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Natural gas demand to increase further in 2008

Date : 16.01.2008

Source : Today's Zaman

<http://www.todayszaman.com/tz-web/detaylar.do?load=detay&link=131744>

According to a recent report by the Ministry of Energy and Natural Resources currently 48.6 percent of Turkey's electricity is generated by natural gas power plants, and this rate will likely increase to 49.1 percent if current power plant construction projects are taken into consideration.

The report says Turkey produces 20 percent of its electricity from lignite, 18.7 percent from rivers, 6.2 percent from imported coal, 4 percent from fuel oil and 1.6 percent from coal. The amount of electricity generated from natural gas was 92.8 billion kilowatt hours (kWh) in 2007, and this quantity is expected to rise to 99.5 billion Kwh in 2008.

If the projects for 2008 -the Alpaslan 1 and Obruk hydroelectric plants as well as some other minor hydroelectric plants- are completed as planned, Turkey's total installed capacity of electricity generation will increase by 2.9 percent and hit 42,160 megawatts. The annual electricity generation capacity, on the other hand, will rise by 6.5 percent and reach 202.5 billion kWh. This way, the share of the natural gas plants in electricity production will rise to 49.1 percent. Lignite's share will increase to 21.1 percent and that of hydroelectric plants will fall to 17 percent.

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Iran to construct separate gas pipeline to Turkey

Date : 15.01.2008

Source : Today's Zaman (İsmail Altunsoy)

<http://www.todayszaman.com/tz-web/detaylar.do?load=detay&link=131676>

Ahmad Noorani, the undersecretary for economic and commercial affairs at the Iranian Embassy in Ankara, has said they have enough reserves to double the gas provided to Turkey. He said that as the current pipeline between Turkey and Iran was connected to Iran's domestic natural gas network, gas flow may drop depending on weather conditions and gas consumption.

"A new pipeline [dedicated] to shipments to Turkey will be installed," he said yesterday. Noorani said the project was in the development stage but that completion of the pipeline may take time. "We have legal obligations stemming from the bilateral agreement. But compelling reasons are at issue, something very common in all international agreements," he said.

Turkey and Iran signed a natural gas agreement in August 1996, laying down the conditions of Turkey purchasing 10 billion cubic meters of natural gas per year for 25 years. As Iran fails to send its gas to Turkey, Russian state-owned gas monopoly Gazprom has compensated for the decrease in supply by increasing its daily output to Turkey. Yesterday, Gazprom announced that it increased the daily amount to 40 million cubic meters to help Turkey overcome its shortage.

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Egyptian gas to flow to Turkey network

Date : 17.01.2008

Source : Turkish Daily News

<http://www.turkishdailynews.com.tr/article.php?enewsid=93880>

Turkey has turned to Egyptian natural gas in its quest to diversify its energy supplies amid a cut in gas from Iran. *“Energy is one of the big areas of cooperation between Turkey and Egypt,”* President Abdullah Gül told the Turkish-Egyptian Business Forum late Tuesday.

He said a pipeline had been constructed to transfer Egyptian natural gas to Europe and that efforts were underway to connect Turkey to the network so it can be a conduit. Gül expressed hope that the work to join the Egyptian pipeline will be finalized soon.

Turkey and Egypt signed a framework agreement in March 2004 for gas exports to Europe via a pipeline passing through Turkish territory. Under the deal, Egypt is predicted to annually transfer 2-4 billion cubic meters of gas to Turkey and 2-6 billion cubic meters to Western markets. The Turkish and Egyptian energy ministers signed a memorandum of understanding for natural gas cooperation in February 2006 in Istanbul. With the participation of Syria working groups were formed for talks on the project and agreed upon the following terms:

Each country will be in charge of pipeline construction in its own territory for the transfer of Egyptian natural gas to Europe via Turkey. Turkey and Egypt will help Syria find financing for the construction of the pipeline that extends up to the Turkish border. Turkey and Egypt will launch negotiations over gas purchase and sale by taking into account their national legislation.

