

Sepil: 'Iraq lost fight against Arbil'

Hürriyet Daily News (AA), 10.08.2012



The central government in Baghdad has lost its energy fight against the regional administration in Arbil, says Mehmet Sepil, the chief executive of Genel Energy, which is active in the lucrative northern Iraqi oil fields.

The central Iraqi government in Baghdad has lost its energy struggle against the rapidly developing Kurdistan Regional Government (KRG), which controls the autonomous north, according to Mehmet Sepil, the chief executive of Genel Energy, one of the most influential companies operating there.

The lingering problems between Baghdad and Arbil over opening the northern oil and gas fields to international companies has been solved "de facto," Sepil told. "Baghdad has lost its oil and natural gas fight against northern Iraq," Sepil said. "Let's take a look at companies operating there currently: Exxon, Chevron, Total and Gazprom. These are some of the largest oil companies in the world. What's more, Exxon, Total and Gazprom are also working in Baghdad oilfields. Baghdad says it will put those who operate in northern Iraq on a blacklist, but the largest companies in the world are working there. This issue is over. In addition, Baghdad operates too slowly, so the oil companies are escaping from there and moving to the north. The energy fight is over today. The important question is when Baghdad will admit this."

Genel recently bought 21 percent of U.S.-based Hawler Energy's share in the Bina Bawi field, raising its share there to 44 percent, Sepil said. "The region will see a large consolidation. The number of oil companies in northern Iraq, which is between 40 and 50 today, will fall to between 10 and 15 in two or three years," Sepil said, adding that the region has already proved its potential. What is happening in northern Iraq is typical, according to Sepil. "First the small companies penetrate, they find the oil, and sell [the field] after benefiting from it. Now this is the process taking place in northern Iraq." The company's goal is to bring Northern Iraq gas and oil to Turkey. Sepil estimates that northern Iraq's oil production will be at 1 million barrels per day by 2015. "Turkey may be able to buy twice what it currently needs from northern Iraq soon. It may also buy some 10-15 billion cubic meters of natural gas from there."

Genel Energy was formed by the merger of Vallares and Genel Energy International in November 2011. Vallares was a fund founded by former BP CEO Hayward, British financier Nat Rothschild, banker Julian Metherell and investment manager Tom Daniel. Genel Energy International was owned by Mehmet Emin Karamahmet, a Turkish tycoon. The merged company trades on the London Stock Exchange. After the merger, Genel had capital worth \$3 billion, Sepil said, noting that the company is determined to take its place in the consolidation in northern Iraq with its current potential of \$1.4 billion. The company's investment plans also include Africa. Genel is the largest producer in northern Iraq currently, Sepil said.



The Bina Bawi field has great potential, as does the Taq Taq field, where Genel is also active, Sepil said. "Currently OMV runs operations there, but with the acquisition we became the holder of the majority shares. Bina Bawi's potential is equivalent to half a billion barrels, we believe. The capacity might even be higher." The company is also willing to take part in other regional projects, as it is already working a shorter-term project to take Taq Taq oil to the Kirkuk-Ceyhan line, the major pipe between Iraq and Turkey.

Genel Energy becomes largest partner in Bina Bawi oilfield

Today's Zaman, 08.08.2012



Genel Energy has acquired an additional 21 percent stake in the Bina Bawi oilfield in northern Iraq, increasing its total stake in the concession to 44 percent.

Genel Energy, owned by billionaires Mehmet Emin Karamehmet and Mehmet Sepil as well as British investors, purchased the 21 percent stake from American company Hawler Energy for \$240 million. The company already had acquired a 23 percent stake in the Bina Bawi exploration license back in May from Turkish firm Pet Holding for \$175 million.

This has made Genel Energy, which has operated in the region since 2002, the largest partner in the Bina Bawi oilfield, with purchases totaling \$415 million for a total 44 percent stake. The other stakeholders are the Austrian energy group OMV with a 36 percent stake in the concession and the regional Kurdish government with the remaining 20 percent stake.

The Bina Bawi oilfield is located 240 kilometers east of Arbil and holds reserves estimated to be between 500 million and 1 billion barrels. The region surrounding the oilfield is known for its large reserves of natural gas. According to reports, Iraq currently has 3 trillion cubic meters of natural gas, a large percentage of which is located in the country's north.

In November 2011, Genel Energy merged with British Vallares and became Genel Energy PLC. It was the first Turkish firm to be listed on the London Stock Exchange. Genel Energy holds seven oil exploration licenses in northern Iraq and has ongoing production at the Taq Taq and Tawke oilfields.

