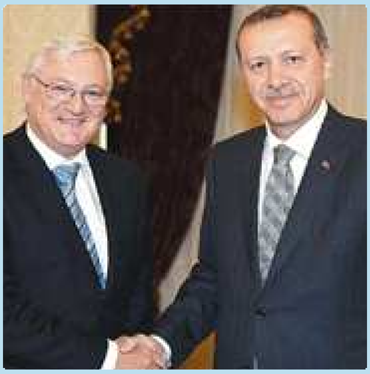
Oil & Gas Bulletin

► *07.09.2012*

TPAO and Shell to start SE Turkey shale gas drilling

Hürriyet Daily News, *05.09.2012*



Royal Dutch Shell and Turkish Petroleum Corporation (TPAO) began exploring for shale gas last week in the eastern province of Diyarbakir's Sarıbugday-1 natural gas field, Energy Minister Taner Yildiz announced yesterday.

Yildiz met Shell's CEO Peter Voser in Ankara yesterday, along with Prime Minister Recep Tayyip Erdogan. "In the context of the partnership we embarked upon last year with TPAO, we have added exploration to our activities in Turkey. We are pleased to be searching for natural gas with TPAO, both in the Mediterranean Sea and on land," said Voser, explaining that their seismic explorations were continuing, and that they could soon start looking at other opportunities in the country.

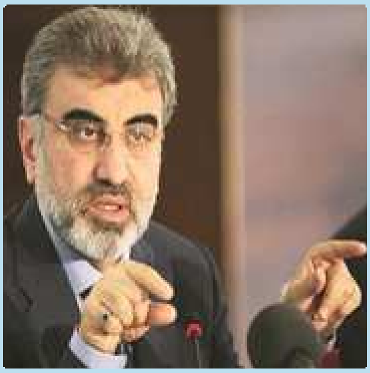
"It is very important that our partnership is continuing in many areas," added Yildiz. "One such area is shale gas exploration, and the exploration in Diyarbakır is part of that agreement." He also said Turkey was interested in exploring both gas and oil in the Black Sea with Shell. "I am confident that our huge partnership in the Mediterranean will be successful. Seismic data will be studied and then we will discuss where we can begin our work together," Yildiz said.

Shell has been active in Turkey for 89 years and will celebrate its 90th anniversary next year, Voser said, adding that Turkey's energy market liberalization over the past year would be an important factor contributing to the sustainability of the Turkish economy in the long run. He stressed that short-term economic and political waves would not deter Turkey from its 2023 vision and growth plans, calling Erdogan a "visionary" and "stead-fast" leader. He said that Shell, for its part, would bring its experience and technology to the table and would be ready at the country's service.

Meanwhile, when asked by a reporter as to whether Turkey's natural gas distributor BOTAS was selling gas at below the cost of production, and if this was one of the most important contributors to Turkey's budget deficit, Yildiz responded: "What do you want, a price hike?" However, he did confirm that BOTAS was indeed selling natural gas at below the cost of production, confirming what Finance Minister Mehmet Simsek had recently said.

Gov't to expand gas distribution in SE Turkey, expects opposition from BDP

Today's Zaman, *07.09.2012*



The government is planning to construct a new network of natural gas pipelines that will run through 11 provinces and five districts in southeastern Turkey, Energy Minister Taner Yildiz said on Wednesday.

Speaking at a conference, Yildiz told participants and the press that the government is determined to expand the pipeline network even if local municipalities oppose the decision. Underlying the minister's concerns is his presumption that the proposed gas lines would be opposed in many southeastern municipalities by the pro-Kurdish Peace and Democracy Party (BDP).

The reason behind their opposition is believed to be that the terrorist Kurdistan Workers' Party (PKK) does not want people living in these areas to have modern sources of energy in an effort to keep residents convinced that the government cares little about their well being.

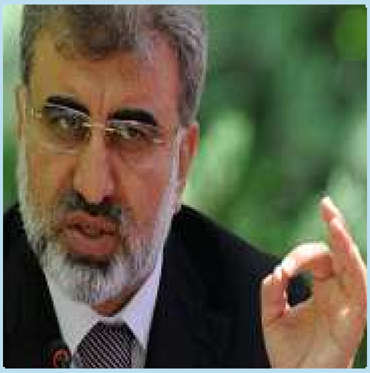
"We're going to deliver the gas," Yildiz said about the project. "Will the BDP do as it always does and try to block this, or will it give its support? We'll see. If this is blocked, we will bypass the municipalities if necessary." The words of warning come as Turkey looks to expand its access to foreign energy, particularly with its southern neighbor, the semi-autonomous Kurdish region in northern Iraq.

Most of the areas through which the government plans to build the pipelines are located in the troubled regions near the Iraqi border, including the provinces of Sirnak and Hakkari, where the worst of security force and PKK fighting has occurred in recent years. Also included on the pipeline list are the provinces of Mardin, Bitlis, Bingöl, Mus, Agri, Igdir, Tunceli, Artvin and Sinop, particularly the districts of Tatvan, Dogubeyazıt, Gerze, Kiziltepe and Güroymak.

Yildiz's announcement also comes as the government considers exploring Hakkari for exploitable oil reserves. The minister indicated last month that the government will develop a domestic source of oil there in the face of what he says is a campaign by the PKK to "prevent Turkey from tapping its domestic natural resources."

‘Big Game’ heating up on Caspian gas with Turkey’s Turkmen move

Hürriyet Daily News, *04.09.2012*



The representatives from Turkey, Turkmenistan, Azerbaijan and the EU sat at the table to discuss adding Turkmenistan to a $7 billion project that will carry the Azeri gas to Turkey.

