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Turkish regulator advocates gas release programme

Argus Media, *01.08.2012*

Turkey's attempts to liberalize its natural gas market are lagging behind schedule and the government should abandon attempts to transfer import contracts and instead launch a gas release programme, according to the country's competition regulator.

The Competition Authority also recommends splitting off a commercial sales arm from state-owned gas importer Botas, perhaps supported through public share offers, and ensuring that there is a gas pricing mechanism that accurately reflects costs.

Separating Botas' import business from its wholesale operations would help foster a deeper market because the present price system deters investment and new entries into the market, the report said. Botas reported a loss of 1.3bn Turkish lira ($720mn) in 2011. Even though there are 37 licences for wholesale sales, Botas dominates the market and there is "no developed liquid wholesale market at present", according to the report. Only 3.5pc of market buyers -companies that purchase more than 300,000 m³/yr- changed their supplier in 2010, partly because there is "no environment in which competitive offers can be made", the report said.

The competition authority has tracked Botas' pricing and found no reason to investigate the company for uncompetitive practices. But it is clear that the firm's pricing bears little relation to international energy costs, the report said. Botas was briefly bound by an automated pricing mechanism until it was exempted in 2010. The company acts less as an independent commercial entity and more as "a reflection of state policy", the report added. Turkey's authorities should also stop trying to transfer Botas' import contracts to the private sector and instead use a volume transfer method that reallocates gas from existing contracts to non state-run companies, the report urges.

Turkey is struggling to meet goals laid out in 2001 legislation aimed at developing a domestic wholesale market and drawing private infrastructure investment to meet gas demand that is forecast to grow to 48.5bn m³ this year from 44.2bn m³ in 2011. Botas has so far only transferred 10pc of its gas contracts, half the goal of 20pc set for 2009. The firm did not comment on the report.

The contract transfers may have been hampered by the fact that private companies cannot match the undertakings that a state-run company can make in negotiations with suppliers such as Russia's state-controlled Gazprom, the report said. Many contracts also contain take-or-pay clauses, making them potential liabilities for companies that take them over. So far, only 4bn m³ of such contracts have been transferred. "There is no reason to insist on contract transfers" and authorities should look instead to the volume releases that helped Italy reduce Eni's market share in the 2000s, the report says.

Poor energy policy, pricing model cost BOTAS dearly

Today's Zaman, *02.08.2012*

The lack of a coherent government energy strategy combined with an inefficient pricing mechanism are responsible for over TL 1.32 billion in loss by the state-owned Turkish Pipeline Corporation (BOTAS), observers argue.

BOTAS announced it suffered a TL 1.324 billion ($730 million) loss in 2011. Natural gas market experts attributed the loss to relatively higher amounts paid for natural gas imports as well as the lack of a cost-based pricing mechanism. The corporation has been experiencing a steady decline in revenue over the past few years and this is the first loss they have recorded in a long period.

Offsetting the loss, BOTAS was able to increase its natural gas sales by 7.2 billion cubic meters over 2010 to 39.7 billion cubic meters in total. This means the corporation maintained a policy of providing local consumers gas at lower prices than it pays for imports. A poor energy policy has led Turkey to fail to address its energy demand through diversifying its energy sources portfolio as well as fully realizing existing renewable energy sources.

EPDK fines oil companies TL 3.7 million

Today's Zaman, *29.07.2012*

The Energy Market Regulatory Authority (EPDK) has fined 17 oil companies upwards of TL 3.7 million for violating a variety of regulations regarding the sale and transport of fuel.

The Official Gazette announced on Sunday that TL 3,685,000 in fines had collectively been levied on 17 companies and that 19 had been given warnings and ordered to submit a written defense against charges of violation of the Petroleum Market Law. The agency fined companies for failing to insure fuel shipments, transporting those fuel shipments without proper Turkey-specific markings and failing to adhere to other technical regulations in transport.

Tony Hayward loads trucks with Northern Iraq oil awaiting pipe

Bloomberg, *30.07.2012*

Tony Hayward is now loading a fleet of as many as 500 trucks a day while he waits for a new pipeline to carry oil from his fields in Northern Iraq.

Since joining Genel Energy last year, Hayward has pushed the Kurds to finish building a link to Turkey so he can find buyers outside the local market. The contractor Kar Group said it has completed 23 percent of the first 77-kilometer section of the line north to the border. Regional authorities plan in the next two years to complete the 175-mile export link that will start at a Genel-operated field and move as much as 1 million barrels a day.

