Oil & Gas Bulletin

► *19.10.2012*

Attack on pipeline halts Iranian gas flow, 28 soldiers injured

Today's Zaman, *19.10.2012*

The gas flow through a pipeline carrying Iranian natural gas to Turkey was halted after Kurdistan Workers' Party (PKK) terrorists allegedly blew up a section of the pipeline in eastern Turkey late on Thursday, injuring 28 soldiers in a passing military vehicle.

The blast occurred in Eleskirt, a district of Agri province. Agri Governor Mehmet Tekinarslan said the bomb was detonated by remote control as a vehicle transporting soldiers was passing by. The explosion left the 28 soldiers in the vehicle wounded and caused a fire that could be extinguished only after the flow of gas was shut off.

"The injured were taken to nearby hospitals for treatment," the governor said, adding that most of the soldiers had suffered mild burns and that none of them was in a life-threatening condition. It is not yet clear when the pipeline will resume transporting gas. The gas flow from Iran was also stopped earlier this month after an accidental explosion in eastern Turkey but resumed a week later.

Yildiz: Gas and politics to remain separate in Syria dispute

Today's Zaman, *11.10.2012*

Turkey may be deeply at odds with Russian and Iranian support for Damascus, but Turkish Energy Minister Taner Yildiz said political acrimony won't change business as usual between Turkey and its natural gas suppliers.

"Our politics may be different from Iran and Russia on the topic of Syria, but cooperation in our energy sector will continue separately from this," he told. The minister said natural gas sourced from Russia has increased considerably to make up for stoppages in Iranian and Azeri gas lines, both of which were halted after a blast damaged the Iranian pipeline and the Azeri line was shut down for maintenance.

Turkey drafts natural gas market liberalization law amendments

ICIS Heren, *28.09.2012*

Turkey's complex system of subsidies for the electricity generating industry is expected to be phased out, clearing the way for market liberalization, according to draft amendments to the natural gas law that were published by the energy ministry.

The subsidies system has excluded large swathes of the electricity and natural gas sectors from market-led pricing, so the amended draft law has been greatly anticipated by the Turkish gas sector, promising structural changes during the next few months.

Turkish natural gas experts described the proposals as liberal-minded and promising, addressing essential issues ranging from firm timetables for unbundling pipeline operator BOTAS to phasing out the current cross-subsidies system, the elimination of a cumbersome stamp duty levied on individual contracts and the introduction of transparent real-time information. "We are very pleased to see that there are clearly liberal articles in the draft," a senior Turkish gas market analyst told ICIS. "In general, we can say that, if the law is implemented, we are happy with that."

However, he said further clarifications on implementing liberalization of the gas market will be needed, with exact timetables, take-or-pay clauses for gas contracts negotiated by the private sector and firm assurances regarding the government's intention to scrap stamp duty. He also said the current amendments make no reference to gas trading on the proposed EPIAS cross-commodity exchange, which would allow natural gas products to be traded on day-ahead and derivatives markets offered by the bourse. The proposals are now open for consultation until 10 October.

Under the proposals, state-owned electricity producers who are forced to buy natural gas from pipeline operator BOTAS could opt to buy volumes from private gas companies at cheaper rates. Currently private producers who have signed long-term private purchase agreements (PPAs) with BOTAS under the framework of so-called Build-Own-Operate, Build-Own-Transfer (BOO, BOT) are required to buy gas at prices reportedly double the rates paid by independent power plants (IPPs). When they were signed, the contracts proved attractive to private parties as they were underwritten by Treasury guarantees and the risk was pass-through, meaning that any increases in the price of natural gas would increase the price of electricity at which the producers sold their generation. However, the system gave rise to a complex and unwieldy cross-subsidies mechanism that has prevented the electricity and gas markets from developing.

Specifically, the difficulties arise from the fact that BOTAS operates a two-tier gas pricing mechanism. ICIS understands that, last year, EUAS, BOTs and BOOs paid an average $480/1,000m³ (Km³) while IPPs paid on average $100.00/Km³ less. If the restriction on buying from private gas companies at cheaper rates is lifted ahead of long-term contract expiry dates, then both the electricity and gas markets could see more competition and liquidity developing in a short time. To clarify this stipulation, the relevant amended law article says the parties (BOOs and BOTs) “may waive their right and entitlements to the concerned Treasury guarantees, and act as a prudent operator [to] reflect any decrease in the acquisition cost of the natural gas in the form of a discount and decrease in the electricity sale price, so they could be classified as free consumers”.

A further article that spells out the need to eliminate any forms of subsidies reads: “The sale prices, on the other hand, shall be determined freely within the framework of such principles by the parties involved in the natural gas purchase and sale transactions.” The law adds that, if there is a pressing need to subsidies certain clients in specific regions, such subsidies will be carried out without intervention in prices and undertaken in the form of reimbursements and refunds to the mentioned consumers.

The initial natural gas market law published in 2001 required the unbundling of BOTAS and reducing its market share to 20%, but very little has been achieved to date. However, the amended law states clearly that BOTAS will remain a vertically-integrated company for a year, after which it will be split into three entities BOTAS transmission, BOTAS storage and LNG, and BOTAS trade, imports and oil transmission. The one-year period, from October 2012 to October 2013, will allow the company to enforce the unbundling measures.

