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Turkey takes Iran to arbitration over gas price

Today's Zaman, *31.01.2012*

Turkey has taken Iran to international arbitration over the price paid for gas imports, Turkish energy officials said, after Tehran rejected Ankara's complaint that the price was too high. Turkey imports 10 billion cubic metres of gas each year from Iran, making it Turkey's second-biggest supplier after Russia.

"The expected discount was not made. For this reason, Turkey went to international arbitration," said one senior Turkish official. Iranian officials, contacted by Reuters in Tehran, said they were unaware of Turkey's move.

"Both sides should remain committed to the contract, which has an article regarding arbitration," said Majid Boujarzadeh, spokesman for Iran's National Gas Company. The dispute is unrelated to the growing international pressure Iran is facing over its nuclear program. Officials did not specify where Turkey was seeking arbitration, but it was most likely to be through the International Chamber of Commerce in Switzerland as Turkey had resolved a previous contractual dispute with Iran over gas supplies at the body.

In 2009, ICC awarded Turkey $800 million compensation related to gas purchases from Iran. The European Union imposed a ban on imports of oil from Iran earlier this month, while lawmakers from the US Senate Banking Committee are set to vote on a new round of sanctions against Iran, aimed at choking off funds they suspect Tehran uses to develop nuclear weapons. "This issue is not related to the sanctions imposed on Iran. Though America is trying hard to pressure Iran," Bourjarzadeh said.

Separately, a Turkish energy official said earlier this month Turkey was seeking a waiver from the United States to exempt oil importer Tüpras from new US sanctions on institutions that deal with Iran's central bank. Turkey gets about 30 percent of its oil from Iran, and Tüpras , the country's sole refiner, is the main buyer. Tüpras has approached Saudi Arabia, a source with knowledge of the company's strategy told, in a move that could be aimed at lining up an alternative source of oil supplies in case the company has to cut back on purchases from Iran.

Bid for privatization of BaskentGaz delayed

Today's Zaman, *24.01.2012*

The last date to submit offers for the privatization of BaskentGaz, the natural gas distributor serving Ankara province, has been extended to April 16 at the request of bidding companies.

According to a statement from the Privatization Administration, the tender to privatize 80 percent of the administration's shares is still in progress. The original date to submit bids, Jan. 27, was extended due to a request by bidders who wanted the extra time in order to more carefully evaluate the conditions of the contract and recent developments.

Gazprom to Europe: Gas demand tops contract levels

Ria Novosti, *03.02.2012*

Faced with a cold snap, some Gazprom customers in Europe have complained that deliveries of Russian natural gas have declined, but Gazprom said they were asking for above-contract volumes, a Gazprom export official, Sergei Komlev, said.

"They are asking for more than we are obligated to deliver," Komlev, department head for contract structuring and price formation, said on the sidelines of the Forum Russia 2012. Gazprom is currently delivering as much as it can under current contracts, which stipulate daily and monthly gas supply volumes, he said.

Alexander Medvedev, Gazprom's export chief, said on Thursday that the company has increased gas supplies to Europe and Ukraine as temperatures dropped to minus 30 degrees Celsius. However, several EU states have complained they are receiving less gas. European Commission spokeswoman Marlene Holzner told that Russia reduced gas deliveries to Poland, Slovakia, Austria, Hungary, Bulgaria, Romania, Greece, Italy and Germany from Wednesday. According to her data, supplies to Slovakia and Austria were reduced by 30 percent, to Italy by 24 percent and to Poland by 8 percent. The EU states have had to compensate for lower deliveries of Russian gas by importing from other suppliers and by using stored volumes, Holzner said.

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Trade deficit at historic highs

Hürriyet Daily News, *01.02.2012*

A hike in energy consumption is mainly responsible for the energy-dependent country's trade deficit that surpassed $105 billion last year. Turkey's total energy imports last year stood at $54 billion, figures say.

Turkey's 2011 trade deficit exceeded $105.8 billion, an all-time high, with a 47.7 percent jump from a year earlier, mainly due to increasing energy consumption. The trade deficit in December stood at $8.11 billion with a tiny recovery from $8.7 billion in December 2010. The gap was $7.5 billion in November last year.

Exports rose an annual 5.6 percent to $12.5 billion in December while imports gained 0.2 percent to $20.6 billion, the office said. Turkey's energy imports jumped by 23 percent in December compared to the same month a year earlier, reaching $5 billion. The sum of energy imports in 2011 was $54 billion, which constitutes some 45 percent of the country's total imports. "We forecast that non-energy imports will keep a slow pace in accordance with the cool down in domestic demand, but energy imports will remain high due to the increasing oil prices," the Istanbul-based group said. Akbank's projection on 2012 trade deficit stands at $102 billion.

Turkey's 2011 exports were $134.9 billion while imports reached $240.8 billion, Turkey's statistics authority TUIK said on its website. The gap was the highest in the 89th anniversary of the modern republic. Accordingly, Turkey's exports were up 18.5 percent year-on-year in 2011 as imports jumped 29.8 percent.