Following Hayward into the region are ExxonMobil and Chevron, bolstering the regional government's plan to break Baghdad's control of shipping crude from the landlocked territory that's ruled itself since the U.S.-led invasion ousted Saddam Hussein in 2003. "This will be a transformational development for companies operating in the region," Hayward, who ran Europe's second- biggest oil company until 2010, said in an e-mailed response to questions. "It will allow the direct export of crude oil production to Turkey and international markets and accelerate the monetization process for resources" in the Kurdish region. Genel dropped 2 pence, or 0.3 percent, to close at 626.5 pence in London trading today. The stock has fallen 19 percent this year.

Iraq's Kurds, who historically have resisted control by Arab-dominated central governments, are charting a course to independently develop oil reserves that the Regional Government calculates at 45 billion barrels. The region plans to increase output to 2 million barrels a day by 2019, Michael Howard, an adviser to Regional Government Natural Resources Minister Ashti Hawrami, said in a June 10 phone interview. It has signed energy agreements with about 50 companies and plans to increase output to 1 million barrels a day by 2015 from about 300,000 barrels a day now, he said.

Regional authorities recognize production-sharing agreements, which give investors a share of any oil they may produce, whereas Iraq's Oil Ministry offers only fee-based service contracts. This has attracted interest from investors such as Norway's Statoil that are unhappy with the central government's contract terms for exploration and production. ExxonMobil, Chevron and Total are flouting warnings by the government against seeking separate deals with the Kurds, whom Iraq's Oil Ministry accuses of 'smuggling' oil from the country.

Chevron said July 19 it will buy a majority stake in two blocks. The Oil Ministry responded five days later by barring Chevron from doing business in the rest of Iraq. Similarly, the ministry punished Exxon for investing in the region by excluding it from an energy-licensing round in May. Separate deals between the regional government and foreign investors are ‘illegal and illegitimate,’ and Chevron “should feel ashamed about what it did,” the ministry said July 24 in an e-mailed statement. “These agreements grant the oil companies a large share of crude production and are thus a squandering of the national wealth.”

The Northern Iraq pipeline project resembles one that enables the United Arab Emirates to circumvent politically inspired shutdowns of oil exports. The U.A.E. began shipping crude on July 16 through a pipeline from Abu Dhabi to the Indian Ocean port of Fujairah, bypassing the Strait of Hormuz, the transit corridor Iran threatened to shut earlier this year in response to sanctions on its nuclear program.

DNO International ASA is among companies pumping crude at Northern Iraq fields that have one main export route, the central government’s pipeline from the city of Kirkuk in northern Iraq to the Mediterranean port of Ceyhan, Turkey. A dispute over oil contracts and revenue-sharing prompted regional authorities to halt flows into this network on April 1. Producers now must sell their oil locally or send small loads by truck into Turkey. Kar Group expects to complete the Northern Iraq pipeline’s first section, linking the fields of Taq Taq and Khurmala, by the end of the year, the company’s project manager Besoon Jalizada said in a telephone interview on July 17. Kurdish authorities will probably seek bids for construction of the remaining part of the system, from Khurmala to the Turkish border, he said.

The first phase will have a capacity of about 200,000 barrels a day, a Genel official said on July 23, declining to be identified because the pipeline is being built and financed by regional authorities and not Genel. The pipeline plan “seems quite provocative,” Ivor Pether, a fund manager at Royal London Asset Management which oversees $60 billion of securities, said in a June 26 e-mail. “The risk is obviously that it may take a long time to agree how to divide the oil revenues, or even that the relationship between Regional Government and Baghdad breaks down.”

The regional government is seeking closer cooperation with Turkey amid a political impasse in Baghdad, where opposition groups accuse Prime Minister Nouri al-Maliki of abusing power. Al-Maliki and other Iraqi leaders have said they worry that the planned pipeline may make the Kurds economically self-sufficient and embolden them to seek independence. Iraq has faced a series of violent attacks since the pullout of U.S. troops in December, including the killing of 115 people in a wave of nationwide bombings claimed by an Al-Qaeda affiliate group on July 25.

Turkey, with its own restive Kurdish minority, is ready to work with Iraq’s Kurds on the construction of oil and gas pipelines provided the central government in Baghdad agrees, Turkish Energy Minister Taner Yildiz said in an interview in Ankara on July 5. At the same time, he said, the Turkish and Iraqi governments have committed to repair a link to Kirkuk from Basra in southern Iraq to help boost the amount of oil sent into Turkey through the established Kirkuk-to-Ceyhan network.