The move comes at a time when Turkmenistan is seeking to ease its exports dependency to Russia, its leading market, and Turkey and Europe are looking for ways to diversify their supply. Speaking after talks in Turkmenistan’s Ashgabat, Turkish Energy Minister Taner Yildiz said that would carry Turkmen gas through Azerbaijan in a bid to ease trade was planned, referring to a trans-Caspian pipeline project. “We are a candidate to buy Turkmen gas,” he said.

The TANAP project is planned to reach an annual capacity of 60 billion meters cubed annually, starting with 16 billion initially, but the giant project requires extra resources other than the Azeri gas. Turkmenistan’s Energy Minister Myrat Artykow, Azerbaijan’s Industry & Energy Minister Natiq Aliyev, European Union’s Energy Commissioner Energy Guenther Oettinger, and Yildiz were present at his talks.

“Turkmenistan gas cannot stay out of the region’s gas movement… We talked about how the Turkmen gas could be included in this project within the frame of energy security,” Yildiz was quoted as saying by Anatolia news agency after a separate meeting with Turkmenistan President Gurbangulu Berdimuhammedov. Yildiz also said he observed that the EU was also willing to engage in the project. Öttinger’s spokesperson Marlene Holzner told after the meeting that the EU was waiting for a guarantee from Turkmenistan on supply. However, commenting on the planned trans-Caspian line, Holzner said the EU would neither own such a pipeline nor pay for it.

A trans-Caspian pipeline project is not a new idea, but countries with shores on the energy-rich sea have yet to reach any resolution on the issue, with Russia constituting the main opposition. Still, a route for a pipeline project under the Caspian could be agreed by Turkmenistan and Azerbaijan without contradicting the political status of the sea, and private companies could also be involved in the project, Yildiz said.

Russian and Turkmenistan have been facing mutual energy disputes both on price and capacity issues. Russia had reached a major deal with Ashgabat in 2009 to resume natural gas trade after halt. Russia’s Gazprom has since then signed significant deals with the Central Asian country. For its part, Turkmenistan has repeatedly announced its ambition to diversify its supplies by signing pipeline deals, even including one that passes through a risky Afghanistan route.

Turkey's Iranian oil buying jumps in August

Reuters, *04.09.2012*

Turkey's imports of Iranian crude oil jumped in August, risking friction with the United States, after hitting a multi-year low in July, as it used Iranian-owned tankers to avoid insurance hurdles, shipping sources said.

The United States gave several countries sanction waivers after they cut imports prior to the imposition of the full embargo. Turkey was granted a 180-day exception from sanctions from June 11 as a result of an initial 20 percent cut. EU sanctions cover the region's marine insurance sector, which dominates the industry, effectively cutting off all usual avenues for tanker insurance.

Turkish imports of Iranian crude oil surpassed Turkey's 2011 average of 180,000 barrels per day (bpd) in August. Around 200,000 barrels per day (bpd) of Iranian crude oil were discharged at the import terminals Aliaga and Tütünciflik for Turkey's sole refiner Tüpras, data from a shipping source and AIS Live ship tracking on Reuters showed. Tüpras used two Iranian tankers to bring Iranian crude from storage at the Egyptian port of Sidi Kerir. The port is the end-point of the Sumed pipeline, an alternative route to the Suez Canal for oil shipments coming into the Mediterranean from the Red Sea.

The Suezmax Blossom discharged around 145,000 tons of crude oil three times at the Turkish port of Tütünciflik and once at its other import terminal Aliaga. The VLCC Valor also discharged at Aliaga. One of the Blossom shipments and the Valor shipment were lifted from Sidi Kerir at the end of July and arrived at the start of August. Imports previously plummeted to a two and a half year low in July at 48,000 bpd after Turkey struggled to insure its own tankers to lift the oil and ultimately started using an Iranian vessel. Western sanctions aim to curb Iran's ability to pursue its nuclear ambitions by cutting off its main revenue stream from crude oil sales. Iran's remaining buyers - China, India, South Korea, Japan and Turkey - were forced to cut imports sharply in July.

Tüpras is wholly reliant on Iranian-owned tankers as they are still unable to insure their own vessels. "Right now they cannot carry any Iranian oil with their own tankers, that problem is still not solved," said a Turkey based shipping source close to Tüpras. "They are aware of the other countries who pay double the premium they are paying to obtain insurance from other local players like Kish, but for them that is not on the table, at least for now."

Iran's biggest tanker operator, NITC, has $1 billion in ship insurance cover to keep its fleet on the water with alternative cover in Asia and through Iranian privately owned Kish P&I. Kish relies on state-run Central Insurance of Iran as its reinsurer. Any claim would likely have to go through a sanctioned bank but the firm said it was confident it would be able to pay in the event of an accident.

Gazprom faces EU anti-competition probe

BBC News, *04.09.2012*

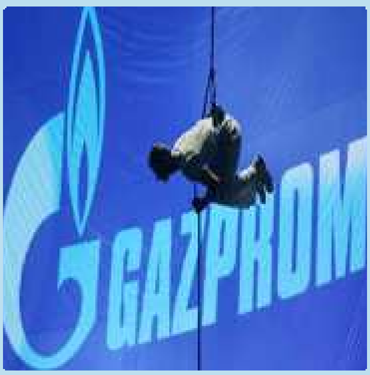
The European Commission (EC) has said it will investigate Russian energy giant Gazprom for possible anti-competitive practices in central and eastern European gas markets.

