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Gas pipeline deal sidelines original Nabucco project

EurActiv, *28.06.2012*

Turkey and Azerbaijan have signed an agreement to build the Trans-Anatolia Gas Pipeline (TANAP), a move welcomed by the European Commission as a major step towards completing the Southern Gas Corridor project.

Turkish Energy Minister Taner Yildiz and his Azeri counterpart Natiq Aliyev signed the deal yesterday (27 June) to build the €5.6-billion pipeline that will span 2,000km. The project will link to the expanded Southern Caucasus pipeline corridor through Georgia to a variety of proposed links in the European Union.

The ceremony was attended by President Ilham Aliyev of Azerbaijan and Turkish Prime Minister Recep Tayyip Erdogan, who said the two countries, had taken an "historic step". The launch of TANAP has been coordinated with start of the Shah Deniz II project to tap Caspian Sea gas fields. Its launch has been considered for 2017. The project is expected to be implemented in four stages, the first to be completed by 2018. The capacity of the pipeline will be 16 billion cubic meters (bcm) in 2020, 23 bcm in 2020 and 31 bcm in 2026. The capacity of 31 bcm is equal to the planned capacity of the Nabucco gas pipeline, which was bidding for the same gas from Shah Deniz II. Industry experts have said two projects competing for the same gas would make no sense.

In the first period, 10 bcm of Azeri gas will be sold to Europe and 6 bcm to Turkey. Erdogan noted that the volume of gas to be delivered to Turkey would rise depending on country's need. It remains unclear if the pipeline corridor to Europe would go through Bulgaria or Greece. The Azeri website ABC reported that the route chosen is through Bulgaria, which would eliminate the need for the Trans Adriatic Pipeline (TAP) and leave in the running 'Nabucco West' - a shorter version of the original Nabucco pipeline - and the South-East European Gas Pipeline (SEEP).

Nabucco West would run from Turkey's western border through Bulgaria and Romania to Austria. The original Nabucco project called for connecting the Azerbaijan gas supplies to the Baumgarten hub near Vienna. SEEP is a British Petroleum pipeline project from Turkey through Bulgaria to the Romanian-Hungarian border. Energy Commissioner Günther Oettinger welcomed the signature of the TANAP deal, which would establish for the first time a direct pipeline link from the European Union to the Caspian Sea. The commission takes the position that the alternative – to use the existing pipeline network in Turkey - implies risks, as there are capacity constraints in central Anatolia. "Europe is now a step closer to its aim to get gas directly from Azerbaijan and the other countries in the Caspian region," Oettinger said. A Commission press release said three remaining projects are in competition to bring the gas from the Turkish-EU border deeper into the European Union: Nabucco West, SEEP and TAP. A pre-selection of the two pipeline projects aiming to supply gas to Northern Europe - Nabucco West and SEEP – is due to take place by the end of the month. A final decision on the whole route will be taken in June 2013, according to Azeri sources.

Gazprom warns Turkey over Azeri gas pipeline deal

Reuters, *29.06.2012*

Gazprom sent a warning signal to its second-largest gas consumer Turkey over Ankara's agreement with neighboring Azerbaijan to build a gas pipeline to Europe, a rival to Moscow-backed planned South Stream trunk.

Turkey and Azerbaijan signed an inter-governmental agreement on the $7-billion Trans-Anatolian natural gas pipeline project (TANAP), designed to carry Azeri natural gas across Turkey to Europe. Gazprom also said it increased gas supplies to Turkey after it requested more volumes of Russian gas following a pipeline explosion, which hampered gas flow from Iran to Turkey.

But Gazprom's spokesman Sergei Kupriyanov said if the Trans-Anatolian project is "completed as planned in 2018, Turkey could then apply for help to Baku," according to Gazprom's emailed statement.

Iraqi Kurds to sell gas directly to Turkey

Reuters, *03.07.2012*

Iraq's semi-autonomous Kurdish region may begin selling natural gas directly to Turkey within two years, its energy minister said on Tuesday, a move likely to anger the central government and further strain Baghdad's ties with Ankara.

The Regional Government in the north of the country (KRG) and Baghdad have rowed for years over issues including late payments for crude, the legality of the regional government's oil deals and disputed territory. Baghdad accuses the Kurds of smuggling their oil abroad, mainly to Iran, and wrecking the central budget by denying it revenue.

"Even if there's no consensus with Baghdad, we will continue to sell natural gas and oil to Turkey," KRG Minister of Natural Resources Ashti Hawrami told the Caspian Gas Forum in Istanbul. "We plan to sell 10 billion cubic meters of natural gas to Turkey, and later Europe in the long-term," he said, adding that sales were expected to begin within 18 months to two years. The KRG is obliged to attract investment from abroad, he said. "If we left everything up to Baghdad this would not work."

Iran resumes natural gas flow to Turkey

Reuters, *02.07.2012*

Iran resumed the flow of natural gas to Turkey on Monday, the semi-official Mehr news agency reported, after an explosion last week damaged part of the pipeline and cut off supply.

"The export of Iran's natural gas to Turkey resumed a few minutes ago after a request by Turkey and after the damaged pipeline was repaired," Mehr reported.

Northern Iraq begins oil exports to Turkey

The Telegraph, *04.07.2012*

Northern Iraq has begun trucking exports of crude oil across the border to Turkey, the Telegraph understands, in a politically controversial move likely to boost oil companies in the semi-autonomous Iraqi region.

The region is locked in a long-running dispute with Baghdad over who should control the region's vast oil reserves. In April the semi-autonomous region halted exports through infrastructure controlled by the central Iraqi government - accusing Baghdad of not paying the foreign oil companies working in the region.

