Oil & Gas Bulletin

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Natural gas reserve found on Turkey's Black Sea coast

Today's Zaman, *16.09.2012*

Drillers looking for natural gas deposits on the western Black Sea coast announced the discovery of one of Turkey's first natural gas reserves over the weekend, a development that confirmed earlier reports of a large natural gas deposit there.

An exploratory drilling operation headed by the state-run Turkish Petroleum Corporation (TPAO) has reached a natural gas deposit at a depth of 3,600 meters. Officials were quoted by the Turkish daily Sabah, stating, "Now the well will be able to tap into a tangible, exploitable reserve. … New soundings will also be made in this area" and suggesting the TPAO platform that made the discovery will continue its exploratory drilling for the next six to 12 months.

The Istranca-1 field in the western Black Sea where the discovery was made is only one of five Black Sea sites where exploratory drilling has been under way in recent months, with TPAO drilling in the Sürmene field off the Trabzon coast, while a consortium including TPAO, British Petroleum (BP), Brazil's state-controlled oil company Petrobras, American Chevron and Exxon drills in the remaining three sites. The other four drilling operations have so far failed to locate commercially exploitable gas fields.

The drilling results may draw the interest of several international oil firms such as Royal Dutch Shell, whose CEO, Peter Voser, visited Prime Minister Recep Tayyip Erdogan and Energy Minister Taner Yildiz on a trip to Ankara earlier this month. Speaking during a joint press conference with Yıldız, Voser said in comments carried by the Anatolia news agency that Shell was "evaluating opportunities in the Black Sea."

The firm might be joined by US rival Chevron, which announced in July that it would be renewing its contract for offshore drilling with the TPAO until 2016. Some industry experts have speculated that Chevron applied for the new license to sidestep a $100 million fine that Chevron would face if its license expired without drilling a well it had previously promised TPAO it would dig. Company officials nevertheless have said that they would be stepping up survey work and looking for gas and unsurveyed regions of the Black Sea coast.

Any discoveries made by TPAO and its partners are sure to come as welcome news to a country that imports nearly all of its natural gas and is looking for ways to lessen dependency on its foreign suppliers. According to a recent report released by BP, Turkey was ranked third after China and Greece for rising natural gas costs, at 17.3 percent, with Turkey responsible for 1.4 percent of world natural gas consumption. Oil use also increased by 5.8 percent in 2011 compared to 2010.

TPAO to open second well in Turkish Cyprus

Hürriyet Daily News, *19.09.2012*

TPAO will begin work on a second oil and natural gas drilling operation in Turkish Cyprus, which will this time be on land, Energy Minister Taner Yildiz said. Yildiz held a press conference in Ankara after meeting with Turkish Cypriot Economy and Energy Minister Sunat Atun.

"We will commence our second drilling operation on land. This will be a complementary drilling. Afterwards, we will begin drilling in the sea," Yildiz said. TPAO's first drilling operation at the "Türkyurdu 1" well has yet to yield any results so far.

The well is currently 4,075 meters deep and there are signs that there could be petrol down below, but there have not been any concrete findings, said Yildiz. He also stressed that it was in TPAO's culture to be patient. Yildiz said Turkish Cyprus was rich in natural resources and that Turkey was seeking to develop a master energy plan to cover the island.

Poland seeks shale gas ties with Turkey

Hürriyet Daily News, *21.09.2012*

Poland will begin producing shale gas within three years and will look to Turkey for a partnership in this field, Polish Undersecretary of State Beata Stelmach said.

"If Poland begins production this will create the potential for a partnership and we are ready to begin a dialogue," she said adding that both Poland and Turkey have strong economies and that it is therefore necessary to forge a partnership. "We already work together in the small- and medium-enterprise (SME) sector. There is also potential in other sectors and one of these is the energy sector."

According to Stelmach, Poland will be ready to begin shale gas production in three years, which is important to help reduce the country's gas imports. The country currently imports two-thirds of its gas needs. "If we become producers we won't be dependent anymore. Our situation is similar to the Turkish energy market. Now we have a chance to be less dependent, and this can be beneficial for both our countries," she added.

Bulgaria to drill for oil and gas in Black Sea near Turkey

Novinite, *20.09.2012*

Bulgaria will announce within a month a public tender for deep-water exploration of oil and natural gas in Black Sea waters, near neighboring Turkey.

