Oil & Gas Bulletin

▸ *27.04.2012*

Turkey launches oil and gas drilling in Northern Cyprus

Hürriyet Daily News, *27.04.2012*

The Turkish Petroleum Corporation (TPAO) starts drilling for fuel in Turkish Cyprus. Turkey's Energy Minister Taner Yildiz says the move will contribute to peace. TPAO has started drilling for gas and oil in North Cyprus' Gazimagusa, with a ceremony attended by high ranking officials including Turkish Energy Minister Taner Yildiz, Turkish Cypriot President Dervis Eroglu and Prime Minister Irsen Kücük.

"We will explore our own oil and gas. I have to admit that only one in a thousand drilling explorations become successful. This particular well may fail us, but it is part of a wider exploration effort that will also provide us with a detailed underground map of northern Cyprus," Yildiz said.

Turkey has received some 'indirect' offers related to the drilling project, Yildiz added. "But currently the counterpart of the Greek Cypriot party is Turkish Cyprus. We are not considering technical work free from political developments." Eroglu said for his part that right of his people would be defended all the way. "We are living another historic day. Another ring with highly strategic importance adds to the chain of brotherhood, the unity of hearts and cooperation," Anatoila news agency quoted him as saying. "Energy issues are a reason for war across the world, but they will be a reason for peace on this island," Yildiz said.

However, the news provoked a swift response from the government of Cyprus, which labeled the action as illegal. "Turkey and the Turkish Cypriot leadership are violating the law by going ahead with drilling in the occupied are of Famagusta … The drilling being carried out by Turkey and the Turkish Cypriot leadership demonstrates a lack of willingness on their part to achieve a solution to the Cyprus problem," Stefanos Stefanou said. "The Greek Cypriot government is making the appropriate representations and demarche against this new illegal act."

The drilling came after an agreement struck between Turkish Prime Minister Recep Tayyip Erdogan and Eroglu in September, when TPAO was granted a license to drill in line with a continental shelf delineation accord. TPAO has said it plans to drill as deep as 3,000 meters at Turkyurdu-1, with the exploration estimated to continue for up to six months.

The Turkish move comes in response to Greek Cypriot drills for resources in the eastern Mediterranean seabed launched last year, which Turkey says abuses the rights of northern Cypriots to the same resources. The U.S. Noble Energy, commissioned by Greek Cyprus, announced last year the discovery of a giant deposit that could contain up to 224 billion cubic meters of gas in one of the blocks within Cyprus' exclusive economic zone.

Ankara natural gas grid tender fails once again

Hürriyet Daily News, *27.04.2012*

The privatization of an 80 percent stake in BaskentGaz, Ankara's natural gas grid, failed once again, when none of the bidders put out written bids.

Ahmet Aksu, President of the Privatization Administration, said the tender will most likely be called off as there were no offers which surpassed the starting bid of $626 million from any of the competing firms. The highest bid was $480 million in the first round. The second round of bids saw a high bid of $585 million with a tie among bidders in the lowest bids. Three firms went along with the bidding process in the following round to break the tie. However, none of the three firms, continued with the tender in the end.

Greek Cyprus and Israel 'close to sign' gas deal

Hürriyet Daily News, *18.04.2012*

Israel and Greek Cyprus are close to signing an agreement on hydrocarbon reserves in the cross median line, said the Greek Cypriot Foreign Minister.

Israeli Foreign Minister Avigdor Lieberman met with Greek Cypriot Foreign Minister Erato Kozakou-Marcoullis to discuss energy reserves. The two discussed pending agreements, "especially the one on the shared development and exploitation of hydrocarbon reservoirs in the cross median line," Marcoullis said after the meeting. "We are in the final stages of the negotiations on this agreement and hopefully soon we will have the opportunity to sign it," she said.

Meanwhile, Israeli Foreign Minister Avigdor Lieberman said that "any threats are unacceptable behavior in today's international politics," referring to Turkey's reaction to Greek Cyprus' gas exploration in the eastern Mediterranean. The only way to resolve problems and disagreements is through direct talks he said.

BP head says he expects Istanbul talks to ease oil tension

Today's Zaman, *16.04.2012*

BP Chief Executive Bob Dudley on Monday in Ankara said he expected last week's talks between six world powers and Iran in İstanbul would ease current tensions pushing global oil prices higher.

Iran and world powers discussed Tehran's nuclear program for the first time in over a year last Saturday. Officials from six world powers present at the İstanbul meeting -- Russia, China, the United States, France, Britain and Germany -- said the talks began with on a positive note, in contrast to the previous round 14 months ago, which ended with no resolution.