Energy Minister expresses brotherly Iraq ties despite Kirkuk row

Today's Zaman, 05.08.2012



Energy and Natural Resources Minister Taner Yildiz has denied any kind of tension with 'friendly and brother-country Iraq' after a surprise Turkish visit to Kirkuk, a majority-Turkmen populated area claimed by both the central Baghdad government and the country's autonomous Kurdish region, was sharply criticized by Baghdad.

"Turkey is a state of law and it carefully observes the principles of international law while conducting relations with other countries. Above all, it is out of the question that we have any problem with the central government of [our] brother and friend Iraq," Yildiz noted in the province of Hatay.

Foreign Minister Ahmet Davutoglu traveled to Kirkuk on Thursday after visiting the regional president, Massoud Barzani, in Arbil. The visit was the first Turkish foreign ministerial visit to Kirkuk since 1937, and Davutoglu gave supportive messages for maintaining peace in the city. The Iraqi Foreign Ministry, however, accused Turkey of violating its constitution with the visit. It said Davutoglu did not have permission to travel to Kirkuk, nor did he ask for it.

Yildiz also commented on the issue of crude oil imports made directly from the Regional Government, another point of tension between the two neighbors, who have seen their relations strained since Iraq's Sunni Vice President Tariq al-Hashemi fled to Turkey after being charged with managing a terrorist organization in his homeland. Hashemi says the charges are politically motivated. Another point of contention is the uprising against the regime of Syrian President Bashar al-Assad. Ankara wants Assad to leave, while Baghdad, which has close ties to Assad's ally Iran, has been hesitant to take a stance on the Syrian conflict.

"We cannot approve any transaction that is not placed with the central Iraqi government. All [oil] revenue shall be distributed as per the Iraqi constitution and Turkey has nothing to do with it. This issue is an internal one for the Iraqi government," Yildiz said. Iraq's Kurdish region has begun exporting oil to Turkey for it to be refined into various products and then sent back.

Shah Deniz partners commit to funding for the Trans Adriatic Pipeline

TAP, 09.08.2012



The Trans Adriatic Pipeline announced that TAP and its existing shareholders EGL, Statoil and E.ON Ruhrgas have reached an agreement with members of the Shah Deniz Consortium to secure funding for the TAP project.

These funds will contribute towards continued work in several important areas during the period running up to the final routing decision, expected in 2013. The agreement also includes an option for the Shah Deniz shareholders to take up to 50% equity in TAP. EGL, Statoil and E.ON Ruhrgas welcome this endorsement of TAP and anticipate successful cooperation in delivering the pipeline project.

Largest firms grows 30 pct in one year

Hürriyet Daily News, 06.08.2012



The largest Turkish companies, those that made local Capital magazine's top 500 list for 2011, collectively grew 30.1 percent in that year.

Local fuel companies dominated the top 10 places on the 2011 list, with Tüpras, Turkey's private oil refiner, being the champion, with 41.4 billion Turkish Liras of turnover. The smallest firm on the list had more than 146 million liras in turnover. The combined growth rate of the largest 500 companies in 2011 was the highest figure since 2006. The figure was 18.5 percent in 2010.

However, the striking performance in growth was not reflected in profits. The Capital 500 companies recorded an 18-percent increase in total profits in 2010, while the figure was at only 7.9 percent in 2011. Petrol Ofisi ranked second on the list with 19.5 billion liras of turnover, followed by Opet with 15 billion liras of turnover. Türk Telekom, a telecommunications and internet operator, was in fourth place with 11.9 billion liras, and national flag carrier Turkish Airlines took fifth place with 11.8 billion liras. Shell & Turcas Petrol, another fuel company, was sixth with 10.7 billion liras. The number of new entrants to the Capital 500 list for 2011 was 48. Only 41 companies in the list disclosed losses, while 369 companies recorded double-digit and 18 firms three-digit, growth. The turnover of seven companies exceeded 10 billion liras.

KRG resumes oil exports

Reuters, 09.08.2012



Oil exports from Northern Iraq restarted on Tuesday at 100,000 barrels per day (bpd) in a bid to end a payment dispute with the central government, a senior Regional Government (KRG) official told Reuters.

Exports were halted in April due to a payment dispute between Iraq's central government and the autonomous northern region. "As we promised, today at around 12pm we restarted pumping oil at around 100,000 barrels per day as a goodwill gesture towards the central government in Baghdad," the official said.