The two sides will discuss gas amount and delivery date. Annually 2-4 billion cubic meters of gas can be transferred to Turkey at the end of 2011. A draft inter-governmental agreement to be signed between Turkey and Egypt will be prepared by Turkey and sent to the Egyptian side.

Israel proposes crude pipeline through Turkey



Date : 17.01.2008

Source : Haaretz (Avi Bar-Eli)

<http://www.haaretz.com/hasen/spages/945484.html>

The Eilat-Ashkelon Pipeline Company (EAPC) is leading an international initiative to channel crude oil from Jihan in southeast Turkey to eastern Asia, using its infrastructure in Israel. A consortium will manage the initiative, and a memorandum of understanding is expected to be signed within three months.

The oil would be pumped in Georgia and Azerbaijan, and be brought to Turkey by pipeline. From Turkey it will be shipped by tanker to Ashkelon, whence it would be transported by pipeline to Eilat. In Eilat, the oil will be loaded onto a new set of tankers for transportation to eastern Asia. The Ashkelon-Eilat Pipeline Company is a privately owned firm, owned jointly by Israel and the government of Iran. Tehran is currently not an active partner, and it and Israel are involved in international arbitration.

EAPC recently completed a trial run. A Turkish tanker of crude oil came to Ashkelon, and EAPC transported the oil to Eilat. A tanker owned by an international trading company awaited the shipment at the petroleum distillates port in Eilat, loaded the oil, and took it to an east Asian port. Loading of the tanker in Turkey, shipment to Israel and subsequent piping to Eilat was completed in about five days.

The project's entrepreneurs calculate that the savings to East Asian oil importers in time and costs generated by a regular transport line between Turkey and Israel could amount to \$4 per ton, when compared with the cost of using the Suez Canal. Such a savings justifies investment in the project, as the cost of oil soars and growth rates in the developing nations of East Asia, and China and India in particular, continue to rise.

The EAPC aims to reach a final agreement on establishment of a regular transport line with leased 250,000-ton tankers ('shuttles') moving the oil between Turkey and Israel, and 280,000 to 320,000-ton tanker shuttles used to transport through the Red Sea to the east. Shipment through the Suez Canal is limited to tankers with a maximum capacity of 130,000 tons.

The initiative includes construction of a reservoir farm for storage of oil in Jihan, and infrastructure at Jihan port, in southern Turkey, for loading oil into tankers. The cost is expected to reach an estimated \$200-\$300 million, and the company is already in final stages of partnership negotiations with Turkish firms and an Indian energy company, for financing of the project. Simultaneously, the EAPC's board of directors has approved expansion of its reservoir farm on the Ashkelon coastline by 20%, at the cost of an estimated at \$60-\$80 million, to be self-financed by the company.

The company is currently able to pipe about 20 million tons of oil to Eilat annually. According to its business plan, construction of another pumping station, at a cost of \$10 million, will double its capacity to 40 million tons of oil, thus generating tens of millions of dollars in additional revenues each year. The initiative was conceived with the completion of the BIC project, the 1,760-kilometer pipeline connecting Baku, Azerbaijan, on the Caspian

Sea, to the Jihan port. The pipeline is now used to transport some 30 million tons of top quality 'Azeri Light' crude oil annually, an amount scheduled to increase to about 50 million tons annually within the next few years.

Establishment of the pipeline will bring an increase of 20% in the amount of oil moving in the Mediterranean area, and is expected to result in lower prices, and attract the interest of Far Eastern countries eager to expand their sources.

Turkey also intends to lay another pipeline, between Samsun, on the Black Sea coast, and Jihan. According to the plan, the line will be set to transport an annual 60 million tons of crude oil to Jihan within two years, making the project even more lucrative. The Pipeline Company is currently considering participation in this \$1.5-billion project as well, together with other international energy firms.