The proposals also require BOTAS to reduce its gas purchase contracts to 20% of national consumption. That means it will have to enact more contract releases while being banned from signing any new purchase contracts for piped gas or contract LNG. The only exception refers to the acquisition of spot LNG. Nonetheless, the company could be allowed to undertake more purchases if Turkey faces security of supply issues.

Another point in the law refers to take-or-pay obligations from BOTAS and private companies. It requires private companies that negotiate import contracts with countries from which BOTAS might also be buying volumes to negotiate a decrease in BOTAS’ take-or-pay terms with the same suppliers. However, the text is not only phrased ambiguously but is also awkward; pointing out that the private sector is under no obligation to negotiate terms for BOTAS. “It is not rational to try to reduce BOTAS’ obligations with another company’s contracts,” the expert said. “I guess these ambiguities will have to be clarified during the consultation process.”

All contracts concluded in Turkey incur stamp duty at 0.872% of their value. The levy has so far proved a stumbling block to creating an over-the-counter (OTC) market both for electricity and gas. The amended law stipulates the removal of this tax. However, skeptics have argued that the ministry of finance could oppose such a measure, explaining the necessity to retain it in order to rake in much-needed cash. The amended law also stipulates that all stakeholders in the natural gas sector, from transmission companies to storage and LNG terminal operators, distribution companies, generation and supply firms, will be “liable to provide sufficient information regarding their activities to other companies performing activities in the same field for the safe and effective operation of the ... gas system.”

Turkish private sector set to gain larger share of natural gas market

ICIS Heren, *08.10.2012*

The share of the Turkish private natural gas sector is expected to expand in 2013 because of a new source of supply and the release of volumes currently held by the pipeline operator BOTAS, a private sector representative told ICIS on the sidelines of the EIF Congress in Ankara.

A total of 1.2 billion cubic meters (Gm³)/year may be transferred to the private sector on the 6.6Gm³/year contract currently held by BOTAS with Azerbaijan's SOCAR, the source said. BOTAS has also hinted at the possibility of releasing another 4Gm³/year of Russian gas imported on the Western Line from 2013.

Additionally, Kazakhstan expects to export 0.7Gm³/year to Turkey from 2013. The central Asian country has reportedly applied to the Turkish regulator EMRA for a license to import the volumes into the country. The source said the volumes would be fed through the Russian pipeline network connecting Kazakhstan to Russia before they are shipped to Turkey. "I see 2013 as a milestone for the Turkish private sector," the source said. "If all these releases are enacted and we see more sources of supply, the share of the private sector in the market could be just over 30%," he said.

The volume releases are part of a program undertaken by BOTAS to reduce its market share to 20% in line with the requirements of the 2001 natural gas market law. The contract-release process has been slow because supplying countries had previously expressed a preference for negotiating directly with BOTAS rather than with private companies, sources have said. However, thanks to a greater push from the Turkish government and BOTAS in freeing up contracts previously held by the state pipeline operator, there is growing interest from the private sector in snapping up volumes.

So far a total of 10Gm³/year has been transferred into private hands and there are expectations that a further 4Gm³/year could be released from BOTAS's portfolio of long-term gas agreements with Russia. Turkey is also interested in acquiring new sources of supply, courting northern Iraq and now Kazakhstan to export some of their vast resources to its energy-hungry market where demand is expected to double to 87Gm³/year by 2023.

Iran, Turkey eye oil pipeline construction

Today.Az, *05.10.2012*

Iranian delegation which is on the visit to Turkey, has discussed a possibility of constructing an oil pipeline to Europe through Turkey's territory.

Iran's Oil Minister Rostam Qasemi told that the countries are discussing options for transferring Iranian gas to Europe, through Turkey. Industry, Mine, and Trade Minister Mehdi Ghazanfari said that signing a franchise trade agreement between Iran and Turkey is an important step in developing trade relations between the two countries. The officials of two countries are discussing a possibility of establishing a joint trade zone on the border of Iran and Turkey.

On the agenda of talks were also such topics as creation of joint enterprises, with support from investments from Iran, Turkey and also other countries. Oil Ministry spokesman Ali Reza Nikzad expressed hope that Iran's relations with Turkey will help to boost the transport and communication and railroads sectors to develop further. The Iranian delegation is led by country's first vice president Mohammad-Reza Rahimi, who has been invited by the Prime Minister of Turkey Recep Tayyip Erdogan.Previously, Turkish minister of energy and natural resources Taner Yildiz spoke on signing of new agreements in energy field between Ankara and Tehran. Iran and Turkey are determined to boost their trade exchanges to $30b in the near future. Turkey imports around 8 million tons of oil and 8 billion cubic meters of gas per year from Iran.

Sepil: Arbil natural gas to lower prices

Hürriyet Daily News (AA), *05.10.2012*

Energy prices may fall in Turkey with the contribution of northern Iraqi and Mediterranean gas, Mehmet Sepil, the chief executive officer of Genel Energy has said. The company has heavily invested in oil and gas fields in the region under the control of the Regional Government in Northern Iraq.

"Turkey needs more energy, particularly natural gas. Prices will be to the benefit of end users if Turkey puts the gas from northern Iraq and the Mediterranean to use," he said. Turkey should use every option to secure energy supplies as the country is unfortunate in terms of oil and natural gas reserves, he said.

