Iraq expels TPAO from energy deal

Hürriyet Daily News, *08.11.2012*

One week after a wide oil search deal with Ankara, Iraq decides to cancel an oilfield deal with Turkey's TPAO, a move that points at rising tensions. Turkish energy minister downplays the move, saying oil ties will continue.

Iraq has expelled Turkey's state-run TPAO from an exploration deal in the south of the country, an oil ministry official said yesterday, in the latest sign of worsening ties between the two countries. This came only one week after a crucial deal between Ankara and Baghdad on oil exploration in southern Iraq.

The exploration deal was for a tract of land in the oil-rich Basra province and had been awarded in May to Kuwait Energy, TPAO and Dragon Oil of the United Arab Emirates. "For reasons to do with non-technical issues and outside the responsibility of my office and me personally, the Turkish company TPAO was excluded from the consortium," said Abdul Mehdi al-Amidi, head of the oil ministry's contracting and licensing department. Amidi did not comment on why TPAO was expelled, but the decision comes amid icy ties between Iraq and Turkey.

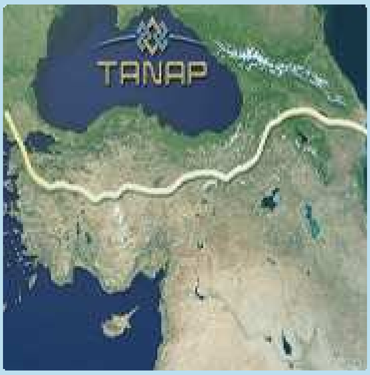
Iraq has also publicly urged Turkey to hand over fugitive Vice President Tareq al-Hashemi, who has been sentenced to death in Baghdad on charges of running a death squad. "This decision is final, there is no approval to sign the contract for Block 9," he said, referring to the exploration block in southern Iraq. "The decision to expel TPAO is from the cabinet." Amidi said the contract included provisions allowing companies' shares to be sold to others and raised the possibility that Kuwait Energy would take over TPAO's stake, increasing its share to 70 percent in the consortium, with Dragon Oil retaining the remaining 30 percent. The three-member consortium originally won the oil exploration contract for the block in a May 30-31 public auction in which they agreed to be paid a service fee of $6.24 per barrel equivalent extracted.

Turkey will continue with its Iraqi projects, Energy Minister Taner Yildiz said while responding to journalists during a wind energy meeting in Istanbul yesterday. "We meet the decision with respect," Reuters quoted him as saying. "We will continue supporting normalization in Iraq's north, south, east and west. If they have any demand from us, I would like to mention once again that we will not remain deaf to that." Yildiz said Turkey has joint projects in Iraq with Russia, South Korea and Kuwait. "This was one of those projects. We will continue with our way."

Turkey and Iraq signed a $350 million contract with Iraq on Nov. 1 for 40 drills in the south. Amidi's statement came as Iraqi officials signed a deal yesterday with Russia's Lukoil and Japan's Inpex to explore a 5,500-square-kilometer tract of land believed to contain oil in southern Iraq.

BP, Statoil and Total buy into TANAP gas pipeline

Reuters, *07.11.2012*



BP, Statoil and Total have agreed to acquire a combined 29 percent in the Trans-Anatolian natural gas pipeline project (TANAP), designed to reduce Europe's reliance on Russian gas, Azeri state energy company SOCAR said.

BP and Statoil each will have a 12 percent stake, and Total will get 5 percent, SOCAR head Rovnag Abdullayev said on Wednesday. A spokeswoman for BP-Azerbaijan said the company expected completion of discussions in a few weeks over participation in the TANAP pipeline project, which would take Azeri gas to Turkey and to other markets in Europe.

"BP is working with other participants of the project in order to speed up technical and commercial aspects of its implementation," spokeswoman Tamam Bayatly said. She did not reveal any financial details. Turkey has a 20 percent stake in TANAP, while SOCAR holds 80 percent. SOCAR offered in September to sell BP, Statoil and Total 29 percent of the total, taken out of its stake. Azerbaijan's $33 billion state oil fund said on Tuesday it would help finance the TANAP project starting from 2013 but did not specify the amount of money it might invest. The preliminary total cost of TANAP has been estimated at $20 billion.

Socar and Turkish firm partner for gas trade

Hürriyet Daily News, *06.11.2012*

The Turkish unit of Azerbaijani state-run energy company Socar and a local company have partnered to market and sell energy resources, including natural gas, in Turkey.

Socar Turkey Energy and the Turkish gas company Cig Enerji, a joint company of Turkish businessmen Fatih Baltaci and Fettah Tamince, have established Socar Gaz for the distribution of up to 800 million cubic meters of Azeri gas on the domestic market. Some 1.2 billion cubic meters of gas imported from Azerbaijan was allocated to Petkim, a local petrochemical company controlled by Socar, according to a recently signed agreement between Turkey and Azerbaijan.

