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Petroleum draft aims to ban rentiers for research firms

Hürriyet Daily News, *24.12.2012*

A new draft on the petroleum market suggests regulations to force companies to search for oil and gas timely, instead of holding fields without making any investments for long periods. The code foresees obliging companies to report their report their investment program annually.

A new draft on the petroleum market code that aims to put an end to rentiers in the sector has been presented to the presidency of the Turkish parliament (TBMM). The new petroleum draft law will introduce new regulations that will be able to force companies to search for oil and gas, instead of idly holding fields for long periods of time.

Under the present law, companies are able to hold petroleum fields without making any investments. However, according to new law draft, companies that do not make investments in the areas they are committed to will be discharged from the petroleum field and their deposits will not be refunded. The new draft will oblige the companies to present their annual investment program in order to obtain their research license. The Turkish Petroleum Affairs General Directorate (PIGM) will monitor their investment commitments every year and will have the right to discharge the company and also the deposits that cost 2 percent of their investment program.

Turkey is divided into two petroleum regions onshore and offshore. The offshore region is also divided into two regions - interior and exterior territorial waters. If PIGM approves the companies' application, the research license will be assigned in 60 days. The findings from field research will be shared with PIGM, which will hold them confidentially. The maximum validity duration with extensions of search licenses will be nine years on land and 14 years in internal territorial waters.

The researcher or exploiter company will be obliged to pay one eighth of its petroleum production to the state. Foreigners who are able to declare addresses in Turkey will also be allowed to obtain licenses for researching and production of petroleum, according to the new draft. However, companies that wish to research oil and gas in forests and national parks will still have to receive official permission, according to the current Forest Law. Those companies that carry out harmful activities against local people and nature will be imposed with a fine of between 50,000 and 500,000 Turkish Liras, according to the new draft. In addition, their license will be canceled and their research work will be stopped.

Turkey expands offshore search

Hürriyet Daily News, *25.12.2012*

The Turkish Petroleum Corporation's subsidiary, Turkish Petroleum International Company (TPIC), will search for oil in Turkey's Mediterranean offshore field for two more years, an official journal reported.

State-controlled TPIC's application to extend the duration of its search licenses was approved by the Turkish Petroleum Affairs General Directorate (PIGM). The national fuel sector body has decided that TPIC's five licenses for oil exploration in the Antalya Petroleum Region of the Mediterranean offshore field will be valid from Feb. 1, 2013 to Feb. 1, 2015.

Never mind supply, Russia tells Turkey

Hürriyet Daily News (AA), *28.12.2012*

Turkey would be one of the least-affected countries in the case of a natural gas supply shortage, said officials of Russian natural gas company Gazprom Export on Dec. 28.

"Turkey [would be] the least-affected country as it has its private transfer line, such as the Mavi Akım (Blue Flow). It is still self-sufficient in its natural gas supply within the existing contracts," a statement by the company read. The officials stressed that Turkey was at an advantageous position in terms of gas supply security thanks to Blue Flow, which allows the direct supply of natural gas.

A natural gas supply problem occurred last year when extreme cold raised the gas demand of European countries, but Gazprom has taken necessary precautions regarding excessive demand, officials said. The company's statement also noted that they provided supplementary natural gas to Turkey when it had problems with its other suppliers. Turkey imported 58 percent of its natural gas from Gazprom, according to 2011 data.

Study to locate 3rd nuke plant to begin

Hürriyet Daily News, *27.12.2012*

The company that wins the contest for Turkey's second planned nuclear plant will also conduct a study on the location of a third one, Energy Minister Taner Yildiz said. South Korea, one of the bidders along with Japan, Canada and China, is lagging behind, he also said during a meeting with journalists in Ankara.

Picking a location for a nuclear plant requires a 1.5 or two years of study, Yildiz said, adding that the country has already lost time choosing the partner to build its second plant in the Black Sea region of Sinop.

"Such a study will be conducted at least in four or five locations," he said, naming Igneada, a seaside town close to the Bulgarian border, while answering questions. However, the firm to undertake the study would not necessarily be the operator of the facility, he added. Speaking about the South Korean bid, he said, "Their current offer is not very appropriate if they do not come up with a totally new offer." Russia's Rosatom is building Turkey's first nuclear plant in the Mediterranean province of Mersin.