"This initiative will constitute a breakthrough for the global energy market and the fabric of international relations, which will place Israel as an intermediate country connecting Eurasia and the East, and make a strategic contribution to reducing dependence of the entire world and particularly Eastern Asian countries, on oil from the Persian Gulf," the chair of the Ashkelon-Eilat Pipeline Company, Oren Shachor, told TheMarker early this week.



Greek Cyprus to launch new hydrocarbons licensing

Date : 18.01.2008

Source : Today's Zaman

<http://www.todayszaman.com/tz-web/detaylar.do?load=detay&link=131927>

A senior energy official stated that Greek Cyprus plans to launch a new licensing round for hydrocarbons in offshore blocks in the eastern Mediterranean on July 1. The Greek Cypriot government had announced its first licensing round in 2007. The number of offshore blocks subject to licensing in the new round was not disclosed.

"We intend, subject to the approval of the council of ministers, to announce a second exploration round on July 1," said Solon Kassinis, head of Greek Cyprus' energy service at the Greek Cypriot Ministry of Commerce and Industry. *"The second round will be for the blocks left from the first [licensing] round,"* Kassinis told Reuters. The precise number of blocks available in the second round will be known when the licensing process for the first round is completed, he said.

Greek Cyprus had offered 11 blocks in total in last year's licensing round, getting bids for three of the blocks from companies based in the US, Britain, Norway and the United Arab Emirates. The exploration area covers 70,000 square kilometers lying south and southeast of Cyprus, over the Eratostethes Seamount, the Levant Basin and the Nile Delta.



World oil demand up, says IEA; OPEC unwilling to ease the pressure

Date : 16.01.2008

Source : Rigzone (Kerry Laird)

http://www.rigzone.com/news/article.asp?a_id=55410

The International Energy Agency (IEA) has revised the 2007 world oil demand, increasing the estimate by 150 kb/d to 85.8 mb/d. The IEA states that demand forecasts for 2008 are slightly higher, yet OPEC has refused to increase oil outputs.

According to the IEA report issued Jan. 16, 2008, the hike in demand is based on stronger-than-expected deliveries in Asia and the Middle East, as well as poor developments in the globalization of the economy. The report indicates that the 2008 demand remains 'virtually unchanged' at 87.8 mb/d. The report shows that for December world oil supply averaged 87.0 mb/d, up 870 kb/d from November on increases in OPEC-10, North America, the FSU, Brazil, and China.

U.S. President George Bush made a plea to OPEC for an increase in oil output during his trip to the Middle East in mid-January. Last summer, the IEA made a similar request, as did the Energy Information Administration. At the time, long before Bush's trip to Saudi Arabia where his plea was made, the head of the IEA said that "*OPEC needs to raise its crude oil output in the coming months to ensure an adequate supply.*"

OPEC responded by claiming that the oil market remains 'well supplied' and an additional supply is not needed. The OPEC statement released last summer is much the same as the one Bush received in January 2008. OPEC Secretary General Abdullah al-Badri said Jan. 16, 2008 that there is no need for OPEC to increase oil output. He said in a statement issued to AFP that high oil prices have little to do with demand and more to do with political tensions in non-OPEC countries and the plummeting value of the U.S. dollar, among other things.

"OPEC is constantly monitoring the oil market and if at any time fundamentals justified such a move, the Organization stands ready to raise production," said al-Badri. *"I would like to reiterate that this price trend is a consequence of persistent geopolitical tensions, the weakening of the U.S. dollar, ongoing limitations and restraints in the U.S. refining system, and the increasing role of speculators in the oil market."*

In a phone interview with Dow Jones, Libya's top oil official agreed with OPEC, saying that consumers have enough supply and that the price of crude is already dropping. As if to corroborate that statement, the IEA report shows that the global supply in the fourth quarter was indeed more than 1.0 mb/d higher than a year earlier, though it averaged at or below levels of a year ago in the previous three quarters. All eyes will be on OPEC Feb. 1 when the group will meet in Vienna to review its production policy.