The information was reported by the Bulgarian 'Trud' (Labor) daily, citing their sources, speaking off-the-record. The public procurement procedure is to be approved first by the Council of Ministers and it will be then published in the Official EU Gazette for public discussion. The Block Teres is the last in the region to be offered to investors for exploration. It lays on 3.500 square meters while possible deposits would be at a depth of nearly 5-6.000 meters.

Previous studies have revealed significant deposits of mainly oil and smaller quantities of natural gas, Trud writes, quoting an unnamed source from the Ministry of Economy and Energy. The exploitation of the deposits, if any are found, is to begin no earlier than five years from now. Turkey announced it had discovered near the said Block Teres large deposits of natural gas, giving Bulgaria hopes that its territorial waters also contain such resources. Over one year ago, the Ministry of Economy and Energy selected the Bulgarian company Lederbel BG to explore the Block Silistar, which borders Teres, but the contract remains unsealed because the other bidder – Overgaz is appealing the selection before the Court.

In October 2011, the Bulgarian cabinet made the decision to launch a public tender for the procedure of issuing a permit for a concession for oil and gas exploration in the Black Sea. The winning bidder is a consortium uniting French Total, Austrian OMV and Spanish Repsol.

On July 25, the consortium received permission to drill for oil and gas at Block 1-21 Khan Asparuh in Bulgaria's Black Sea continental shelf and exclusive economic zone. The company will conduct exploration works on an area of 14 000 sq m for five years. The signing of the contract is expected to be accompanied by a transfer of the due concession fee. On August 22, the government granted a 5-year exploration permit to Black Sea Energy EOOD for Block 1-19 Sveti Atanas. The exploration block spans 1318 sq km and is located south of the block where British-based Melrose Resources is currently extracting natural gas, covering 10-15% of Bulgaria's domestic needs.

Northern Iraq count on Turkey as energy hub amid friction

Hürriyet Daily News, *20.09.2012*

Ashti Hawrami, the Kurdish Regional Government's energy minister, says that with a network of pipelines spanning Turkey to export oil, the KRG aims to become a major global energy player.

The KRG sees itself as a soon-to-be major energy player, hosting the world's largest oil companies and making use of its own strategic export pipeline system across Turkey, according to Hawrami. He also said the developments were for the good of all Iraq, despite the fact that the KRG policies envisage a region in control of its own reserves, estimated at 45 billion barrels.

"We recognize that we need investment in the infrastructure to boost export capacity, and we are doing that. We are ahead of the game, so we'll continue with it," Hawrami told. Regional Government reached a deal with Baghdad to end a dispute over oil payments and agreed to sustain oil exports of 140,000 barrels per day (bpd) this month rising to 200,000 bpd for the rest of the year. The dispute involves major energy companies including Exxon Mobil, Chevron and Total who have signed exploration deals with the Northern Iraq. The central government in Baghdad says that such contracts are illegal. Ankara-based Genel Energy, a multi-national energy firm trading on London Stock Exchange is also one of the key actors in Northern Iraq.

By 2013, the Regional Government's exports are expected to climb to 250,000 bpd and will continue to be shipped through a Baghdad-controlled pipeline to Turkey. Hawrami unveiled a plan earlier this year to build pipelines to Turkey in order to rise in exports to 1 million bpd by 2015. "I'm expecting to see more major companies coming in and negotiating for whatever we have within this year whether by mergers and acquisitions or farming in between companies," Hawrami told. He said the region was also looking to expand its gas capacity first to meet domestic requirements, then to increase power generation capacity and fuel industrial use. Turkey and beyond would come in the next year or two, he said.

Turkish Energy Minister Taner Yildiz said that Turkey is currently buying 20 to 30 tankers of oil from the Northern Iraq, which will increase gradually. Turkey's priority was the decisions made by the central Iraqi Government in accordance with their constitution, Yildiz said. "We know that these revenues are collected in a pool for the Iraqi people and shared," he said. Iraq produces 2.7 million bpd of oil, which was not enough for the world markets, the minister noted. "We told the Iraqi Oil Ministry that we have given the green light to oil transports from the south to the north through Turkey. We said we could do it together. The ball is son of their court," the minister said.