Turkey expects the U.S. to extend its waiver on Turkey's crude oil imports from Iran, as the Turkish oil refiner Tüpras has continued to import crude oil from Iran, the minister said. "We think that [the U.S.] will revive the second extension of six months, which also includes Turkey, and extend it," he said. European countries bought 3-5 percent of their oil imports from Iran, but Turkey met almost half of its needs from this country last year, the minister said. "Therefore Iran is a crucial import point for us," Yildiz noted. Following the U.S. and EU sanctions on Iran, Turkey has made up for declining crude imports from Iran through purchases from countries such as Libya, Saudi Arabia and Russia, he added.

Turkey will continue purchasing natural gas from neighboring Iran even as Western countries increase sanctions on Iran due to its disputed nuclear program, the minister also said. "It is out of the question for us to take a step backward," Yildiz said, adding that Turkey had not been asked to take such a step.

Iran is Turkey's second-biggest natural gas supplier after Russia, and the minister said Tehran supplied 18-20 percent of the gas that Turkey consumes. On Nov. 30 the U.S. Senate unanimously approved new economic sanctions aimed at further crippling Iran's energy, shipping and port sectors a year after Congress passed tough restrictions against Tehran. On Dec. 7 the United States extended exemptions from sanctions designed to choke Iran's oil exports to nine major economic powers, including Turkey, China, Taiwan, India and South Korea.

Energy needs see Turkey step on the gas in 2012

Today's Zaman, *27.12.2012*

Long its economic Achilles' heel, Turkey's growing energy demands in 2012 saw the country attempt to diversify its energy resources while maintaining petrol trade with Iran and moving to acquire major petroleum reserves in northern Iraq.

Turkey lacks major petrol reserves of its own and imports 98 percent of its petrol needs from abroad, a fact which saw the country spend a total of $54 billion in 2011 on oil and gas imports. That hefty bill in turn has been a major factor in the country's largest economic problem, its current account deficit, which soared to record highs last year but shrunk in the second half of 2012.

The trade deficit in October was registered at $5.5 billion, a notable improvement over the $8 billion deficit registered in that month last year. But Turkey's energy imports have only grown, with a recent estimate by the Energy Ministry suggesting that Turkish energy imports will cost over $60 billion in 2013, raising concerns that the country will remain vulnerable to a host of events beyond its control, including international energy prices, currency fluctuations and developments in supplier countries. This situation has forced Ankara to pursue an energy policy at odds with its export policy, which keeps the lira low to aid exporters but subsequently forces the country to pay heavily in exchange when purchasing oil and gas from foreign sellers.

Ankara's primary solution to its energy woes has so far been to sign a host of agreements for coal and even more controversially nuclear power. Russian firm Rosatom began construction this month of a planned nuclear plant in southern Turkey, while Ankara is entertaining bids for a plant on the Black Sea and has suggested it will build a third within the next five years. A dispute this week between Ankara and South Korea seemed to threaten the latter's bid to build the second power plant, which has also seen offers from China, Canada and Japan. Bids to build new coal and plants revamp Turkey's older ones meanwhile saw a major deal this week from state-controlled Abu Dhabi National Energy Company (TAQA), which signed a $12 billion contract to open a series of plants in the southern province of Kahramanmaras in the coming years.

Some private providers have experimented with domestic energy of a different nature, investing heavily in wind and solar energy. Energy Minister Taner Yildiz predicted at a recent wind power meet that the wind energy industry would grow tenfold by 2023. Wind power currently accounts for 3 percent of the country's generated energy. Turkish conglomerate Sabanci Holding took a major step towards bringing wind power to Turkey in December, telling the press that its energy firm, Enerji SA, Turkey's largest private electricity provider, will generate half of its energy and in turn a projected 5 percent of Turkey's national energy output at its own wind farms by the year 2020.

Even as Ankara has talked of diversifying its energy mix, it remains in the short term heavily dependent on natural gas and oil for nearly all of the country's energy needs. As a result, Turkey has found it unthinkable this year to forsake Iran, a key energy partner, despite that country having been targeted by international sanctions for its nuclear program.