He continued adding that bordering country Iraq should be very well analyzed by Turkish firms and the Turkish government itself. “The cost of oil exploration at sea is between $30 and $60 depending on the depth. But it is only $5 to extract oil in Iraq. That’s why all the oil majors are interested in Iraq. The probability of finding oil in Iraq is higher than any other place in the world. The probability to find oil in country, which is known to have reserves, is about 20 to 25 percent, while it is nearly 80 percent in Iraq,” he said. Turkey’s natural gas needs for the next 50 years can be supplied from northern Iraq, according to Sepil.

Genel Energy could halt oil exports over pay delay

Today’s Zaman, *05.10.2012*

Genel Energy said that it may halt exports after receiving no payment three days after Baghdad insisted a transfer of funds to the northern region had begun.

Baghdad and the Regional Government agreed last month to settle a dispute over oil payments after the northern region promised to continue exports and the central government said it would pay foreign companies working there. “If we don’t get paid, we will tell the Regional Government that we definitely want to cut off the exports,” Genel Energy President Mehmet Sepil told. “We have not received any money.”

Exports from Northern Iraq have risen to 170,000 barrels per day (bpd) and the fields of Taq Taq and Tawke, where Genel Energy is involved, are contributing about 110,000 bpd. In April, Northern Iraq halted shipments of its oil in protest over what it said were overdue payments from the central government to companies in the Northern Iraq region. It later resumed exports through a Baghdad-controlled pipeline from Kirkuk to the Turkish port of Ceyhan, but threatened to cut them off again if there was no agreement on payment. Iraqi Deputy Prime Minister Rosh Nuri al-Shawish told that the Finance Ministry had issued an initial $650 million payment to the Northern Iraq. London-listed oil explorer Genel, the first to arrive in Northern Iraq, has complained it has not been paid for most of the oil exported in 2009 and 2011. Other operators have voiced similar grievances.

Taq Taq and Tawke form the backbone of Northern Iraq exports and Sepil said deliveries from Taq Taq alone could be ramped up to around 95,000 bpd. Deliveries from Tawke could climb to 90,000 bpd, industry sources said. Khurmala, the northernmost part of the giant Kirkuk oilfield, makes up the remainder of exports. Northern Iraq has angered Baghdad by signing deals with foreign oil majors, such as Exxon and Chevron, contracts the central government rejects as illegal. The oil contracts row is part of a broader battle between the Baghdad government and Regional Government over oil rights, territory and regional autonomy that is straining Iraq’s uneasy federal union.

Hawrami: Baghdad gov't beginning oil payments

Hürriyet Daily News, *01.10.2012*

Oil payments from Baghdad to the Regional Government in the country's north was scheduled to be transferred, the Northern Iraq's Energy Minister Ashti Hawrami said, ending a heated tug-of-war over the issue, at least for now.

Baghdad and Arbil agreed earlier this month to draw a line under a dispute over oil payments after the latter pledged to continue exports and Baghdad said it would pay foreign companies working there. The Northern Iraq has riled Baghdad by signing deals with foreign oil majors, such as Exxon and Chevron, contracts the central government rejects as illegal.

"Payments will be transferred to the regional government: that's what I've been told in Baghdad," Hawrami told in the Iraqi capital. Hawrami was in Baghdad for a meeting also attended by Iraqi Oil Minister Abdul-Kareem Luaibi, at which they were due to discuss a long-awaited oil and gas law.

Azerbaijan seeks more scrutiny over BP-led project

AP, *15.10.2012*

Azerbaijan's top energy official has urged further scrutiny of the international consortium developing the Caspian Sea nation's main oil field amid mounting irritation at a slump in output. Industry and Energy Minister Natiq Aliyev said Monday that the drop-off in production over recent years at the Azeri-Chirag-Guneshli project was 'abnormal'.

President Ilham Aliyev said last week that errors by AIOC had cost the country $8 billion in lost revenue. BP Azerbaijan says it's working with state oil company SOCAR to address production issues. Natiq Aliyev insisted criticism should not be interpreted as a signal of worsening conditions for international investors in the ex-Soviet nation.

Azerbaijan's Aliyev blasts BP

Upstream Online, *11.10.2012*

BP remains "committed" to Azerbaijan despite the country's president accusing the super major of making "false promises" and "erroneous forecasts" about production at its plays.

President Ilham Aliyev has demanded the British giant take action over its continued failure to meet production targets which he maintained have left the country's coffers $8.1 billion short. BP is Azerbaijan's largest foreign investor and operates the largest oilfield in the country's sector of the Caspian Sea, Azeri-Chirag-Deepwater Gunashli (ACG), as well as its largest offshore gas and condensate field, Shah Deniz.

At a meeting of cabinet ministers, Aliyev said: "Oil production began to decline sharply on the Azeri and Chirag fields due to serious mistakes committed by the consortium over the past few years. This is not the first year, when oil production decreases." He added that "for some reason" production declined after share distributions in the projects changed in favor of Azeri investors. "The forecast for 2012 is 35.6 million tons. Given current production, it can be assumed that BP will not be able to extract more than 33 million tons of oil from Azeri and Chirag by the end of the year," Aliyev said. Although he pointed out that investments such as those made by BP had made Azerbaijan "one of the fastest growing countries in the world," he warned: "Investments have no charity functions."

