EU, has been pushing member countries to implement new rules to liberalize its natural gas market and break the grip that energy majors have on it.

This also means eroding Gazprom's position in Europe and forcing the company to loosen its control over pipelines that import Russian gas to Europe, something that Moscow has seen as a threat to its investments. The situation has been exacerbated by an antitrust investigation launched by the European Commission against energy companies in Eastern Europe based on the suspicion that they were partitioning markets, preventing competitors from using networks and imposing excessive prices. Gazprom's deputy chief executive publicly slammed the EU investigation earlier this week.

At the same time, the EU is likely to be more and more dependant on Russian gas in the foreseeable future as some European countries retreat from nuclear power. Oettinger himself acknowledged Tuesday --as he was inaugurating the opening up of a new gas pipeline from Russia to Germany-- that Russia is expected to further increase its gas shipments to Europe in the longer-term to around 200 billion cubic meters a year from around 125 bcm now, or some 25% of the EU's gas consumption.

PETFORM

Mitschek: 2 companies interested in joining consortium

The Wall Street Journal, *10.11.2011*

Two more companies are interested in joining the consortium planning to build the Nabucco pipeline to bring Caspian natural gas to Europe, the consortium's managing director said.

"We have two other interested shareholder counterparts and we start negotiations with them also quite soon," Reinhard Mitschek, managing director of Nabucco Gas Pipeline International, said during a hearing on the European Union's energy security at the European Parliament. He didn't add any detail.

Private funds from Gulf seek share in Nabucco

Hürriyet Daily News (Merve Erdil), *30.10.2011*

The interest of private funds in the Nabucco pipeline project is increasing by the day, according to Nabucco spokesperson Christian Dolezal.

The Abu Dhabi Investment Fund is looking to become a partner to the International Petroleum Investment Company's (IPIC) project, Dolezal said, adding that the parties had not started negotiating yet. "We must first agree on terms," he said in a recent interview. Dolezal came to Istanbul after a visit to Arbil, where he was invited by Austria's OMV, one of Nabucco's six partners, to provide information on the project.

"The interest in Nabucco is at its peak in Iraq. What the project's partners should do now is just ensure the supply of natural gas," he told in an interview in Istanbul. The German-Austrian firm Bayerngas is set to become Nabucco's seventh partner, he said. "When we look at the map, we see the next stop for transportation natural gas is Western Europe. It is an important market and a key profit for the pipeline. It gets even more important as a new important shareholder like Bayerngas joins the project," he said.

IEA: Libya oil output resuming far faster than expected

The Wall Street Journal (Dow Jones), *10.11.2011*

Oil production in Libya is resuming far faster than initially expected and may be close to half its pre-war level of 1.6 million barrels a day by the end of this year, said Libyan officials and the International Energy Agency.

The IEA praised the "Herculean effort" by Libyan officials to restore shut down oil fields, which have proven its previous forecasts to be far too cautious. As such, global oil supply and demand look to be in balance in 2012, the IEA said, although it warned that low inventories and the risk of further Middle East instability could underpin continuing high prices.

As recently as September, the IEA was predicting Libya would produce no more than 0.4 million barrels a day by the end of this year. That milestone was passed in October and the agency now expects Libya to produce 0.7 million barrels a day by the end of this year. It also increased its forecast for first-quarter Libyan production by 60%, to 0.8 million barrels a day. Shortly after the IEA upgraded its forecasts, statements from Libyan oil officials indicated that its estimates may still be too conservative.

The chairman of Libya's National Oil Co., Nuri Berruien, told that the country is already producing 0.6 million barrels a day, which could rise to 0.8 million barrels a day by the end of the year as another of its largest facilities, the 150,000 barrel-a-day capacity Elephant field, will restart imminently. It was initially feared that the restart of Elephant could take months because its accommodation block had been looted by Gadhafi forces. Elephant is partially owned by Italian oil company Eni SpA.