Oil fell to near $102 a barrel on Monday after negotiators said meetings over Iran's nuclear program last weekend began positively, easing tensions that had sent crude higher. Dudley spoke to reporters ahead of his meeting with Turkish energy minister Taner Yildiz on Monday in Ankara.

"Oil prices are hovering around real high levels due to an artificial situation. … I expect the İstanbul talks will contribute to diplomatic efforts to bring oil prices back to favorable levels," he argued. Yildiz did not elaborate on the details of the meeting. BP and its partners in the Caspian Sea Shah Deniz gas field plan to make a final decision on choosing between the European Union-backed Nabucco project and the South-East Europe Pipeline, or SEEP, by the middle of 2013, BP's office in the Azeri capital of Baku said in February.

The West accuses Iran of trying to develop a nuclear weapons capability and there were rumors of a possible military action against the Islamic republic. Iran has threatened to retaliate for any attack by closing a major oil shipping route, heating the oil markets up. Concern that a military strike by Israel and the US against Iran's nuclear facilities would disrupt global crude supplies has helped push crude up from $75 in October. Iranian crude output has fallen in recent months as the US and Europe began to impose economic sanctions on OPEC's second-biggest producer.

Turkish energy markets expect further natural gas hike in July

ICIS Survey, *27.04.2012*

Turkish market participants are expecting a further 9.75% rise in the price of natural gas from July, a hike that would bring the commodity's wholesale value to Turkish lira (TL) 715.00/thousand cubic meter (Km³) (€307/Km³), according to an ICIS survey.

As a result, the market expects a 6.6% increase in the price of electricity, which should also become effective from July. Companies' opinion regarding expected gas price increases changed dramatically after 1 April when the government announced a record 20% rise, which became effective in April.

Market participants had been bracing themselves for a 10% increase from April 2012, as revealed in our previous surveys, but few had anticipated a 20% hike. Expectations of another hike later this year had waned, according to ICIS' March survey. A total of 10 companies responded to the April survey, which put a range of 0-17.5% on the possible gas price increase and tighter 0-9% on the power price increase. One respondent predicted no increase this year, which dragged the averages lower. Most respondents said the increase would be announced in July to coincide with Ramadan, when peak power consumption is expected to drop. As a result, the electricity market would be cushioned against the double shock of high summer demand and soaring natural gas prices.

Following the readjustment, the wholesale price for natural gas now stands at an average TL650/Km³. But as news of the hike was digested, most participants polled by ICIS this month argued the government was likely to bring another 10-15% increase as early as July. April's record hike may suggest the government is interested in closing a gap between the wholesale price paid by independent power plants and that paid by build-own-operate (BOO), build-own-transfer (BOT) and transfer-of-rights (TOR) electricity generators.

Under the current system, the BOO-BOT-TOR sector had been buying natural gas at prices generally double the wholesale market price and sold generation at fixed tariffs to state-owned companies. However, that spread is closing on two counts. At the end of March, the Turkish government announced a 5% decrease in the price paid by BOO-BOT-TORs. A few days later it increased the price paid by independents. According to ICIS calculations, the price paid by independent power plants has now risen from roughly 50% of the level paid by BOO-BOT-TORs, to 63.35%. It is difficult to know exactly the price paid by the BOO-BOT-TORs, as it varies depending on the terms of the long-term contract signed with incumbent BOTAS. However, assuming that BOO-BOT-TORs had been paying double the wholesale price, the differential between the two categories has now narrowed from TL 540.00/Km³ to TL376.00/Km³ that means an average 10% increase in July would reduce that spread even further, to TL311/ Km³.

Some participants have argued the record April increase and a potential hike later in July clearly indicates that the government is now interested in scrapping the two-tier pricing system, which allows BOTAS to undercut independent companies. ICIS revealed earlier this week that the ministry is considering an overhaul, while regulator EMRA is strongly in favor of breaking up the BOTAS monopoly. By moving towards a unified but competitive price through a string of gas price increases, the government is looking to usher in the liberalization of the gas market earlier than expected. Under current circumstances, the market is likely to open up between 2016-2020, when existing contractual obligations arising from the BOO-BOT-TOR long-term agreements with BOTAS are due to expire.