Brent recovers some ground to near $109

Upstream Online, *20.09.2012*

Brent crude halted earlier declines and climbed towards $109 a barrel on Thursday, with some oil dealers saying prices had fallen too far, too fast. A slew of bearish news - from weak China data to Saudi output pledges - has wiped more than $9 off Brent since last Friday.

“We do regard the scale and above all the speed of the price slide as excessive,” said a Commerzbank research note. “We expect to see a counter-movement in the next few days.” Oil prices held unto most gains after US data showed the number of Americans filing new claims for jobless benefits fell last week.

Brent crude rose 38 cents to $108.57 a barrel by 1351 GMT. The North Sea global benchmark had sunk to $107.10 in earlier trade. U.S. October crude, which expires later on Thursday, was down 29 cents at $91.69 a barrel.

The HSBC Flash China manufacturing purchasing index (PMI) for September was 47.8, well below the 50-mark that separates contraction from expansion, although a shade higher than the nine-month low of 47.6 reached in August.

The weak China factory data came a day after the Ministry of Commerce said the export outlook in the world’s second biggest oil consumer was poor and demand would remain weak in the next few months. “If China hits a wall, and Europe falls out from under us, then we’re going to be falling back into a recession, and that could be worse than the Great Depression,” said Tony Nunan, an oil risk manager at Mitsubishi Corp in Tokyo.

Also in the United States, crude stockpiles jumped 8.5 million barrels last week, far more than the 1 million barrels forecast in a Reuters poll of analysts, according to data from the Energy Information Administration. US imports of crude increased by 1.28 million barrels per day to 9.81 million barrels per day. Net crude oil imports hit their highest weekly level since January.

Saudis offer extra oil to control prices

CNN, *19.09.2012*

Saudi Arabia has offered its main customers in the US, Europe and Asia extra oil supplies through the end of the year, a sign the world's largest exporter is worried about the impact of rising prices on the global economy.

The Group of Seven finance ministers last month called on oil exporters to expand production. Saudi Arabia initially reacted coolly to the request, saying that global supply and demand were balanced. But the kingdom has recently taken steps to bring down prices, consulting with large refiners and offering them extra oil.

"The current price is too high," a senior Gulf-based oil official told. "We would like to see oil prices back to $100 a barrel." The price of Brent, the global oil benchmark, has risen 33 per cent from mid-June to a peak of $117.95 a barrel on Friday. On Monday it plunged almost $4 in just four minutes, but later recovered. Saudi Arabia last launched a similar round of consultations with major oil refiners in March, weeks before it boosted its production to a 30-year high of 10m barrels a day. Riyadh is now evaluating the response from refiners.

The nation last month produced 9.9m b/d, but the senior official said that Riyadh was now again pumping around 10m b/d. "We are consulting our clients about their oil needs and telling them we are ready to supply more," the senior official said. OPEC delegates said Riyadh was trying to bring prices down. "The Saudis are actively managing the market," added another senior oil official from an African OPEC nation. "They supplied a little less when prices dropped to $90 over the summer and they will supply more now that prices are above $115."

The signal from Riyadh comes as rising energy prices emerge as a contentious political issue in the US presidential race. Mitt Romney, the Republican candidate, has accused President Barack Obama of not doing enough to bring gasoline prices down. The cost of regular gasoline surged in the US last week to $3.878 per gallon, the highest level ever for this period of the year. US retail gasoline prices reached an all-time high of $4.114 per gallon in early July 2008.

The White House last month dusted off plans to use the strategic petroleum reserve to bring prices down. But so far Mr. Obama has not authorized a release, in part because opposition from allies such as Germany and, to a lesser extent, Italy, Japan and South Korea. Saudi Arabia wants to reduce prices while avoiding an open confrontation with Iran. Tehran has warned Saudi Arabia not to increase crude oil production to offset the impact of US and European sanctions on Iranian crude oil exports, which fell to a 22-year low of 2.85m b/d last month. The oil market is on edge as anti-US protests spread across the Middle East and tensions rise between Israel and Iran. A large naval minesweeping drill is also being conducted by more than 20 navies including those of the US, UK and France in the Strait of Hormuz, the world's most important potential chokepoint for oil tankers.

Financial investment causing commodity price volatility: UN report

Platts, *19.09.2012*

Financial investment is having a much greater impact on the prices of commodities like oil than underlying supply and demand of the commodity, causing price volatility and allowing prices to become removed from the fundamentals for long periods of time, according to a report by the United Nations Conference on Trade and Development.