The figures also revealed the share of European Union members in Turkey's exports declined to 41.7 percent in December to 45.2 percent the same month in 2010, thanks to the fall in demand on the crisis-hit continent. The volume of Turkish exports to EU countries in December also declined by 2.5 percent to $5.2 million. "The figures expose the slowdown in foreign trade," said Vakifbank Economic Research, headed by Serkan Ozcan, in yesterday's note to investors. However, strong exports supported by the Turkish Lira's depreciation in 2011 also played a role in December recovery, Vakifbank said.

Russia appeared to be the biggest exporter to Turkey with a volume of $240.8 billion. Turkish sales to Russia stood at only $23.9 billion. Germany and China were the second and third biggest importers to Turkey by $23 billion and $21.7 billion relatively. Imports from India reached $6.5 billion with more than a 90 percent rise from 2010. Germany remained Turkey's top exports market with an annual volume of $13.96 billion. Iraq and Britain followed with $8.3 billion and $8.15 billion respectively.

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Iraq delays energy bidding round

Rigzone (Dow Jones), *30.01.2012*

Iraq has postponed by a month and a half its fourth oil-and-gas bidding round, to May 30 and 31, when it will auction 12 promising exploration blocks to international companies, a senior official at the Iraqi oil ministry said Monday.

The ministry had previously said that the fourth auction would be held April 11 and 12. "The reason behind this new date is because we are still discussing with international companies a proposed model contract for the bid round," Sabah al-Saadi, deputy director of the oil ministry's Petroleum Contracts and Licensing Directorate, told.

Al-Saadi also said they want to give bidding companies more time to study the proposed model contract. The licensing auction date has been changed four times. The first date was set in November 2011, then it was delayed to Jan. 25, then to March 7 and April 11. Of the 46 firms pre-qualified to bid, some 37 companies, including some of the world's largest, have paid participation fees and bought data packages for the 12 blocks, al-Saadi said. He said his office would make some slight changes to the model contract that "will be of interest for both the ministry and companies." He gave no further details.

Prequalified companies will compete based on fees that they will charge for exploring in these untouched blocks. One category will be allowed to bid as operators for the blocks; a second category will be allowed to participate in consortia led by operators.

Although international companies would prefer production-sharing contracts for exploration blocks, Iraqi oil officials said the deals would be based on a service contract, which means winning companies will be paid a flat fee for their services rather than be given a share in the resources. But it would be slightly different from the 20-year service contract offered in the previous three bidding rounds, they said.

Among those qualified for the auction are BP PLC, Royal Dutch Shell PLC, ExxonMobil Corp., Lukoil Holdings, Total SA, China National Petroleum Corp., or CNPC, Eni SpA, Occidental Petroleum Corp. and Chevron Corp. Seven of the blocks are believed to contain natural gas, and five are believed to contain crude oil, and the blocks range in size from 5,500-9,000 square kilometers, officials said.

Iraq, holder the world's third-largest oil reserves, signed 11 oil field deals with international oil companies from two bidding rounds in 2009 and three gas contracts from a 2010 licensing auction. Iraq's estimated gas reserves of 112.7 trillion cubic feet are the world's 10th largest, according to U.S. Department of Energy data.

FT: 'Saudis could substitute for Iran in crude to Tüpras'

Today's Zaman, *30.01.2012*

Saudi Arabia could step in for Iran in the case of a possible decline in oil supply from this country to Turkey's largest oil refiner, the Turkish Petroleum Refineries Corporation (Tüpras), the Financial Times (FT) reported on Monday.

Turkey imports around 200,000 barrels of oil per day from Iran, or one third of its daily oil consumption. Tüpras imported 7.41 million tons of Iranian oil, around 38 percent of which it processed in 2010. Separate sources had earlier said Tüpras was planning to meet Saudi Arabian oil authorities this month in order to try to switch to alternative crude sources by the summer.

Oil market experts that Today's Zaman had earlier spoken with said preferring Saudi Arabia over Iran is "an expensive option" for Turkey, adding Ankara was not ready to risk current, relatively more profitable crude import contracts with Tehran.

During last weekend's Gulf Cooperation Council (GCC) meeting in Istanbul, Saudi Foreign Minister Saud al-Faisal said what his country wants to see is "a balanced market in oil." Some interpreted these words as an indication the oil-rich country could step in if other countries, including Turkey, were importing less oil from Iran.

Reports indicate Tüpras is making preparations to guarantee a second supplier in case extended sanctions on Iran would risk imports from this country. Turkish officials have told an American delegation the government has no intention of following the unilateral US sanctions on Iran. From the very beginning, Turkey reiterated it does not feel obliged to adhere to sanctions other than those imposed by the UN.

Although an independent, private entity, Tüpras may opt to wait and see what the government's final decision on the issue will be. However, some argue this may bring extra costs along with it. The FT report said Tüpras should act quickly before prices surge in the market, recalling that other European companies, including Spain's Repsol YPF and Italy's Eni are already racing to secure alternative suppliers than Iran, pushing up premiums in the oil market.

Oil prices were in retreat on Monday, dipping below $111 a barrel after an expected Iranian vote to suspend crude exports to Europe was postponed and markets continued to wait for a deal on Greek debt.

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Iran may cut oil sales to EU before July

Reuters, *26.01.2012*

The European Union rather than Iran will lose out under new EU sanctions banning Iranian oil, President Mahmoud Ahmadinejad said as lawmakers said they might cut supplies to EU countries ahead of a July 1 deadline.