The last six months have seen Iran purchase billions in Turkish gold $2 billion worth in August alone in trade for Iranian gas and oil, a barter system which allows Iran to avoid US sanctions and that has kept the pipelines flowing from one of Turkey's key energy importers. According to government numbers, imports from Iran in 2011 accounted for 18 percent Turkey's natural gas supply and 51 percent of its oil. In early December, Prime Minister Recep Tayyip Erdogan said that complying with the sanctions would be impossible for Turkey given its energy needs. Though the trade has won few friends in Washington, it has allowed Turkey to gain some leverage with Tehran in the gas trade, with Iran pledging to end the costly "take or pay" policy that requires Turkey to import predetermined amounts of natural gas irrespective of whether it needs that amount, a practice which the government estimates has cost $1.6 billion in the last three years.

Turkey's bid to find a way out of its costly trade with Russia and Iran has also led it to court the semi-independent enclave of northern Iraq, an energy-rich region in which state oil firm Turkish Petroleum Corporation (TPAO) and private Turkish firm Genel Energy have become the majority investors. A recent agreement between northern Iraq and Ankara will see a new pipeline exporting crude directly to Turkey by August of 2013 and, by Ankara's estimates, pumping a million barrels a day by 2015. Turkish energy firms have also expanded beyond Turkey's near abroad, with Turkish pipe-maker Borusan telling the press last week that it would expand into the US pipeline business with the construction of a $150 million plant in the US, where producers are rushing to extract significant reserves of shale oil.

Turkey's amended electricity law to usher in crucial changes

ICIS Heren, *22.12.2012*

The Turkish electricity market is expected to undergo important changes from next year after much-anticipated amendments to the Electricity Law reached parliament.

The amendments were submitted to the Energy Commission. They include the prospective ownership of the proposed energy exchange EPIAS, incentives for newly commissioned plants, and the future of transitional contracts held by the electricity incumbent EUAS. Under the plan, EPIAS could be majority-owned by Borsa Istanbul, which will subsume the Istanbul Stock Exchange, the Istanbul Gold Exchange and the TurkDEX, the Turkish Derivatives Exchange.

Once these outfits merge, they will be privatized and establish themselves as a complex exchange. Importantly, the proposals stipulate that state ownership in EPIAS will be limited to 15% and the share could be split between the electricity grid operator TEIAS and the state-owned wholesaler TETAS. Other shareholders may include the Germany-based EEX or the US-owned Nasdaq, Turkish financial and energy companies and possibly ETD, the Turkish Energy Traders' Association, through a specially formed vehicle.

Another crucial amendment relates to the extension of so-called transitional contracts whereby the incumbent EUAS sells the bulk of its production to TETAS and distribution companies. It was hoped these contracts would be discontinued at the end of 2012. However, under the latest proposals they could be extended until 2015, but the text of the law remains unclear on this issue, according to sources who consulted on the recommendations.

ICIS understands there were three points mooted. Under a first proposal the contracts would be extended without any changes to the current set-up. Under a second recommendation, the bulk of utility EUAS' energy would be transferred to wholesaler TETAS, which would become the owner of energy, while EUAS would get an increased role as a participant on the Day-ahead market. Finally, TETAS could receive a large chunk of EUAS' energy, while the latter would be able to retain the assets producing the generation sold under regulated tariffs.

The amended law also proposes to extend the incentives period for newly commissioned plants from 2012 until 2015. The incentives, which relate to tax breaks and cost reduction for connection to the grid, will remain unchanged. The only element that changes is the period covering these incentives. Under the latest proposals, generators would be given the option to buy energy bilaterally in case they were to experience emergency situations and could not cover their positions. This means that generators would become active on the wholesale market. ETD chairman Mustafa Karahan welcomed the amendments. However, he argued that the amendments fail to grant stamp duty exemptions to over-the-counter (OTC) transactions that would not be carried out on the EPIAS exchange.

Under the proposals, EPIAS would be able to operate an OTC screen and any transactions concluded on OTC or exchange platforms under the umbrella of EPIAS would be exempt from the 0.872% tax levied on concluded deals. "It is not right [that transactions concluded outside EPIAS) continue to pay the stamp duty," Karahan said. "We shall do whatever we can to fight this. "We shall also ask for a clarification regarding who exactly will be operating financial products on the exchange. Currently it is suggested that the Day-ahead market will be operated by EPIAS, while financial products will be operated by another financial outfit," he added. Karahan said the amendments would be debated by the Energy Commission before they are rubber-stamped by the parliamentary Grand Assembly, possibly by mid-January.