These include London-listed Genel Energy, the company run by former BP chief executive Tony Hayward. Genel and other producers such as Norway's DNO are reliant on the domestic market, limiting both demand and price. Other companies active in the region include Gulf Keystone Petroleum, which has made significant discoveries and plans to ramp up production from current low levels.

In May, Northern Iraq and Turkey agreed they would press ahead with building an export pipeline which could be operational next year, bypassing Iraq's control. But two sources told the Telegraph that trucks had begun transporting crude oil from the region over the border to Turkey on Thursday. Malcolm Graham-Wood, oil analyst at VSA Capital, said the move would be significant as it would show 'serious commitment' between Northern Iraq and Turkey. "We didn't expect this to happen so soon," he said. "The opening of the border massively increases the scope for Northern Iraq to sell crude."

Turkey, Iraq work on export of Basra oil via Turkey

Reuters, *06.07.2012*

Turkey's energy ministry has started technical work with Iraq's central government on shipping crude oil from Basra in southern Iraq via the Kirkuk-Ceyhan pipeline to Turkey's Mediterranean coast and on to world markets.

The announcement came days after Iraq's semi-autonomous Kurdish region said it might begin selling natural gas directly to Turkey within two years, a move that was expected to further strain Ankara's ties with Baghdad. "We have launched technical work with the Iraq central government on bringing Basra crude oil from Kirkuk to Ceyhan and from there to world markets," the ministry quoted Energy Minister Taner Yildiz as saying.

No further details on the plans were immediately available. Iraq is expected to provide the world's largest expansion in oil export capacity in 2012 due to the opening of two floating single point mooring (SPM) terminals in the Gulf earlier this year. That increase is adding to global supplies as sanctions curb shipments from Iran. The idea of shipping Basra oil via Turkey appeared to be new.

Iraq is the second-biggest market for Turkish exports, amounting to more than $8 billion last year, after Germany. But Turkish officials have been locked in a war of words with Iraqi Prime Minister Nuri al-Maliki since December, when he ordered the arrest of Sunni Vice President Tareq al-Hashemi, based on allegations that he ran death squads.

Turkey, the majority of whose people are Sunnis, has accused Shi'ite Maliki of stirring ethnic tension. The Iraqi prime minister has accused Turkey of meddling in its affairs. In recent years, Ankara has also cultivated growing trade ties with the regional administration in the north, which accounts for some 70 percent of Turkey's exports to Iraq and would be Turkey's eighth-biggest export market if it were a country.

Chevron returns to drill for oil in Turkey's Black Sea

Hürriyet Daily News, *30.06.2012*

Chevron has asked for an extension of its drilling license in Turkey's Black Sea Bolu Petroleum Region. The Prime Ministry will have the last word on the issue.

If Chevron gets the green light it will be allowed to drill for oil in the Black Sea from July 2012 until July 2016. Chevron had previously partnered with the Turkish Petroleum Corporation (TPAO) to drill for oil off the coast of Sinop on the western Black Sea coast, but its drilling rights expired back in October 2010, when drilling at the Yassıhöyük 1 oil well was unsuccessful. The company then left the region.

Now the company is hoping for an extension of its contract for the Bolu Petroleum Region, where it is a license holder alongside TPAO. If the Prime Ministry agrees to the license extension, Chevron will become the sole operator and could also bring on board another large international company, sources say. Chevron acquired a 50 percent interest in the western portion of the License 3921 block in the Bolu Petroleum Region, said the company in an announcement in September 2010, according to the company's official web site. TPAO holds the remaining 50 percent interest in the license.

Iran keen on IGDAS privatization

Hürriyet Daily News, *30.06.2012*

Turkish Minister of Energy and Natural Resources Taner Yildiz met Iranian Vice President Ali Saidlu in Ankara on June 29. The meeting was expected to focus on bilateral relations between Turkey and Iran, especially in the energy sector. He said they were particularly interested in the privatization of IGDAS.

"Our friends are closely following the Istanbul natural gas distribution project to increase our working relationship" said Saeidlo, adding that both countries had a rich capacity for both energy and natural gas resources.

"Our goal is to increase relations to the highest level. … We can even develop cooperation in the area of transporting our energy resources to Europe."

Ambassador Hamai: Algeria set to increase gas supply to Turkey

Today's Zaman, *04.07.2012*

The top Algerian diplomat in Ankara has said negotiations for additional gas supplies to Turkey are currently taking place commensurate with the growing economic and political relations between the two countries.

Turkey, which is heavily dependent on Russia to meet the energy demands of its fast-developing economy, has been trying to diversify its suppliers, and Algeria may play a larger role in Turkey's plans. During an exclusive interview with Today's Zaman in honor of the 50th year of Algeria's independence on July 5, Mouloud Hamai elaborated on his country's economic and political relations with Turkey.

Hamai noted that negotiations over an additional gas supply agreement are continuing between Turkish Energy Minister Taner Yildiz and his Algerian counterpart, Youcef Yousfi. "For the moment, the two ministers are contacted to one another related to this issue [of supplying gas]," the ambassador noted. Algeria is Turkey's fourth largest natural gas supplier after Russia, Azerbaijan and Iran and provides 4 billion cubic meters of gas to Turkey every year according to a gas flow agreement signed in April 1994. The two countries will renegotiate the agreement in 2014 when it expires.

Regular disruptions in natural gas supply are very common due to the impact of winter conditions on pipelines. In addition, Turkey has realized the necessity of diversifying its supplies as Iran has halted gas flow to Turkey on more than one occasion in the middle of winter due to what Tehran claimed to be "an unexpected surge" in its domestic demand. Also, sabotage to gas pipelines by the terrorist Kurdistan Workers' Party (PKK) has caused periodic halts in gas supply between Iran and Turkey. PKK sabotage is common on pipelines leading into Turkey from Iran and Iraq, where the Kurdish separatist terrorists are based.