"We will keep pumping crude at 100,000 barrels per day for August, but if Baghdad will not settle payment, the pumping will be halted," the official said. Crude produced in the KRG territory is fed into Iraq's Kirkuk export stream and sold onto world markets via the Turkish Mediterranean port of Ceyhan. The Kurdish stoppage had cut Kirkuk shipments by a quarter to below 300,000 bpd.

An official at Iraq's state-run North Oil Company (NOC) confirmed the resumption. "We started to receive crude produced from the Kurdish oilfields this afternoon and it was directed to our main storage depots to prepare it for export," the official said. Iraqi oil exports via Turkey halted completely on Aug. 7 after an attack on a pipeline over the weekend, a Turkish shipping source said. "Vessels are now waiting because of a lack of crude oil in the shore tanks," the source said.

The pipeline ships about a quarter of Iraqi oil from fields near the Iraqi city of Kirkuk to the Mediterranean port of Ceyhan and it has long been subject of attacks by the outlawed Kurdistan Workers Party (PKK). Oil flows would begin as of yesterday on a second line unaffected by an explosion at the weekend, Turkish energy ministry officials said. The attacks have become less regular in recent months, giving the market hope that Iraqi exports would rise to help compensate for a plunge in Iranian shipments because of Western sanctions.

Iraq oil production overtakes Iran

Financial Times, 10.08.2012



Iraq has overtaken Iran as the second-largest oil producer within the OPEC cartel for the first time since the late 1980s in a highly symbolic shift that highlights the impact of western sanctions on Tehran.

The International Energy Agency said that Iraq last month pumped just over 3m barrels a day, surpassing Iran's 2.9m b/d. Saudi Arabia, which pumped 10m b/d in July, remains OPEC's largest oil producer. IEA indicated that Iranian oil production, already at its lowest in 20 years, could fall further in coming months.

The country is likely to continue "to face major difficulties in placing its exports", it said in its monthly oil market report. Just five years ago, Iran produced 4.2m b/d. July was the first month that saw the combined impact of US sanctions against Tehran, a full EU embargo on the country's crude oil exports and a EU ban on maritime insurance for Iranian oil supertankers. While Iran suffers from the latest round of sanctions and years of under-investment, regional rival Iraq is at the same time pushing ahead with an ambitious expansion program in its hydrocarbons sector. Baghdad signed long-term contracts between late 2008 and early 2010 with oil groups including BP and ExxonMobil to develop a dozen gigantic fields in the country's south, aiming to overtake Iran as the OPEC oil cartel's second-largest producer and to get closer to the output of the world's top producer, Saudi Arabia.

Baghdad has set a target of pumping 12m b/d by 2017, but officials have begun to lower their ambitions and industry officials say the country will miss its target. Nonetheless, it has made strong progress in recent months, with production matching pre-US invasion levels. Iranian oil production hit its lowest level in recent history at nearly 1m b/d after the country's Islamic revolution in 1981 triggered a round of strikes. Its crude oil production hit an all-time high of more than 6m b/d in the early 1970s during the reign of the Shah Mohammad-Reza Pahlavi.

The sharp drop in Iranian output comes amid heightened diplomatic tensions over the country's nuclear program. Tehran and western powers have failed to bridge their differences in high-level talks about the atomic program over the past three months. Washington and its European allies hoped the oil sanctions would force Tehran to yield in the negotiations to avoid further economic damage. Oil exports provide half of the Iranian government's revenues and account for 80 per cent of the country's total exports, according to the US Department of Energy.

The IEA used its monthly report to make minor changes to the 2012-13 oil supply and demand outlook. It raised global oil demand growth this year to 900,000 b/d, up 100,000 b/d from last month. "Despite weak global economic growth, oil demand is showing pockets of renewed demand strength," the watchdog said. But it also cut the forecast for global oil consumption growth next year to 800,000 b/d, down from 1.0m b/d in July.



Crescent Petroleum and Dana Gas production reaches 70,000 bpd

Gulf Today, 09.08.2012



Crescent Petroleum and its partner and affiliate Dana Gas have in their capacity as joint operator of the Kor Mor field, announced that total production in their major gas operations in Northern Iraq has grown steadily to reach 70,000 barrels of oil equivalent per day, with total investment to date approaching \$1 billion.