Most participants interviewed by ICIS said the sooner the gas price increase was brought in, the more it would incentivize private companies to negotiate a 4 billion cubic meter (Gm^3)/year contract. Volume on the Western Line was freed up at the end of last year when BOTAS said it would not renew its long-term $6Gm^3$/year contract with Russia's Gazprom. As a result, some companies argued April's 20% increase, plus another 10-15% increase in July would not be an arbitrary act, but a well thought-out decision indicating the government's commitment to creating a competitive, investor-friendly environment.

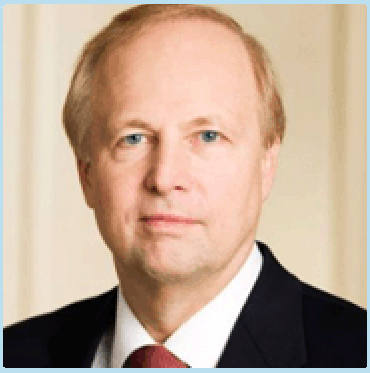
Other participants said BOTAS, which is thought to be losing money because of the cross-subsidies system, had little choice but to increase the price of natural gas to recoup losses. Others, still, were more skeptical regarding the need for another round of price increases. They insisted April's adjustment, which followed a 15% rise earlier in October, was overdue after a 32-month hiatus. This increase had taken in consideration a jump in oil prices, 20% depreciation in the Turkish lira against the euro and the dollar from October 2010 until December 2011, and recently purchased spot LNG to cope with critical gas shortages over the winter period. ICIS understands Turkey was the most active spot LNG buyer in Europe in the first three months of the year, buying at least five cargoes at prices around $13/MMBTu.

All these factors concurred to justify a 20% increase, participants concluded. But while the April hike was expected, another round in July is less likely, especially now the Turkish wholesale natural gas price is higher than spot prices at the TTF Dutch hub, they added. The average of the TTF Day-ahead from 1-26 April is €24.79/MWh, while the BOTAS wholesale price after the 20% increase earlier this month was pegged at TL650/Km^3 (€25.73/MWh). This means the BOTAS premium to TTF Day-ahead average since the beginning of April is €0.94/MWh, according to ICIS data.

Moreover, soaring Brent prices are retreating while the Turkish lira is more stable, being reined in through government intervention. Optimists and pessimists agree that a fourth round of increases since October 2011 was highly unlikely at a time when the economy is cooling off and Turkey is preparing for local elections next year.

Shah Deniz enters ‘second stage’

Natural Gas Europe, *17.04.2012*



The second stage of the Shah Deniz project has been officially launched in Baku, Azerbaijan, marking an “important milestone” for the project, operator BP said.

BP made the announcement in a statement today following a meeting between Azeri president Ilham Aliyev and Group Chief Executive of BP, Bob Dudley. As of today, work will begin on the Front End Engineering and Design (FEED) of the field, during which the consortium will finalize commercial agreements and engineering reports and drill additional wells. The announcement also sees the commencement of construction contracts on the project.

The second phase will also see the consortium choose the winning pipeline to transport gas from the $25 billion field to Europe. “We are pleased to announce this major step forward,” President of the Azerbaijan, Georgia and Turkey Region of BP Rashid Javanshir said. “Over the past two years we have made substantial progress on all the individual components of this mega-project. With over 30 trillion cubic feet of gas resources, Shah Deniz is truly a giant field. And with more than 26 wells, two new platforms, a terminal expansion and up to 4000km of new pipelines to Europe, this chain of major projects represent one of the largest oil and gas developments in the world.” The consortium expects the opening of the second phase of the project to build on its current output from the first stage of the project. Output is expected to rise to 25 bcm a year, adding 16 bcm to the current output of 9 bcm.

ExxonMobil cut from Iraq bidding round

Upstream Online, *19.04.2012*

ExxonMobil has been excluded from the final list of 47 pre-qualified bidders for Iraq’s upcoming fourth exploration round. ExxonMobil has been removed while Indonesia’s Pertamina and a Syrian oil company have been added.

Iraq’s oil minister Abdul Kareem Luaibi had said a week ago that Baghdad was still studying whether to allow ExxonMobil to take part due to a dispute over contracts it signed with Northern Iraq. The Iraqi government considers as invalid any deals signed with the Regional Government, which in turn states that all and any deals it has signed comply with the country’s new constitution.

The oil ministry published the final contenders for the round on Thursday, with licenses due to be awarded on 30 and 31 May. Abdul Mahdy Al-Ameedi, director general of the ministry's petroleum contracts and licensing directorate (PCLD), said all 47 bidders had been issued model contracts for the round. Iraq is offering 12 large exploration blocks of an average size of 6500 square kilometers in the latest round, with seven thought to be gas blocks and five crude.