By the end of 2012 the IEA expects Libya to produce 1.17 million barrels a day. However, a spokesman for the largest state-owned Libyan oil company, Arabian Gulf Oil Co., or Agoco, which produces around a quarter of Libya's oil, said it will be at full production by June. Agoco acknowledges hurdles remain before Libya can restore full pre-war oil production. The ramp-up at fields operated by Arabian Gulf Oil Co. has been hindered by the looting of cars by Gadhafi forces during the conflict and underinvestment in power facilities used to pump oil, the spokesman said.

Damage caused by heavy fighting around oil export terminals during the civil war is likely to constrain output even if oil fields themselves haven't been damaged, it said. The most costly and specialized repairs may have to wait until workers from international oil companies return to Libya, it said. The improved supply prospects will put the oil market virtually in balance in 2012, the IEA said. However, with oil inventories now below their five-year average for three consecutive months, the first time this has occurred since 2004, there is little margin for error in the market, the IEA said.

OPEC says may not increase oil production in coming months

Rigzone, *08.11.2011*

OPEC said it was troubled by recent signs of economic weakness, even as it raised its medium-term oil demand forecast and signaled that it assumes higher medium-term oil prices in light of recent social spending efforts unveiled by some key OPEC producers.

In its World Oil Outlook, the OPEC upgraded its oil demand forecast by 1.9 million barrels a day through 2015 compared with its year-ago estimate, after being surprised by the pace of the economic recovery the past two years. But OPEC noted that the economic recovery remains 'very fragile' and said there is still a real chance of another recession.

OPEC also upgraded its estimate for the underlying oil price it uses in its reference case forecast to a range of $85-$95 a barrel for this decade, up $10 from the 2010 report. The analysis marked the first official acknowledgment from OPEC that some members now need higher prices in light of recent social investment programs, suggesting consumers likely face a higher long-term floor on crude prices despite recent economic uncertainty. Oil prices have generally stayed fairly high in recent months in spite of the euro zone woes. The December Brent contract on London's ICE futures exchange was 0.90% higher at $115.60 a barrel as of 1530 GMT.

OPEC has repeatedly trimmed its near-term oil demand forecasts in recent monthly oil market reports of short-term conditions. But report - which covers the outlook through 2035 - still points to higher oil consumption in 2015 compared with the 2010 version in light of the "more rapid recovery from the Great Recession than was assumed," OPEC said. The group said it expects "decisive action will be taken in a timely manner to make sure the global economy remains on the path of recovery." At the same time, OPEC warned that "risks to the economic recovery have even increased recently" in light of recent problems in the euro zone. Were economic-support packages to fail, a return to recession "cannot be ruled out," the producers' group said.

OPEC has "not seen concrete evidence that this [euro-zone economic] problem will be solved within 2012 or 2013" the organization's Secretary General Abdalla Salem El-Badri said at the report's press presentation. OPEC said the revised medium-term pricing assumptions were needed because the range given in the 2010 report of $75 to $85 a barrel was no longer sufficient. OPEC cited a number of factors for the increase, including currency movements and higher oil field costs, in addition to increased fiscal spending by OPEC members. "Recent analysis has suggested that the price assumption in the 2010 report is now below the fiscal break-even price in many OPEC countries," the report said. The organization next meets Dec. 14 in Vienna.

Putin: Russia will ‘coordinate’ work with OPEC

Oil & Gas Journal (Eric Watkins), *10.11.2011*

Russia’s Prime Minister Vladimir Putin said his country, which currently leads world oil producers in output, plans to work closely with the Organization of the Petroleum Exporting Countries.

“OPEC is sometimes irritated by us as we, not being a member of the organization, produce more oil, which influences international crude oil prices,” said Putin. “But we will coordinate our work with OPEC.” Putin did not detail how his country would collaborate or even whether it planned to attend OPEC’s next meeting. Russia has long spoken of coordinating with OPEC, often sending high-level delegations to attend its meetings as observers.

In 2008, Russia sent its most senior delegation in a decade to OPEC’s Sept. 9 ministerial meeting in Vienna. There, Russian Vice-Premier Igor Sechin proposed extensive cooperation between Russia and OPEC to meet global energy needs. At the time, Qatar’s Oil Minister Abdullah bin Hamad Al-Attiyah even expressed the hope of seeing Russia one day become a full member of OPEC as it would “add value” to the organization. But Al-Attiyah also noted the chances were slim of Russia joining OPEC: “So far the Russians support cooperation, but they don’t talk about full membership,” he said.