"We are already energy partners with Turkey, and we have decided to develop that partnership in the future, which is currently only through gas supply," Hamai stated. He also said Algeria is very much interested in further developing bilateral economic ties with Turkey. The trade volume between the two nations had tripled from 2001 and 2011 -- from $1 billion to $2.7 billion, Turkish Statistics Institute (TurkStat) figures. Also, total trade volume in the first five months of 2012 had slightly increased to $1.1 billion, compared to the same period in 2011, when it was $1 billion, according to same figures.

Turkish exports to Algeria have also been significantly rising, jumping from $380,000 in 2001 to $1.47 billion in 2011. The volume of Turkish exports in the first five months of 2012, at $719,639, was also promising when compared to the 2011 figures for the same period ($617,428).

Decision to select pipeline for Azerbaijani gas transportation to be made in May 2013

Trend, *04.07.2012*

In May 2013, the Shah Deniz project partners will make a decision to select one of the gas pipeline routes for transportation of Azerbaijani gas to Europe, President of the State Oil Company of Azerbaijan (SOCAR) told journalists on Wednesday.

Today the partners are evaluating two routes – Nabucco West and the Trans Adriatic Pipeline (TAP). He said the partners of the Shah Deniz Consortium intend to purchase most of the equity in the gas pipeline project which will be selected for the transportation of gas to Europe.

With regard to the Trans-Anatolian gas pipeline project (TANAP), Abdullayev said this project will be one of the major projects in Azerbaijan and will allow ensuring transportation of Azerbaijani gas across Turkey to Europe. The minimum capacity of the gas pipeline is estimated at 16 billion cubic meters per year with possibility to increase up to 30 billion cubic meters. According to Abdullayev, it will be possible to transport gas not only from the Shah Deniz field, but also other fields in the Azerbaijani sector of the Caspian Sea via this gas pipeline.

Last week, the consortium of Azerbaijani Shah Deniz gas field development selected Nabucco West as the single pipeline option for the potential export of Shah Deniz Stage 2 gas to Central Europe. In February, the Shah Deniz Consortium announced that TAP was chosen as the priority route for the export of Azerbaijani gas to Italy. A cooperation agreement has been signed between the Shah Deniz consortium and TAP.

Reserves of the Shah Deniz field are estimated at 1.2 trillion cubic meters of gas. The contract to develop the offshore Shah Deniz field was signed on June 4, 1996. Participants to the agreement are: BP (operator) - 25.5 per cent, Statoil - 25.5 per cent, NICO - 10 per cent, Total - 10 per cent, LukAgip - 10 per cent, TPAO - nine per cent and SOCAR-10 per cent.

BP plans major pipeline investment for Caspian Gas

The Wall Street Journal, *27.06.2012*

BP is set to invest in two pipeline projects vying to carry Caspian natural gas to Europe, the clearest indication yet of how an ambitious plan to lessen Europe's dependence on Russian gas may play out.

The company aims to take a "substantial" stake in the Trans-Adriatic Pipeline and is negotiating for a stake in the Trans-Anatolian Pipeline, Al Cook, BP's Shah Deniz development vice president, said. BP's plan to invest in the two pipelines could represent a further blow to the Nabucco project which has had to scale down its proposals in recent months in the face of competition from rival routes.

BP leads Shah Deniz 2, a consortium of companies developing a giant gas field in Azerbaijan's portion of the Caspian basin. Mr. Cook stressed that BP remains committed to a selection process that may result in Nabucco being chosen as the consortium's preferred route to ship the Caspian gas to Europe, a project that the EU sees as key to its energy security but its investment plans suggest a clearer picture is emerging of what form the so-called Southern Corridor pipeline route could take.

The Trans-Adriatic Pipeline, or TAP, is the only project left in the mix that would take the gas to Italy, rather than through central Europe. "BP has completed the negotiation in principle to join the TAP pipeline and to help provide funding in the short term," Mr. Cook said. He declined to specify the size of the stake BP would acquire, but said it will be "substantial." "We will put our money where our mouth is, we will demonstrate that we are very serious about the success of TAP," Mr. Cook said. A deal should be signed in the next few weeks, he said.

The investment in TAP is part of an effort to gather support around the pipeline, especially in Italy, after the Shah Deniz consortium excluded from the contest another plan that had been backed by the previous Italian government. Mr. Cook stressed that the decision to invest in TAP was partially motivated by the "changing regulatory and economic outlook" in Italy that is making it easier to invest in the country.

Mr. Cook also said that BP is negotiating the acquisition of a stake in the Trans-Anatolian Pipeline, or TANAP, which would transport the gas across Turkey, and it plans to sign an agreement in the next few months. Mr. Cook's comments suggest that a bigger pipeline from Azerbaijan to Turkey across Georgia could form the first chunk of the Southern Corridor. TANAP would then than carry the gas across Turkey, and TAP would bring it to Italy through Greece and Albania. From Italy, the gas could be sold across Europe.

Mr. Cook cautioned that BP's decision to invest in TAP isn't a case of prejudging the final pipeline selection. TAP is one of three remaining contenders in the fight for the European stretch of the Southern Corridor, together with a down-scaled version of Nabucco, called Nabucco West, and the South East Europe Pipeline, or SEEP a project created by BP both of which would carry the gas through Central Europe rather than to Italy.

Shah Deniz will decide this week whether it favors Nabucco West or SEEP and is expected within a year to decide which route to use for sending Caspian gas to Europe. The decision to invest in TAP "is more a reflection of the acceleration of TAP" rather than a signal about which pipeline will ultimately be selected, Mr. Cook said. With the total investment in Shah Deniz set to reach $40 billion, it is worth investing in different projects to keep options open, he said.