Some 400 million to 500 million cubic meters of the gas, which will be imported as of Jan. 1, will be used in Petkim facilities, while the rest will be sold in Turkey, the president of Socar Turkey, Kenan Yavuz, recently said. Azerbaijani gas is considerably cheaper than the Russian and Iranian gas, which will make it easier to sell in the country. Per 1,000 cubic meters of gas, Turkey currently pays nearly $423 to Iran, $418 Russia and only $282 to Azerbaijan, the newspaper said.

Turkey hopes Iran oil trade will continue after waiver

Hürriyet Daily News, *09.11.2012*

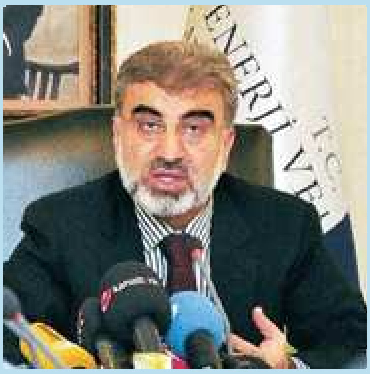
Turkey will continue to buy similar amounts of oil from Iran after Dec. 3, when its exemption from U.S. sanctions ends, according to Energy Minister Taner Yildiz.

"I think the actual amounts of oil we buy from both Iran and other countries will not change," Yildiz said. The U.S. has exempted Turkey from its oil and gas sanctions which are claimed to work against Iran's alleged nuclear weapons program for some time, along with India, South Korea, Malaysia, Sri Lanka and Taiwan. However, U.S. sources said Turkey's position was not an exemption but an exception.

"I always mention that we would like to diversify oil sources with countries such as Saudi Arabia, Libya and Russia. New countries may be added to this list," Yildiz said. Commenting on recent interest from BP, Statoil and Total in the Trans-Anatolia Pipeline (TANAP), the multibillion dollar Turkey-Azerbaijan project to carry Caspian gas to the West, Yildiz said Total's move would not bother Turkey. The Turkish Foreign Ministry said earlier this month that it would reconsider Turkey's investments in companies which would partner with Greek Cyprus in Mediterranean energy exploration. The four new companies that Greek Cyprus says it will bargain with on the issue include France's Total.

Turkey inks Iraq deals amid political tensions

Hürriyet Daily News (AA), *03.11.2012*



The Turkish Petroleum International Company (TPIC) and the Iraqi government have signed $350 million worth of deals for 40 oil drills in Basra, Energy Minister Taner Yildiz said.

Turkey is in talks with Baghdad to open 7,000 other wells and cooperating with Iraq on such studies, he told journalists in Ankara. "We are present in the whole of Iraq, without differentiating between the north, south, east, or west," Anatolia news agency quoted Yildiz as saying. TPIC, a sister company of the state-run TPAO, has already finalized drills in five Basra fields, he added.

Turkey is currently at political odds with the central government in Iraq, with the status of fugitive vice president Tariq al-Hashemi, who took shelter in Turkey, topping the disputed issues. An Iraqi court sentenced al-Hashemi and an aide to death for the second time on Nov. 1 on charges of masterminding a bomb attack on an Iraqi army officer. The court in the northern Iraqi city of Arbil passed the sentence on al-Hashemi in absentia, who is currently in Turkey. In May, Interpol issued a worldwide alert for the arrest of the Iraqi vice president.

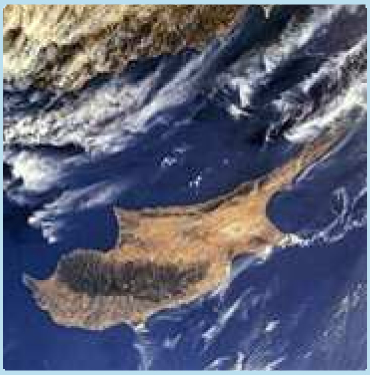
On the other hand, Turkey's energy ties with the Regional Government in the north of the country are on the rise, with Ankara-based Genel Energy developing its search activities there with the acquisition of new licenses. Tüpras, a Turkish private company, is also buying a moderate amount of crude from northern Iraq via road freight. Nevertheless, Yildiz said there was no significant increase in Turkey's oil imports from northern Iraq.

TPAO is considering taking part in a new round oil and search tenders in Iraq, Reuters has reported. Turkey does not plan to privatize either TPAO or Botas, the pipeline company, Yildiz said. Botas will become a holding company and secure its size, but it will separate its domestic activities, he said. The energy ministry is cooperating with the Treasury for the public offerings of these two companies, Yıldız said, adding that $50 billion worth of energy investments had been made in the last 10 years in Turkey and that 61 percent of this sum belonged to the private sector.

Turkey's electricity generation has increased to 229 billion kwH and Turkey is now in a position where it produces more electricity than it consumes, Yildiz said, adding that the private sector was producing 61 percent of the total electricity power. However, the ministry wants to increase the share of the private sector in power generation to 75 percent. Yildiz said Turkey should make $5 billion worth of energy investments every year. He also added that Turkey did not plan to decrease the amount of natural gas it imports from Iran, saying that no such demand had come from the U.S.