"This is a specific business project. Up to now, the BP-led consortium invested $28.7 billion in the Azeri and Chirag oilfields and made revenue of $73 billion. So, quite big profit has been made," he contended. "I believe that all promises and presented forecasts should be fulfilled. I should note that this unexpected drop occurred only due to harsh mistakes by BP, which leads the consortium that operates the Azeri and Chirag fields," the president alleged.

"We have cooperated with BP for many years. At all times we have supported their activity. We supported them in their most difficult days. We expected adequate treatment. These erroneous forecasts given to us are unacceptable. The false promises given to the State Oil Company Socar are unacceptable. In the business world, there is no place for such relationship, it is impossible."

Aliyev alleged that these "mistakes" were "admitted" by BP which also promised that "significant changes" would be made, including holding those responsible for the issues to account. "Almost a month has passed from that time, but I do not see the implementation of these commitments," he continued. BP issued a one-line statement in response to a request for comment on the issue, saying: "We are fully committed to Azerbaijan. We are working with Socar to address Azeri Chirag Gunashli (ACG) production issues as quickly as possible."

Baghdad considers ditching Exxon

Hürriyet Daily News (Reuters), *13.10.2012*

Iraq is considering replacing ExxonMobil with Russian companies at the supergiant West Qurna-1 oilfield, after the U.S. major angered Baghdad by venturing into Northern Iraq.

The northern region has riled Baghdad by signing deals with foreign oil majors, such as Exxon, Total and Chevron, contracts the central government rejects as illegal. Nefte Compass, a weekly energy newsletter about the FSU and Eastern Europe, said on Thursday that Iraq is weighing whether to replace Exxon with Russia's Lukoil and Gazprom Neft - both already involved in the country.

It said that the proposal was due to be raised at a meeting this week between Iraqi Prime Minister Nouri al-Maliki and Russian President Vladimir Putin. The meeting took place, but no such offers - if they were made - have been made public. A spokesman for Russia's second-largest crude producer Lukoil, which operates West Qurna-2, said the company is not planning to increase its exposure in Iraq by acquiring a stake in West Qurna-1, reiterating the company's official line that it is satisfied with its portfolio in Iraq.

Gazprom Neft, the oil arm of the world's top natural gas producer Gazprom, declined to comment. Sources have told Reuters that Russia's top oil company Rosneft, may team up with Exxon in Iraq after the two have struck a landmark agreement to jointly tap Arctic hydrocarbon riches and oil and gas in North America. Rosneft also declined to comment on the possibility of entering Iraq.

Putin, a vocal opponent of the U.S.-led invasion of Iraq in 2003, called for Russia to strengthen its presence in the OPEC oil producer state at the meeting with al-Maliki. Sources also said Gazprom Neft has no plans to freeze its projects in Northern Iraq, it pledged to develop in August, refuting media reports. The company already has a project in Iraq, near the Iranian border, where it expects to produce about 15,000 barrels per day from 2013.

Exxon talking with oil majors to sell South Iraq stake

Rigzone (Dow Jones), *18.10.2012*

Exxon Mobil Corp. is in talks to sell its stake in a contract to develop a multibillion-dollar oil project in southern Iraq as it gears up to start drilling for oil in the Iraqi Kurdish region.

The U.S.-based energy giant's move to exit southern Iraq and push forward with its plans in the northern region suggests the central government's efforts to keep ExxonMobil operating solely in southern Iraq are likely to fail. This comes as talks between the Regional Government, or KRG, in Erbil and the federal government in Baghdad, aimed at resolving differences over oil rights, appear to have stalled again after a brief period of progress.

ExxonMobil is negotiating with international oil companies to take over its service agreement to develop the massive West Qurna-1 oil field in southern Iraq, one person familiar with the Iraqi oil ministry and another person familiar with ExxonMobil's operations in KRG said Thursday. Meanwhile, ExxonMobil is planning to start exploratory drilling in the semi-autonomous region as soon as early 2013, people with knowledge of ExxonMobil and the KRG said. “Exxon has informed the [central] government that it wants to sell its assets at West Qurna-1,” the person familiar with the Iraqi oil ministry told Dow Jones Newswires. The company is negotiating with several international oil companies to sell its entire 60% stake at West Qurna-1, he said.

Anglo-Dutch oil and gas company Royal Dutch Shell PLC has a 15% stake in the West Qurna-1 development contract, while the remaining 25% is owned by the Iraqi state oil company. ExxonMobil declined to comment when asked about the talks to exit southern Iraq and the plans to begin drilling in KRG. As ExxonMobil seeks to withdraw from southern Iraq, the firm is planning to start drilling in northern Iraq after delaying such plans for months in order to resolve a dispute with Baghdad over deals signed with the KRG. “Yes, they are preparing to start drilling in KRG at the beginning of next year,” the person familiar with ExxonMobil's operations said. ExxonMobil has already ordered the purchase of oil well casing heads and is negotiating a contract with an oil-services firm to start drilling in KRG, said another person familiar with ExxonMobil's operations in Iraq. “They have opened an office in Erbil,” he said.