KazMunayGas increases Kashagan share



Date : 15.01.2008

Source : Oil & Gas Journal (Eric Watkins)

http://www.ogj.com/display_article/317160/120/ARTCL/none/GenIn/1/KazMunayGas-increases-Kashagan-share.-influence/

Kazakhstan's state-run KazMunayGas will increase its interest in the Kashagan offshore oil project to 16.81%, equal to the shares of the other majority shareholders, according to Energy and Mineral Resources Minister Sauat Mynbayev.

The Eni-led consortium confirmed Jan. 14 the signing of a new memorandum of understanding to settle the long-running dispute with the Kazakh government, saying its members would dilute their various stakes in the project to allow KMG to increase its stake. The new agreement, effective as of Jan 1, 2008, will result in Eni SPA, ExxonMobil Corp., Total SA, and Royal Dutch Shell PLC each holding 16.81%, down from 18.5%.

The remaining two shareholders, ConocoPhillips Co. and Inpex Holdings Inc., will also see their stakes—9.26% and 8.33% respectively—diminish, though officials did not state the percentage the two firms will surrender. The consortium members also said they had agreed to a new operating and governance model and further unspecified financial components. *“The agreement also includes a value transfer package from the consortium to the Kazakhstan authorities,”* the company said in a statement.

“Because this was part of a package agreement, we agreed the price for the additional stake at \$1.78 billion plus interest accumulation up to the payment date. The payment will be made in three tranches following the start to oil production,” Mynbayev said.

“Aside from the stake purchase, we also discussed a potential package of cash flows in Kazakhstan's favor,” he added, explaining that the sum of the cash flows is about \$5 billion or so-called net present value. *“That is the sum that will be paid to Kazakhstan over the life of the project,”* he said. *“The project is scheduled until 2041; therefore the sum will amount to about \$20 billion.”*

The Kashagan project is scheduled to start commercial production in 2010, delayed from an original date in 2005. Kazakh officials say Kashagan's total costs have jumped to \$136 billion from an initial estimate of \$57 billion. These cost increases and delays in startup and production are the reasons Kazakhstan gave for renegotiating the development contract (OGJ Online, Oct. 12, 2007). The field has an estimated 4.8 billion tonnes of oil. Eni estimates that Kashagan will produce 1.5 million b/d of oil at its peak output.

In addition to the financial changes, *“The sides agreed to implement a new operating model, one that involves forming a new operating company with the involvement of all existing consortium members, including [KazMunayGas], the role of which has increased considerably. It is under the control of this operating company that Agip KCO will bring the pilot phase to fruition,”* Mynbayev said. *“The manner in which the functions of the various participants are delegated thereafter is subject to further talks, without any major controversial aspects. This should be clarified before May,”* he said.



Oil dispute between Baghdad and Iraqi Kurds boils over

Date : 18.01.2008

Source : Today's Zaman (AP)

<http://www.todayszaman.com/tz-web/detaylar.do?load=detay&link=131916>

The Iraqi oil ministry has decided to stop cooperating with international oil companies participating in production-sharing contracts with the Kurdish regional administration in Northern Iraq. The Kurds have signed 15 PSA's with 20 international oil companies. The Iraqi Oil Ministry considers those contracts illegal.

The decision is considered a first step toward implementing the ministry's threats to blacklist and exclude these companies from any future deals with Baghdad if they refuse to abandon their oil deals with the self-ruling Kurdish administration. Four companies are thought to have agreements with both the oil ministry and with the Kurdish administration: The United Arab Emirates' Crescent, Canada's Western Oil Sands and Heritage Oil, India's Reliance Industries and Austria's OMV.