Sanctions cut Iran's July oil exports to near 1 mln bpd

Reuters, *05.07.2012*

Iran's daily oil exports in July could fall below half the average shipped in 2011 before tough new Western sanctions stemmed the flow.

Japan and South Korea, among Iran's top oil buyers, have halted all Iranian imports this month due to sanctions imposed by Brussels on Sunday that aim to cut Iran's oil revenues and force Tehran to curb its disputed nuclear program. Exports in July will fall to a maximum of 1.1 million barrels per day (bpd), said an industry source familiar with Iran's monthly shipping plans who declined to be named due to the sensitivity of the matter.

Actual exports are likely to be less as top buyer China disputes freight costs with Iran's top tanker company, delaying the loading of cargoes set to flow east. India could also reduce its July loadings as Iran struggles to find tankers of the size Indian refiners require do to port constraints. India is Iran's second largest customer. Iran's exports have declined steadily this year from the 2.2 million bpd average in 2011 as its oil buyers cut imports to comply with US and European Union sanctions. Iran was estimated to have shipped between 1.2 million and 1.3 million bpd in June, industry sources said last month.

July's cut translates into a loss of around $3.4 billion in monthly government revenue compared to a year ago, a major setback for Tehran as it struggles to contain spiralling consumers prices and mounting unemployment. Although oil prices have fallen by around 20 percent in the last four months as other producers led by Saudi Arabia boost supplies, the market remains on edge over a possible supply disruption in Iran.

Brent crude futures, which traded above $101 on Thursday, has risen nearly 4 percent this week due to Tehran's saber rattling following the imposition of EU's embargo against its oil trade. “If you think it's early enough to say that the market is going to easily cushion the impact of losing Iranian supplies, then you are just being plain foolish,” said a Middle East-based trader with an oil major. “With Iran, you always have to stay alert.”

As sales fall, Iran has been forced to store its unwanted crude on tankers in the Gulf. The country is expected to store at least 8.3 million barrels this month, double the amount the previous month, the source familiar with the shipping plans said. Iran may need to cut back more of its estimated 2.95 million bpd crude output, already the lowest in nearly of a quarter century, as the nation runs out of onshore and offshore storage capacity. More than half of the ships owned by Irans main oil shipper NITC are believed to already be storing crude. The Islamic Republic is expected to load a maximum of 890,000 barrels per day for its top Asia buyers, the source said, down 40 percent from the 1.48 million bpd taken during the same period last year.

China was scheduled to take a maximum of 492,000 bpd for July-loading Iranian crude, the source said. The final amount loaded will depend on how quickly top refiner Sinopec resolves its dispute with Iran's shipper NITC. India was expected to load at most 300,000 bpd, the source added. Iran's No. 3 buyer, Japan, will not import crude this month, but is expected to load around 98,000 bpd for delivery in mid-August, industry sources said. Japanese buyers have delayed their purchases to avoid any risk of running foul of EU sanctions targeting insurance. Tokyo has agreed to step in and provide insurance cover of up to $7.6 billion for shipments to keep oil trade with Tehran going.

The EU oil embargo has stopped European insurers, who dominate the maritime sector, from offering cover on Iranian crude. Industry watchers say the EU step has proven to the hardest hitting measure in the West's arsenal of sanctions aimed at Iran. China and India are relying on Iran to use its own tankers to deliver oil to them, making Tehran liable for the insurance. South Korea has simply stopped importing Iran's oil for now.

In Europe, Turkey and Italy were the only countries which continue to import Iranian oil after the start of the EU embargo. Turkey is now buying around 160,000 bpd of oil from Tehran, down about a fifth from last year's average. Italy was exempted from EU sanctions as it is owed about $1 billion by Iran and is receiving payments of around 20,000 bpd in oil. South Africa is also continuing imports of oil from Iran after having won US sanctions waivers. It has almost halved imports to around 65,000 bpd in the past 6 months. Earlier this week, Kenya emerged as the potential buyer of up to 80,000 bpd of Iranian oil but the country quickly cancelled the deal under pressure from Washington and Brussels.

Turkey to cut only 10 pct in Iran oil import next year

Reuters, *04.07.2012*

Turkey is prepared to cut its Iranian oil imports by no more than an additional 10 percent from next year to persuade the United States to extend sanction exemptions when they expire in December, a high-level Turkish source told Reuters.

Last month Washington granted exemptions to Turkey and six other countries from its financial sanctions on Iran's oil trade in return for significant cuts in their purchases of Iranian oil. It gave Turkey a 180-day exception from sanctions from June 11 as a result of an initial 20 percent cut made by Tüpras, Turkey's sole refiner.

The exception meant Turkey's Halkbank was able to make payments to the Iranian Central Bank for oil shipments to Tüpras without fear of being blacklisted by the United States. A US diplomat subsequently said Washington had pressed Turkey to follow the 20 percent reduction in oil purchases with a further cut in six months, but did not specify how much.

"It is impossible for us to suddenly halt our Iranian oil purchases, because around 50 percent of our imports are from this country," said the Turkish source, who is close to the matter but requested anonymity due to the sensitivity of the subject. "The Americans can be convinced by making a reasonable reduction at the end of the 180-day exemption period granted to Turkey. This reduction will not be as much as 20 percent; it will be around 10 percent," he said.