This has effectively transformed commodity markets into financial markets and demands a "strong and prompt policy and regulatory response," UNCTAD said in a new policy brief based on its own research.

"While commodity-specific shocks have played a key role in the past, especially on the supply side and in the oil market, this factor lacks persuasive power today," UNCTAD said. "When political shocks occur, the biggest oil producers undertake remarkable efforts to stabilize prices and to compensate for falling supply by stepping up production in other areas. Rapidly, but steadily growing demand for a range of commodities, especially in emerging economies, does not explain the huge swings recorded in many of these markets from quarter to quarter," it said.

UNCTAD said the amount of money invested in commodities by financial investors had risen to $450 billion by April 2011 from $10 billion around the end of the last century, making the volume of exchange-traded derivatives on commodity markets some 20 to 30 times greater than the physical production. "These investors do not trade systematically on the basis of fundamental supply and demand relationships in single markets, even if shocks in those markets may influence their behavior temporarily. As they hold by far the largest positions in the commodity markets, it is undeniable that they exert considerable influence on the price movements of those markets," the UNCTAD report said.

The UN agency noted the very close correlation between movements in the prices of WTI crude, the S&P Goldman Sachs Commodity Index and the Euro Stoxx 600 index of European equities during the first seven months of 2012, despite different underlying fundamentals. "While fundamentals cannot explain these price co-movements, the stock market and commodities do share one common, critical feature: the dominant position of financial investors," the report said. "In a situation of widespread herding in financial markets, the assumption of an atomistic market, in which participants trade individually and independently of each other on the basis of their own interpretation of fundamentals, no longer holds," it said. "The price discovery market mechanism is seriously distorted. Prices can move far from levels justified by the fundamentals for extended periods. Because of these distortions, commodity prices in financialized markets do not provide correct signals about the relative scarcity of commodities. To restore the proper functioning of commodity markets, swift political action is required on a global scale."

UNCTAD recommended that policy-makers increase transparency in physical markets, through better fundamental data, and in commodity derivatives markets, by collecting more information on market participants and position-taking. The regulation of financial investors should be tightened, the agency said, possibly by imposing position limits and a ban on proprietary trading by financial institutions involved in hedging activities on behalf of their clients. UNCTAD also recommended the introduction of a transaction tax, which it said "could generally slow down financial market activities, in particular high-frequency trading." Some market-watchers have suggested high-frequency trading was behind the rapid, sharp fall in oil futures prices on Monday, when NYMEX crude fell by $3/barrel in less than one minute.

Iran oil minister warns lack of Iranian supply could push up crude price

Platts, *19.09.2012*

Iran's oil minister Rostam Ghasemi warned that the absence of Iranian crude in the market will push up prices, the oil ministry's news service Shana reported.

Balance of price in the global market depends on Iran's oil supply, Shana quoted Ghasemi as saying. Sanctions imposed by the US and the EU have not created a serious problem for Iran's oil industry because the country has its regular customers who continue to buy its crude, the minister added. Iran cannot export crude oil to the EU in the wake of an import embargo implemented by Brussels on July 1.

It is also subject of US financial sanctions aimed at persuading Tehran's Asian customers to reduce their intake of Iranian oil. The country's exports have also been hampered by an EU ban on insurers providing cover for shipments of Iranian crude regardless of the destination. Talking about the possibility of crude prices rising to $150/barrel, Ghasemi said: "We believe that oil price in the global markets is still unrealistic and its increase depends on future developments in the oil market." Reiterating what he said earlier this month, Ghasemi added that taking into account current market conditions, world oil prices could rise further as winter demand kicks in later in the year.

Birol: Less Iraqi oil bad news for all

Hürriyet Daily News, *19.09.2012*

The International Energy Agency's top economist Fatih Birol warns that an unexpected slowdown in oil growth in Iraq, though not too likely, would be bad news for Europe, China and other developing Asian countries.

Birol warned that any unexpected slowdown in the growth of Iraq's energy output would be "bad news" for the rest of the world. Fatih Birol noted that while such a slowdown was not the IEA's central forecast, it remained a credible-enough possibility that the organization included it in an upcoming report on Iraq's energy industry due next month.