The commission said it was concerned Gazprom “may be abusing its dominant market position”. It will look at whether the firm restricts the free flow of gas across member states, prevents diversification of supply, and prices gas unfairly. Gazprom said: “Let them investigate.” The commission said that, if established, Gazprom’s practices “may constitute a restriction of competition and lead to higher prices and deterioration in security of supply. “Ultimately, such behavior would harm EU consumers.”

The probe follows inspections by the commission of gas companies in many EU countries in September 2011. The commission’s investigation will involve Gazprom’s activities in Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland and Slovakia. Depending on the results of the probe, it may be extended to other countries, the commission said. Russia provides 25% of Europe’s gas imports, and many countries rely almost entirely on the country for their imported gas. Many of these are locked into long-term supply contracts with Gazprom and have argued in the past that they pay too much for their gas. Energy policy has been a source of tension between Moscow and the EU for some time.

Gazprom sheds $2 bln overnight on EU probe

Ria Novosti, *05.09.2012*



Gazprom shares fell 2 percent with its capitalization down $2 billion on news of an EU probe over concerns that the Russian natural gas giant might be hindering competition in Central and Eastern European gas markets, in breach of EU antitrust rules.

The European Commission said it has concerns that Gazprom “may be abusing its dominant market position in upstream gas supply markets in Central and Eastern European Member States, in breach of Article 102 of the Treaty on the Functioning of the European Union.”

The report undercut Gazprom's quotes, said Andrei Vernikov, deputy director for investment analysis at Zurich Capital Management. "The investigation impedes access to the end consumer in Europe - Gazprom's goal," he said, adding that over the next several days share dynamics will be "below market." Some analysts believe Gazprom will be able to reach an out-of-court settlement before multibillion fines and claims are formally filed against it, making some concessions on sales and prices. "This is the most likely scenario," Troika Dialog's Oleg Maksimov said. "The bad news is that the investigation could drag on for years. However, there is no cause for panic."

The European Commission is investigating three suspected anti-competitive practices in Central and Eastern Europe. "First, Gazprom may have divided gas markets by hindering the free flow of gas across Member States. Second, Gazprom may have prevented the diversification of supply of gas. Finally, Gazprom may have imposed unfair prices on its customers by linking the price of gas to oil prices," the EC said. Such behavior may constitute a restriction of competition and lead to higher prices and deterioration of security of supply, ultimately harming EU consumers, it said. The EU said it will treat the Gazprom case as a matter of priority.

Three participants of Shah Deniz consortium ready to buy share in TANAP

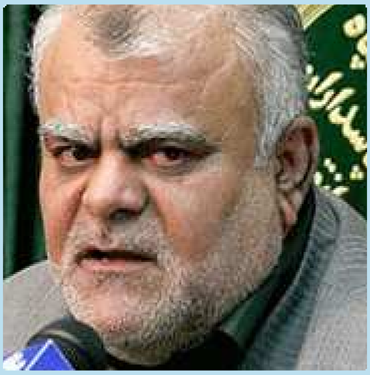
News.Az, *06.09.2012*

British BP, French Total and Norway's Statoil have applied to the State Oil Company of Azerbaijan (SOCAR) oil company with a proposal to buy part of the share of SOCAR in the Trans Anatolian Pipeline project (TANAP).

The statement came from SOCAR president Rovnag Abdullayev speaking at a news conference. According to him, SOCAR plans to assign 29% part of its stake in the TANAP and thus retain 51% of participation. Abdullayev said that the construction of the pipeline is scheduled to begin in 2013. TANAP will extend to 2000 km from the Georgian-Turkish border to the border of Turkey with Europe, its capacity - 16 billion cubic meters of gas per year further expandable.

Qasemi: Iran in talks with Russian oil and gas companies

Ria Novosti, *04.09.2012*



The current embargo on Iranian oil and political pressure on the Islamic Republic will result in higher oil prices on international markets, Iranian Petroleum Minister Rostam Qasemi said.

"If oil producing countries are confronted with difficulties and restrictions, the market will react to the situation accordingly, which will cause an increase in prices," he told, his first interview with a foreign news agency. Iran is to spend 18 percent of its stabilization fund for the development of the oil and gas sector, Petroleum Minister Qasemi said further.

"This year we are planning to use USD 4 B for the development of the oil and gas industry from the stabilization fund alone," he added. Iran has other foreign exchange reserves both at home and abroad, he added. "So there will be no particular difficulties this year with financing the country's oil and gas industry," he said.

Qasemi further announced Tehran is conducting negotiations with Russian companies about cooperation in the oil and gas sector. There are no immediate plans for joint projects in the country, however, he added. "We would be happy if Russia...expresses readiness for cooperation in the oil and gas sector," he said. "We hope to achieve a positive result."

Russian companies have been wary of cooperation with Iran, fearing sanctions on Western markets. "We would welcome cooperation with Russian companies if they are ready to invest in Iran's oil and gas sector and develop oil and gas deposits," he said. "However, at present we do not have any joint projects."

White House consults experts on tapping oil reserve

Upstream Online, *07.09.2012*

Obama administration officials met with a handful of oil market experts as the White House considered the merits of another release of emergency oil reserves - potentially much larger than the last.

The meeting, which was originally scheduled for August but had been delayed by summer vacations, did not center entirely on the Strategic Petroleum Reserve (SPR). Government officials did not reveal any plans they may be making to tap the SPR, but they did voice concern about tightening US fuel supply and sounded out the experts on how energy prices could behave in the coming few months under different scenarios.