Putin’s remarks coincided with a report by the International Energy Agency that Saudi Arabia will overtake Russia as the world's largest producer of oil producer in about 2015. In its World Energy Outlook, the IEA said that Saudi Arabia would overtake Russia as output at new Russian fields fails to offset fast decline at mature deposits. Russia passed Saudi Arabia as the top producer of oil when OPEC cut crude output during the economic crisis in 2009. But IEA said Russia’s production will level off at 10.5 million b/d in 2015, and that Saudi Arabia's will match that. By 2035, IEA said, Saudi production will hit 14 million b/d.

“Russian fiscal policy is a key determinant of when and how quickly Russian production will decline. Current terms limit the incentive to invest when prices rise; our projections assume sympathetic evolution of taxation,” IEA said. Saudi Arabia and Russia have been competing with each other for increased market share in Asia Pacific, largely due to the onset of supplies via Russia’s recently launched East Siberia-Pacific Ocean pipeline. Indeed, traders last year expected Saudi Arabia to lower the prices of all its crude grades heading to Asia for August on slow demand from regional refiners as well as the intensifying competition from Russia's ESPO crude. “Saudi Arabia is trying to secure demand in the Asia-Pacific region,” said another trader, adding, “It is closely watching ESPO activity.”

Gazprom profits soar 56% to over $25 bln

Yahoo! News (AFP), *09.11.2011*

Russian gas giant Gazprom said on Wednesday its net profit for the first half of 2011 had jumped 56 percent to over $25 billion, helped by higher energy prices and volumes of gas sold.

The bumper results carried on Gazprom's strong performance from 2010 and the start of this year when it posted some of the biggest profits in corporate history. First half profits were 771.7 billion rubles (18.6 billion euros, $25.7 billion), powered by an increase in net sales of gas of 39 percent in the period to 1.47 trillion rubles ($48.9 billion).

The strong sales were due to “higher volumes of gas sold in Russia, the former Soviet Union, Europe and other countries, which was enhanced by the increase of average realized prices,” Gazprom said in a statement. Analysts at Moscow’s Alfa Bank said Gazprom’s revenues were helped in large part by unrest in the Middle East “and civil war in Libya, which disrupted natural gas supplies from the country.”

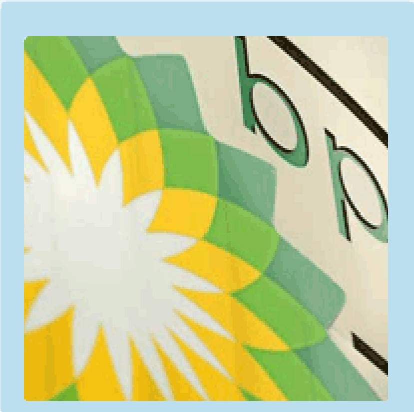
Net sales of gas to Europe increased by 42 percent while Gazprom also enjoyed a 76 percent increase in sales to its former Soviet markets in the same period, it said. Gazprom’s total sales, including its oil and transit operations, increased to 2.347 trillion rubles ($78.6 billion), up from 1.716 trillion rubles ($56.9 billion) in the same period last year. However operating expenses increased by 31 percent, Gazprom said. The results gave Gazprom a second quarter profit of 303.7 billion rubles ($10 billion), lower than the immense figure of 468 billion rubles ($15.46 billion) posted in the first quarter.

However analysts have said this was to be expected due to seasonal factors after the winter season when gas demand in Europe increases substantially and the results came in just ahead of market expectations. Founded in 1989, Gazprom grew out of the USSR’s Gas Industry Ministry and was partly privatized from 1993 in the much-criticized sale of state assets in post-Soviet Russia. The government has retained a controlling stake of just over 50 percent in Gazprom. President Dmitry Medvedev himself served as Gazprom board chairman and several of its top executives are natives of Saint Petersburg, the home town of both Medvedev and Putin.