Greek Cyprus extends search

Hürriyet Daily News (AFP), *01.11.2012*



Greek Cyprus approves licenses for four off shore gas deposits, before starting talks with four large companies including Total and ENI. The Mediterranean move may increase the tension with Ankara.

Greek Cyprus has approved licenses for the exploratory drilling of oil and gas deposits in four blocks off its shores, Commerce Minister Neoclis Sylikiotis has announced, in a move that may increase existing tensions with Turkey in the Eastern Mediterranean. Drilling permits were approved for blocks 2, 3, 9 and 11, the minister said.

Turkey may 'reconsider' local Eni investments over Greek Cyprus ties

Reuters, *03.11.2012*

Turkey will reconsider Eni's investments in Turkey if the Italian energy company cooperates with Greek Cyprus in exploring oil fields in the Eastern Mediterranean Sea, Turkish Energy Minister Taner Yildiz has said.

It is not right to seek oil in an area disputed by international law, Yildiz said in Ankara. "If Eni goes into such a thing, then we will think over their Turkey investments. As you know, it has a share in the Samsun-Ceyhan pipeline, and of course we might put this on our agenda. Of course, we do not find it right that Eni works with Greek Cyprus in an area that belongs to the whole of Cyprus," he said.

Samsun-Ceyhan is a crude pipeline planned to span Turkey from the Black Sea province of Samsun to the oil hub Ceyhan in the south. Eni, Russia's Rosneft and Transneft and Turkey's Calik are partners in the project. Eni is also a partner to the Blue Stream, a transport system running beneath the Black Sea that supplies Russian natural gas to Turkey. With a transport capacity of 16 billion cubic meters annually, it is the main Russian natural gas link to Turkey and owned and operated by Blue Stream Pipeline Company BV (BSPC), a joint venture between Eni and Russian Gazprom.

Turkish natural gas industry lobbies on market law amendments

ICIS Heren, *06.11.2012*

Proposed government amendments to Turkey's natural gas market law should be reviewed to ensure the new legal framework lays a solid foundation for a competitive, transparent and liberal market, companies consulted on the draft regulations have said.

The proposed amendments published in September were open to consultation until 10 October. ICIS understands more than 200 comments were collected from the private gas sector and possibly just as many from the electricity sector. The comments were subsequently submitted to the Ministry of Energy and Natural Resources by the private gas sector.

The revised recommendations include a request to produce a roadmap with firm time lines for the liberalization of the gas sector and the unbundling of the pipeline operator BOTAŞ as well as references to import licenses, contractual terms, storage obligations, transit, balancing and LNG.

Under the government-proposed amendments, BOTAS is expected to be split into three entities: BOTAS transmission, BOTAS storage and LNG; and BOTAS trade, imports and oil transmission. The unbundling is expected to take place a year after the publication and enforcement of the amendments. Market participants said the proposal was in line with the spirit of the main natural gas law published in 2001, which requires the splitting of BOTAS and the reduction of its market share to 20%. However, they pointed out the latest recommendations made by the government were not firm enough regarding the reduction of BOTAS's market share. They noted that although under the latest government proposals BOTAS would be banned from concluding new natural gas sale contracts, the company would be allowed nonetheless to renew and extend existing agreements when they reach their expiry date. The private sector now insists the law should include a firm requirement that caps the extension period to one year. BOTAS has already transferred 10 billion cubic meters (Gm^3)/year of Russian long-term contracts to the private sector and another 4Gm^3/year of Russian imports are expected to follow suit next year. Equally, a total of 1.2Gm^3/year from BOTAS's long-term contract with Azerbaijan could be freed up also from next year.

Market participants are adamant any transfers or assignments of current purchase contracts or volumes be subject to tenders, ensuring when deemed necessary, that BOTAŞ may sell imported gas to domestic wholesalers, transmission companies and other importers. In this context, they reiterated the necessity to create a legal framework that establishes transparent and competitive gas trading on EPIAS, an energy exchange. The bourse is being intensely discussed in the electricity sector and is expected to create a liquid trading platform.

Companies who took part in the consultation also stressed the need to allow the market to import gas without necessarily signing long-term contracts with suppliers. They argued that in a globalized market natural gas can be bought on the spot either as LNG or as piped gas from countries such as Romania, Bulgaria or Greece. They further insisted a government proposal to require counterparties to conclude written contracts for the purchase of gas was misplaced. They suggested instead any deals concluded on a short-term basis should be presented as a verbal agreement backed up by an invoice for the supplied volumes. They maintain verbal agreements for the purchase of daily gas supplies would not contravene the Turkish constitution.

The government-proposed amendments recognize the importance of building storage facilities and ensuring reserves of gas, requesting importers set aside 10% of their volumes. Market participants agreed, but argued that given the current shortage of storage facilities, the 10% obligation would act as a barrier to prospective importers. The government was urged to review the limit in accordance with the existing infrastructure and the supply-demand balance. The government recommendation for LNG terminals to keep a designated volume available for withdrawal in case of an emergency was dismissed in comments, which said that operations at LNG terminals can be organized freely and promptly between buyer and seller.