The production includes 330 million cubic feet of gas per day and 15,000 barrels per day of condensate liquids, and there are plans for further expansion.

In total, over 249 billion cubic feet of gas and 11.7 million barrels of condensate liquids have been produced by the companies since the start of production in October 2008, with the gas supply to local power stations enabling 1,750 MW of new electricity supply. This has ensured almost continuous power supply for 4 million people in the region, in contrast to the electricity crisis in other parts of Iraq, and provided billions of dollars of savings in fuel costs for the government and very significant environmental benefits in cutting down pollution and greenhouse gas emissions, while transforming the economic and social environment.

“We are proud to be the largest investors in the region’s oil and gas sector, and to have already enabled major economic and social benefits for the people of the region and all of Iraq, especially with the improved and secure electricity supply,” said Majid Jafar, CEO of Crescent Petroleum and Member of the Dana Gas Board of Directors. “We are in discussions with the Regional Government Ministry of Natural Resources on the next phase of development and expansion, to grow our operations and enable further progress and prosperity for the local community.”

The project partners had by the end of June invested a total of \$963 million under contracts signed with the Regional Government for the Khor Mor and Chemchemical blocks in April 2007. Major achievements of the project so far include: installing a 180km gas pipeline across challenging mountainous terrain that required the clearing of minefields and first gas production after only 16 months.

Oil demand growth to slow in 2013, OPEC warns

Upstream Online, 09.08.2012



OPEC has warned that global oil demand growth will slow next year, adding that gloomy economic prospects may see it cut another fifth off its 2013 expectations. “The economic picture is vague and the horizon full of turbulence. There is much uncertainty surrounding the world’s oil-use estimate in 2013,” the group’s report said.

It pointed out that forecasts for next year were based on assumptions like a higher gross domestic product, the same level of retail petroleum prices as this year and global economic uncertainty.

“The downward risk potential has greater probability in the forecast than the upward risk one. Therefore, the gloomy picture could reduce the world oil demand growth forecast by 20% next year,” the group warned. The oil producers group left its prediction for this year of 900,000 barrels in demand growth unchanged in its latest monthly report, which found the overall market was moving in line with seasonal expectations. However OPEC said it was forecasting only 800,000 in demand growth for 2013, and that the eventual figure may be lower. The predictions are the reverse of that of the International Energy Agency, which said last month it expected 800,000-barrel demand growth this year to increase to 1 million next year.

Russia and Armenia agree gas price deal

Energy News Central, 08.08.2012



Russia and Armenia have agreed on prices for natural gas supplies to Yerevan, Armenian President Serzh Sargsyan said. “I think we have come to an agreement about pricing for gas supplies. The price should be based on actual market price of gas taking into account ... regional tariffs for the Armenian economy to maintain its efficient position,” Sargsyan told.

Gazprom would raise prices for gas supplies to Armenia from the current \$180 per 1,000 cubic meters to \$280 from October 2012 and to \$320 from 2013. Armenian Energy and Natural Resources Minister Armen Movsisyan subsequently denied there would be gas price increases.



Announcements & Reports

► *EMRA Natural Gas Market Report 2011 (English Version)*

Source : Energy Market Regulatory Authority

Weblink : http://www.emra.org.tr/documents/natural_gas/publishments/NaturalGasMarket2011SectorReport_Q9WwGbRxxnRy.pdf

► *EMRA Tables on Gas Consumption Estimation for 2013*

Source : Energy Market Regulatory Authority

Weblink : <http://www.epdk.org.tr/index.php/component/content/article?id=881>

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

Source : Organization of Petroleum Exporting Countries

Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMR_August_2012_.pdf

Upcoming Events

► *Mideast North Africa Upstream 2012*

Date : 10 – 11 September 2012

Place : Geneva – Switzerland

Website : <http://www.petro21.com/events/?eventid=757>

► *World Heavy Oil Congress*

Date : 10 – 13 September 2012

Place : Aberdeen – Scotland

Website : <http://www.worldheavyoilcongress.com/>

► *NOCs & Governments Summit 2012*

Date : 17 – 19 September 2012

Place : Dubai – UAE

Website : <http://www.nocs-governments.com/>

► *Rio Oil & Gas 2012*

Date : 17 – 20 September 2012

Place : Rio de Janeiro - Brazil

Website : <http://www.ibp.org.br>



► *World Shale Gas Conference & Exhibition 2012*

Date : 18 – 21 September 2012
Place : Houston – Texas
Website : <http://www.world-shale.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/>