According to Gazprom, it has the rights to develop one fifth of the world’s gas reserves and provides one sixth of the world’s gas production. It accounts for one-eighth of Russia’s gross domestic product and supplies more than a quarter of Europe’s gas needs. Despite the strength of its performance in former Soviet and European markets due to the high crude oil prices -- to which the price of Gazprom’s gas is indexed -- the company is still looking for new markets. Gazprom has been in talks with China National Petroleum Corporation (CNPC) to start sending gas to China from 2015 but the two countries have yet to agree on pricing. Gazprom said last month it had agreed supply terms with Beijing for the deal which could see about 70 bcm of natural gas sent to China yearly.

BP's $7B Argentina asset sale collapses

Rigzone (Dow Jones), *07.11.2011*



BP's $7.06 billion deal to sell its stake in an Argentine crude-oil producer to a joint venture involving Argentina's Bridas Energy Holdings Ltd. and China's CNOOC have collapsed, the Argentine and Chinese companies said.

BP agreed last November to sell its 60% stake in Pan American Energy to CNOOC and Bridas, with their pact containing a Nov. 1 completion date. BP said that its counterparties had, as part of the agreement, been responsible for getting Argentine anti-trust and Chinese government approvals, but had not been able to achieve this.

Bridas said in a statement that it decided to end talks on the sale because of "legal reasons and because of the way BP has acted during the transaction." "We have received a letter from Bridas Corp. exercising their right to terminate the share purchase agreement under which it had agreed to purchase BP's 60% interest in Pan American Energy LLC", BP spokesman David Nicholas said.

"As we said in our 3Q result announcement, the transaction was subject to conditions precedent--namely, Argentine anti-trust and Chinese governmental approvals. Securing these approvals was the sole responsibility of Bridas. Bridas had not yet been able to satisfy these conditions precedent but the approval processes were ongoing and, for reasons known only to them, Bridas has now chosen to terminate the transaction." "BP will now be considering all its strategic options regarding PAE," Nicholas added.

BP group chief executive Bob Dudley's said in a phone call with financial analysts on Oct. 25: "We reached that agreement last year at a time when oil prices were lower. It was a time when we actually needed to make some divestments of properties. We're past that point. We don't actually need to make that divestment...if it doesn't happen, it's absolutely fine."

In a separate statement, CNOOC CEO Yang Hua said that "certain conditions precedent to the completion of the deal were not obtained as expected, and Bridas chose to terminate the transaction." No additional details were given other than that BP had been informed of the decision on Nov. 5. The planned deal was one of a string a major resources investments by China in Latin America in the past two years, and an unusually large deal for an Argentine company.

Bridas denied media reports citing Argentine political opposition to the deal, saying that both the Argentine and Chinese governments "have always acted positively regarding the transaction." "Neither the European nor the international financial crisis nor any measures taken in Argentina have had any influence on this decision," Bridas said.

In recent months people familiar with the negotiations have said impediments to the deal rested not in Argentina or in China but rather in London, specifically within BP. BP could not be reached for comment.

Chinese companies have long been scooping up overseas oil and gas assets, and CNOOC said Sunday it is still looking for additional acquisitions. Last year China Petroleum & Chemical, or Sinopec, bought a 40% stake in Repsol's Brazilian upstream operations for $7.1 billion, and it also acquired U.S.-based Occidental Petroleum Corp.'s Argentina subsidiary for $2.45 billion. More recently, last month, a unit of China Petrochemical Corp. agreed to buy Daylight Energy, a Canadian oil and natural-gas producer, for C$2.2 billion (US $2.19 billion).

CNOOC and BP had previously said the U.K. company would have to repay a deposit from the joint venture of $3.53 billion if the deal fell through. In event of termination, BP would also have to pay Bridas $700 million, according to a BP statement on Oct. 25. Bridas said it wouldn't rule out further talks. "We are totally open and have always willing to find constructive solutions," the company said. "We don't have any idea how BP is going to react. You'd have to ask BP."