Consulted parties accepted government proposals to bar the transit of gas through the national transmission network. However, they pointed out that any issues related to transit pipelines or interconnectors should be the focus of a separate law. It was also recommended that to balance the system in the absence of appropriate storage facilities, market participants should decrease the level of supply to customers with intermittent consumption. Such a decision should be regulated by the regulator's board on an annual basis. There was agreement the total amount of provided to an end-consumer by a wholesale company in any given year should not exceed 20% of the national consumption forecast. However, commentators insisted the proposed percentage should not be calculated based on a wholesaler's churn rate, but on actual supplied volumes. Market participants are keen the government remove a requirement, which asks LNG importers to solicit the opinion of the Ministry of Energy when concluding deals. They reiterate the import of LNG is based on different dynamics than piped gas, which establishes physical ties between countries. As a result, LNG, as a flexible balancing commodity, should be exempt from bureaucratic procedures, they said.

The amended law stipulates that all stakeholders in the natural gas sector ranging 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 natural gas system". Along with radical reform in the electricity sector, the overhaul of the Turkish gas sector sits at the heart of the government's ambition to establish the country as a major energy hub. The industry recommendations will be studied by the ministry, which will then send the final proposed amendments to the council of ministers. After the document receives the sign-off from ministers, it will be forwarded as an official government bill to the parliament's energy commission before being approved by the general assembly and the president.

Turkish energy security in the spotlight

Natural Gas Europe, *29.10.2012*

Energy security in Turkey has been covered before by Natural Gas Europe: as recent events have shown, it remains a critical issue at the intersection of energy, politics, and security. Unless Turkey can get the problem under control it risks becoming a serious liability, coming as it does during a perfect storm of other economic and political problems.

Turkey's energy security has two main weak points, both resulting from a primary vulnerability the country's extensive use of natural gas in its energy mix (around 33% of the total) and its need to import 98% of this.

The first weak point is the most dramatically apparent: repeated acts of sabotage against major cross-country gas pipelines by Kurdish separatists. The Baku-Tbilisi-Erzurum pipeline was blown up on 4 October and was offline for a week; the Iran-Turkey pipeline was hit on 8 October, and again on 18 October, just three days after the flow had resumed. The third blast took place as a military convoy was passing, leaving 28 Turkish soldiers injured. Strikingly, Turkey's BOTAS formally asked Iran to come and help repair the damage.

The attacks have been almost certainly carried out by the Kurdistan Workers' Party (PKK), which has been fighting for self-rule for four decades. The conflict has waxed and waned repeatedly but this summer has seen the heaviest fighting in southeastern Turkey for years – hundreds have been killed in clashes between the PKK and the army. The militants have also attacked schools and businesses in an effort to undermine the Turkish government's social and economic grip. Sabotaging pipelines is part of the same strategy. Since the start of the year the three major pipelines in eastern Turkey the Iran Turkey gas pipeline, the BTE, and the Kirkuk-Ceyhan oil pipeline have been sabotaged at least eight times. But is it effective? Admittedly the attacks have not wrought economic chaos, but it does take time to repair them. Between 1 October and 26 October, both gas pipelines together carrying around 30 million cubic meters a day - were operating for only two days.

With these pipelines out of action Turkey is forced to increase supplies from Russia and Azerbaijan, or Iran (depending on which has been hit). In October, Turkish imports from Russia through the Blue Stream pipeline increased by 50%; supplies from Azerbaijan's Shah Deniz field were also boosted once the BTE came back online. Russia already supplies the lion's share of Turkey's gas about 58% so boosting imports makes Turkey, at least for short spells, even more reliant on Gazprom. From one perspective it's encouraging that Turkey has an alternative supplier, particularly one with the capacity to significantly boost imports at short notice. But reliance on Russia carries its own risks, and is Turkey's other energy security weak point.

Russia has been a reliable supplier to Turkey so far. Its reputation for using energy as a political weapon is hardly a secret in the region. The security of Russian supplies has been based on the warm political relationship between Ankara and Baku: if that changes then it also changes the calculus behind Turkey's enormous dependence on Russian gas. Of course, Turkey is not some puny former Soviet satellite. Cutting supplies for political reasons would not do Russia's international standing any good and would be a major red line for Turkey and the West. But 'technical reasons' is a conveniently broad excuse, and it is not inconceivable that Russia would use it if it felt suitably aggrieved. Right now the situation in the Middle East is sorely testing the Moscow-Ankara relationship, with Turkey siding with Syrian rebels, and Russia working with Bashar al-Assad to quell the uprising. The lowest point in relations so far came when Turkey impounded a Russian plane bound for Syria, claiming that it was carrying weapons.