"It is the West that needs Iran and the Iranian nation will not lose from the sanctions," Ahmadinejad said in his first public comments on the issue since the EU's 27 member states agreed the ban. "There was a time when 90 percent of our trade was with the Europeans. It has now dropped to 10 percent. We didn't call for this. Cut trade and let's see who will incur the loss," he said.

Tehran has said the EU's six month phase in for the ban indicates its difficulties in cutting Iranian oil supplied as it faces unprecedented economic uncertainties due to a debt crisis. The EU is Iran's second biggest oil customer after China. Parliament will debate a bill that would oblige the government to halt oil exports ahead of the July 1 deadline the EU set in order to soften the blow to the ailing economies of Greece, Italy and others to whom Iran is a major supplier.

"All European countries that made Iran the target of their sanctions will not be able to buy even one drop of oil from Iran and oil taps will be turned off to them so that they will not play with fire again," lawmaker Nasser Soudani.

The EU move and new U.S. measures aimed at making it harder for countries around the world to buy oil from Iran, OPEC's second biggest exporter, constitute the toughest sanctions yet aimed at pressuring Tehran to curb its nuclear program. They come as Ahmadinejad is struggling to control rising inflation and a currency crisis which itself was partly caused by the psychological impact of the new sanctions.

Central Bank Governor Mahmoud Bahmani told state television that in addition to higher bank interest rates announced on Wednesday, Tehran would enforce a single exchange rate from Saturday, an attempt to stamp out a black market where dollars have soared due to fears over the sanctions.

Greece seeking backup oil supply against Iranian embargo

Hürriyet Daily News, *02.02.2012*

Greece said it was looking for alternative options to counterbalance the effects of a planned European Union embargo on Iranian oil imports on its struggling economy.

"Greece has expressed certain concerns regarding the effects of taking such measures on European economies," foreign ministry spokesman Grigoris Delavekouras told a news briefing. "The competent authorities in Greece have examined, and continue to examine, possible supply from other sources," he said, without elaborating. Greece imports around a third of its oil from Iran at advantageous credit terms. Italy and Spain are also major Iranian oil importers.

In the toughest action yet against Iran's ability to fund its nuclear program, the EU outlawed petrochemical imports and investments and banned the sale of gold, diamonds and other precious metals. The EU imported some 600,000 barrels of Iranian oil per day in the first 10 months of last year, making it a key market alongside India and China, which has refused to bow to pressure from Washington to dry up Iran's oil revenues. "We want a solution and we want cooperation," Delavekouras said. "We believe in diplomacy," he said.

IMF warns Iran sanctions could push oil to $140

Ria Novosti, *26.01.2012*

Sanctions on Iran could push oil prices up 20-30 percent to $140 per barrel unless alternative supplies from developing countries come on line, the International Monetary Fund said.

"A halt in Iran's exports to OECD economies without offset from other sources would likely trigger an initial oil price increase of around 20-30 percent, with other producers or emergency stock releases likely providing some offset over time," the IMF said in its report for the G20. "(The Strait's closure) could trigger a much larger price spike including by limiting offsetting supplies from other producers in the region," the IMF added.

India defies sanctions, won't cut Iran oil imports

Today's Zaman, *31.01.2012*

India has joined China in saying it will not cut back on oil imports from Iran, despite stiff new US and European sanctions designed to pressure Tehran.

"It is not possible for India to take any decision to reduce the import from Iran drastically because, after all, the countries which can provide the requirement of the emerging economy, Iran is an important country among them," India's finance minister Pranab Mukherjee told reporters Sunday in Chicago. India and China together accounted for 34 percent of Iran's oil exports from January to September of 2011 - slightly more than Europe, according to IEA data.

The move is likely to be seen as a political victory in Iran, but it's unclear how Chinese and Indian companies will actually be able to pay for Iranian oil without running afoul of the sanctions, analysts said. "It's a blow," said David Hartwell, senior Middle East analyst at IHS Jane's, adding that Iran may have discounted prices to keep the Chinese and Indians on their side.

"If you have two major countries like India and China saying they will not abide by the sanctions, that's going to keep a vital line open for the Iranians to continue to sidestep the sanctions and get foreign capital." He said India and China could just be trying to buy time to diversify their oil supplies and may steer away from Iran, especially if Saudi Arabia India's largest source of oil imports were to ramp up production and offer an attractively priced alternative.

Meanwhile, German Chancellor Angela Merkel will use a planned visit to China this week to encourage Beijing to reduce its imports of Iranian oil, a German government source said on Tuesday. "It is in German interests that China does not raise its imports (from Iran). It would be good if China would reduce its imports," the government source told a news briefing ahead of Merkel's trip to China that begins.

Austria rebuffs IPIC bid for OMV stake

Upstream Online, *03.02.2012*

The Austrian government has reportedly dismissed Abu Dhabi sovereign wealth fund IPIC's request for permission to raise its stake in energy group OMV to at least 25%. The economy ministry in Vienna said that IPIC's request "was based on things that are not covered by our law", Dow Jones reported, in a reference to a law requiring non-European investors to get advance approval to increase stakes in strategic groups like OMV above 25%.