The PCLD said the offering was targeted at expanding Iraq's natural gas production capacity with a view to satisfying power generation needs, creating gas-based industries and increasing national oil reserves. Since launching the first licensing round in 2008, Iraq has awarded 14 contracts to date in three rounds. The country also signed a major joint venture with Shell and Mitsubishi to capture and monetize associated natural gas produced in southern Iraq under a separate agreement. Japan and Russia entered the largest number of bids with nine and five respectively in a list that also includes super majors BP, Chevron, Shell and Total.

Argentine Senate approves YPF nationalization bill

Reuters, *26.04.2012*

Argentine Senate approved a government bill to nationalize the country's biggest oil company, YPF, clearing the way for likely approval by the lower house next week. President Cristina Fernandez unveiled plans last week to seize a 51 percent stake in YPF from Spain's Repsol.

The government says the parent company under-invested and under-produced in Argentina, a charge that Repsol dismisses. An overwhelming majority of 63 senators voted in favor of the expropriation, with only three voting against the bill and four abstentions. The early morning vote was held after a marathon debate that started on Wednesday.

Most Argentines support the move to renationalize YPF, privatized in the 1990s after 70 years under full state control. Many blame the privatizations and other free-market reforms of that decade for provoking Argentina's 2001/02 financial meltdown. "The privatization of YPF was one of the worst mistakes of that era," Senator Miguel Pichetto, a Fernandez ally, said.

Hungarian MOL signals walkout from Nabucco

Today's Zaman, *19.04.2012*

Nabucco's Hungarian partner MOL appears to consider pulling out of the Nabucco project, saying that financing it is no longer sustainable. Gazprom's South Stream is more logical, it says.

MOL has rejected the 2012 draft budget of the European gas pipeline project, increasing concerns over the future of the 4,000 kilometer project. Financing Nabucco is no longer sustainable, MOL explained to both Nabucco shareholders and the Hungarian government in a statement on April 24. OMV, the Austrian partner, said Nabucco was still an option but that a shorter line would be considered.

Germany's RWE, Turkey's BOTAS, Bulgaria's BEH and Romania's Transgaz are the remaining partners in the project. MOL also said it found Gazprom's Southern Corridor concept logical and that a re-shaped Nabucco might be connected to this project later. "We are still committed to the diversification of the CEE (Central and Eastern European) energy supply, although as a private independent company we owe our shareholders the highest possible economic justification as well," it added. "There are many uncertainties around the Nabucco project that would be hard to ignore. Both the financing background and the gas source are uncertain," MOL said.

The statement came after comments in Brussels by Hungarian Prime Minister Viktor Orban late April 23. "I am not an expert on this issue but as far as I can see, even the Hungarian company is withdrawing from the entire project," he was quoted as saying by Hungarian news agency MTI. Nabucco is in trouble, AFP interpreted him as saying. A spokeswoman for MOL told AFP on April 24 that the group would release another statement on the issue later in the day, without giving any more details. Nabucco meanwhile, remained non-committal. "The Nabucco shareholder in Hungary is FGSZ, a MOL subsidiary, and we have not had any indication that this will change," Christian Dolezal, a spokesperson for the company, said in a statement.

The EU project has been plagued by problems, including a lack of potential suppliers that have repeatedly postponed the start of construction, now set for 2013. "The management of the project has not been able to find and secure the gas source that can feed the pipeline, therefore the quantity of the available gas and the source of it are still questionable," MOL wrote on April 24. MOL says the project's costs have risen since 2003, and "it is still unclear."

Turkish Energy Minister Taner Yildiz responding to question regarding Hungary's possible exit from Nabucco, said it was obligatory for Turkey to take part in such projects. "The opportunities such projects offer never ends," he said. "We have mentioned earlier that it might continue under the name of West Nabucco."

Birol: Iran not solely behind high oil prices

Hürriyet Daily News, *18.04.2012*

Iran's nuclear dispute is not the main reason behind recent high oil prices, but it does affect them, according to Fatih Birol, the chief economist at the International Energy Agency, Western countries' energy watchdog.

The main reasons behind rising prices are high demand and low production in non-OPEC countries, he told. "One reason is that oil demand is increasing quickly. Demand will increase by 1 million barrels this year." The second factor is disappointing levels of oil production in non-OPEC countries, which made the market highly sensitive to supply and demand balances.