Ankara's efforts to develop the Southern Corridor have also put it at odds with Moscow – earlier this year there was much talk about Gazprom 'threatening' Turkey over the latter's decision to build the Trans-Anatolian Pipeline from Azerbaijan. The energy giant said bluntly that when TANAP was completed, Turkey should go to Azerbaijan and not Russia for additional supplies when pipelines get blown up. This is not so much of a threat as a statement of the obvious. But it underlines two things. One is that TANAP will run cross-country, not under the seabed like the pipelines from Russia, and will thus be vulnerable to PKK sabotage. Azerbaijan's ambassador to the US Elin Suleymanov has been seeking to reassure international partners that the PKK is not a threat to TANAP, but as recent events have shown there is no such thing as perfect security.

The second is that rightly or wrongly, Turkish policymakers perceive that Russia is willing to use its gas exports as a political weapon, and in the event of supply disruption elsewhere Turkey would become even more vulnerable to the Kremlin's capriciousness. Turkish officials have admitted that relying on Russian gas has constrained their freedom of action, notably after the Russia-Georgia war when Prime Minister Recep Tayyip Erdogan said that if Turkey criticized Russia "we would be left in the dark". Going cap-in-hand to Moscow in the middle of a diplomatic stand-off is not something which the famously proud Erdogan relishes. Similarly, relying on Iran if the BTE pipeline is sabotaged binds Turkey closer to its awkward eastern neighbor. As well as the political costs of this - which are acute given the tensions over the nuclear program, Syria, and Iraq – this puts Turkey at risk of breaking strict sanctions and facing harsh penalties from the US and the EU.

So from Ankara's point of view there are two serious and interlocking risks – one real, one (for now) hypothetical. Cross-country pipelines are being sabotaged often enough to constitute a significant threat to energy security, particularly as winter approaches and demand soars. The economic damage, to both productivity and the current account deficit, will become increasingly serious if the sabotage continues. With land pipelines out of action Turkey is forced to rely on Gazprom: an expensive option which limits Turkey's political freedom of action, a very valuable commodity given the political tension growing between Moscow and Ankara. The threat of price hikes or 'technical' cut-offs is a useful sword of Damocles, even if Russia never feels inclined to actually use it.

TANAP will simply leave Turkey more reliant on vulnerable cross-country pipelines - notwithstanding an end to the fight against the PKK, which seems unthinkable at the moment. So Turkey now faces an increasingly urgent task. Finding new ways to prevent sabotage would be a vital first step, but not enough. LNG imports and domestic production are being prioritized, but these won't be enough to reduce the dependence on pipelines.

Genel Energy buys exploration license in Somali enclave

Today's Zaman, *30.10.2012*

Genel Energy announced that it had purchased a license to search for petrol in Somaliland, an enclave of Somalia that has been independent from the failed East African state since 1991.

The oil firm cited in press release "geographical similarities" between the breakaway territory and the nearby resource-rich Arab Peninsula. The bulletin suggested that Genel Energy would begin a survey of the self-declared enclave in the near future and projected that prospecting for oil and coal in the region would require one to one-and-a-half years.

Lacking international recognition, Somaliland nevertheless enjoys a degree of governance, security and economic development wholly absent in the broader Somalia, from which it declared independence in 1991. Genel Energy, which is owned by Turkish billionaires Mehmet Emin Karamehmet and Mehmet Sepil as well as British investors, said in the announcement that it would draw on its experience drilling in northern Iraq as it launches its Somalia project.

This year the company broadly expanded its presence in the northern Iraqi territory through the purchase of majority stakes in the Bina Bawi and Miran blocks, two of the region's largest and potentially most valuable oilfields.

The company reports that the Somaliland license has secured it an area half as large as its holdings in northern Iraq. While it did not specify the extent of the investment it is planning in Somaliland, it suggested that the firm has roughly $1 billion in cash on hand for new investments. The remote enclave has seen a flood of attention from international oil firms this year, with Australian oil firm Jacka Resources, London-listed company Ophir Energy, unlisted British Oil explorer Asante Oil and Jersey-registered Prime Resources signing survey deals with the Somaliland government this year. A World Bank report recently judged the region as sufficiently stable for private investment projects.

EU puzzled by South Stream acceleration

EurActiv, *30.10.2012*

Attempts to accelerate the South Stream gas pipeline project will not circumvent EU antitrust and environmental obligations, European Commission sources told.

Sofia is expected to sign a definitive agreement with Russia's Gazprom on 9 November for building the South Stream pipeline across Bulgarian territory, according to local media. Russian President Vladimir Putin was expected to attend the ceremony that will see the deal formally signed by Alexei Miller, Gazprom CEO, and Mihail Andonov, head of the Bulgaria Energy Holding. But Sofia now indicates that the Russian President will instead visit the country in December.

According to Bulgarian authorities, the construction of South Stream in Bulgaria will begin "around July 2013". Officials said that the route of the pipeline had already been determined, environmental impact assessments were ongoing, and that steps were taken for the project to receive construction permit by mid-2013. However, details of the route have been kept secret, and it is hard to imagine how the environmental assessment could be ready in such a short timeframe. EU law requires that civil society groups, including environmental organizations, be consulted on such large construction projects, which has not been the case yet.