The meeting was still interpreted by some as a sign that President Barack Obama was intent on pressing ahead with an unprecedented second tapping of US government oil supplies. UK-based oil consultancy Petroleum Policy Intelligence issued a report this week stating that an injection of SPR supplies could occur “within days”, but two people who attended the meeting said it would not happen that soon. “They are still in information-collection mode,” one of the sources told Reuters.

But with benchmark Brent oil futures pushing back above $110 a barrel and threatening to restrain the economies of the US and Western Europe, it has been clear for weeks that the White House is looking to the SPR for relief, Reuters said. The news wire first reported last month that the administration was “dusting off” plans that had been shelved in the spring, when prices fell.

At that time, a source familiar with the talks said officials would be looking closely at whether gasoline prices fell after Labor Day (last Monday). Prices have remained stubbornly high for the moment, following Hurricane Isaac shutting down several Gulf Coast refineries and a deadly blast in Venezuela temporarily crippling production in part of the world’s second-biggest refinery. White House officials last held a meeting with outside energy experts in July to discuss the overall energy market issues including China’s thirst for oil.

Thursday’s meeting, which included mid-level officials from the National Security Council, the Treasury and the Department of Defense, involved gathering information was not expected to result in any immediate decisions. While sources have said a wide range of ideas on how to tackle oil prices were on the table, one proposal been put forward to the administration was to open the door to a much larger, more prolonged release, such as 100 million to 180 million barrels.

Last year, as civil war in Libya cut the country's oil exports, the Obama administration coordinated with the International Energy Agency to sell 60 million barrels of oil, a move that lowered oil prices but only for a few weeks.

It is unclear whether Washington can again marshal global backing for a measure. It has secured support from the UK and France, media have reported, but officials in Germany, Italy and Japan have opposed another release. A much more dramatic measure could put a bigger dent in oil prices, easing gasoline costs just before the US presidential election on 6 November but also likely sparking fierce attacks from Republicans who have long resisted using the SPR for anything other than a supply emergency, like Hurricane Katrina.

Republicans could also be expected to accuse Obama of attempting to use the SPR for his own political benefit as he tries to convince voters weary of high unemployment and a weak economy to give him a second term, Reuters said. Domestic considerations aside, the administration is nervous about the potential impact on oil markets and the economy in the event that Israel attacks Iran, whether it comes before the 6 November election or in the months after, another energy expert told Reuters via cell phone before he entered Thursday's meeting.

Officials have also feared that high prices were blunting the impact of new sanctions on Iran, designed to cut funding of the country's nuclear program, which Tehran said was purely for civilian purposes. Using the SPR to aid policy has been a topic of discussion with energy experts going back at least to the administration of George W Bush. It was unclear just how seriously White House officials were considering such a large sale, which would likely last months. While angering Republicans, such a measure could also rile Saudi Arabia, which has been pumping at the highest rates in years to replace barrels lost by Western sanctions on Iran.

However, some have said the idea could have merit. US net oil imports have fallen this year to below 8 million barrels per day, down more than a third from 2005, due to an unexpected boom in domestic production. This means Washington no longer needs to hold quite as much oil in emergency reserve.

The stockpile currently holds about 696 million barrels, which in theory could be reduced to 500 million barrels in the coming years, according to energy consultant Philip Verleger, who was an energy advisor to former President Jimmy Carter. "What's clear right now is there's a shortage of gasoline and that oil product markets are tight," said Verleger, who did not attend Thursday's meeting. Verleger said that tapping SPR crude reserves now would do little to solve a problem of falling US gasoline supplies, which last week dipped below 200 million barrels, or around 10 million barrels lower than the same week of 2011. US refineries might not quickly ramp up making gasoline even if more crude were offered from the SPR, he said.

Other ideas beyond tapping reserves would also likely be discussed, one expert who attended the meeting told Reuters before the talks. One idea was to give drivers a break from the federal fuel taxes, which could push gasoline dramatically lower for a while. In 2008 Senator John McCain, who at the time was running against Obama for the presidency, suggested a suspension of the federal gasoline tax for the summer months, but the idea faded.

Brent rises to $114 on stronger US outlook

Upstream Online, *07.09.2012*

Oil prices rose on Friday ahead of a US jobs report which could point to a stronger economic outlook for the world's largest oil consumer.

Brent crude was up 73 cents at $114.22 a barrel, having traded from $112.61 to $114.65. US crude was up 81 cents at $96.34 a barrel, having traded from $94.55 to $96.59. Oil lagged other risk-sensitive assets such as equities for a second day, failing to draw as much support from the European Central Bank's bond buying plan unveiled on Thursday, with analysts pointing to high prices limiting demand.

"Oil demand continues to be hurt by high prices, it's difficult to buy at these levels because you are buying demand destruction," said Olivier Jakob, at Petromatrix in Zug, Switzerland. Data on Thursday showed US private employers added a stronger-than-expected 201,000 jobs in August and new claims for jobless benefits fell last week to the lowest level in a month, an upbeat signal for a struggling labor market. This helped to ease fears that the closely watched farm payrolls would show a slower increase of jobs than the previous month at 125,000.