She said that meant the substance of IPIC's request had thus not been resolved either way and IPIC would have to file again for approval if it wanted to buy more shares to boost its stake above the current 24.9%.

IPIC's stake could surpass the threshold should OMV move ahead with a share buyback that shareholders have authorized and IPIC if holds on to its stock. Austrian state holding company OeIAG holds a 31.5% stake in OMV and coordinates with IPIC any shareholding changes. Austria's competition watchdog last month said there were no cartel factors blocking a higher IPIC stake in OMV.

Earlier on Friday, OMV said its fourth-quarter hydrocarbon output had risen 2.1% on the quarter, but was down 9.7% on the year, as production in Libya resumed. Fourth-quarter production in 2011 was 289,000 barrels of oil equivalent a day, up from 283,000 a day in the third quarter. Hydrocarbon output fell 9.7% compared with the 320,000 barrels of oil equivalent a day produced in the fourth quarter of 2010.

Resumption of production in Libya and a rise in production in the UK provided most of the overall production increase on the quarter, but was partly offset due to the production stop in Yemen. In the fourth quarter, OMV produced an average of around 10,000 barrels of oil equivalent per day in Libya. Romania production also increased by about 1,500 barrels of oil equivalent per day on the quarter as the first volumes from the exploration well Totea contributed to production. Despite the lack of liftings from Libya in the fourth quarter, sales from third-quarter production in Yemen helped increase overall sale volumes above third quarter levels.

Negotiations with Russia's Gazprom concerning price revisions on the long-term gas supply contract had been successfully concluded and would contribute significantly to fourth quarter earnings, said OMV. OMV also said its fourth-quarter earnings before interest and taxes would be negatively affected by around $63 million, related to hedges entered into in January 2011. A fine imposed by the Romanian Competition Council will result in an approximately $157.45 million special charge. OMV said it believes the fine to be unwarranted and is preparing its defence. The strengthening of the dollar against the euro had a positive effect on the fourth quarter earnings as the oil price in euro terms increased, said OMV.

Oettinger calls for 'Europeanisation' of energy powers

EurActiv, *01.02.2012*

Energy Commissioner Günther Oettinger has called for a pooling of national powers to set energy policy in Brussels after 2014. He said some EU members were not committed to the idea of "a true single market in energy" - which is due by 2014 but beset by national foot-dragging - and called for Brussels to "take stock" of what had not been achieved "because primary law was not sufficient."

"At the end of the day, what I am looking for is full competence," he told a European Economic and Social Committee conference, "including of the energy mix and the decisions about how energy is processed."

"At the moment, it's a matter for member states, but it should, I believe, fall into the hands of the Parliament and Council." Oettinger said that he had to work within existing powers of the European Commission, but that "in 2014 maybe it will be time to decide formally on deepening primary powers".

In an unusually outspoken speech, the commissioner also spoke of his wish to open an energy chapter with Turkey in the current accession talks, and to enlarge Europe's energy community to take in Ukraine, Moldova, Georgia, Norway, Switzerland, Albania, Serbia, Montenegro and the Maghreb. "Energy does not stop at the borders of the EU," he said. Sources in the renewable energy industry were not impressed by Oettinger's talk. "Europe urgently needs to make faster progress towards a single market in electricity, and the Commission should concentrate on realistic ways to speed it up," one told EurActiv. "The member states are not going to give up decision-making on energy mix," he added. "This is a distraction."

Under Article 194 of the Lisbon Treaty, EU member states have competency over their choice, use and structuring of energy resources. Together, these have traditionally been viewed as a national security concerns and sometimes, Oettinger said, a method of manipulating prices according to electoral cycles. Several member states have still not transposed, or only partly transposed, the EU's third energy package - which would harmonise European markets - into their legislation, and the national energy mosaic has, arguably, fragmented common energy policymaking.

While EU states such as France depend on nuclear energy for 90% of their electricity, Poland sources 90% of its energy from coal and Germany is attempting to move towards providing 100% of its electricity from renewables. "These are strong arguments for giving [us] those powers," Oettinger said. "In the next decade you would give greater value, or decide on a higher value for renewable energy in the [EU] energy mix."

Martin Schulz, the president of the European Parliament, said that he supported Oettinger's call for Europeanisation, because securing the EU's energy security and autonomy could only be achieved through more integration. "All those who want to tell us that the solution is at a national level are wrong," he said. "Integration on top of what is done at a national level is the only way we will solve our 21st century problems." However, he cautioned, that no changes in the Lisbon Treaty's Article 194 were likely in the short term. "The [energy] choice is made by member states and they are right to choose and we cannot get rid of that," he said. "But the right to choose your energy mix is a problem and was going to have to talk about it a lot."

European Union takes UK to court over tax, gas rules

The Wall Street Journal, *26.01.2012*

The European Union is taking the U.K. to court in two cases involving its tax system and the application of the regional bloc's natural gas rules.

In one of a host of so-called infringement cases announced by the European Commission, the U.K. was referred to the European Court of Justice for abolishing the right of taxpayers to be reimbursed for taxes paid in breach of EU law. EU law says the reimbursement of taxes should not be made impossible or excessively difficult but that the U.K. had abolished one of the processes used by taxpayers seeking repayment.