Tensions over Iran's nuclear program, as well as problems in Sudan and Nigeria, have stretched the sensitive balance even more, Birol said. "Iran is not the major factor, but it has been the last straw. The major factor is the developments in supply and demand, or the fundamental market. If Europe does not see a serious recession because of [the economic crisis in] Spain and Greece, I do not believe prices will fall below current levels," Birol said.

ExxonMobil and Rosneft talk about $500bn joint investment

Yahoo! Finance, *18.04.2012*

With ExxonMobil and Russian oil giant Rosneft could invest over $500 billion in a joint venture to explore for and produce oil in the Arctic and the Black Sea. Exxon has teamed up with Russian oil giant Rosneft to develop oil and natural gas fields in Russia and North America.

The companies also said in a presentation that recoverable hydrocarbon reserves at the three key Arctic fields are estimated at 85 billion barrels of oil equivalent. A final investment decision is expected between 2016 and 2017, they said.

Under the deal, Texas-based Company will have access to some of the world's richest sources of crude oil and other hydrocarbons the Russian Arctic and the Black Sea. In turn, Rosneft will take ownership stakes in three Exxon projects in the U.S. and Canada.

Iran oil minister warns of new sale cuts to Europe

Today's Zaman, *19.04.2012*

Iran's oil minister Rostam Ghasemi raised the prospect of more cutoffs in oil sales to the European Union if the bloc failed to show some flexibility toward Iran ahead of a second round of nuclear talks next month.

Ghasemi said that while Iran has cut sales to Britain and France, it continues selling crude to 'other countries' in the world. The remarks were likely to stir up confusion since they appeared to contradict earlier government statements that Tehran had also cut exports to Greece and Spain. Iran first imposed the oil embargoes on Britain and France, it said oil sales were cut to Greece and Spain as well.

The measures were meant as pre-emptive retaliation ahead of an EU oil embargo that is due to go into effect in July. The EU imposed the ban because of Iran's refusal to halt its controversial nuclear program. The bloc imports some 18 percent of total 2.2 million barrels of Iran's daily oil production. Ghasemi said that if sanctions imposed by the 27-nation bloc were not lifted by the next round of nuclear talks between Tehran and world powers, then "we will surely cut oil to Europe."

"We are hopeful that they will lift sanctions on Iran's oil," said Ghasemi. "What we have officially cut is crude export to Britain and France. The oil sale to other countries has continued." The West suspects Tehran's nuclear program is geared toward nuclear weapons. Iran denies the charge, saying its nuclear activities are only for peaceful purposes such as power generation and cancer treatment. Iran, the second largest OPEC producer, earns some $80 billion annually, some 80 percent of its foreign revenue. The European measures included an immediate embargo on new contracts for crude oil and petroleum products, but existing contracts with Iran were allowed to run until July. In December, the United States enacted new sanctions targeting Iran's central bank and its ability to sell petroleum abroad, but it delayed implementing the sanctions for at least six months out of worry about sending the price of oil higher while the global economy struggles.

Ghasemi's comments indicated that Iran is hoping the West will become flexible following the nuclear talks with the five UN Security Council members and Germany in Istanbul last week. Both sides praised the meetings as positive and decided to continue the talks. A second round is planned in Baghdad later in May.

Turkmenistan guarantees 10 bcm to Europe through Trans-Caspian

Natural Gas Europe, *25.04.2012*

Turkmenistan is set to supply 10 billion cubic metres of gas through the Trans-Caspian pipeline, Azeri Energy Minister Natig Aliyev has said.

Speaking in Baku yesterday, Minister Aliyev said that negotiations were now ongoing to work out the particulars of such a deal but that the present focus was on the financial aspects of such a deal. "The main questions now are financial, in particular the guarantees. We would like to hear from European Commission on guarantees of purchase, supplies, support of funding of such a great project" he told reporters.

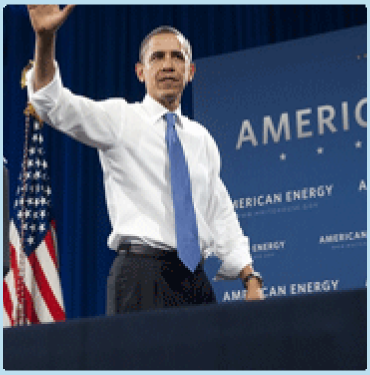
Work was beginning on the construction of a document to solidify the agreement, he said, and would involve the governments of both countries and the EU. "The main document we would like to prepare besides political declaration of three Presidents (of Azerbaijan, Turkmenistan and the EU) is the intergovernmental agreement between Azerbaijan and Turkmenistan on construction of Trans-Caspian gas pipeline," ABC.az reports him as saying.