Turkey imported an average of 180,000 barrels per day of Iranian crude in 2011, although purchases soared in April and March before falling steeply in May. A 20 percent reduction from last year's levels from July 1 would put Turkey's purchases at 144,000 bpd, and a further 10 percent cut would push them to around 130,000 bpd. Turkey's oil purchases from Iran in recent months amounted on average to around 53 percent of its total crude buys. Turkey's current oil contract with Iran expires in August. Turkey was Iran's fifth-largest customer in 2011, buying more than 7 percent of Iran's oil exports. Turkey's Iranian imports rose after shipments from Libya halted last year during the civil war there, but Ankara has again started to import from the north African country.

Aside from Libya, it is also looking to other alternative suppliers, notably Saudi Arabia. Energy Minister Taner Yildiz said last month talks were underway with Saudi Arabia to secure a long-term crude oil purchase contract. Trade between Turkey and Iran has risen sharply over the past decade, and Turkey was regarded as a possible weak link in the international sanctions against Iran. Relations between the two neighbours, however, have been strained by Tehran's support for Syrian President Bashar al Assad, while Turkey has sided with Syrians who have joined in the popular revolt against his rule. Turkey began diversifying its sources of oil earlier this year, and Yildiz said the number of countries supplying it would rise to 14 from 11.

Tüpras tops Fortune 500 list

Hürriyet Daily News, *03.07.2012*

Despite the European crisis, Turkish firms increased net sales by 22 pct in 2011 with Tüpras and Turkish Airlines being the best performers on Turkey's Fortune 500 list. Turkish firms increased their net sales by 22 percent in 2011 to 553 million Turkish Liras despite the effects of the European economic crisis.

According to the Fortune 500 Turkey list, Turkey's oil refiner, Tüpras, topped the list with the highest turnover, while Turkish Airlines jumped five notches from the year before to reach sixth spot, with the largest number of sales registered as export revenues.

Tüpras was able to maintain its leading spot on the Fortune 500 list by boosting its sales revenues by 58 percent to 41.4 billion liras. Turkish Airlines, which brought in 11.8 billion liras in revenues, was able to achieve 11.3 billion liras of this in export revenues. The net sales of all the firms on the list hit 419 billion liras, of which 133.5 billion liras were from sales abroad, indicating that a large portion of sales were to foreign buyers. In 2011, domestic sales were up 17 percent, while exports were up 39.4 percent.

With the increase in oil prices, all of Turkey's major energy firms were able to enter the Fortune 500 list. In 2010, Petrol Ofisi, which was in fourth spot in 2010, moved up to the second spot in 2011 with 19.5 million liras in revenues. Similarly, Opet in seventh spot in 2010 came in at third place in 2011 with 14.9 billion liras in revenues. Energy firms made up 28 percent of the total 155 billion-lira total sales revenues. Eight of the top 10 firms appearing on the Fortune 500 are energy firms. However, it is noteworthy that while the total turnover of the companies making it on the Fortune 500 list saw an increase, their net profits witnessed a decrease. Of the 394 firms announcing their earnings, 106 registered a drop in net profits. The number of firms recording losses in 2010 had only been 67.

Meanwhile, the companies on the list also increased the number of their employees. In 2009, in the midst of the global economic crisis, Fortune 500 companies in Turkey laid off 43,000 workers. However, they hired an additional 117,232 workers in 2010 and 74,897 workers in 2011. Therefore, over the past two years, companies have hired more than 192,000 new employees, creating new employment opportunities.

Exxon Mobil tops the U.S. Fortune 500 list $452.9 billion in sales revenues. Wal-Mart comes in at second place with $446.9 billion while Chevron is in third place with $242.6 billion. The total sales revenues of all the companies appearing in Turkey's Fortune 500 list were at $330.9 billion for 2011, which is only around 73 percent of Exxon Mobil and Wal-Mart's total sales revenues, but more than Chevron's. It is becoming increasingly difficult for companies to make it into the Fortune 500 list. In 2007, the company in 500th spot on the list had net sales revenues of 89.6 million liras.

Iran drafts bill to block Hormuz

Reuters, *03.07.2012*

Iran's National Security and Foreign Policy Committee has drafted a bill calling for Iran to try to stop oil tankers from shipping crude through the Strait of Hormuz to countries that support sanctions against it, a committee member said today.

"There is a bill prepared in the National Security and Foreign Policy committee of Parliament that stresses the blocking of oil tanker traffic carrying oil to countries that have sanctioned Iran," Iranian MP Ibrahim Agha-Mohammadi was quoted by Iran's parliamentary news agency as saying. "This bill has been developed as an answer to the European Union's oil sanctions against the Islamic Republic of Iran."

Agha-Mohammadi said that 100 of Tehran's 290 members of parliament had signed the bill as of yesterday. Iranian threats to block the waterway through which about 17 million barrels a day sailed in 2011 have grown in the past year as U.S. and European sanctions aimed at starving Tehran of funds for its nuclear program have tightened.

Petrobras to invest $237 bln through 2016

Today's Zaman, *26.06.2012*

Brazil's Petrobras says it'll invest $237 billion worldwide through 2016. The investment amount was spelled out in the company's latest five-year business plan released.

The bulk of those investments will be made in exploration and production, with the company planning to invest $44 billion alone in the so-called pre-salt oil fields located off Brazil's southeastern coast. It was one of the globe's biggest oil finds over the past 30 years, holding an estimated 50 billion barrels. Petrobras has projected it'll see total production of 2.5 million barrels per day in 2016. In last year's plan, the company forecast 3 million barrels per day by 2015.

EIA examines 20 alternate scenarios for future U.S. energy demand

Gas to Power, *26.06.2012*

The U.S. Energy Information Administration (EIA) has examined 29 alternate scenarios for the future U.S. energy market in its Annual Energy Outlook 2012. In the EIA reference case scenario, the share of gas-fired power generation is forecast to rise from 24 percent in 2010 to 28 percent in 2035. "Uncertainty is inherent in long-term projections," EIA Administrator Adam Sieminski said.