The Commission said "no proper transitional rules" had been provided and it is "therefore practically impossible...to exercise the rights conferred by EU law." The EU's executive is also referring the U.K. and Ireland to court over cross-border gas provision rules. The Commission said that the gas pipeline connecting Ireland and Northern Ireland us not open to the market. It also said that on the gas pipeline connecting Scotland to Northern Ireland, short-term services are not available. As a result, the EU said the U.K. and Ireland are not complying with rules which say member states must offer the "maximum interconnection capacity" for cross border gas trade.

The Commission noted U.K. and Irish plans to create a cross-border market but said the project had been delayed and that it was therefore going ahead with the infringement case. In other cases, the Commission referred Portugal to court for failing to implement a law concerning distance marketing of consumer financial services into national law. The Commission said Portugal had failed to protect consumer rights to withdraw from a service contract. It also took Bulgaria court for failing to implement rules injecting competition in the railway sector.

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Ukraine wants 34% in gas consortium with Russia, EU

Ria Novosti, *03.02.2012*

Ukraine should own a 34 percent stake in any gas transortation consortium with Russia and the EU to manage its gas transportation system, Germany's Süddeutsche Zeitung newspaper reported, quoting Ukrainian President Viktor Yanukovych as saying.

Under Ukraine's plans, Russian gas giant Gazprom and European companies would own 33 percent each. Russia and Ukraine are embroiled in a drawn-out dispute over the price and volume of Russian gas purchased by Ukraine. Kiev insists the current price is too high, while Moscow is pushing for control of Ukraine's system of gas transit to Europe.

Both parties have said lately that they see a consortium to manage the Ukrainian gas transit system as a possible solution to the problem but have not agreed on the project's format. Yanukovych told the paper that country's gas transportation system should be upgraded, while the expenses seemed to be $5-7 billion for five to seven years.

Norway offers gas to Ukraine

Ria Novosti, *26.01.2012*

Norway is considering supplying natural gas to Ukraine as an alternative to Russian natural gas supplies, a Norwegian Ministry of Petroleum and Energy expert said.

"If our potential partners from Ukraine turn to us for immediate aid, we'll no doubt render it. Export prices of gas transported from Norway will be calculated on maximally privileged terms for Kiev," Ingmar Sundstrom said. Norway currently holds hundreds of thousands of cubic meters of natural gas in its storage facilities, which Ukraine will be able to use day and night, Sundstrom said.

Transit costs would be high however, he said, due to the absence of a direct pipeline between the two countries and relatively high costs for gas transportation by sea or land. Ukraine has been seeking a revision in the 2009 gas deal with Russia since last spring, saying that the contract's gas price formula is unfair.

PETFORM

Shell's new venture in Iraq to boost gas output in 2012

Rigzone, *26.01.2012*

A joint venture between Iraq, Royal Dutch Shell and Mitsubishi Corp. to capture and process huge volumes of gas flared from its giant southern oil fields is expected to start production this year, a senior Iraqi oil ministry official said.

"We are expecting to produce some 50 million cubic feet a day this year," Ali Hussein Khudhier, head of the South Gas Co., an affiliate of the Iraqi Oil Ministry, told in an interview in Zubair in the southern Basra governorate. The 17.2 billion joint venture Basra Gas Co., or BGC was signed in Baghdad in November following almost three years of negotiations between the Iraqi government and Shell.

Khudhier also said a floating liquefied natural gas plant and terminal off Basra coast in the Arabian Gulf to be built by Shell and Mitsubishi is expected to cost around $3 billion, and "we are expecting the LNG to be operational either in 2017 or 2018." The project would handle the export of 600 million cubic feet a day of LNG. The venture would soon invite international companies in a tender to build the LNG facility near Iraq's main oil export terminal of Basra.

Gas output from the venture is expected to increase gradually to process all currently flared gas from three oil fields in Basra, Rumaila, West Qurna Phase 1 and Zubair, estimated at 1.1 billion cubic feet a day. "We need probably more than two years to process all the gas which is being flared from the three fields," said Khudhier. Before signing the deal with Shell, Iraq was producing around 450 million cubic feet a day of gas from these three fields.

According to the joint-venture agreement, Iraq has to supply the Basra Gas Co. with at least 2 billion cubic feet a day of raw gas even if it has to bring it from other fields other than the three mentioned. "We are, however, expecting gas output from these three fields to reach more than 2 billion cubic feet a day when they reach their production plateau as mentioned in the contracts signed with firms developing these fields," he said.

The 25-year joint venture is made up of state South Gas Co. which holds 51%, Shell holds 44% and Mitsubishi has 5%. The terms of the venture call for BGC to buy raw gas from the oil ministry and sell the dry gas, LPG and liquids it processes back to the ministry at international prices. Iraq has signed some 11 deals with international oil companies with the aim of reaching an output of at least 8 million barrels a day by the end of this decade. The gas project with Shell is crucial to Baghdad's ambitious oil expansion that will also boost much-needed power generation in Iraq. Iraq, holder of the world's 10th gas reserves, is producing 1 billion cubic feet a day of gas from southern oil fields, but some 70% of them are being flared because of lack of infrastructure.