"Of course when such agreements are prepared, guarantee and the sides' liabilities are the main principles. In this case, I can say as representative of Azerbaijan that we are ready to present infrastructure, necessary licenses and permissions which we permanently declared. We are also ready to form a favorable regime for transportation of Turkmen gas via Azerbaijan's territory."

Turkmenistan is currently seeking to diversify its supply routes, with Europe forming an important part of those plans. Last month, Turkmen President Gurbanguly Berdimuhamedov said that such diversification would help to grow Turkmenistan's energy industry. "This will accelerate the integration of the oil and gas industry of Turkmenistan into the international energy system and effectively address the issues in the field of universal energy security," he said.

Obama seeks to confront oil market manipulation

Today's Zaman, *17.04.2012*



Under pressure to take action on rising gasoline prices, President Barack Obama wants Congress to strengthen federal supervision of oil markets, increase penalties for market manipulation and empower regulators to increase the amount of money energy traders are required to put behind their transactions.

The White House plan, which Obama was to unveil Tuesday, is more likely to draw sharp election-year distinctions with Republicans than have an immediate effect on prices at the pump. The measures seek to boost spending for Wall Street enforcement at a time when congressional Republicans are seeking to limit the reach of federal financial regulations.

Obama plans to spell out his $52 million proposal Tuesday at the White House, where he will be joined by Attorney General Eric Holder. Republicans have been hammering Obama on his energy policies, recognizing the political cost of high gas prices on the president. Obama's plan would turn the tables on Republicans by taking aim at Wall Street's role in the oil price chain. Senior administration officials who put together the proposal said it aims to detect and deter illegal manipulation by energy speculators, the type of practices that many Democrats blame for the high cost of gasoline.

The officials spoke on the condition of anonymity to discuss the plan ahead of Obama's announcement. They would not go as far as to say that market manipulation is responsible for rising gas prices, but the officials said they wanted to curtail the ability of speculators to take unlawful advantage of oil price volatility. At issue is the increasing role of investment in oil futures contracts by pension funds, mutual funds, hedge funds, exchange traded funds and other investors. Much of that money is betting that oil prices will rise. Analysts say it is possible that such speculation has somewhat inflated the price of oil.

At the same time, investors can also bet that prices will go down - indeed, speculators have been credited for low natural gas prices. Studies of the effects of speculation on oil markets indicate that it probably increases volatility, but doesn't have a major effect on average prices. Still, seeing a potential problem with speculators is not limited to Obama or Democrats or this election season. When gasoline hit $3 a gallon in 2006, George W. Bush launched an investigation, declaring Americans "don't want and will not accept ... manipulation of the market. And neither will I." Last year, as prices rose, Obama and Holder announced the creation of a task force to look into fraud in the energy markets.

Egypt cancels Israel gas deal

The Wall Street Journal, *23.04.2012*

Egypt's state-run gas company has terminated a controversial natural gas deal with Israel, adding stress to the increasingly fragile relationship between Israel and one of its only diplomatic partners in the Arab world.

If upheld by Egypt's military rulers, annulling the gas deal would level a symbolic blow to peaceful ties that have underpinned regional stability for more than three decades. Israel has said that the cancellation of the gas deal puts Egypt in violation of an economic annex of their 1979 treaty - the first between Israel and an Arab state.

The full impact of the decision was difficult to determine on Sunday night, and Israeli foreign ministry officials said they were still seeking clarification from Egyptian counterparts because they had not been formally notified. With only two months before Egypt's military authorities are set to turn over power to one of the first popularly elected presidents in Egyptian history, the decision could augur the beginning of a steady worsening in relations. Israel's Finance Minister Yuval Steinitz said his country viewed the cancellation of the agreement "with great concern." "This is a dangerous precedent that clouds the peace agreement between Israel and Egypt," Mr. Steinitz said.

Sunday's cancellation appeared to be a business gambit aimed at securing a higher price and it remained unclear on Sunday night whether Egypt's interim ruling military leaders would intervene, said business analysts. The council of generals could not be reached for comment and they did not issue a statement on the matter. Ampal-American Israel AMPL -0.87%Corporation -a stakeholder in the pipeline joint venture, which transmits the gas between the countries- reported on its website Sunday that two of Egypt's state-owned natural gas companies had severed the gas export contract. Ampal said the Egyptian decision was "unlawful and in bad faith." The move ends an export deal that had helped buttress Egypt's nearly 33-year-old peace treaty with Israel since it was signed in 2005.