Total's oil deal with Kurds angers Iraq

Reuters, *31.07.2012*

Total has bought a 35 percent stake in two exploration blocks in Northern Iraq region, drawing an angry response from the Iraqi government which has tried to bar companies from dealing directly with the semi-autonomous region.

Total was warned by Baghdad on Tuesday it faced severe consequences for buying the stakes in the Harir and Safen blocks from U.S. peer Marathon Oil without the government's consent. "We will punish companies who sign deals without the approval of the central government and the oil ministry," said Faisal Abdullah, a spokesman for Iraq's Deputy Prime Minister for Energy Hussain al-Shahristani.

"Unless Total reviews the deals, it will face severe consequences... Total will be blacklisted for violating Iraqi law," he said without giving further details. Total, seeking to tap Kurdish region's vast oil reserves and bank on more attractive terms than in the south of the country, ignored earlier veiled threats to refrain from deals with the regional government. "The Baghdad authorities were kept informed of Total's intentions," a Total spokesman said on Tuesday, declining to comment further after the Iraqi official's comments.

Total's investment comes as it seeks to grow its annual oil production by 2.5 percent on average at a price of $100 a barrel through to 2015. But lower output in this year's second quarter due to several disruptions led Total to refrain from reiterating the target for this year, referring to an investor day in September for details. A spokesman for the Regional Government did not immediately answer a request for details.

In Paris, the Energy Ministry and the Prime Minister's office had no comment on the matter. Total's Chief Executive Christophe de Margerie had signalled in February that the group was considering investments in Northern Iraq since contractual conditions there were better than in the rest of Iraq where it and its partners began production at the south-eastern Halfaya field in June. Both fields in the Marathon Oil deal are located south of Iraq's border with Turkey. Seismic exploration of both fields is expected to be completed by September.

The first exploration well on the Harir field was drilled and the first exploration well on the Safen field will be drilled next year, Marathon Oil said. "These are enormous blocks. There's rarely a disappointment in exploration in Northern Iraq," said a Paris-based analyst who declined to be named. "They have a permit in the south of Iraq and at the worst the government could renegotiate concessions or withdraw the license. But these wells are not very profitable," he said. He cited the exit of Statoil and Exxon as evidence of their disappointment with the wells and the terms that Baghdad has set for oil majors to operate them. He said the challenge for Total and its peers doing business in Northern Iraq would be to transport the product, as Baghdad could block the use of its pipelines in the south.

Russia enters ‘big game’ on Northern Iraq oil pitch

Hürriyet Daily News, *03.08.2012*

Middle East subsidiary of Russia’s Gazprom Neft has inked two oil deals with the Regional Government becoming the fourth major oil company to enter into agreements with Regional Government that bypass the central government in Baghdad.

The Arbil administration in the north and the central government are at loggerheads over rights to develop resources. Baghdad wants to manage its energy resources nationwide, but Kurds insist the constitution doesn’t require them to go through Baghdad.

Since the 2003 U.S.-led invasion, Arbil have signed scores of oil deals with small and mid-sized oil companies. But the entry of the oil majors may be a game changer that could lead to de facto policies the regional government side has long sought. Turkey’s Genel Energy, a multi-national venture trading on the London bourse, is among the large players there. Baghdad is also at odds with Ankara because of Turkey’s direct oil purchases from Arbil.

In a statement issued on Aug. 1, the St. Petersburg-based company said it has acquired a 40 percent share in the 1,780-square-kilometer Garmian block. The Canada-based WesternZagros company will also hold a 40 percent share. In the second deal, the company will hold an 80 percent share in the 474-square-kilometer Shakal block. The KRG will hold a 20 percent share in each contract. Both blocks are located in the southeastern part of the region and are expected to hold about 3.6 billion barrels of oil reserves. Gazprom’s up-front payment is to be around $260 million.

“Gazprom Neft considers the territory of the Northern Region of Iraq promising for further geological study and consequent production at the fields,” First Deputy CEO, Vadim Yakovlev said. With its latest deals, Gazprom has joined France’s Total, U.S. oil majors Chevron Corp. and Exxon Mobil who have already made their own forays into the region.