Traders were also watching for a possible release of emergency oil reserves by the United States and other major economies, which could lead to downward pressure on prices. US government officials met oil market experts on Thursday as the White House considers the merits of another release. Government officials did not reveal any plans to tap the Strategic Petroleum Reserve (SPR), but voiced concern about tightening US fuel supply and sounded out experts on how energy prices could behave in coming months, sources said. Analysts said that while the threat of an SPR release was crimping prices, the effect of such a move was not yet reflected in prices. "The SPR chatter is also not probably not helping the front Brent spreads although Brent-WTI is not really pricing-in yet a SPR release," Jakob at Petromatrix said.

US crude oil stockpiles fell more sharply than forecast last week as Hurricane Isaac hit the US Gulf region and temporarily shut down production platforms, refineries and ports, government data showed on Thursday. Domestic stocks of crude, excluding oil held in the SPR, fell 7.43 million barrels to 357.1 million in the week ended 31 August, the Energy Information Administration reported. Analysts in a Reuters poll had forecast a drop of 5.3 million. Energy production restarts continued in the Gulf of Mexico after Hurricane Isaac.

Concern that violence in the Middle East could escalate and threaten flows of oil from the region, a factor that has underpinned recent strength in oil prices, returned to the fore. Britain's Foreign Secretary William Hague urged the European Union on Friday to impose new sanctions on Iran over its nuclear program, as Israel continues to threaten military action. "We once again stress most emphatically that the risk of a geopolitical spike remains ever-present and near-chronic," SEB analyst Filip Petersson said in a note to clients.

Energy companies reoccupy nearly 400 platforms in Gulf of Mexico

Hürriyet Daily News, *03.09.2012*

Energy companies have retaken nearly 400 of the production platforms in the Gulf of Mexico that were abandoned in advance of Hurricane Isaac, a federal agency said, though offshore oil production still remains almost entirely shut down. Oil and gas workers began retaking the offshore sites and federal officials said that 377 of the 596 productions platforms have some staffing on them, up from just 97.

Yet officials estimate that 94 percent of oil production, and about 65 percent of natural gas production in the Gulf of Mexico, remains shut in in the aftermath of the hurricane.

It will take a few days for production to be fully restored, according to energy companies with operations in the gulf. “Once onsite inspections are complete and facilities deemed safe, they will be restarted, and oil and natural gas production will be recommenced in coming days,” BP said in a news release.

The network of platforms, pipelines and storage facilities is massive and exploration and production companies cannot recommence full operations until the chain of energy infrastructure is reconnected. “Apache personnel are returning to the platforms and inspecting facilities,” Bill Mintz, spokesman for Apache Corp., said in an email. “The process of restoring production will take a number of days and will be impacted by the pace of resumption of activities by the pipelines and processing facilities operated by other companies.”

The U.S. Bureau of Safety and Environmental Enforcement said reports on offshore facilities indicated mostly minor damage. In addition to production platforms, the bureau said, 19 of the Gulf’s 76 drilling rigs are still evacuated, down from 48 as the storm approached. A surge in gasoline prices accompanied Isaac, although the dramatic increases came to an end Friday as the storm moved farther inland. The national average price for gasoline inched up just 0.3 cents Friday to $3.83 per gallon.

Pump prices for gasoline were on the rise even before Isaac arrived. The average price for a gallon of gas rose about 40 cents from July 1 to mid-August because of refinery problems in the Midwest and West Coast, and sharply higher crude oil prices. Crude has traded between $94 and $97 per barrel for two weeks, after rising from a low near $77 in late June. U.S. benchmark crude rose $1.85 to end at $96.47 per barrel after Federal Reserve Chairman Ben Bernanke made clear in a speech that the central bank can do more to revive the U.S. economy. That would drive up demand for energy.

10 most expensive energy projects in the world

CNN Money, *04.09.2012*

#1 - Kashagan – $116 billion

Location : Kazakhstan
Companies : KazMunayGas, Eni, Shell, Exxon, Total, ConocoPhillips, INPEX

Kashagan is one of the largest oil discoveries of the last 40 years. The Soviets had been working in the region, but it was the fall of communism that turned this once-backwater into the world's most expensive energy project. The field lies in a remote corner of Central Asia, in the northern part of the Caspian Sea, making logistics a challenge.

The oil will need to be moved out by a series of interconnecting rail lines, pipelines and ships. Harsh weather is also a problem. The northern Caspian is frozen for nearly half the year. To successfully tap oil and gas in the ice-choked region, the companies involved are constructing a series of artificial islands from which to work. Here, housing for workers is being built on one of the islands.

#2 - Gorgon – $57 billion

Location : Australia
Companies : Chevron, Exxon, Shell

Gorgon is the largest natural gas project in Australian history, and one of the largest natural gas projects in the world. Chevron is the lead company. The fields, located 80 to 125 miles off Australia's northwest coast, are estimated to contain 40 trillion cubic feet of natural gas. The gas will be liquified at a plant on Barrow Island, seen here under construction. Production is slated to begin in 2014.

#3 - Ichthys – $43 billion

Location : Australia
Companies : INPEX, Total

Japanese firm INPEX is the lead operator on this natural gas project, located off the coast of northwest Australia. This illustration depicts the action offshore. The natural gas and liquids are brought to the surface where they are separated at the floating facility seen in the foreground. The liquids, used in petrochemicals and gasoline, are then sent to the ship in the background for further processing and then to market. Meanwhile, the natural gas is sent from the platform via a 550-mile subsea pipeline to an onshore facility where it's turned into liquid natural gas.