In addition to the EIA's reference case projections, the AEO2012 contains alternative cases on how different assumptions on market, policy, and technology drivers affect projections of energy demand.

"By modeling scenarios using a range of assumptions about market, policy, and technology drivers, we gain a better understanding of the potential impacts in critical areas of uncertainty," Sieminski said. One key finding highlighted in AEO2012 is that electricity production based on gas and renewable energy sources (RES) will continue to increase. "Over the next 25 years, the share of electricity generation from coal falls to 38 percent, well below the 48-percent share seen as recently as 2008, due to slow growth in electricity demand, increased competition from natural gas and renewable generation, and the need to reduce emissions," the report reads.

In the EIA reference case, the natural gas share of electric power generation increases from 24 percent in 2010 to 28 percent in 2035, while the renewables share grows from 10 percent to 15 percent. Meanwhile, the share of generation from coal-fired power plants is seen to decline as the historical reliance on coal-fired power plants in the U.S. electric power sector is diminishing.

AEO2012 also examines several cases how the rise of the gas-to-power sector may impact on coal-fired plant generation and plant retirements. "Although the current trend toward increased use of natural gas and renewables appears fairly robust, there is uncertainty about the factors influencing the fuel mix for electricity generation," the EIA said in the report.

Russian firm gets oil exploration rights for Iraq's south

Winnipeg Free Press, *02.07.2012*

Iraq has awarded Russian oil giant Bashneft rights to explore for oil in the south of the country after nearly a month of negotiations, a senior Baghdad official said Sunday, bringing the total number of Russian companies with oil deals in Iraq to three.

Bashneft and Vietnam's PetroVietnam were part of a consortium led by the U.K.'s Premier to bid for Block 12 in Iraq's fourth energy-bidding round in May. The consortium rejected the government's proposed fee of $5 per barrel of oil equivalent as too low and sought $9.85 for each barrel.

The deputy director of the Oil Ministry's contracts department, Sabah al-Saidi, said the ministry reached a separate agreement with Bashneft last week after it accepted the $5 fee. The 8,000-square-kilometre block is in the southern provinces of Muthanna and Najaf. The May auction was Iraq's fourth since 2009 and was meant to attract foreign investment in the country's crucial energy sector, particularly natural gas exploration. It drew a lukewarm response from foreign companies due to tough contract terms. Out of 12 exploration blocks that were on offer, only three were awarded.

Only areas with undetermined hydrocarbon resources were on offer, while previously the rights to known large and medium oil and gas fields were being auctioned off. Iraq has offered only service contracts in which companies are paid a flat fee, rather than deals in which they receive a share of the hydrocarbons found. The three winning bids were by consortiums led by Kuwait Energy, Russia's Lukoil and Pakistan Petroleum.

Kuwait Energy with its partners, Turkey's TPAO and the UAE's Dragon Oil, will explore for oil in southern Basra province and will be paid $6.24 for each barrel of oil equivalent it finds. Russia's Lukoil and Japan's Inpex Corp. will explore for oil in southern Iraq and will be paid $5.99 for each barrel of oil equivalent they find, and Pakistan Petroleum will search for natural gas in the east of the country and is to receive $5.38 for each barrel of oil equivalent.

Iraq is trying to build up its energy sector, hit by years of neglect and violence, including the turmoil following the ouster of Saddam Hussein in 2003. Iraq holds the world's fourth-largest oil reserves of 143.1 billion barrels, and oil revenues cover nearly 95 per cent of the country's local budget. Since 2008, Iraq has awarded 15 oil and gas deals to international energy companies, the first major investments in the country's energy industry in more than three decades.

Gazprom says U.K., BP interested in Nord Stream Gas Pipeline

Businessweek, *29.06.2012*

Gazprom said the U.K. and BP are interested in bringing the Moscow-based company's Nord Stream pipeline to the island nation. "There have been signals the U.K. would be interested, both on the government and corporate level, in one of the new lines of Nord Stream being extended to the U.K.," Chief Executive Officer Alexey Miller said today in Moscow.

Toby Odone, a BP spokesman, declined to comment today. Russian President Vladimir Putin said in June the pipeline, taking gas directly to Germany under the Baltic Sea, is aimed at serving all of Europe, not just Russia and Germany.

Putin said at the time that the U.K. was interested in the project, which is Gazprom's only direct natural-gas delivery route to Europe. Nord Stream AG is carrying out a study into investing in a third and fourth line and will make a decision by the year-end, Miller said. "As far as Gazprom is concerned, we are already decided that for us, for Gazprom, it makes sense," he said.

Gazprom holds 51 percent of the Zug, Switzerland-based venture, EON AG and Wintershall AG each have 15.5 percent and GDF Suez (GSZ) and Nederlandse Gasunie NV 9 percent, according to Nord Stream's website. Its structure will stay the same apart from the possible addition of partners for a U.K. line, Miller said.

TransAtlantic Petroleum: Turkish Delight

Natural Gas Europe, *02.07.2012*

Want to know how to use unconventional E&P technology and know-how in Europe? Just ask Chad Potter, Vice President of Financial and Investor Relations at TransAtlantic Petroleum, who told Natural Gas Europe about the secret to the company's success, thus far in Turkey.

He offered: "Ultimately, it's about rock and governments: you have to have the right rock and the right government, the right terms to make it work. We think that Europe has some great rock, you just have to be able to get at it." Not all shales, however, are great reservoir rock.