Iraq’s post-invasion governments have until recently blacklisted energy companies that signed contracts with the Kurdish government to prevent them from working elsewhere in the country or purchase crude oil. But in the case of Exxon Mobil, the Iraqi government has had a light hand. Baghdad prevented the U.S. company from taking part in Iraq’s fourth energy bidding round in May but has not touched its deal to develop the 8.6 billion West Qurna field near the southern city of Basra along with Royal Dutch Shell.

No moves have been made against Total, which has a share in a consortium led by China’s National Petroleum Corporation to develop the 4.945 billion barrel Halfaya field in the south. Gazprom is developing the 100 million barrel Badra field in central Iraq. Baghdad has so far only blacklisted Chevron, which has no deals with the government.

Azerbaijan to exclude Iran from gas pipeline to Europe

Businessweek, *01.08.2012*

Azerbaijan plans to exclude Naftiran Intertrade Co., a partner in the BP-led Shah Deniz natural gas development, from a pipeline project to Europe from the Caspian region.

"Nico's participation in the Trans-Anatolia pipeline or other pipelines is not being considered," Vaqif Aliyev, head of State Oil Co. of Azerbaijan's investments department, said by e-mail, referring to Naftiran, which is a unit of National Iranian Oil Co. "It has not been invited to join." Nico holds 10 percent of Shah Deniz, which is estimated to contain 1.2 trillion cubic meters of gas, enough to supply demand in the European Union for about 2 1/2 years.

Statoil, Total, TPAO and Lukoil are Shah Deniz partners with BP and Socar, as the Azeri company is known. The U.S. and EU have built ties with Azerbaijan since the fall of the Soviet Union to diversify energy supplies away from Russia and the Middle East. Azerbaijan has sent troops to support U.S. forces in Iraq and Afghanistan. "Let's see if it is even possible for Nico to stay in the Shah Deniz consortium," said Philipp Chladek, an energy analyst at Bloomberg Industries. It is unlikely any company from Iran will be able to participate in international projects given current tensions, he said.

The U.S. and EU are applying sanctions against Iran in an attempt to force the Persian Gulf to curb its nuclear program. Azerbaijan and Turkey signed an agreement in June to build the 2,000 kilometer Trans-Anatolia pipeline, or TANAP, which will deliver at least 10 billion cubic meters of Azeri gas a year to the EU border through Turkey. The project is estimated to cost $7 billion.

Socar plans to share its 80 percent of TANAP with Shah Deniz partners. Turkey's Botas and Shah Deniz-partner TPAO hold the remaining 20 percent of the link. "In independent projects like this, the selection of shareholders and their stakes are agreed upon mutually by the partners in accordance with their strategies and interests," Aliyev said, without elaborating on the reason for sidelining Iran.

Turkmens insist on Trans-Afghan gas line

Hürriyet Daily News, *30.07.2012*

Turkmenistan has said it would hold roadshows in September-October for investors willing to take part in the TAPI project aimed to ship Turkmen gas to India via a trans-Afghan pipeline.

Turkmenistan agreed in May to supply gas to Pakistan and India via Afghanistan by signing sales and purchase agreements with Pakistan's Inter State Gas Systems and Indian state-run GAIL. The U.S.-backed, 1,735-kilometer TAPI, named after the initial letters of the participant nations, is a major boon for Turkmenistan which is seeking to diversify its energy exports from its traditional market, Russia.

The project also promises major benefits to energy-hungry regional rivals India and Pakistan. "The TAPI project will ensure long-term (annual) shipments of over 30 bcm of Turkmen natural gas to the countries of Southeast Asia," state television showed Turkmen President Kurbanguly Berdymukhamedov as telling a government meeting late on July 27.

Souring official optimism, many analysts point to TAPI's 735-kilometer leg that would run through the Afghan provinces of Herat and Kandahar, adding that the project would face significant security problems after a planned pullout of U.S.-led NATO troops from Afghanistan in 2014.

Berdymukhamedov, whose Central Asian nation of 5.5 million people is listed by human rights bodies among the most reclusive and repressive in the world, made no mention of the security challenges facing the long-touted TAPI. "This will help the economic growth of the TAPI participant states and, more importantly, will contribute to regional peace, stability and security," said Berdymukhamedov, who enjoys vast powers and a rising personality cult in his ex-Soviet country.