#4 - Bovanenkovskoye – $41 billion

Location : Russia
Companies : Gazprom

This Arctic field, located on a peninsula jutting out into the Kara Sea, is estimated to hold 173 trillion cubic feet of gas -- twice what's thought to be in the United States' Marcellus Shale. Infrastructure is always a challenge in a remote region. Gazprom had to build a 355-mile railroad to haul in construction supplies, and an even longer pipeline to get the gas out. The gas will be fed into Russia's vast pipeline system.

#5 - Australia Pacific LNG – $37 billion

Location : Australia
Companies : Origin, ConocoPhillips, Sinopec

The Australia Pacific project will extract natural gas from coal seams in the northeastern part of the country. China's Sinopec has agreed to purchase a portion of the gas for 20 years. Japan's Kansai Electric has also agreed to purchase some of the gas.

#6 - Wheatstone – $35 billion

Location : Australia
Companies : Chevron, Apache, Tokyo Electic Power Compnay, Kuwait Foreign Petroleum Exploration Company, Royal Dutch Shell, Kyushu Electric Power Company

Another Australian LNG project this time northwestern Australia. Chevron owns 64% of this project, and it's one of the company's flagship developments worldwide. One of the main hurdles was finding a suitable port in this remote part of the country.

#7 - Queensland Curtis LNG – $34 billion

Location : Australia
Companies : BG Group

This is another project to extract natural gas from coal seams in Northeastern Australia. Here, modules for the liquefaction facility arrive from a fabrication yard in Thailand. Over 80 modules will arrive in the next year. The gas should start flowing in 2014, destined for markets around the Pacific including China, Japan, Singapore and Chile.

#8 - Kearl – $33 billion

Location : Canada
Companies : Imperial Oil, ExxonMobil

This is the largest of the oil sands projects under construction. It will produce 345,000 barrels of oil a day from an open-pit mining operation in northern Alberta. The plant shown here will separate the oil from the sand, resulting in a heavy substance known as bitumen which must then be refined into crude oil. The mining, seen in the top right corner of the photo, has already begun. Oil sands require massive amounts of water and energy to process. The industry says it’s no different from what’s needed to produce other heavy oils. A spokesman for Imperial, which is 63% owned by Exxon, said the oil will be sent by pipeline to refineries in North America.

#9 - GLNG – $30 billion

Location : Australia
Companies : Santos, Petronas, Total, Kogas

This development takes natural gas found in coal seams and ships it 260 miles by pipeline to an island off the northeast city of Gladstone. From there the gas is liquified by chilling it to -258 Fahrenheit, then loaded onto tankers for export. Natural gas is used by power companies, various other industries and by consumers for heating and cooking. It’s one of six Australian natural gas projects on this list, which speaks to the continent's vast natural resources and its proximity to fast growing Asian markets. Natural gas’ clout in the world’s energy mix is growing quickly. Some of the natural gas projects on this list may employ hydraulic fracturing or fracking for short -- which some fear may contaminate ground water.

#10 - Three Gorges Dam – $28 billion

Location : China

Estimates vary widely on its cost, but it's thought the Three Gorges Dam is the most expensive hydroelectric project ever built. The idea to dam the Yangtze River originated more than 70 years ago, but it wasn’t until 1992 that the Chinese government approved the project. The dam generated controversy, partly because over 1 million people had to be relocated. Three Gorges has been coming online in stages, and only reached full power this summer. It can generate 84.7 billion kilowatts a year, enough to supply China with 10% of its electricity. Some say many of the projects on this list will carry a heavier environmental toll as more easily accessible energy is harder to find.

Tony Hayward gets his life back

The New York Times, *01.09.2012*

If there's a public villain of the Gulf of Mexico oil spill one person who, rightly or not, will be remembered for the deadly blowout, the black slick and all that followed it's probably Tony Hayward.

On television screens and in the pages of magazines, bewildered Americans saw oil plumes rising, livelihoods crumbling and seabirds dying in the viscous crude. And for many of them, Mr. Hayward, the man who was running BP, came to personify the catastrophe. And yet here he is now, looking so cool and relaxed, so unlike the Tony Hayward we know.

He's sitting, open-collar casual, in a comfortable corner office here in Mayfair, not far from his old headquarters at BP. Could this possibly be that Tony Hayward — the pinched, sweaty chieftain of British Big Oil? The Englishman whom Americans derided as an insensitive buffoon — and whom President Obama said he would have fired? The man who sailed his yacht off the Isle of Wight as the tar balls washed up on the Gulf Coast? Who, in the middle of it all, delivered that crisis-P.R. sound bite from hell: "I'd like my life back." Yes, this is that Tony Hayward, looking his elfin, curly haired self and sounding more upbeat than he has in a long time.

Two years after being shown the door at BP, in one of the most ignominious corporate exits in recent memory, Mr. Hayward is back in the oil game. Not at an oil major like BP nor, for that matter, in the gulf, where oil rigs and refineries were being tested anew last week, this time by Hurricane Isaac. No, Tony Hayward is hoping to strike it rich in, of all places, the oil fields of northern Iraq.

He has some deep pockets behind him. They include a scion of the Rothschild banking dynasty, a former dealmaker at Goldman Sachs and two Turkish tycoons with a foothold in the wild and wildly contentious world of Iraqi oil. It's a dangerous game, financially and otherwise. But despite sectarian bombings and political deadlock, Iraq's crude oil production is soaring. In July, the nation produced more than three million barrels of oil a day, the most in a decade, eclipsing Iran and shaking up the old order in OPEC. Yet oil has also brought its share of problems in Iraq, breeding corruption and aggravating tensions with the Kurdish minority in the north. And Kurdish region is precisely where Mr. Hayward and his partners are making their play.