Pan American's main assets are in Argentina, where it is the second-largest producer of oil and gas. The company also has interests in oil and gas transportation, oil storage and loading, gas distribution and power generation. CNOOC said that it "will continue to look for overseas opportunities which could add value to our company both in short term and long run." CNOOC had a very high-profile failure on an even larger deal back in 2005 when its attempts to buy California-based Unocal Corp. were blocked following a nationalistic political uproar in the U.S.

EU investigates Russia and Turkey exports of pipeline fittings

Today's Zaman, *03.11.2011*

The EU has started an investigation into whether iron and steel fittings for industrial tubes and pipes from Russia and Turkey are being sold at illegally low prices and whether this is harming EU producers.

The case, prompted by a complaint from EU producers, could eventually lead to punitive import duties if the EU finds evidence of illegal price dumping. The bloc has until next August to launch provisional tariffs and could follow these with five-year duties until February 2013. "Having determined that there is sufficient evidence to justify the initiation of a proceeding, the commission hereby initiates an investigation," the EU's official register said in a notice.

At issue are imports of about 10 million euros worth of Russian and Turkish fittings that connect sections of tubing used in construction and for piping energy and gas. "This is about small European companies for whom every euro counts," said a person familiar with the case. Complaints of unfair international competition from EU producers have resulted in punitive tariffs against China, South Korea, Malaysia, Thailand and Taiwan.

Poland seeks arbitration over Russian gas prices

Reuters, *07.11.2011*

A dispute over gas import prices between Russia and its European customers escalated on Monday as Polish gas monopoly PGNiG filed an arbitration procedure against Gazprom to cut import prices under a long-term supply deal.

PGNiG transmission and distribution of natural gas in Poland, said earlier this year it wanted at least a 10 percent discount and would turn to arbitration if was not successful. “PGNiG is counting on reaching an agreement in arbitration, which would allow for gas purchases at prices in line with conditions that are shaping the European gas market,” the company said.

Gazprom Export, the exporting arm of Gazprom, declined to comment. The move comes a day before Gazprom is due to open its Nord Stream pipeline to Germany. The pipeline runs across the Baltic Sea, avoiding transit through Ukraine and by extension through Poland. It also comes a week after Poland signed a contract with Gas-System, a pipeline operator, to carry natural gas from German operators to Poland at a 15 percent discount to Gazprom’s import price.

Russia’s Alfa Bank said it treated the news “as mildly negative for Gazprom as the company’s key European clients seem to be successfully diversifying their gas importation routes”. But the bank added that Poland’s heavy reliance on Russian gas also limited its leverage. “We believe the country’s efforts to receive a gas price discount will not significantly impact Gazprom, although a minor price decrease is possible,” Alfa Bank said.

Poland relies on natural gas for around 13 percent (14 billion cubic meters), of its annual primary energy supply. The country imports around 10 bcm of gas each year, and around 90 percent, or 9 bcm, of that comes from Russia. Diversification of supplies has for long been high on Warsaw’s agenda, with its focus lately turning to potential shale gas exploration. Gazprom already reduced its gas prices for Poland last year, in exchange for exporting higher volumes.

Announcements & Reports

► *Energy Politics of Turkey – Presentation*

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

► *Tables Forming Basis for 2012 Tariffs*

Source : Energy Market Regulatory Authority
Weblink : www.epdk.org.tr/documents/10157/25ab182c-ee2d-4582-927d-3e9644286e17

► *OPEC World Oil Outlook 2011*

Source : Organization of the Petroleum Exporting Countries
Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/WOO_2011.pdf

► *IEA World Energy Outlook 2011*

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=428

► *The Journal of the International Energy Agency (Autumn 2011)*

Source : International Energy Agency
Weblink : http://www.iea.org/IEAEnergy/IEAEnergy_Issue1.pdf

► *Energy Policies of IEA Countries – Greece*

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=408

Upcoming Events

► *Shale Gas World Europe 2011*

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

► *GeoPower Europe*

Date : 6 – 7 December 2011
Place : Milano – Italy
Website : http://www.greenpowerconferences.com/

► *European Gas Conference*

Date : 24 – 27 January 2012
Place : Vienna – Austria
Website : www.europeangas-conference.com