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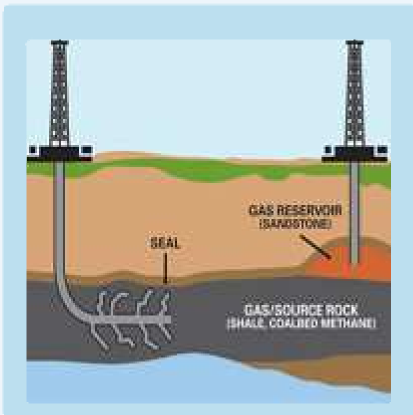
EU study: No need for further regulation on shale gas

EurActiv, *30.02.2012*



There is no need for more environmental legislation in the case of shale gas exploration, at least until it reaches commercial scale, says a new study published by the European Commission. The activities relating to exploration of shale gas are already subject to EU and national laws and regulations, says the report, carried out for the European Commission by Belgian law firm Philippe & Partners.

Water protection issues, for instance, which have been raised as an issue by shale gas detractors, are already covered by EU legislation under the Water Framework Directive, the Groundwater Directive and the Mining Waste Directive.

Meanwhile, the use of chemicals is covered by the REACH regulation, the study says. “It is a new technology and we do not have a specific legislation on shale gas, because it is so new," said Marlene Holzner, European Commission spokesperson on energy. "So the study only says that the existing regulations are applicable for shale gas, that the tool is there and has only to be applied,” she told EurActiv, adding that the study was carried out only in four countries – Poland, France, Germany and Sweden. It was released on 27 January.

The law firm said shale gas activities were too small at the moment to justify specific legislation. “Neither on the European level nor on the national level have we noticed significant gaps in the current legislative framework, when it comes to regulating the current level of shale gas activities,” the study reads. This is, however, not a reason for “complacency”, the study says, since the assessment refers only to the current scale of operations in Europe. Shale gas exploitation on a commercial scale would involve bigger maneuvers, it adds.

Europe has less experience in exploring shale gas formations as a new source of natural gas and no commercial scale exploitations have taken place yet, but this “is expected in a few years’ time”, the report says. Shale gas is an unconventional source of natural gas and studies show different results on how safe the two main methods of extracting it from rock formations.

One is the horizontal drilling in various regions of the rock, which is needed to capture the gas pockets. The other, hydraulic fracturing - or 'fracking' - involves a high-pressure injection of fluids usually mixed with chemicals into shale rock. Both of them require seismic and drilling permits, as well as large amounts of chemicals and water. Only after conducting consecutive tests for drilling and fracturing does a project reach the stage of planning and acquiring the needed pipeline, followed by the decision to bring the extraction to a commercial scale. In a few years’ time, investors might find themselves in need of making a decision on the commercial development of their shale gas projects, a situation which is not covered by the EU study published on 27 January.

Poland, which aims to shrug off its dependency on Russian gas, is planning to begin commercial shale gas production from 2014, Prime Minister Donald Tusk said last year. Most of the projects are currently at the phase of seismic surveys and some projects already have entered the drilling phase, which is expected to intensify after 2014. The natural gas trapped in shale rock in Poland could provide the country with enough fuel to last for 300 years, the US Department of Energy said last year. However, not everyone is willing to allow drilling operations on their land, despite the economic potential. At the beginning of January, thousands of Bulgarians protested against exploration for shale gas over fears it could poison underground water, trigger earthquakes and pose serious public health hazards.

Petroplus says German subsidiaries file for insolvency

Yahoo! News, *26.01.2012*

Petroplus, Europe's largest independent oil refiner said its German susidiaries are to file for insolvency following its decision two days earlier to file for bankruptcy.

Petroplus said in a statement "its subsidiaries in Germany filed for insolvency proceedings." The Swiss-based oil refiner also announced that its subsidiaries in France, "Petroplus Holdings France, Petroplus Marketing France, Petroplus Raffinage Reichstett and Petroplus Raffinage Petit-Couronne, which owns the Petit Couronne refinery," have filed for judicial assistance.

Credit ratings agency Standard and Poor's downgraded the company's long-term debt rating by two notches to D or "default" classification citing its inability to pay off long-term debts. The ratings of Petroplus Europe's largest independent refiner dropped from its previous "CC", the day after it announced it was filing for bankruptcy due to its failure to reach agreement with its banks. Petroplus, with $1.75 billion (1.3 billion euros) in outstanding debt, had been negotiating for weeks with lenders to reopen credit lines needed to maintain operations, said last week it would sell its Petit Couronne refinery in France.

PETFORM

South Sudan says more than 900 oil wells shut down

Today's Zaman, *26.01.2012*

A South Sudan official said the country has shut down more than 900 oil wells after accusing neighboring Sudan of stealing its oil.

Pagan Amum, the secretary general of South Sudan's ruling party, said that the shutdown will have a big impact on the new nation, which relies heavily on oil revenues. But he said he'd rather see the country's oil sit in the ground than lose it to Sudan. "That is even worse," he said. The news from Amum came one day after South Sudan and Kenya signed a MoU to build a pipeline from South Sudan's oil fields to Lamu, on the northern Kenyan coast, where a new port is planned.