“Some of them are great source rock, but you won’t be able to economically produce the oil or gas from it,” said Mr. Potter. Still, in Turkey, he said that TransAtlantic had found the right combination of the necessary elements: good government, good rock, good fiscal terms. He recalled that TransAtlantic was a hydrocarbons explorer that had been cultivated by N. Malone Mitchell III, Chairman and CEO. “He previously founded an oil and gas company out of his bedroom in Texas 20-plus years ago that successfully grew by buying overlooked or underdeveloped fields and part of that had to do with a shortcoming of the availability of oilfield services. “It was called Riata Energy at the time and he grew it into one of the largest private oil and gas companies in the US, both from an E&P perspective as well as from an oilfield services perspective. He started the process of taking that company public in 2006,” explained Potter.

During that process, one of the founders of Chesapeake Energy, Tom Ward, came in and bought a controlling interest before the company went public. “One to two years later, he took the company public and it continues to trade on the NYSE under the name ‘SandRidge Energy.’ Mr. Mitchell, he explained, eventually elected to step out of the company in search of new ideas. “He had the concept that he should look internationally as he felt a lot of the domestic plays were pretty crowded, so he started evaluating international opportunities and really liked the prospects he saw in Turkey, from the combination of rock, government and business conditions.”

Mr. Mitchell then ran across TransAtlantic Petroleum, which Mr. Potter described as a very small, publicly traded company in which Mitchell took a controlling stake, using it as a vehicle to consolidate acreage in Turkey, Bulgaria and Romania. Former assets in Morocco had been jettisoned, he explained. “The centerpiece of the portfolio is Turkey: 99% of our production. It’s where our headquarters is (Istanbul) and where most of our employees are.” But while the good geology, fiscal terms and fiscal climate were present, the availability and pricing for oilfield services needed was lacking. Mr. Potter recalled, “So as part of the consolidation, he also brought oilfield services to Turkey, doing an acquisition in 2009 of Longe Energy which was essentially bringing drilling rigs in the US to Turkey. We ultimately built a frac spread and crewed it up, brought that to Turkey and currently have the only sizeable frac crew in the country.”

He said that that has taken several years, leading TransAtlantic to drill and test the prospects that it had. “Early on we really felt that a lot of the rock was better than what you saw in Texas 20-30 years ago,” he remarked, “but the North American mindset needed to be brought to that. It’s about figuring out the magic formula, so to speak, to stimulate the unconventional rock potential that has not been developed in the past.” TransAtlantic, he said, had started pursuing that goal in Turkey’s Thrace Basin, the part of Turkey that’s on the European side of the Bosporus. “It’s about finding the right mix of fluids and force in order to crack the rock and then keep it open so that the natural gas flows out of the formation. We started off re-entering existing wellbores, sometimes deepening them a little bit and then executing the stimulation.”

According to Mr. Potter, this approach had saved the company money, because it wasn’t necessary to build the well pad or drill a new well. Still, then, success was elusive. “Our first year was mostly unsuccessful,” he reported, “figuring out the right mix of fluids and force. This is typically buried within a big company, so it doesn’t get talked about, but in our case we had to talk about it because that was all we were doing.” Then, late last year, TransAtlantic figured things out. “Late November and December we started a stimulation process that’s generating essentially a 95% success rate for completing Thrace basin wells and we’re continuing that to this day.”

He described TransAtlantic's Thrace basin concept: "First we need to prove the fracability of the rock that it can be cracked and you can get gas out of it. Then, we needed to identify the opportunity we know that you can get gas down to say 1,500 meters, but we know that the sands go down to 4,000 meters, so we need to figure out 'do the sands work all the way down to that level?'"

Consequently, for the past six months TransAtlantic has drilled wells deeper to test deeper sands to get an idea of what worked and how long a rig would be on location, how long the completion crew needed to be there and how much water and sand needed to be trucked in. "Once you can set that out, then you can plan many many wells ahead, whereas right now you're drilling a well waiting to see what you find out before you drill the next one. We think that once we've got that opportunity defined, over the next few months we'll be able to set out a nice natural gas growth program in the Thrace basin," he explained.

Meanwhile, in the southeast TransAtlantic had possession of the Selmo field, which provided base oil production; the company has also made a recent nearby discovery, said Mr. Potter, at Molla – the Goksu well. "We have some pretty interesting ideas of a development concept there that we'll be evaluating in the coming months. "The Goksu well produces a cretaceous formation called the Mardin whose oil is sourced from the Dadas shale, which will also be a drilling target. It's still early stages, but a Dadas frac was actually our first frac in the country: we did a vertical well took a core and executed a frac and we've been evaluating that. Now we just drilled our second well and took another core from that location – that well's finishing up right now," he reported.

The conditions in the Dadas shale looked right for a good oil and potentially natural gas shale, according to him. "It's starting to bring some big interest," he noted. "You've see Shell and Turkey's state oil company TPAO have got a farm in agreement to target the shale just north of our acreage." He said TransAtlantic's partner in the Thrace basin (Valeura Energy) is also there, to test the Dadas shale and some other zones, as well as Anatolia Energy. "So it's good to see we have some other folks working on it, so hopefully the learning curve will be shorter. Ultimately if that shale works, it's not only a company changer but could have a significant impact on Turkey's oil supply."

According to him, Turkey imported approximately 95% of the oil it consumed and approximately 98% of the natural gas it consumed. Mr. Potter explained, "The size of the shale itself is about the size of the Barnett shale, so if it were to work and produce the level of oil we think it has the potential to, it could definitely make a big impact on Turkey's domestic oil supply."

While there has been no public opposition in Turkey to unconventional gas E&P, he said that TransAtlantic had been proactive. "We've worked with the government, brought them to our sites, showed them our microseismic and what we're doing. We did all that effectively before we even got started: 'This is what we're going to do, what we're planning.' We do the best we can educating the regulators and officials here to stay ahead of potential opposition.