His remarks come amid a dramatic ramping up of the country's oil output, with Iraq earlier this year overtaking Iran to become the second-biggest producer within OPEC, and more increases are expected in the coming years. "If it doesn't grow, if the growth stays much more modest than any sensible expectation... then this would mean that the major difficulties would continue within Iraq, but also very bad news for the global oil markets," IEA Chief Economist Birol said.

"It will be mainly countries like China, European countries, and other developing Asian countries, which will be affected. The growth of oil demand is coming mainly from China and Asian countries, and higher prices would also affect the European economy, which is already very fragile." Birol stressed that this remained an "unlikely possibility" but noted that he thought "it is important enough that we look into it. It also shows the entire world how much we need Iraq and what kind of crucial role Iraq will play in the next years to come in the global oil markets." He said that his central thesis was that Iraq would "play an increasingly critical role in supplying global markets, and make sure that the oil production grows in a healthy manner which will bring prosperity to its people and meet global oil demand growth."

Asked if any other country could replicate the increases in production Iraq was forecast to bring in the coming years, he replied: "I don't see any other country which could match Iraq, which could bring so much oil in such a short period of time." Birol declined to specify what would qualify as sufficiently slower than expected growth to impact oil markets, adding that precise figures and forecasts would be available in the IEA's report, the Iraq Energy Outlook.

Iraq currently produces around 3.2 million barrels of oil per day, and exports, which account for the lion's share of government income, are currently at around 2.5 million bpd. The country has proven reserves of 143.1 billion barrels of oil and 3.2 trillion cubic meters of gas, both of which are among the largest in the world. Birol pointed to projected increases in internal demand, due to efforts to improve electricity provision and provide fuel for what is expected to be a wealthier society, as one factor that would impact future oil revenues, as well as political and geopolitical challenges. He declined to give details on what particular challenges were biggest for the country, but noted that "the integrity of Iraq is of utmost importance, the territorial integrity of Iraq," alluding to disputes between the central government and the Northern Iraq region over oil exports.

Brazil revives oil auctions, with a little help from Congress

Fox Business (Dow Jones), *18.09.2012*

With a little help from an often recalcitrant congress, Brazilian energy officials were able to announce the long-awaited revival of bidding for offshore oil and gas concessions considered critical in the development of the country's huge energy reserves.

Energy Minister Edison Lobao got the ball rolling, saying the government would hold the long-delayed 11th bidding round for offshore oil and gas concessions in May. He noted that the bidding round still depends on congressional approval of legislation dealing with royalties paid by drillers to state governments.

On cue, Chamber of Deputies Speaker Marco Maia said he will schedule a vote on the royalties bill before the end of the year. "It's a priority," Mr. Maia said. A vote could come as early as October. A government royalties bill has languished since the current congress convened at the beginning of 2011. The administration of President Dilma Rousseff insists that royalties be paid more broadly to all of Brazil's 27 states.

Under the current formula, nine states receive the bulk of royalty payouts each year. One state, Rio de Janeiro, came away with 18% of the $7.2 billion in royalties distributed in 2011. Rio de Janeiro, Sao Paulo and Espirito Santo receive the biggest payments because they host the largest offshore oil fields. The royalties bill has sparked conflict in congress between the nine states getting the biggest slice of royalties under the current system, and the other 18 states, which would get a bigger piece of the pie under the government proposal. According to Lobao, and other energy officials, oil and gas development can't wait. Brazil has held 10 bidding rounds for offshore oil and gas concessions over the past decade. But the most recent was way back in 2008. Many of those fields have already played out. Others are due to be handed back to the government in the near future under terms of the original concessions.

Mr. Lobao painted a picture of rich promise for the coming round of bidding. A total of 174 blocks, to be announced in the next few days, will be auctioned. Additionally, the minister said Brazil will schedule the first round of bidding for exploration of the country's offshore subsalt blocks for November 2013. The subsalt blocks, although technically challenging, are expected to produce enormous volumes of crude oil. Government estimates of the subsalt oil reserve begin at 8 billion barrels of oil equivalent. Private estimates range much higher. Also on cue, Brazil's National Petroleum Authority, or ANP, confirmed the minister's statements, including the May auction date. In a statement, the ANP said blocks to be auctioned will be published "in the next few days." Mr. Lobao said the government opted to hold off on auctions until after approval of the royalties bill to avoid legal challenges to the new bidding rounds, and that exploration of all future concessions would take place under recently revised rules for the oil and gas industry in Brazil.