As of Dec. 31, the oil ministry ended South Korea's SK Energy's term contract to import Basra crude oil because it refused to abandon its exploration project in Kurdish region as part of a consortium led by the state-run Korea National Oil Corp. Another aspect of cooperation being halted is the one-year memorandums of understanding the ministry has signed with about 40 international oil companies since 2004, including the four believed to have signed oil deals with the Kurdish regional administration.

Under these memorandums, which are up for renewal every year, companies offer the oil ministry free technical support for specific oil and gas fields and some provide training for ministry staff. In return, the ministry provides data on the fields for which it was seeking help, though these memorandums are not considered a commitment to awarding these fields to the companies in the future.

Last year, the Iraqi-owned, UAE-based Crescent signed a series of deals with the Kurdish administration through subsidiary Dana Gas. Canada's Heritage Oil signed a deal with Kurdish administration last October for the Miran Block in Sulaimaniyah province. Western Oil Sands is working on three structures in Kurdish region's Zagros Fold Belt, under an agreement signed in mid-2006 and ratified in March. Another production-sharing contract was signed last November between Reliance and the Kurdish regional government for the Rovi and Sarta Blocks through Dubai-based subsidiary Reliance Exploration and Production. Also in November, Austria's OMV signed similar contracts for the Mala Omar and Shorish Blocks in the Arbil area.



Iraqi government says Turkey partly to blame for power cuts in Northern Iraq

Date : 18.01.2008

Source : Today's Zaman (Reuters)

<http://www.todayszaman.com/tz-web/detaylar.do?load=detay&link=131918>

The halt of Turkish exports of electricity to Iraq and a lack of fuel for power stations is to blame for the blackouts hitting Iraq's northern oil fields, the Electricity Ministry said on Thursday.

The power cuts have forced Iraq to stop pumping crude oil along its northern pipeline to Turkey and knocked out its largest refinery, at Baiji. Both Baiji and the Shuaiba refinery in southern Iraq, which was hit by a major fire on Tuesday, are out of operation. The two refineries supply the domestic market with gasoline, diesel, cooking gas and kerosene.

"The Electricity Ministry cannot provide continuous power to oil facilities unless the Oil Ministry provides us with fuel to supply the power plants," ministry spokesman Aziz Sultan said. *"Turkey has also stopped providing us with electricity. This has greatly affected the stability of power in the northern region, including Kirkuk."* Turkish power producer Kartet said on Jan. 4 it had halted exports of electricity to Iraq after the country stopped shipments of fuel oil to the company's power plant near the border.



Azerbaijani oil fields yield 30% more oil in 2007

Date : 14.01.2008

Source : Turkish Daily News

<http://www.turkishdailynews.com.tr/article.php?newsid=93577>

Azerbaijani oil fields yielded more than 30 percent more oil last year than in 2006, state-run newspapers, quoting President Ilham Aliev, reported Saturday. *"Now we know the financial resources we will garner from the sale of oil and natural gas, as well as from our economic and industrial development,"* he was quoted as saying.

The ex-Soviet republic's off-shore oil and gas fields are some of the largest in the former Soviet Union and the West is eagerly trying to increase export of those supplies to Western markets. With major oil companies like BP/PLC leading drilling and pipeline projects, oil production has increased markedly, and the Azerbaijani government has seen huge revenue hikes.

Government newspapers quoted Aliyev as saying that 42 million tons of oil (6 million barrels) were extracted from the country's fields in 2007, mostly from the massive Shah Deniz field under development by a BP-led consortium.



Iraq signed \$558.3 millions oil and gas contracts in 2007

Date : 14.01.2008

Source : Rigzone (Hassan Hafidh)

http://www.rigzone.com/news/article.asp?a_id=55284

The Iraqi government signed some \$558.3 million worth of contracts with international companies to upgrade its downstream and upstream oil facilities in 2007, the Iraqi oil ministry said. The ministry also said only 18.5% of the money allocated by the national budget as capital investment in the oil and gas sector was spent between January and the end of October 2007.