Two of the people familiar with the situation said that ExxonMobil would start drilling operations in the Al-Qosh block near Mosul, in one of the disputed areas that have inflamed tensions between Baghdad and Erbil. In November last year, ExxonMobil provoked howls of protest from Baghdad when it became the first major international oil company to sign petroleum contracts with the KRG despite Baghdad's threats to expel it from a contract in southern Iraq. ExxonMobil signed a deal to develop six blocks with the KRG, which is locked in a feud with the Arab-dominated central government over land and oil rights. Three of the blocks are in areas disputed by Erbil and Baghdad.

Nabucco backers mull share offer to Shah Deniz II chiefs

ICIS Heren, *09.10.2012*

The consortium behind the planned Nabucco natural gas pipeline could offer a stake in the project to shareholders in the Shah Deniz II gas field in Azerbaijan from which it plans to transit gas to Europe, it emerged.

Speaking in Vienna after a meeting of the various investors, Nabucco Gas Pipeline International's managing director confirmed the company is in talks with the Shah Deniz II consortium to offer it an equity share in the project. "We are very close to agreement with the Shah Deniz consortium," said Reinhard Mitschek. "The parties will hold further negotiations in London next week and again in November."

Mitschek had earlier chaired a meeting with the Nabucco shareholders, energy ministers of Austria, Hungary, Bulgaria, Romania and Turkey, EU energy commissioner Günther Oettinger and Bulgarian Prime Minister Boyko Borisov. The partners developing the Shah Deniz gas field have recently been negotiating with the Nabucco consortium for an equity share in the pipeline project. The Azerbaijanis already have signed a funding deal with Nabucco's rival, the Trans-Adriatic pipeline (TAP). Nabucco's backers feel it important to appease the Shah Deniz II consortium in order to maintain a level playing field with TAP. Mitschek said that for a mainstream pipeline such as Nabucco, it was important to have both upstream and downstream partners and therefore he would welcome Shah Deniz involvement in the pipeline. Over the summer, Nabucco West a scaled-down version of the original Nabucco project was chosen as one of two possible transit routes along with TAP. Measuring 1,300km, it will ship between 10 billion-23 billion cubic meters/year to Europe.

Next year, the Azerbaijani syndicate will choose its preferred transit route for Caspian Sea gas. TAP is a 520km pipeline that aims to carry a maximum of 20Gm³/year from the Turkish border to Italy via Greece and Albania. Representatives of Nabucco's six shareholders were present. All parties reiterated full support for the project and for the Intergovernmental Agreement in place between the various countries which underpins Nabucco West. This has dampened speculation the Hungarian partner FGSZ will pull out of Nabucco West, having persistently expressed reservations on the scale and expenditure of the project since April. FGSZ's shareholding was recently diluted to 14.7% from an equal 16.66% following its decision to withhold quarterly payments to the project in the absence of secure gas supplies. This allowed the remaining companies to up their stake to 17.6%.

In a separate development, Mitschek told that negotiations are ongoing with Germany's Bayerngas, with a view to bringing them on board. Mitschek said that changes in the executive board of Bayerngas had slowed down discussions over the summer and that due diligence was ongoing. He did describe the negotiations as "fruitful" and expects to have reached conclusion by the end of the year.

OMV counts cost of failures in Northern Iraq

Upstream Online, *19.10.2012*

Austria's OMV has warned its third quarter bottom line will be hit with exploration costs of around €180 million ($235 million) mostly over exploration failures in the Kurdish region of Iraq. OMV spent just €68 million ($88.7 million) on exploration in the second quarter.

The Vienna-based integrated energy player described the higher outlay as being mainly due to one-off charges from "the write-off of unsuccessful wells and exploration licenses...in Mala Omar and Shorish," without giving further details.

The explorer has seen success with its third operated block in the region, Bina Bawi, but Shorish and Mala Omar – where a probe was due to be sunk this year - have yet to yield any results. The company also warned its net special charges would result in a cost of €38 million ($49.5 million), mostly over a legal case in Kazakhstan. OMV's overall production rose to 309,000 barrels of oil equivalent (boe), compared to 305,000 boe in the second quarter and 283,000 boe in the third quarter of 2011.

The explorer put the increase down to resuming output in Yemen in July as well as a stronger contribution from Austria and Tunisia, partly offset by lower production elsewhere, mainly in the UK. Lower liftings in Tunisia and Libya and no lifting in Yemen meant sales volumes decreased over the period, the company said. The Austrian outfit said it had gained from the dollar's rise against the euro because the oil price in euro rose more than it did in dollar terms. Higher oil prices plus higher levels of stored gas with its Romanian subsidiary Petrom will translate into unrealised gains of €60 million ($78.3 million), the company added. OMV's full third quarter results are due out on 7 November.

EU preparing to ban gas imports from Iran

EurActiv, *05.10.2012*

The European Union is poised to ban imports of Iranian gas into Europe as part of its efforts to ratchet up pressure on the Islamic Republic over its nuclear program.

Diplomats from EU member states have started to prepare a package of sanctions against Iran with a goal of formally adopting them at a meeting of foreign ministers on 15 October in Luxembourg. "There is agreement on gas," one of the diplomats said, speaking on condition of anonymity. "The big states back it, Germany, Britain, France," another one said.