The Kurdish region has vast, virtually untapped reserves, and its oil minister is carrying out plans to export oil and gas directly to Turkey, just to the north. But Baghdad's central government maintains that it alone has the right to negotiate contracts and exports. The rivalry between Baghdad and Erbil, the capital of the region, has nerves on edge throughout the region. "It is a question of sovereignty, not money," says David L. Goldwyn, who served as special envoy for international energy affairs for Secretary of State Hillary Rodham Clinton.

Whatever the risks, oil majors like Chevron and Exxon Mobil are rushing into Kurdish region, too. But Mr. Hayward isn’t running an oil giant like BP anymore. He’s running an oil pipsqueak. From his offices here on Grafton Street, he leads a company called Genel Energy. It is hardly a household name. On the London stock market, the company is currently worth about $3 billion. BP, known the world over is worth about 44 times that.

Yet for Mr. Hayward, Genel is more than a business opportunity. It is also a shot at redemption — a venture that, if it succeeds, could help bind up the psychic wounds of the gulf spill. Whatever his reputation in the United States, Mr. Hayward is regarded by many in the British business community as a solid C.E.O. who was dealt a bad hand. Many here insist that he was unfairly criticized, by Mr. Obama on down, for an environmental disaster that no one could have foreseen or prevented. Whatever the case, Mr. Hayward declines to discuss the spill publicly. Friends and business associates say privately that he remains embittered by how he was vilified and then pushed out at BP. He hardly comes across as angry. To the contrary, he looks unusually chipper on this July afternoon in Mayfair. “I have been lucky,” Mr. Hayward says. “Having the opportunity to do something like this is fantastic.” He continues: “It is fair to say I wanted to recover some of my self-esteem.”

On the night of April 20, 2010 — the early morning hours of April 21 in London — the Macondo well erupted below the Deepwater Horizon in the Gulf of Mexico, ripping through the rig, killing 11 people and creating one of the worst environmental catastrophes in United States history. Tony Hayward was having breakfast in a London hotel when he got the news. By now the events that followed are well known: the desperate efforts to cap the gushing well; the harrowing collapse in BP’s share price; the government inquiries; the multibillion-dollar cleanup. On July 27, BP said that Mr. Hayward was out. He was replaced by Robert Dudley, the first American chief executive in BP’s history. Mr. Hayward was poleaxed. He’d spent his entire career at BP, slowly working his way up only to lose it all after three short years as chief executive.

He took several months off to think. He climbed Mount Kilimanjaro, skied in the French Alps and, at 53, concluded that he was too young to retire. He initially thought about going into private equity, one of the iconic Wall Street businesses of the boom years, but then ruled that out. It takes many billions to make a mark in the oil and gas industry, and few corporate buyout specialists, rich as they are, have the wherewithal or the patience. So Mr. Hayward turned to Nathaniel Rothschild, of the great European banking family, who had established a company, now called Bumi, to acquire stakes in Indonesian coal mines and place them under a listing on the London stock market.

Bankrolled in part by Mr. Rothschild, Mr. Hayward now hopes to make a new fortune in small oil. He and his business partner, Julian Metherell, the former head of energy investment banking at Goldman Sachs, have joined forces with a pioneer in Kurdish oil investment, Mehmet Sepil, and Mr. Sepil’s business partner, Mehmet Karamehmet, a media and telecom mogul and the chairman of Turkey’s Cukurova Group conglomerate.

Mr. Hayward, Mr. Metherell and Mr. Rothschild tried to replicate Bumi in the oil business. They set up what is known as a cash shell, a company with no business, just a promise that it will find one. It was called Vallares. Mr. Hayward then spent weeks in New York, London, Abu Dhabi and beyond, drumming up investors. Vallares eventually went public on the London Stock Exchange, raising $2.1 billion. That money, Vallares said, would be used to buy unspecified oil and gas assets in emerging markets, although Mr. Hayward hinted that he was interested in Northern Iraq.

It might be surprising to Americans who watched the gulf spill unfold on TV, but Mr. Hayward's new investors tend to shrug off the disaster and his inglorious end at BP. After all, they have entrusted him with a lot of money. His backers include Paulson & Company, the New York hedge fund firm run by John A. Paulson, as well as government investment funds in Kuwait and Abu Dhabi. "I think he probably got a bad press," Richard Buxton, a portfolio manager at the big British asset management firm Schroders, says of Mr. Hayward. "In a way he has something to prove," Mr. Buxton continues. "From an investor's point of view, that is not a bad thing." It also helps that Mr. Hayward and Mr. Metherell each invested £4 million ($6.3 million) in their venture. Mr. Rothschild invested £90 million ($143 million).

After its initial stock offering, Vallares had a lot of money but it didn't have that much time. If Mr. Hayward didn't find suitable investments within two years, he would have to return the money to shareholders. So he asked bankers at Credit Suisse, the big Swiss bank, to draw up a list of investment ideas. The most attractive was Mr. Sepil's Turkish company, Genel Energy International, which was then private.

Mr. Sepil was not originally in the oil business. He was mostly involved in construction engineering. But in 2002, shortly before the United States invaded Iraq, he was working as a contractor in the region. It was there that he was approached by Jalal Talabani, a leading Kurdish politician and now Iraq's president, about developing an oil field called Taq Taq. Mr. Sepil found a rig and put it to work. "I didn't know anything about oil but the tank of my car," Mr. Sepil recalls. Taq Taq turned out to be a field with billion-barrel potential. Eventually Mr. Sepil assembled stakes in various Kurdish oil fields. When he heard that Mr. Hayward had raised so much money, he decided to get in touch.