The Asian Development Bank had said the TAPI pipeline was estimated to cost at least $7.6 billion back in 2008. Analysts and officials now say it could cost between $10 billion and $12 billion to construct. According to estimates by industry experts and government officials, Turkmen gas supplies to Pakistan could begin in 2016 and to India in 2018. Turkmenistan does not disclose data for its current gas exports. BP estimates show that last year the country produced 59.5 bcm of natural gas and consumed internally 25 billion cubic meters. BP data show Turkmenistan's natural gas reserves are behind only Russia, Iran and Qatar.

Syria reaches oil deal with ally Russia

Reuters, *03.08.2012*

Syria has reached an agreement with ally Russia to secure much-needed fuel as a delegation of ministers sent by President Bashar al-Assad asked Moscow to help alleviate the effects of sanctions on the war-torn country.

The trip was a rare foreign visit made by high-level Syrian officials, whose circles of support are shrinking as violence mounts between rebel fighters and forces loyal to Assad, who the West and Arab countries say must leave power. Under the deal, Syria will export its crude oil to Russia in exchange for refined oil products, which Damascus sorely needs to keep its economy and military running.

“Russia wants to help the Syrian people,” Syrian Deputy Prime Minister for Economic Affairs Qadri Jamil told reporters in Moscow on Friday. “We will deliver our oil and receive gasoline and fuel oil; it will be a barter,” he said, adding that Syria is producing about 200,000 barrels per day. However, Syria’s Oil Minister Said Hneidi said production was less than 140,000 barrels per day.

Russia, with China, has used its UN Security Council veto to shield Assad from harsher sanctions during a 17-month rebellion that in recent weeks has reached Syria’s biggest cities. Likewise, Syria is one of Russia’s last Middle East footholds and hosts a Russian repair and maintenance facility on its coast. Damascus bought nearly $1 billion in arms from Moscow last year, or some 8 percent of all of Russia’s arms exports.

A Russian military source was quoted as saying on Friday that Moscow was sending three naval ships and up to 360 marines to Syria, but the Defense Ministry said there was no plan for the vessels to dock at the port of Tartus. The delegation of economic officials including the country’s oil and finance ministers held talks with Russian government and private sector officials on ways to alleviate the economic effects of sanctions on Syria.

“We need oil, oil products. Shortages of these materials are making the situation in the country difficult,” Jamil said at a news conference. Jamil, who studied at Moscow State University during the Soviet era and speaks fluent Russian, also said Syria had asked for credit from Russia and that the size and terms of any loan would be decided within weeks. Even with the promise of the swap deal in hand or a potential loan agreement, Jamil was evasive over the details of how they would benefit a government whose days analysts and some western governments say are numbered.

EU governments agreed on Sept. 2 to ban imports of Syrian oil and extended sanctions to seven new Syrian individuals and entities. The EU ban on European firms making new investments in Syria’s oil industry took effect on Sept. 24, making it harder for Syria to sell its oil abroad. Many countries have also stopped selling fuels to Syria, some of which can be used to run tanks.

Petrobras topples to quarterly loss

Upstream Online, *03.08.2012*

Petrobras on Friday posted a steep second-quarter loss that widely missed market expectations, citing a raft of reasons from the sliding value of the real to higher costs of dry and noncommercial wells.

The state-owned Brazilian player posted a net loss of 1.35bn reais ($665.7 million) in the three months to June, compared with a profit of 10.94 billion reais in the year-ago period. Analysts surveyed by Thompson Reuters had forecast a profit of 3.69 billion reais. The loss came even as revenue grew 11.5% to 68 billion reais. Production also slumped 1% to 2.579 million barrels per day.

“We are working to recover our profitability,” Petrobras president Maria das Gracas Foster said in a statement. The company’s new development plan “focusses on the production of oil and gas in Brazil, in conjunction with accuracy in the establishment of goals and special attention to capital discipline.” In doing so, the company will revamp its operational costs and attack lagging productivity in the Campos basin with a recently announced efficiency plan. Reuters reported that Petrobras last posted a quarterly loss in the first quarter of 1999.

Announcements & Reports

► *EMRA Annual Report 2011*

Source : Energy Market Regulatory Authority
Weblink : http://www.emra.org.tr/documents/strategy/publishments/AnnualReport2011_WrGRCnjBmmT8.pdf

► *Competition Authority’s Natural Gas Sectoral Study*

Source : Competition Authority
Weblink : http://www.rekabet.gov.tr/dosyalar/images/file/sorusturma/sektor_arast%C4%B1rma.PDF

PETFORM

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

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 – 14 November 2012
Place : Vienna – Austria
Website : http://www.theeagc.com/