The fresh sanctions also consist of various finance and energy-related proposals, three EU diplomats said. The moves come as European governments and the United States are searching for new ways to pressure Tehran into scaling back its nuclear work after diplomacy foundered earlier this year. Tehran denies its work has any military intentions. But tensions over the issue are on the rise, with Israel threatening to strike Iranian uranium enrichment installations.

The United States, since 1995, has banned US firms from investing in Iranian oil and gas and from trading with Iran. The European Union has been much slower to ban Iranian energy. It imposed an embargo on Iranian oil this year, after banning the creation of joint ventures with enterprises in Iran engaged in the oil and natural gas industries in 2010.

Existing sanctions cover investment in Iranian gas, but do not specifically outlaw imports, which are insignificant In terms of volume, but symbolic. The EU sources said Iranian crude reaches Europe via Turkey, which blends it with Azeri gas and ships it on. They said there was a risk of the new measure alienating Turkey, which has a pivotal role to play in its plans to diversify gas supplies away from dominant supplier Russia, but it was a risk worth taking. Turkey controls a huge chunk of a planned new export route for shipping Azeri gas, which would link up with one of two short-listed pipelines to complete the journey into the EU.

Limited impact seen if Iran’s gas exports cut

Hürriyet Daily News, *11.10.2012*

Natural gas sanction on Iran will produce poor results, but may hit Turkey, says a report by the US Energy Information Administration. Turkey buys more than 90 percent of Iranian natural gas production, it adds.

A reduction in natural gas exports from Iran would not have much impact on world energy markets, but could hurt Turkey and part of Azerbaijan, according to a U.S. report. The report is designed to be used by the U.S. administration as it considers whether to broaden sanctions on Iran over its disputed nuclear program to include sales of natural gas.

“The potential global impacts of restricting Iranian gas exports are limited,” the U.S. Energy Information Administration report said. The report was required by the latest U.S. sanctions law against Iran signed in August. The United States and other Western nations have targeted Iran’s energy sector for sanctions as an effort to cut off revenues it believes Iran is using to build nuclear weapons. Tehran has insisted its program is for civilian purposes.

The European Union is poised to ban imports of Iranian gas, a measure it may formally adopt at a meeting of foreign ministers on Oct. 15. “The (EIA) report gives cover for the administration to broaden sanctions to cover natural gas exports,” said Mark Dubowitz, the head of the Foundation for Defense of Democracies, an advocate for stronger sanctions on Iran.

Iran has large reserves of natural gas, but its current exports go mainly to Turkey, which buys more than 90 percent of the output under long term contracts. Armenia and Azerbaijan purchase 6 percent and 3 percent, respectively. “Clearly, Turkey would be placed in a very difficult position in the event that it is unable to continue importing Iranian natural gas,” the EIA said. A prolonged period without access to Iran’s natural gas could “have a major disruptive effect” on Turkish industry, home heating and power generation, the report said. Congress is also considering tweaks to a U.S. sanctions law that could blacklist a broader range of Iran’s energy sector.

Romney, Obama argue energy policy in economic revival

Rigzone, *17.10.2012*

Republican presidential candidate Mitt Romney and President Barack Obama exchanged jabs in the Oct. 16 presidential debate over which candidate had a true 'all-of-the-above' energy policy and which was the best solution for future U.S. job growth.

President Obama raised the topic of energy as part of his plan to help revitalize the U.S. economic outlook, saying that U.S. control of all its energy resources was critical in his plan for creating job opportunities for college graduates entering the workforce and older, unemployed workers.

"We've got to make sure we're building the energy source of the future, not just thinking about next year, but 10 years from now, 20 years from now. That's why we've invested in solar and wind and biofuels, energy efficient cars," Obama said, pointing to the thousands of manufacturing jobs in the U.S. wind industry. Former Massachusetts governor Romney argued his plan to make the United States energy independent through more exploratory drilling and production onshore and offshore and approval of the Keystone XL pipeline project would help create more U.S. manufacturing jobs. "Because our energy is low cost, they are already beginning to come back because of our abundant energy," Romney explained, noting that his aggressive energy policy would add 3.5 million more jobs in the United States.

Obama told the audience that U.S. oil production is at the highest level seen in 16 years and natural gas production is the highest it's been in decades. U.S. coal production and employment also have increased. However, Romney countered that the increased production had occurred in spite of the Obama administration's policies, noting that oil production on federal land is down 14 percent this year and natural gas production on federal land is down 9 percent for 2012. He attributed the production decline on federal lands to Obama cutting half the number of licenses and permits for drilling on federal lands and in federal waters.

Much of the increased production came from the Bakken unconventional oil play in North Dakota, Romney noted. Instead of encouraging development of the Bakken, the administration has brought a criminal action against drillers under the migratory bird act because 20 to 25 birds were killed. "I want to make sure we use our oil, our coal, our gas, our nuclear, our renewables," Romney said during the debate, in which both candidates repeatedly cut each other off and cut off moderate Candy Crowley to argue points. "I believe very much in our renewable capabilities; ethanol, wind and solar will be an important part of our energy mix." "But what we don't need is a president keeping us from taking advantage of oil, coal and gas," said Romney. "This has not been Mr. Oil, or Mr. Gas or Mr. Coal," noting the difficulty in getting new coal plants constructed in the United States and the number of coal jobs lost.