Regarding the pipeline's route, the government designated the city of Provadia, 50 km inland from the Black Sea city of Varna, as the entry point of South Stream to Bulgaria. This rather vague indication has fuelled speculation that authorities were trying to conceal the real entry point of the pipe at the Black Sea coast, with the intention of keeping environmental activists at bay. On several occasions, the European Commission has indicated that it had not seen any blueprint for the South Steam project, and that it was "not possible" to build pipelines without having conducted a proper environmental impact assessment as required under EU legislation.

Experts quoted by US intelligence company Statfor say it will be much easier for Russia to secure an exemption from EU rules if South Steam breaks ground before March 2013, when the EU's third energy liberalization package comes into effect. Russian officials and the media have also repeatedly made reference to the March 2013 deadline. But Commission officials contacted by EurActiv insisted that the electricity and gas directives, the two key pieces of the package, had to be transposed by EU countries by 3 March 2011 and were therefore already considered to be in force. The Commission has in fact already opened infringement procedures against member countries – including Bulgaria – which have not fully transposed the legislation into national law, the officials said. Following the opening of infringement proceedings in September 2011 for non- transposition, Bulgaria has notified only partial transposition of the Third Energy Package Directives. Moreover, one other infringement procedure is still open on the Second Energy Package concerning the lack of transparency in conditions for third-party access to natural gas transmission networks and the lack of an adequate system of penalties in the event of breaches of the Gas Regulation.

Gazprom set to bid for Greek DEPA

EurActiv, *24.10.2012*

Gazprom has expressed the strongest interest of all prospective bidders eyeing the privatization of Greek gas firm Depa. The deal could undermine EU efforts to reduce Russian involvement in Europe's energy markets. The Russian firm has lobbied across media, industry and government ahead of a sale decision which is due in January.

Both sources shied away from touting Gazprom as the likely tender winner, however, stressing that the outcome remains wide open. Depa plays a key role in integrating south-east European energy markets with interconnectors. Greece could also become a vital link in bringing vast East Mediterranean and Caspian Sea gas resources to Western Europe.

"Gazprom has expressed the strongest interest in Depa and [oil refiner] Hellenic Petroleum ... although the European Commission is not so happy about this," a source familiar with the situation said. Greek sales of energy assets have been imposed by lenders including the EU to help Athens repay debt. But they could also contradict wider EU energy goals if Gazprom beats rivals to buy the regionally strategic gas company, the source said. Gazprom's pursuit of Depa clashes with EU efforts to diversify gas supplies away from Russia, which provides about a quarter of Europe's gas demand, by bankrolling new import corridors from the Caspian Sea via Azerbaijan and Turkey.

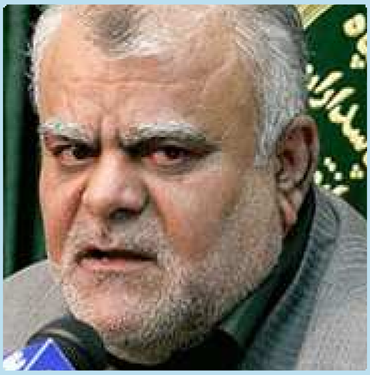
The EU has also launched a probe into Gazprom amid allegations that it is hindering the free flow of gas across the continent and overcharging customers. "Gazprom as well as all other potentially interested investors should be treated equally as long as compliance with third [energy] package [regulations] and merger rules are guaranteed," said an EU official, who wished to remain anonymous.

Gazprom is also pursuing other interests in the region, including a stake in Israel's Leviathan gas field, the source with knowledge of DEPA said. As an acquisition target, Depa offers Gazprom a chance to head off competition from new suppliers in the East Mediterranean. But the Greek firm is also in talks with Texas-based Noble Energy and Israel's Delek Group to combine gas exports from Leviathan via a pipeline to Europe,

Other companies bidding for Depa, include Azeri state-run energy firm Socar, Italy's Eni and Edison, Spain's Gas Natural and Algeria's Sonatrach. Non-binding offers and business plans are due by 6 November. The East Mediterranean has emerged as a significant gas province on Europe's doorstep in recent years following a string of discoveries in Israeli, Greek-Cypriot and Lebanese waters that companies are now racing to develop. Currently, Russia supplies Greece with a majority of its gas under a 20-year deal set to expire in 2016.

Iran says may stop oil sales if sanctions tighten

Reuters, *23.10.2012*



Iran said it would stop oil exports if pressure from Western sanctions got any tighter and that it had a 'Plan B' contingency strategy to survive without oil revenues.

Western nations led by the United States have imposed tough sanctions on the Islamic Republic this year in an attempt to curb its nuclear program that they say is designed to produce atomic weapons. Tehran says its nuclear plans are peaceful. "If sanctions intensify we will stop exporting oil," Iranian Oil Minister Rostam Qasemi told reporters in Dubai.