One July evening in 2011, Mr. Hayward, Mr. Sepil and Mr. Metherell dined at a private club off Berkeley Square in London. Mr. Sepil and Mr. Hayward hit it off, and a business alliance was forged. Because of the region's precarious political situation, Genel's oil came very cheap — $1.50 a barrel for reserves and prospective oil. "It was unusual to find assets of this quality that hadn't been bagged by the majors," Mr. Metherell says. Mr. Sepil was looking for someone to bring capital and better technology to Genel, and he says he found that someone in Mr. Hayward. "I always admired Tony," he says. The gulf spill, he says, was "something that could have happened to anyone in the world."

Before long Genel and Vallares merged, leaving the combined company, called Genel Energy and listed in London, with a pile of cash. The Turkish side owns about 45 percent of the company, although its voting rights are limited to just under 30 percent. Mr. Sepil is not on the board, in part as a result of a previous scrape with British securities regulators that resulted in a stiff fine. The board is headed by Rodney F. Chase, a former deputy chief executive of BP, and is composed mostly of veteran London business figures.

For the moment, things seem to be going relatively smoothly. Mr. Hayward travels to Kurdish Regional Government (KRG) about six times a year and often visits Ankara, Turkey's capital, where Genel's management headquarters for KRG is based. In Ankara, he typically stays in Mr. Sepil's home. "Tony is running the whole company," Mr. Sepil says. "I am helping him with the politics — to understand the region." Mr. Sepil says that Mr. Hayward makes a good impression in Turkey by making occasional use of the Turkish he learned while doing field work there as a graduate student in geology. "He is the golden boy here," Mr. Sepil says. In KRG, Mr. Hayward spends much of his time pressing Genel's interests with senior government officials.

Today Genel is the leading oil producer in KRG. It produces 40,000 barrels a day, but it could be pumping twice that if it could export. The oil can be exported through a Baghdad-controlled pipeline from Kirkuk to Ceyhan in Turkey, and in smaller amounts by truck. But pipeline exports have been sporadic because of disputes between the Kurds and Baghdad. Unless the oil can be exported, it goes to Kurdish refineries for a price of about $60 per barrel — well below that on world markets. Yet despite the obstacles, Genel is generating most of the cash needed to pay for its $200-million-to-$250-million-a-year exploration and development program in KRG. It is also sitting on about $1 billion for acquisitions.

Mr. Hayward, who has a Ph.D. in geology, often pores over seismic images, looking for the next big find. In August, Genel announced a flurry of deals, spending about $860 million to strengthen its position in KRG. Mr. Hayward has also been trying to diversify Genel's sources of oil. The company recently acquired a small enterprise called Barrus Petroleum, which explores off the coast of Morocco, as well as acreage off Malta and in Somalia.

The KRG is gradually persuading the oil majors to defy Baghdad and invest in KRG. Recently Chevron, Total of France and Gazprom, the Russian giant, have signed deals, despite Baghdad's threat to bar them from new contracts in Iraq. Mr. Hayward argues that the Kurds will eventually win. "You can't have one million barrels a day of oil shut in," he says, speaking of KRG's eventual production target. The region's capacity is now around 250 thousand barrels per day. So far that calculation has not been reflected in Genel's share price, which has fallen by about 30 percent since the company went public. But some analysts are optimistic. "The situation between Baghdad and Erbil could be at an inflection point," says Phil Corbett, an analyst at Deutsche Bank in London. With a secure pipeline to world markets, he says, Genel could realize the potential of its fields. If that happens, its share price, which closed at 689.50 pence on Friday, could easily double, he says.

Mr. Hayward, for his part, seems as excited as ever about oil exploration, not just in Iraq but also in Africa, where he is hunting for another acquisition. He points out that many recent discoveries in Africa have been made by relatively small companies, rather than by the majors. Energy exploration is a risky, expensive business. But Mr. Hayward, the face of the gulf spill, is unbowed. "People are only beginning to wake up to look at the world of exploration," he says. "If the world stays as open as it is, the little guy will be able to make a difference."

Announcements & Reports

► *Energy Outlook in the World and Turkey*

Source : Ministry of Energy and Natural Resources
Weblink : http://www.enerji.gov.tr/yayinlar_raporlar/Dunyada_ve_Turkiyede_Enerji_Gorunumu.pdf

► *China Country Analysis Brief*

Source : US Energy Information Administration
Weblink : http://www.eia.gov/countries/cab.cfm?fips=CH

Upcoming Events

► *Iraq Future Energy – 2012* ***(in Turkey)***

Date : 24 – 26 September 2012
Place : Istanbul – Turkey
Website : http://www.theenergyexchange.co.uk/iraq-2012-future-energy/s13/a255/

► *International Pipeline Exposition*

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

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► *CIS Oil and Gas Transportation* ***(in Turkey)***

Date : 26 – 28 September 2012
Place : Istanbul – Turkey
Website : http://www.powerindustry-events.com/Turkey

► *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?

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► CIS Oil & Gas Transportation 2012 *(in Turkey)*

Date : 30 October – 1 November 2012
Place : Istanbul – Turkey
Website : http://www.theenergyexchange.co.uk/cistrans

► 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/

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► Black Sea Energy and Economic Summit 2012 *(in Turkey)*

Date : 15 – 16 November 2012
Place : Istanbul – Turkey
Website : http://www.atlanticcouncilsummit.org/