Obama attacked Romney's all-of-the-above energy plan as a plan "to let the oil companies write the energy policies", noting that the United States needs to invest in clean energy technologies as a way to create future jobs. At one point in the debate, Romney asked Obama how much federal land he had placed off limits for exploration and production during his time in office, Obama argued that the administration had taken away federal leases held by oil companies who were not drilling them. "And we are now reletting them so that we can actually make a profit," Obama noted.

Obama argued that his administration has opened up more public lands for drilling, with more drilling on public lands than in the previous administration under George W. Bush. He also noted that, as governor of Massachusetts, Romney "took great pride" in shutting down a coal plant. "With respect to something like coal, we made the largest investment in clean coal technology, to make sure that even as we're producing more coal, we're producing it cleaner and smarter," said Obama. "Same thing with oil, same thing with natural gas."

The president commented that the United States is using oil more efficiently, with oil imports down to the lowest levels seen in 20 years. Romney argued that the rise in gasoline and electricity prices since Obama took office four years ago is proof that the president's energy strategy is not working. Obama attributed the lower energy prices in 2008 versus today to the United States being on the verge of an economic recession when he took office four years ago.

Serbia seeks 10% Russian gas price cut next year

Ria Novosti, *01.10.2012*

Serbia expects Russian Gazprom to cut the price of natural gas supplies next year by a further 10 percent, Srbijagas CEO Dusan Bajatovic said.

Under a contract signed between Srbijagas and YugoRosGaz, a Gazprom subsidiary in Serbia, the Balkan republic currently pays $470 per 1,000 cubic meters for Russian gas supplies, or 12 percent less than last year. Serbia wants Gazprom to cut the price to $420 next year, which corresponds to a 10 percent price cut. "The cut will have no impact on the gas price for final consumers who now receive it at a price 30 percent below the market value," Bajatovic said.

Srbijagas is currently owed 800 million euros while the company owes 630 million euros to banks, he said. Russia is the main supplier of natural gas to Serbia. The 2012 contract between Srbijagas and YugoRosGaz envisages gas supplies of up to 2 billion cubic meters.

IEA says Iraq oil output could more than double by 2020

Hürriyet Daily News, *09.10.2012*

Iraq could more than double its current daily oil production by 2020, vastly boosting its economy and helping to bring stability to global energy markets, the International Energy Agency forecast.

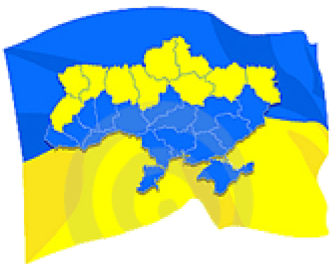
The country's crude oil output could grow to 6.1 million barrels per day (mbpd) in eight years' time from about 3.0 mbpd currently, the IEA said as it unveiled its Iraq Energy Outlook report in London. The IEA added that Iraq stood to gain almost $5.0 trillion (3.85 trillion euros) in revenue from exporting oil up to 2035, as long as the country invested more than $530 billion on raising its energy output.

"In our central scenario, Iraq's oil production more than doubles to 6.1 mbpd by 2020 and reaches 8.3 mbpd in 2035," said the IEA, which advises oil-consuming developed countries on energy policy. "The largest increase in production comes from the concentration of super-giant fields in the south around Basra," it added. But reaching such a high level of output "will require rapid, co-ordinated progress all along the energy supply chain," the agency stressed.

"Adequate rigs will need to be available at the right time. Early investment in a challenging project to bring up to eight mbpd of water inland from the Gulf to Iraq's southern fields will be essential to support oil production and to reduce potential stress on scarce freshwater resources." Iraq has proven reserves of 143.1 billion barrels of oil and 3.2 trillion cubic meters (111.9 trillion cubic feet) of gas, both of which are among the largest in the world. Baghdad is looking to dramatically ramp up both production and sales in the coming years, bringing in much-needed cash to rebuild its conflict-battered economy.

Ukraine sees no gas crisis this winter

Natural Gas Europe, *05.10.2012*



Vice Prime Minister of Ukraine Valeriy Khoroshkovskyi has said that there will be no gas crisis in Ukraine this winter. Speaking in response to a question in Kiev, Minister Khoroshkovskyi said that he did not foresee any issues with supply in the coming colder months.

"I believe that in the nearest future, in the nearest winter, there will be no crisis because we work within the frameworks of the agreement that has been signed," he said. "I see no problems for the EU first of all because of some troubles that may exist between Ukraine and Russia. I'm sure this winter will be okay."

In January and February this year, a gas crisis hit several countries with the EU as a cold snap increased demand and supply dropped through Ukraine. Media reports said that Gazprom was struggling to keep up with supply demands in light of the extreme cold and could not meet its commitments to customers.

However, Gazprom then alleged that it had no issues in meeting the gas demands of its customers, instead accusing Ukraine of taking more gas than it was due. "On some days, up to 40 million cubic meters of gas were stuck in Ukraine," Gazprom CEO Alexey Miller said in February. "No doubt that it inflicted both financial and reputational damage on Gazprom. Meanwhile, there is no efficient mechanism to control the behavior of Naftogaz Ukrainy in such a situation."