Qasemi's statement is the latest in a series of threats of retaliation by Tehran in response to the sanctions, which have heightened political tensions across the Middle East and, analysts say, led to a sharp drop in Iranian oil exports. "We have prepared a plan to run the country without any oil revenues," Qasemi said, adding, "So far to date we haven't had any serious problems, but if the sanctions were to be renewed we would go for 'Plan B'. "If you continue to add to the sanctions we (will) cut our oil exports to the world... We are hopeful that this doesn't happen, because citizens will suffer. We don't want to see European and U.S. citizens suffer," he said, adding that the loss of Iranian oil on the market would drive up oil prices.

Analysts brushed off Qasemi's threat. "It's just making noise. It would be like cutting off their nose to spite their face," said Leo Drollas, Chief Economist at the Centre for Global Energy Studies. "Iran needs to export its crude more than other countries need to import it. They are desperate for cash." Sanctions have already reduced Iran's exports to around 1 million barrels per day (bpd) compared to 2.2 million bpd in 2011. China, India, Japan, South Korea and Turkey now count as Tehran's main buyers. The U.S. government has focused on blocking Iran's oil exports because it estimates that crude sales provide about half of Iranian government revenues and that oil and oil products make up nearly 80 percent of the country's total exports. The rial plunged by about a third against the U.S. dollar in the week to October 2, reflecting a slide in oil income wrought by tightened sanctions over summer aimed at pressuring Tehran to drop its nuclear program.

How long the economy could function without selling any oil is unclear, but Iran has large currency reserves accumulated over decades as one of the world's largest oil suppliers. "What else can they export to generate the necessary revenues?" Carsten Fritsch of Commerzbank said in the Reuters Global Oil Forum. Because of the slide in the rial and oil export earnings, the government is already moving onto an austerity footing, cutting imports of non-essential goods and urging its citizens to buy fewer foreign products. Iran has in the past said it could shut the vital shipping lane of Hormuz at the head of the Middle East Gulf. However, a large Western naval force sent to keep open the route, through which about a third of the world's seaborne oil exports pass might be a large obstacle to such an attempt.

Earlier on Tuesday, Qasemi said Iran was still producing 4 million barrels per day (bpd), rejecting reports the country's output has fallen to around 2.7 million bpd. According to the latest secondary source estimates published by the Organization of the Petroleum Exporting Countries, Iran pumped just 2.72 bpd in September, and Iran's own data submitted to OPEC showed the country produced 3.75 million bpd in August. The International Energy Agency (IEA) estimates that Iranian exports fell to a new low of 860,000 bpd in September, down from 2.2 million bpd at the end of 2011.

Assuming a crude oil price of $110, such a sharp drop means Iran making just $95 million dollars from daily crude sales last month, about $147 million less every day than it was making late last year. Nevertheless, Qasemi said Iran was pumping oil at full capacity and refining more of its own oil to meet domestic demand. "It is currently 4 million barrels per day," he said, declining to give export figures. "Iran has been facing U.S. sanctions for 30 years while successfully managing its oil sector," he said. He said Iran's refining capacity was now 2 million barrels per day (bpd) with another 200,000 bpd of capacity to be added before the end of Iranian year next March.

The increase in refining capacity had already ended Iran's need to import vehicle fuel and could soon drive a boom in fuel exports, the minister said. "Our daily consumption of petrol (gasoline) is 90 million liters ... Earlier, a big portion of that was being imported but we no longer import products," he said. "Right now, we not only don't import but we also export some products ... there are always customers for Iranian oil. "By the end of the Iranian year they will reach their maximum capacity and then we can export more Iranian oil products," he said.

Iraq signs gas pipeline deal with Kogas

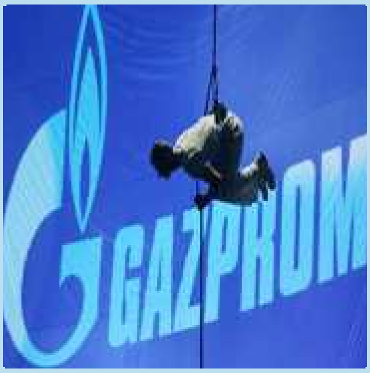
Hürriyet Daily News (AA), *23.10.2012*

Iraq signed a $128-million gas pipeline deal and issued a tender to develop an oilfield in the south with proven reserves of more than four billion barrels, the latest steps in its efforts to ramp up output.

The pipeline deal signed with South Korea's Kogas is one of several to boost the country's long-neglected energy infrastructure, often seen as a bottleneck when it comes to raising oil exports, which comprise the lion's share of Iraq's economy and government revenues. It involves constructing two pipelines over 22 months to transport dry natural gas and liquefied gas between fields in the northern city of Kirkuk and the Baiji refinery, officials at a signing ceremony in Baghdad.

Gazprom raises investment to $31 bln

Reuters, *30.10.2012*



Gazprom has increased its investment program by a quarter as it embarks on ambitious projects to tap the Arctic Yamal peninsula and increase exports to Asia.