The head of the state-owned Egyptian Natural Gas Holding Company, or EGAS, Mohamed Shoeb, said Sunday evening that his company ended the deal last Thursday for purely commercial reasons. "It is a commercial contract between companies," Mr. Shoeb said. He said East-Mediterranean Gas, the Israeli-Egyptian firm that buys gas from the Egyptian state and sells it to Israel, has failed to pay for the past several months -a claim that Israeli Foreign Ministry spokesman Yigal Palmor denied, according to news reports. Ampal owns a 12.5% stake in EMG.

The decision will not cause any serious economic damage for either country, but it will likely pay huge political dividends for Egypt's embattled interim ruling military regime and its civilian-appointed cabinet. The gas deal was among the chief sources of popular rage against the ousted regime of President Hosni Mubarak and one of Mr. Mubarak's most unpopular foreign policy positions.

Since Mr. Mubarak was ousted amid massive street protests last February, militants have bombed the pipeline that delivers natural gas from Egypt to Israel and Jordan at least 13 times, effectively cutting off supply at normal levels ever since. Gas deliveries dried up for a total of 225 days in 2011 and 66 days during the first three months of 2012, according to Ampal's website. Gas has not flowed to Israel from Egypt since an explosion on March 5. The cutoff in gas supply has caused a surge in fuel costs at Israel's electric utility, prompting rates to surge 33%. EMG began international arbitration proceedings against EGAS in October 2011 to potentially demand billions of dollars in remuneration for the lost gas.

Mr. Mubarak now faces criminal charges for his role in the deal, which is popularly believed to sell off Egyptian natural resources to the despised Israeli government at below-market rates. Hussein Salem, a co-owner of EGAS and close confidant of Mr. Mubarak, was arrested last June in Spain where he faces a possible extradition to Egypt and prosecution for his role in the gas deal. Israeli officials have long maintained that the contract's terms are fair. But many Egyptians believe that the Mr. Salem benefited hugely from his middle-man role.

EMG has not made its prices public, but some analysts and industry experts suggest it could be about $2 to $3 per British thermal unit. Egypt's government sells natural gas to Egyptian companies for about $4 per btu. "The big saying here in Egypt is that we are subsidizing the Israeli people while we are not subsidizing the Egyptians," said Tamer Abu Bakr, the chairman of Genco Group, an Egyptian natural gas distribution company.

Successive petrol and natural gas shortages throughout the past four months have sharpened anxiety about the gas deal. Anti-Israel rhetoric from presidential candidates vying in Egypt's May elections has also raised public anger over the gas exports. The 2005 gas deal was a 20-year supply agreement that yielded about $300 million for Egypt in 2010 and reduced Israel's energy costs. The supply agreement was included as an annex to the 1979 peace agreement, highlighting its legal and symbolic significance to bilateral ties. But the arrangement has become a source of frustration and political anger for both sides.

The contract calls for EMG to deliver 7 billion cubic meters, or bcm, of Egyptian natural gas to Egypt every year, which would offer Egyptian state-owned gas firms over $1 billion each year, according to Ampal's website. By the end of 2010, EMG had only provided 2.5 bcm to Israeli utilities company each year since the gas started flowing in June 2008.

A spokesman for Israel's Infrastructure Ministry said the government had not yet gotten an official announcement. A spokesman for the prime minister's office was also unaware of the development. Despite government statements that Israel has prepared for the cutoff of gas from Egypt, the loss of gas flow has been felt because it accounted for 16% of the country's power generating capacity. Already in 2011, the supply cut from Egypt contributed to a rise in electricity rates for Israeli consumers. Israel Electric Co., the state-owned utility, is preparing for rolling black outs in the summer, in part due to the shortfall of gas supply from Egypt.

Libya helps give Eni a Q1 profit boost

Today's Zaman, *27.04.2012*

Italy's largest energy company Eni SpA said that its first-quarter profits rose 42 percent on increased production in Libya and higher prices.

The Rome-based company said net profit for the first three months of 2012 was 3.62 billion euros ($4.78 billion), up from 2.55 billion euros in the same period last year, even though oil and natural gas production was down a modest 0.6 percent at 1.674 million barrels a day. Eni shares nevertheless were trading up 0.1 percent to 16.58 euros on the Milan Stock Exchange.