The project has been a matter of speculation for the last few years, but South Sudan's Oil Minister Stephen Dhieu Dau said planning for the project will now begin as soon as possible. "We do not know exactly when, but the pipeline is a priority for the government," he said.

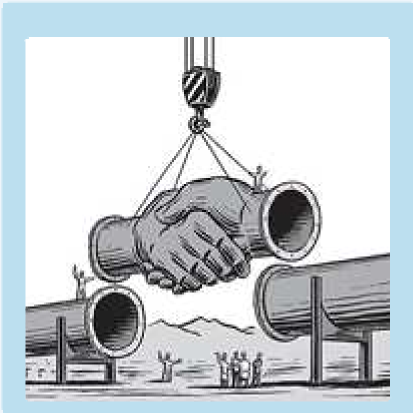
The agreement, signed by Kenyan Prime Minister Raila Odinga and South Sudan President Salva Kiir in Juba, comes as bitter negotiations between Sudan and South Sudan flounder. At the center of the talks are pipeline fees being charged by Khartoum. All of South Sudan's oil currently runs through Sudan's pipelines to Port Sudan for export. Khartoum has asked for $32 per barrel of oil shipped through the pipes, but South Sudan has called the offer extortion. South Sudan has in turn offered $1 per barrel, an offer which information minister Benjamin Barnaba Marial said was "the highest in the world."

Dau said Kenya has agreed to set fees for its planned pipeline "based on the best state practices." He said a planning committee would be immediately formed to work out the financing for the pipeline as well as the "environmental issues and social issues" surrounding its construction.

Landlocked South Sudan on Sunday started to halt oil production after accusing Sudan of stealing $815 million worth of the South's oil. South Sudan broke away from Sudan last July to form the world's newest country. But the two new neighbors never agreed on the transit fees that South Sudan should pay Khartoum. Amum said the oil shutdown would be completed within two to three days. He said South Sudan is also approaching Ethiopia about developing a new pipeline that would eventually go to port through Djibouti. While South Sudan is losing massive amounts of money by shutting down its oil industry, Sudan is losing money as well, and risks losing future revenue if South Sudan completes new pipelines out if its territory.

India and Pakistan plan to partner for energy security

Rigzone, *25.01.2012*



India and Pakistan announced several initiatives to accelerate cooperation in the oil and gas sector, as the two energy-starved nuclear-armed neighbors try to mend economic ties despite political differences.

Energy ministers from India and Pakistan said the two nations may jointly take part in developing a gas field in Turkmenistan. In addition, India has proposed to export petroleum products to its South Asian neighbor, said Oil Minister Jaipal Reddy, while addressing a joint briefing with his Pakistani counterpart, Asim Hussain.

Hussain is in New Delhi for talks on a proposed 1,680-kilometer pipeline which will transport gas from Turkmenistan's Yolotan-Osman field to India and Pakistan through Afghanistan. "We intend to have a joint strategy on the upstream sector where Turkmenistan is to develop its gas field," Hussain said. "We will have to wait for the response of the Turkmenistan government," Reddy said. "Since everything is progressing smoothly, we are optimistic about it."

An agreement to build a Turkmenistan-Afghanistan-Pakistan-India pipeline will help both India and Pakistan secure gas supplies and also benefit Turkmenistan, which has the world's fourth-largest gas reserves including the Yolotan-Osman Gas field with estimated reserves of up to 13 trillion cubic meters. The $7.6 billion proposed pipeline could carry about 90 million standard cubic meters of gas per day. According to the plan, Afghanistan would get 14 mmscmd of the gas, while India and Pakistan would equally share the balance.

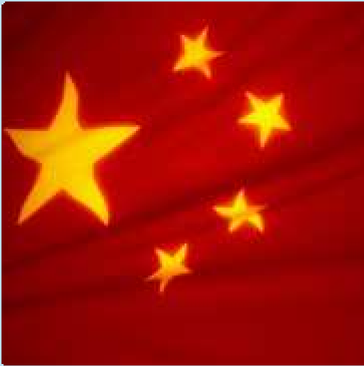
Discussions on the pipeline have been continuing for about two decades and the project has U.S. backing as it will provide millions of dollars to Afghanistan in the form of transit fee and also job opportunities. The pipeline will also reduce South Asia's dependence on Iran, which has been seeking to supply gas to India and Pakistan through another proposed pipeline. About 1,535 kilometers of the Turkmenistan pipeline will pass through Afghanistan and Pakistan, including the Kandahar province that has high Taliban presence, and tribal areas, posing a security challenge to the project. Hussain said Pakistan is separately going ahead with a multi-billion-dollar gas pipeline project with Iran. "The gas supply purchase agreement has been signed with Iran. We are meeting all schedules on time."

India, which was part of the project initially, isn't actively pursuing it as the talks stalled on security and pricing issues. Reddy declined comment on India's participation. Pakistan's comments come as the U.S. and the EU push toward banning or discouraging Iranian oil trade. Reddy said India has offered to export gasoline, diesel, jet fuel and fuel oil besides sulphur, polyethylene and polypropylene to Pakistan, according to an Indian government statement. It said Pakistan will save freight costs as several Indian refineries are located close to the border between the countries.