The company traditionally increases its capital expenditure forecast several times during the course of a year. Gazprom increased this year's investment program by 198 billion roubles to 974.65 billion roubles ($30.98 billion). Capital investments will total 890 billion roubles. Gazprom has started to develop the huge Bovanenkovo oilfield in Yamal, located hundreds of kilometers north of its traditional West Siberian deposits, which has become increasingly depleted.

From Bovanenkovo, gas will enter Russia's trunk network and be pumped on to Europe, where Gazprom covers a quarter of the continent's gas needs. The company set up a 1,110 km (694 miles)-long pipeline to the south-east from the field. Gazprom said that investment will be increased for the trunkline systems construction. The company is also striving to forge close ties with Asian powerhouses - such as China, the world's top natural gas guzzler, and Japan, the largest consumer of liquefied natural gas (LNG) - to offset sagging demand in Europe. Gazprom pledged over $38 billion to develop an East Siberian gas field and build a pipeline to the Pacific port of Vladivostok. Gazprom said this year's investments include projects in Eastern Russia, such as the pipeline from the Pacific island of Sakhalin to Vladivostok. The company also increased external borrowing to 91.4 billion roubles, 1.4 billion more than the plan approved in December 2011.

Tüpras to get Gulf loan

Hürriyet Daily News, *22.10.2012*

Tüpras signed a $200 million one-year loan with a group of nine Gulf-based banks, a statement from the facility's arranger said. The loan was arranged by Qatar-based investment bank QInvest. No details on the facility's purpose or its pricing were given.

Banks which joined the loan were Barwa Bank, Commercial Bank of Qatar, First Gulf Bank, Qatar Islamic Bank, Ahli United Bank, Al Hilal Bank, Doha Bank and Dubai Islamic Bank. Tüpras mandated Citigroup Inc and Deutsche Bank to arrange a series of investor meetings ahead of a potential bond issue, which the firm's general manager said would be worth between $500 million and $1 billion.

Petrol Ofisi back in profit, OMV gains

Hürriyet Daily News, *08.11.2012*

Petrol Ofisi has announced its consolidated net profits reached 793,000 Turkish Liras from a nearly 175 million liras loss in the same period last year, according to a statement made to the Istanbul bourse.

The company was acquired buy Austrian energy giant OMV nearly two years ago. It has 2,285 dealer stations, 1 lubricant blending plant, 10 fuel and 3 LPG terminals, Marmara Ereglisi terminal (joint venture) and 25 aviation supply units. OMV said that recent net profits spanning nine months rose 21 percent as production in Libya reached levels last seen in early 2011. Helped also by a stronger dollar, net profit hit 1 billion Euros.

Announcements & Reports

► *EMRA Electricity Market Progress Report 2011*

Source : Energy Market Regulatory Authority
Weblink : http://www.epdk.gov.tr/documents/elektrik/rapor_yayin/Elektrik_Piyasasi_Gelisim_Raporu_2011.pdf

► *OPEC World Oil Outlook 2012*

Source : Organization of the Petroleum Exporting Countries
Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/WOO2012.pdf

► *Ukraine 2012 – Energy Policies Beyond IEA Countries Series*

Source : International Energy Agency
Weblink : http://www.iea.org/W/bookshop/add.aspx?id=438

► *Bringing Gas to the Market*

Source : Energy Charter Secretariat
Weblink : http://www.encharter.org/fileadmin/user_upload/Publications/Gas_Tariffs_2012_ENG.pdf

► *IEA Medium-Term Oil Market Report 2012*

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

Upcoming Events

► *Total Energy USA 2012*

Date : 27 – 29 November 2012
Place : Texas – USA
Website : http://totalenergyusa.com/total-access

► *World LNG Summit 2012*

Date : 27 – 30 November 2012
Place : Barcelona – Spain
Website : http://world.cwclng.com/

► *Energy Today & Tomorrow Conference* ***(in Turkey)***

Date : 13 December 2012
Place : İstanbul – Turkey
Website : http://turkeyenergy.net/

► *6th Annual Gas Transport & Storage Forum 2013*

Date : 28 – 29 January 2013
Place : Berlin – Germany
Website : http://www.gtsevent.com/?mc=EL

► *3rd European Unconventional Gas Summit*

Date : 29 January – 1 February 2013
Place : Vienna – Austria
Website : http://www.theenergyexchange.co.uk/european-unconventional-gas-summit-3rd-annual-meeting/s13/a274/

Supported by PETFORM

► *Tight and Shale Gas Summit 2013* ***(in Turkey)***

Date : 27 – 28 February 2013
Place : Istanbul – Turkey
Website : http://www.wplgroup.com/aci/conferences/eu-eug2.asp

► *6th Annual Unconventional Gas Conference*

Date : 6 – 7 March 2013
Place : London – UK
Website : http://www.smi-online.co.uk/energy/uk/unconventional-gas

► 6th International Petroleum Technology Conference (IPTC)

Date : 26 – 28 March 2013
Place : Beijing – China
Website : http://www.iptcnet.org/2013/

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