Rosneft may offer BP cash and shares for TNK-BP

Upstream Online, *20.09.2012*

Rosneft could pay half of the price tag for BP's share of TNK-BP with shares, according to reports, as sale talks continue over the stake in the Anglo-Russian joint venture.

Russia's Kommersant financial daily suggested the Russian state oil player could offer the British supermajor $10 billion to $15 billion in cash plus a Rosneft stake of at least 12.5%. Citing sources at both companies, Kommersant also said Rosneft planned to use treasury shares representing 9.53% of its equity as well as shares acquired in a recent buy-back worth just over 3% of its equity.

Reports emerged from bankers that Rosneft was talking to foreign banks about raising $15 billion in debt financing and potentially another $5 billion from Russian banks. The latest reports have been circulating in the wake of top-level talks on the potential deal involving Russian President Vladimir Putin, Rosneft chief executive Igor Sechin, and BP chief executive Robert Dudley and chairman Carl-Henric Svanberg.

Sources close to both companies have since said talks were progressing but played down expectations of an imminent breakthrough. Russia's deputy prime minister with responsibility for energy policy Arkady Dvorkovich said he would not support Rosneft buying into TNK-BP because he wanted the state sector's role to shrink rather than widen. Under a shareholders agreement, third parties may not strike a deal to buy BP's stake in TNK-BP before a 90-day talks window closes in mid-October.

BP announced in June that it would start the process of selling its half of Russia's third-largest crude producer after years of squabbling with the Alfa-Access Renova consortium of Russian billionaires that owns the other half. A month later Rosneft said it was in talks to acquire half of the troubled venture. AAR has expressed interest in buying 25% of the company from BP for $10 billion, but talks have stalled, sources familiar with the matter say. Earlier this month Sechin said Rosneft had taken a time-out in talks to buy the TNK-BP stake to avoid falling foul of the shareholder pact.

Commission prepares EU energy market action plan

EurActiv, *17.09.2012*

The EU Commission wants to enforce the EU's single energy market laws "as a matter of priority", according to a draft communication that states the EU Executive's determination to create a barrier-free market-place, which has angered dominant gas supplier Russia. The Commission announced it had opened an investigation into suspected anti-competitive market practices by Russia's Gazprom.

Speaking in Lithuania, which totally depends on Russia for its gas, Energy Commissioner Günther Oettinger said Russia had to abide by the EU's internal market rules and stop offering widely varying prices.

The Commission aims to complete by 2014 a single energy market to encourage the equitable flow of power and gas across borders, which it says will stimulate fair competition and could save consumers billions. But in a draft communication on "making the internal energy market work," the Commission states the EU is not on track to meet that 2014 deadline.

The Commission document says the "building blocks are there" however, referring in particular to the Third Energy Package, one of whose main requirements is that companies, such as Gazprom and EDF, that control energy supplies should not dominate the distribution networks as well when operating in the EU. "Delays in implementation are not acceptable," the text states, noting that in seven member states, more than 80% of the power generation is still controlled by the historic incumbent and not open enough to newcomers. "The Commission is pursuing, as a matter of priority, infringement procedures against those member states that have not transposed the third energy package directives yet or have failed to do so correctly." "Not only do member states need to implement all legislation fully, they also need to move away from and resist the call for inward-looking or nationally-inspired policy making which prevents the internal market from working effectively," it said.

The Commission argues the single energy market is not an end in itself, but a means to create a more reliable, better value EU energy system and accelerate progress towards decarbonisation. In general, it says, energy markets are not seen to be sufficiently transparent and open and are in danger of being driven by subsidies rather than market considerations. More open markets can have huge benefits for consumers facing economic difficulties, it says, citing estimates they could save up to €13 billion per year across the bloc if they switched to the cheapest available electricity tariff. Switching rates are already high in Britain, the Czech Republic and Sweden, it said. Apart from taking action against member states, which could lead to cases at the European Court of Justice and heavy fines, the Commission is proposing an action plan. Measures suggested include phasing out regulated prices, analyzing use of subsidies and acting to protect vulnerable customers. The Commission routinely declines comment on unpublished drafts.

Hollande deals setback to nuclear, shale gas industries

EurActiv, *17.09.2012*

French President François Hollande has vowed to shut down the country's oldest nuclear power station by 2016, and in a wide-ranging speech on the environment, says his government would reject development of shale gas using a controversial extraction method known as 'fracking'.