PETFORM

Platts: China's oil demand reaches records despite slowing growth

Rigzone, *25.01.2012*



China's apparent oil demand in December rose 0.7 percent year on year to 41.02 million metric ton (mt), or an average 9.69 million barrels per day (bpd), a Platts analysis of recent statistics released by the Chinese government showed.

"But even with that relatively slow rate of growth at the end of the year, the actual demand for December was the highest daily rate the country's oil demand has ever reached," said Calvin Lee, Platts Senior Writer for China. Yet, the oil demand growth in December of 0.7 percent was the second time last year that the rate of increase was below 1 percent.

On a quarterly basis, oil demand growth of 1.6 percent in the fourth quarter was the lowest among all four quarters in 2011. The drop-off in oil demand growth in the second half of the year pulled the annual growth rate down to 6.1 percent in 2011, from 11.3 percent in 2010. December's apparent oil demand was a tad more than the previous all-time high of 40.73 million mt, or 9.62 million bpd, recorded in the same month a year ago, when the country was besieged by a diesel shortage. For the whole year, China's apparent oil demand was at 460.65 million mt, or an average 9.25 million bpd, 6.1 percent more than the previous year.

The 2011 figure was the highest-ever by the world's second largest oil consumer and was the first time that oil demand has breached 9 million bpd for a full year. The rate of increase in 2011, however, was lower than the 11.3 percent growth recorded in 2010. As far as December, Lee said, "High crude throughput and strong net refined product imports continue to lift the apparent oil demand, outweighing the slower growth rates and the recent drop-offs in gasoline and diesel consumption." In December, China's refineries processed 39.23 million mt of crude oil, or an average 9.28 million bpd, with throughput hitting an all-time high for the second consecutive month. December's crude throughput was 1.3 percent higher compared with a year ago, and 0.3 percent more than November's throughput of 9.25 million bpd, which was the previous record high.

Chinese state-owned refiners have been ramping up production since October when most of their plants returned online after completing scheduled turnarounds to replenish refined product inventories, particularly for diesel. Sinopec and PetroChina have said previously that their refineries have been running at full capacity since October amid earlier signs of tightening supply of diesel in certain parts of the country. Meanwhile, refined products imports rose 2 percent year on year to 4.04 million mt in December, the highest volume in nearly 2 1/2 years. December's imports were also 20.6 percent more than the previous month. In July 2009, oil product imports were also at 4.04 million mt. Oil product exports in December were 19.1 percent higher year on year at 2.25 million mt. Net product imports in December totaled 1.79 million mt, the highest in a year, a surprising figure considering that growth in gasoline and diesel consumption has waned in recent months according to earlier released data by the central government.

Announcements & Reports

► *EIA Annual Energy Outlook 2012 – Early Release Overview*

Source : U.S. Energy Information Administration
Weblink : http://www.eia.gov/forecasts/aeo/er/pdf/0383er(2012).pdf

► *Country Analysis Briefs – Turkmenistan*

Source : U.S. Energy Information Administration
Weblink : http://www.eia.gov/EMEU/cabs/Turkmenistan/pdf.pdf

► *EMRA LPG Market Report (Nov 2011)*

Source : Energy Market Regulatory Authority
Weblink : www.epdk.gov.tr/documents/10157/cdafea88-a23a-4fcc-9406-96b9f6fa4466

► *IMF World Economic Outlook 2012 – Update*

Source : International Monetary Fund
Weblink : http://www.imf.org/external/pubs/ft/weo/2012/update/01/pdf/0112.pdf

► *IMF Global Financial Stability Report Market – Update*

Source : International Monetary Fund
Weblink : http://www.imf.org/external/pubs/ft/fmu/eng/2012/01/pdf/0112.pdf

► *IMF Fiscal Monitor – Update*

Source : International Monetary Fund
Weblink : http://www.imf.org/external/pubs/ft/fm/2012/update/01/fmindex.htm

Upcoming Events

► 6th Africa Economic Forum

Date : 5 – 7 March 2012
Place : Cape Town – South Africa
Website : http://www.petro21.com/events/?eventid=728

► Iraq Energy Expo 2012

Date : 23 – 26 April 2012
Place : Baghdad – Iraq
Website : http://www.iraqenergyexpo.com/2012/index.php

► CIS O&G Summit 2012

Date : 14 – 16 May 2012
Place : Paris – France
Website : http://www.theenergyexchange.co.uk/cissummit

► Oil & Gas Pipelines in the Middle East 2012

Date : 20 – 23 May 2012
Place : Abu Dhabi – UAE
Website : http://www.theenergyexchange.co.uk/oil-and-gas-pipelines-in-the-middle-east-2012/s13/a170/

► 4th African Gas – LNG

Date : 21 – 24 May 2012
Place : London – UK
Website : http://www.petro21.com/events/?eventid=735

► 25th World Gas Conference 2012

Date : 3 – 8 June 2012
Place : Kuala Lumpur – Malaysia
Website : www.wgc2012.com

► Iraq Future Energy – 2012 (in Turkey)

Date : 24 – 26 September 2012
Place : Istanbul – Turkey
Website : http://www.theenergyexchange.co.uk/iraq-2012-future-energy/s13/a255/