Eni's Libyan production was cut off during the first quarter of last year due to the armed conflict in the country that endangered oil workers and blocked exports. Production is expected to reach levels achieved before the conflict of 280,000 barrels of oil equivalent a day by the second half of the year. "Eni delivered excellent results thanks to the ongoing recovery of production in Libya and higher oil prices, despite the difficult market environment," Eni CEO Paolo Scaroni said in a statement.

Eni, however, said European refining operations were unprofitable. Eni said that was due to high raw oil prices, overcapacity in European refineries and sluggish fuel demand on higher consumer prices. The company forecasts 2012 to be "challenging" due to the ongoing crisis and volatile market conditions. Scaroni highlighted Eni's deal with the Russian oil giant Rosneft earlier this week to explore the Arctic, saying it "underpins our exploration opportunities for many years to come, further boosting our prospects for long-term growth". Eni is active in Russia, where it has started production at the giant Samburgskoye field in Siberia. Production there is expected to reach 43,000 barrels of oil equivalent a day.

Announcements & Reports

► *Tender Notice on Bilecik – Bolu Natural Gas Distribution License*

Source : Energy Market Regulatory Authority
Weblink : http://www.epdk.org.tr/documents/10157/9e84cb4c-a00a-4f86-9023-4c715f38fb5a

► *EMRA's Resolution on TPAO Silivri Storage Tariff*

Source : Energy Market Regulatory Authority
Weblink : http://www.epdk.org.tr/documents/10157/8b18d3b3-b8b4-40ea-83ee-d556b7756300

► *EMRA's Resolution on TPAO Underground Storage UPP Amendment*

Source : Energy Market Regulatory Authority
Weblink : http://www.epdk.org.tr/documents/10157/f3d31ae1-3b15-4ba1-8ae3-948c687dd663

► *EMRA's Resolution on BOTAS' 2012 Investment Program*

Source : Energy Market Regulatory Authority
Weblink : http://www.epdk.org.tr/documents/10157/0267f5d5-449b-4577-a1c1-4cd8d95c7ada

► *BOTAS' Application for Amendment of Batman – Dörtyol Pipeline Tariff*

Source : Energy Market Regulatory Authority
Weblink : http://www.epdk.org.tr/documents/10157/1f2c3cab-a0e9-46f0-a6b4-817d86627dba

► *TPAO Storage Service Agreement*

Source : Turkish Petroleum Corporation
Weblink : http://depolama.tpao.gov.tr/index.php/depolama-hizmet-soezlesmesi

► *World Economic Outlook (Apr 2012)*

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

► *Global Financial Stability Report (Apr 2012)*

Source : International Monetary Fund
Weblink : http://www.imf.org/external/pubs/ft/gfsr/2012/01/pdf/text.pdf

► *Fiscal Monitor - Balancing Fiscal Policy Risks (Apr 2012)*

Source : International Monetary Fund
Weblink : http://www.imf.org/external/pubs/ft/fm/2012/01/pdf/fm1201.pdf

► *Monthly Energy Review (Apr 2012)*

Source : U.S. Energy Information Administration
Weblink : http://www.eia.gov/totalenergy/data/monthly/pdf/mer.pdf

Upcoming Events

► LNG Export Forum North America

Date : 20 – 23 May 2012
Place : Houston - Texas
Website : http://www.lngexportna.com/

► 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

► Gas&Oil Expo & Conference

Date : 11 – 13 June 2012
Place : Alberta - Canada
Website : http://www.gasandoilexpo.com/

► CO2 Capture and Storage - Workshop *(in Turkey)*

Date : 13 – 14 June 2012
Place : Ankara - Turkey
Website : http://www.cgseurope.net/NewsData.aspx?IdNews=70&ViewType=Actual&IdType=478

► Global Petroleum Show

Date : 12 – 14 June 2012
Place : Alberta - Canada
Website : http://globalpetroleumshow.com/

► *World Heavy Oil Congress*

Date : 10 – 13 September 2012
Place : Aberdeen - Scotland
Website : http://www.worldheavyoilcongress.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/

► *International Pipeline Exposition*

Date : 25 – 27 September 2012
Place : Alberta - Canada
Website : http://internationalpipelineexposition.com/

► *Gastech 2012*

Date : 8 – 11 October 2012
Place : London – UK
Website : http://www.gastech.co.uk/

► *International Sustainable Energy Congress*

Date : 31 October – 1 November 2012
Place : Alberta - Canada
Website : http://sustainableenergycongress.com/

► *European Autumn Gas Conference*

Date : 13 – 15 November 2012
Place : Paris - France
Website : http://www.theeagc.com/