Regarding the company's concessions in Romania and Bulgaria, both places with temporary moratoriums on shale gas exploration, Mr. Potter admitted it was difficult to predict the future when it was a matter of a governmental decision. "Obviously Bulgaria's original fracing ban was suspended; they had to go back in and just over the past week reversed the clause that they had arguably mistakenly included that prevented conventional oil and gas drilling.

"So we're waiting on our production license and once we get that, we have numerous conventional targets that we'd like to drill in Bulgaria. Once that production license is in hand we would like to get back to drilling there. The shale obviously will have to wait, because it's not going to be economic without a frac," he explained. "The shale is the source of the gas that's in the conventional formation, so ultimately we can just drill into a conventional zone above the shale, if it has an effective trap, and produce clean natural gas, there's just more of it contained in the shale."

In terms of TransAtlantic's financials, Mr. Potter said the enterprise had a firm footing, bolstered by the sale earlier this year of its oilfield services company, Viking International, whose cash proceeds totaled $157.5 million. He commented: "We immediately paid down close to $90 million worth of debt and intend to use some of the remaining proceeds to pay down a large portion of other debt as well. It's left us almost net debt free (debt outstanding minus cash on hand), so we have a nice balance sheet to work with as we begin to reach the turning point in our resource play evaluations – that sets us up nicely, and hopefully, we'll get some more meaningful production growth in the months ahead." It was a kind of a "win-win" for everyone, he explained.

"One of the problems of having an oilfield services company within an E&P, aside from confusion on the side of investors on how to value a company that's multidimensional, is the challenge of allocating capital. Do we spend $10 million to go buy a new rig or to drill 10 new wells? With an E&P you're always fighting a decline curve and so $10 million not spent on drilling wells means you may lose cash flow from declining production. "So by separating the two entities they'll each have their own balance sheets to use accordingly," he said.

Viking, he added, would have a good amount of capital spent within the company within the next year that ultimately TransAtlantic would be the beneficiary of as it was Viking's biggest customer. He said that the sale had been conducted as part of a rigorous process, soliciting bids and signing confidentiality agreements with several candidate parties. Mr. Mitchell partnered with a group out of Dubai that was the highest bidder; today, Malone Mitchell owns around 50% of Viking and 40+% of TransAtlantic.

Chad Potter explained: "So he has an interest in seeing both of the companies do well. I think that we can work together in numerous ways. If Viking were to enter a new country that TransAtlantic's not currently operating in and was facing something interesting from an E&P perspective, when you have the same guy sitting at the top he could say 'Well, this could work for TransAtlantic.' "If we want to go somewhere, we know that we have a deep relationship with an oilfield services company so if the services we need aren't available there, immediately we know that we have a services company that can deliver that to us."

In terms of getting gas to market, Mr. Potter pointed out that Turkey had numerous trunklines and that most of TransAtlantic's gas was concentrated in the Thrace basin. "A lot of that gas is effectively the first gas ever produced in Turkey by a company called TBNG, which we now own. They were instrumental in effectively developing natural gas supplies in Turkey, realizing that natural gas was in the water wells near a city called Tekirdag and they went and got investment money to get a rig that could drill very shallow wells and started drilling little 200m wells and getting gas.

"It's actually the opposite of what people fear," he explained, referring to the "flaming taps" from the movie Gasland. "They were de gasifying wells. When they realized they had the critical mass of having enough gas they approached local industries, like a local brick plant that was paying to bring in coal to bake its bricks. They said, 'We're producing natural gas right up the street. Why don't you use our natural gas?'" Thus TransAtlantic's produced gas is tied in to several end users as well as Turkey's national grid, which brings in imported gas from abroad.

In terms of milestones for the year, he offered what TransAtlantic was looking forward to in Turkey: "We are coming to a head in the next few months of knowing the right depth to drill our Thrace basin wells. And I think as we define our opportunity set over the next two months or so we'll have a good idea of how to set up a more repeatable development program, scaling our activity and, hopefully, production," said TransAtlantic's Chad Potter.

Announcements & Reports

► *EMRA Activity Report – 2011*

Source : Energy Market Regulatory Authority
Weblink : http://www.epdk.org.tr/documents/strateji/rapor_yayin/yillik_faaliyet_raporlari/Sgb_Rapor_Yayin_Yillik_Faaliyet_Raporlari_2011_hmDN6N9jGXDR.pdf

► *Turkish Energy Market: An Investor's Guide – 2012*

Source : Energy Market Regulatory Authority
Weblink : http://www.epdk.org.tr/documents/strateji/rapor_yayin/yatirimciel_kitabi/Sgb_Rapor_Yayin_Yatirimciel_Kitabi_Eng_2012_Mb3JG91tFh1B.pdf

► *OPEC Bulletin (May 2012)*

Source : Organization of the Petroleum Exporting Countries
Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/OB052012.pdf

► *OPEC Monthly Oil Market Report (Jun 2012)*

Source : Organization of the Petroleum Exporting Countries
Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMR_June_2012.pdf

► *Medium-Term Renewable Energy Market Report 2012 – Market Trends and Projections to 2017*

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=432

Upcoming Events

► 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/

► KIOGE 2012 - Kazakhstan International Oil, Gas & Energy Exhibition & Conference

Date : 2 – 5 October 2012
Place : Almaty – Kazakhstan
Website : http://www.kioge.com

► Gastech 2012

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

► Offshore Drilling Conference 2012

Date : 30 – 31 October 2012
Place : Stavanger – Norway
Website : http://www.informaglobalevents.com/FKA2293UPWL?

► 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/