Hollande announced he would shut the Fessenheim nuclear station in Alsace by the end of 2016, sticking to his election pledge to halt its operations by the end of his mandate in 2017. The facility, which went into service in 1977, is France's oldest nuclear power plant and has been a frequent focus of safety concerns since the 2011 earthquake and tsunami in Japan that triggered the Fukushima nuclear disaster.

Environmental groups called for its early closure after a steam leak at the plant triggered a brief fire alert. France derives 75% of its electricity from nuclear production, more than any other country, and the issue of its nuclear dependency has become particularly sensitive in the wake of last year's Fukushima disaster in Japan. Hollande repeated his pledge to cut the country's share of nuclear power in the energy mix to 50%. Hollande's announcement on the early closure has dealt a blow to the nuclear industry, and drawn criticism from unions which are worried about job losses.

Bernard Thibault, head of French energy group EDF's main workers' union, the CGT, called the decision "rushed" and said it had been made before the country had even started a debate on its energy transition. Hollande also announced he has rejected several applications to begin extracting natural gas and oil from shale using hydraulic fracking, which uses a high-pressure mixture of sand, water and chemicals to extract petroleum. The decision was made out of health and environmental concerns, news reports quoted Hollande as saying. His predecessor, Nicholas Sarkozy, also banned fracking, a technology that is being widely developed in the United States and is being considered in several European Union countries, including Poland.

Hollande also recommended a 40% cut in European Union carbon dioxide emissions by 2030 and a 60% reduction by 2040, calling too for a global accord on climate change by 2015. "Our next goal is to reach a global climate agreement in 2015. France is fully committed to achieving this," Hollande told an annual environmental conference. He said he intended to push for more global dialogue on environmental issues during his five-year presidency, saying a lack of progress in meeting climate goals made this urgent.

The EU has set itself a legally binding goal to reduce its emissions by 20% from 1990 levels by 2020. In October 2009, EU leaders endorsed a long-term target of reducing collective developed country emissions by 80-95% by 2050 compared to 1990 levels. This is in line with the recommendations of the UN's scientific arm - the Intergovernmental Panel on Climate Change (IPCC) - for preventing catastrophic changes to the Earth's climate.

Japan cabinet approves plan to exit nuclear energy

Reuters, *19.09.2012*

Japan's cabinet has approved a new energy plan to cut the country's reliance on nuclear power in the wake of last year's Fukushima disaster, but dropped a reference to meet a nuclear- free target by the 2030s, ministers said.

Since the plan was announced, Japan's powerful industry lobbies have urged the government rethink the nuclear-free commitment, arguing it could damage the economy and would mean spending more on pricey fuel imports. Trade Minister Yukio Edano, who also oversees the energy portfolio, said the cabinet had approved the new energy plan.

"But whether we can become nuclear free by the 2030s is not something to be achieved only with a decision by policy makers. It also depends on the will of electricity users, technological innovation and the environment for energy internationally in the next decade or two," he said. In abandoning atomic power, Japan aims to triple the share of renewable power to 30 percent of its energy mix by the 2030s, but will remain a top importer of oil, coal and gas for the foreseeable future.

Finance Minister Jun Azumi told that there needed to be flexibility in the policy to avoid putting a burden on the public in a country where nuclear supplied 30 percent of electricity before Fukushima. All but two of Japan's nuclear 50 reactors are idled for safety checks after an earthquake and tsunami in March 2011 devastated the Fukushima Daiichi plant, causing the worst nuclear disaster since Chernobyl in 1986.

Under the new energy plan, there should be strict implementation of a 40-year lifetime for reactors. It also said existing reactors shut after Fukushima should be restarted only if a new nuclear regulator confirms their safety and there should be no construction of new reactors.

The newly established Nuclear Regulation Authority (NRA) will decide whether reactors currently under construction are safe enough to start commercial operations, Edano said. Asked if newly built reactors could run beyond the 2030s, Edano said a decision on this would be decided later. Reactors currently under construction include the 1,373-megawatt Shimane No.3 unit of Chugoku Electric Power Co's and the 1,383-megawatt Ohma unit of Electric Power Development Co's.

Leaked paper maps energy infrastructure black spots

EurActiv, *18.09.2012*

EU countries are urged to speed up the connections of their gas and electricity grids, according to a draft European Commission report on investment in energy infrastructure.