The ten contracts listed by the ministry covered work to upgrade Baghdad and Basra refineries, drilling and rehabilitation of 180 wells in West Qurana and North Rumaila oil fields in southern Iraq, the site said. The value of the two contracts to upgrade Baghdad and Basra refineries were \$133 million, it said. Contracts to drill new wells and rehabilitate others were valued at \$115 million.

It said a contract worth \$128.5 million was signed with a company or companies to prepare designs for a planned 300,000 barrel a day refinery in Nassiriya in southern Iraq. It didn't, however, name the company or companies involved. A \$65 million contract was signed to purchase three oil tankers for the Basra-based Iraqi oil tankers company.

It said an \$80 million contract was signed to develop the Kormor gas field in Salahuddin province, northeast of Baghdad, which has estimated reserves of 50 billion cubic meters. An Iraqi oil expert said the contract was signed with an Indian company, without naming it.

The ministry site said it had made 85% to 95% progress in projects to develop Tuba, West Qurana and Ratawi oil fields in southern Iraq. It didn't say how much production would be increased after development. Iraq's crude oil production over the last four months increased to around 2.3 million barrels a day from around 1.9 million barrels a day at the beginning of 2007. The increase came after Iraq managed to protect its northern oil export pipeline which was idle for most of the time since the U.S.-led invasion in March 2003 until the end of August 2007.

Baghdad has allocated an additional \$2 billion for the oil sector as capital investment in 2008. The budget is still under debate by the Iraqi parliament. Iraq is intending to open tenders soon to develop around seven oil fields in the south, north and center of the country, Iraqi oil officials said. The oil ministry last week set a Jan. 31 deadline for international oil firms to register to compete for these tenders.



Putin to develop energy ties with Bulgaria

Date : 17.01.2008

Source : Turkish Daily News (Reuters)

<http://www.turkishdailynews.com.tr/article.php?enewsid=93906>

Russian President Vladimir Putin will seek closer energy ties with Bulgaria during a visit to Sofia starting today. Putin will oversee the signing of several agreements and try to confirm Bulgaria's participation in a major gas pipeline project, seen as helping export monopoly Gazprom's expansion drive in south-east Europe.

Sofia will seal a deal with Atomstroyexport, controlled by Gazprom, to build the Balkan country's planned new 4 billion euro nuclear power plant, the Bulgarian government said. Moscow and Sofia, which receives all of its gas and oil from Russia, will also sign an agreement to set up a project company for the construction of a long-delayed trans-Balkan pipeline to carry crude via Bulgaria to Greece.

The two sides will discuss the ambitious South Stream pipeline project, proposed by Gazprom and Italy's Eni to carry Russian gas under the Black Sea to Europe via Bulgaria. Analysts say South Stream is Gazprom's challenge to the rival Nabucco pipeline scheme, which aims to supply central Asian gas to the EU and is a key plank in Brussels' plans to diversify gas supplies away from Russia.

PETFORM ANNOUNCEMENTS & REPORTS

Board's Decree on Natural Gas Consumption Forecast in 2008

Source : EMRA
Weblink : http://www.epdk.org.tr/mevzuat/kurul/dogalgaz/1457_2/1457_2.html

PETFORM UPCOMING EVENTS

2nd Annual European Gas Storage

Date : February 11 – 12, 2008
Place : Budapest – Hungary
Website : <http://www.platts.com/Events/2008/pc862/>
Contact : Sophie Adams (+44 (0) 20 7176 66 58)



GEO 2008 – 8th Middle East Geosciences Conference

Date : March 3 – 5, 2008
Place : Bahrain – Bahrain
Website : <http://www.aeminfo.com.bh/Geo2008/>
Contact : Fawzi Al Shehabi (+973 17 55 00 33)



Petrotech 2008 – 6th Middle East Refining & Petrochemicals Conference

Date : May 25 – 28, 2008
Place : Bahrain – Bahrain
Website : <http://www.mepetrotech.com/>
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