Ukraine hit back angrily saying that it had not siphoned supply and had only taken what was it was contracted to take. "Ukraine did not siphon off a single cubic meter of gas at the expense of Russian gas transit to Europe," Deputy Board Chairman of Naftogaz, Vadim Chuprun, retorted. "We are stating this officially and this is confirmed by corresponding documents. We fulfilled clearly and in full all of our contractual obligations for the transit of Russian natural gas to Europe."

Iranians plan oil spill to block Hormuz, German weekly says

Reuters, *15.10.2012*

Iran's Revolutionary Guards chief has drafted a plan to cause an environmental disaster in the Strait of Hormuz to block seaborne oil exports with the goal of removing economic sanctions imposed on Tehran, the Der Spiegel said in an unsourced report.

There was no independent confirmation of the report. The German newsmagazine reported that Mohammad Ali Jafari's plan, codenamed "Muddy Water", envisages the Iranians steering a tanker onto the rocks in the Strait, the world's most important oil shipping waterway.

"The aim is to block shipping temporarily through the contamination, to 'punish' adjacent Arab states that are hostile to Iran and to force the West to take part in a large-scale cleanup of the waters - and possibly thereby a suspension of sanctions against Tehran," Spiegel said. "Decontamination would only be possible with technical help from the Iranian authorities and for this the embargo would have to be at least temporarily lifted," it said. "Iranian firms, some of them owned by the Revolutionary Guards, could even profit from the rescue operations."

Der Spiegel gave no source for its report but said Western intelligence services were studying the plan, which it said now required only the approval of Iranian Supreme Leader Ayatollah Ali Khamenei to be put into effect. Iran's economy is buckling under the weight of Western sanctions aimed at forcing the country to suspend its nuclear program and negotiate seriously to resolve concerns that it is covertly trying to develop atom bombs, a charge Iran denies. About 40 percent of the world's seaborne oil exports pass out of the Gulf via the Strait of Hormuz. Iran has previously threatened to disrupt Gulf oil shipping if Israel or the United States carries out any attacks on its nuclear facilities.

Poland trims Russian influence with Qatar gas loan deal

EurActiv, *05.10.2012*

Poland sent a clear message of moving away from its dependence to Russia, when it secured the final investments needed to start construction of its first LNG terminal, expected to start importing gas from Qatar in 2014.

The European Bank for Reconstruction and Development (EBRD) said it gave a €75-million, 12-year loan to Polish gas grid operator Gaz-System to begin building the terminal. The rest of the financing for the total cost of €660 million will come from the European Commission via grants, European Investment Bank and the company, from its own revenues.

"What this project really represents is a choice for Poland to receive one third of its gas from a country other than Russia for the first time," EBRD Managing Director for Energy and Natural Resources Ricardo Puliti said. He added that this move is part of a strategy meant to ensure the security of energy supply to South-Eastern Europe. The project is of "very high" importance because it will allow for more gas to be available to neighboring countries Slovakia, Hungary and the Czech Republic and to "Central Europe as a whole", Puliti said.

The Baltic Sea facility will give Poland and its land-locked neighbors in central and Eastern Europe access to the global LNG market, an alternative to gas supplied via pipelines from Russia's Gazprom on which Poland depends almost entirely for imports. The terminal will receive oil-indexed gas supplies from Qatar, but two-thirds of its import capacity will be reserved for cargoes imported on a spot basis from elsewhere, potentially opening the door to cheaper energy. Qatar occupies the top spot as the world's largest single producer of liquefied gas. Seaborne gas delivered by Qatari state-run exporter Qatargas, even though it is oil-linked, will likely undercut Russian pipeline gas and reduce its dominant position in Poland, Puliti said. "By raising competition you are in a better position to re-negotiate long-term contracts with all suppliers," he said.

"The construction of the terminal in Swinoujscie is one of the most important investments currently being carried out in Poland," Treasury Minister Mikolaj Budzanowski, whose ministry oversees state assets, said in a statement. It is hoped that supplier diversity will strengthen Poland's negotiating position in a row with Russia's Gazprom over gas prices that are linked to oil. Russia's cash-strapped European customers are stepping up their opposition to oil-indexed gas supplies while the European Commission is investigating Gazprom over suspicions that it hindered the free-flow of supply across the continent. Previous disruptions to Russian gas supply have fuelled the debate in Poland about its reliance on Moscow. Its 15 billion cubic meter/year gas market relies on Russia for almost all of its imported supplies and poor connections to nearby European markets hamper attempts to diversify with pipeline supplies.

Announcements & Reports

► *Turkey 2012 Progress Report*

Source : European Commission
Weblink : http://ec.europa.eu/enlargement/pdf/key_documents/2012/package/tr_rapport_2012_en.pdf

► *Iraq Energy Outlook*

Source : International Energy Agency
Weblink : http://www.worldenergyoutlook.org/media/weowebsite/2012/iraqenergyoutlook/Fullreport.pdf

► *Medium-Term Oil Market Report 2012*

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=440

► *OPEC Bulletin (Aug – Sep 2012)*

Source : Organization of the Petroleum Exporting Countries
Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/OB08_092012.pdf

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

Source : Organization of the Petroleum Exporting Countries
Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMR_October_2012.pdf

Upcoming Events

► 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

CIS OIL AND GAS TRANSPORTATION
14th Annual Meeting

► 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/

Supported by PETFORM

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

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

ATLANTIC COUNCIL

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► All Energy Turkey *(in Turkey)*

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

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