Estonia, Lithuania and Latvia, as well as Malta, Cyprus, Spain and Portugal, are on a "gas island" because of insufficient infrastructure connections with the rest of the EU, the draft report says. But perhaps more seriously, dependency on a single gas provider also prevails in countries with a better geographical position, such as Slovakia, Bulgaria, Hungary and Romania, the paper says.

Following the Russia-Ukraine gas crisis in the winter of 2008-2009, the EU took a number of measures to make sure that individual countries are better connected and less vulnerable in the case of a supply disruption from Russia. A few years later, it appears that little has been done, despite available funding. The Baltic countries need to connect their energy markets to other EU gas networks in order to increase security of supply. A risk assessment is under way on gas interconnections with Estonia and Lithuania, as well as an assessment of the Poland-Lithuania 'Baltic Connector' gas pipeline, the draft Commission paper says.

Bulgaria needs to complete the ongoing investment projects on gas interconnectors with Romania, Serbia and Greece, and make reverse flows possible on its interconnector with Turkey, the EU executive says. "Bulgaria also needs to play a more proactive part in opening up the Southern Gas Corridor, which has the potential to diversify supply sources," the paper reads. The Southern Gas Corridor is a key element of competing projects to bring natural gas to Europe from the offshore Shah Deniz II field in Azerbaijan. Up to now, Bulgaria has made commitments to South Stream, a Gazprom-favored project widely seen as a competitor to the Southern Gas Corridor.

But the EU executive is also critical of Germany, which is called upon to enhance interconnectivity of gas flowing from the Nord Stream pipeline with Russia, operational since November 2011, and develop north-south and east-west transport capacity. "Important bottlenecks remain at the [German] border with Denmark (Ellund), Poland (Lasow), within Southern Germany and on the north-south route," the paper reads.

The Commission paper also says: Hungary needs to increase its cross-border gas transit capacities, as the current ones are not sufficient to ensure the integration of the national market at the regional level. Italy should implement the Trans Adriatic Pipeline, which the Commission text says "forms the Italian branch of the Southern Gas Corridor". Poland lacks diversification, with 90% of gas coming from Russia. "The recent interconnections with the Czech Republic and Germany are improving the situation," the paper adds. Spain should improve its gas interconnections with France and Portugal, and develop the Africa-Spain-France corridor.

Similarly to gas, the Commission lists recommendations to individual countries in the electricity sector, the most pressing messages being directed at the Baltic countries, former Soviet republics whose networks are strongly interconnected with Russia and Belarus. Estonia is urged to continue the development of its electricity connections with Finland, while Latvia is urged to strengthen its national grid to be able to transport electricity from Sweden, Finland or Poland. Regarding Lithuania, the planned electricity interconnectors with Sweden (by 2015) and Poland (by 2016) will allow the country to connect to the European grid, the Commission says. Bulgaria and Hungary are also urged to increase cross-border network capacity, in order to facilitate trade with neighboring countries.

Similarly, Spain and France are advised to improve their capacity for cross-border exchange. Italy and Poland, which are suffering from congestion on the domestic grid, are advised to speed up its development, as well as enhancing interconnections with neighboring markets.

In Germany, the expansion of the north-south axis and cross-border connections are seen as a necessity, in particular due to the reduced capacity in the country’s south, resulting from the shutdown of nuclear power plants and the increase of renewable capacities in the North and the Baltic seas. The Commission’s paper has been put together on the basis of information supplied by the member countries as well as from other sources. According to the document, Bulgaria is the only country which hasn’t provided any information.

Announcements & Reports

► *IEA Electricity Information 2012*

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=615

► *IEA Key World Energy Statistics 2012*

Source : International Energy Agency
Weblink : http://www.iea.org/publications/freepublications/publication/kwes.pdf

► *Russia Country Analysis Brief*

Source : US Energy Information Administration
Weblink : http://www.eia.gov/countries/analysisbriefs/Russia/russia.pdf

Upcoming Events

► *International Pipeline Exposition*

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

Supported by PETFORM

► *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?

Supported by PETFORM

► *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/

Supported by PETFORM

► All Energy Turkey *(in Turkey)*

Date : 11 – 12 September 2013
Place : Istanbul – Turkey
Website : http://www.all-energy-turkey.com/?lang=tr