Turkish pipe player eyes US shale boom

Upstream Online, *24.12.2012*

A Turkish pipe manufacturer is looking to make a splash in the US to gain a foothold in the country's booming shale gas market, according to a report.

Borusan Mannesmann, the country's largest pipe manufacturer, is to invest $150 million in building a new plant in the US, Reuters reported. "This will be an investment to benefit from the advantages of shale gas production," said Agah Ugur, chief executive of parent company Borusan Holding. "It is an investment totally targeting the American energy sector, which uses smaller pipes or pipes mainly for drilling.

"Our first target regarding financing will be to obtain a long maturity project loan from the US. We also plan to partially finance it through incentives. "The investment will double Borusan Mannesman's ebitda and will boost its annual sales by 60%." Reuters said the facility is seen as opening in the first half of 2014 and will have annual production capacity of 300,000 tons of steel.

Northern Iraq suspends crude oil exports due to payment row with Baghdad

Fox News, *25.12.2012*

Kurdish official says the country's self-ruled region has suspended oil exports over a payment row with the central government in Baghdad.

Ali Hussein Balo, adviser to the Ministry of Natural Resources of the Kurdish Regional Government (KRG), said Baghdad failed to fulfill its commitment to pay the full 1 trillion Iraqi dinars (about $848 million) to companies working in the region. Balo said it only paid 650 billion Iraqi dinars (about $550 million). In April, KRG stopped the exports of around 100,000 barrels a day due to delays in payments.

Four months later, the exports resumed. That allowed the two sides to reach a new agreement on payment. Baghdad says the payment suspension was because the regional government was pumping less than the 200,000 barrels a day they pledged.

Iran warns of cancelling $5 bn China gas deal

Hürriyet Daily News (AFP), *24.12.2012*

Iran has warned China it could cancel a much-delayed $5-billion offshore gas exploration contract in the Gulf. "There is a possibility of cancelling the contract" signed in 2009 to develop the South Pars gas field which holds around eight percent of the world's gas reserves Mehr news quoted oil ministry spokesman Alireza Nikzad as saying.

China has for years aimed to strengthen its economic relationship with sanctions-hit Iran, by filling the investment void left by departing Western companies. But Iran has accused China of failing to fulfill its commitment and delaying its contractual obligations.

South Pars, a huge offshore natural gas field shared between Iran and Qatar, holds around 14 trillion cubic meters of gas, and Iran plans to use the Phase 11 project to fill its first-ever liquefied natural gas plant. Mehr named China National Petroleum Corporation (CNPC), the Asian giant's largest oil and gas producer and supplier, as the company contracted for the project. Iran suspended a $16-billion contract with China last year for the North Pars gas field, saying the decision to let the Chinese develop North Pars rested on their effectiveness in developing South Pars.

Nikzad said that should the South Pars contract be cancelled, the development of the offshore gas field would be handed over to Iranian contractors. "The Chinese side has stated it is not inclined to be part of the project's development," citing the "high risk" involved in offshore exploration, Nikzad added. He said that a deal for another gas field would instead be discussed "in the near future," without giving any details.

Major Western companies that had been operating in South Pars, among them France's Total and Anglo-Dutch giant Shell, withdrew from Iran between 2007 and 2010 after international sanctions were imposed over Tehran's controversial nuclear program. Iran, which has the world's second-largest natural gas reserves after Russia, claims it is able to develop South Pars on its own by giving many of the projects to companies affiliated to its elite Revolutionary Guards.

Russia unveils $25 billion oil pipeline link to Pacific

Hürriyet Daily News, *26.12.2012*

Russian President Vladimir Putin unveiled the final extension of a new $25 billion oil pipeline to the Pacific that underscores the energy power's gradual shift away from stagnant European markets.

The East Siberia – Pacific Ocean (ESPO) link is also expected to expand sales to the United States and fulfill Putin's dream of cementing Russia's place as a dominant force on international crude markets. Moscow hopes to make ESPO into a benchmark in the Asia Pacific region that competes with WTI the U.S. oil standard whose price some traders believe is too heavily based on domestic political factors.

But analysts worry that Russia may currently lack enough accessible oil in its underdeveloped East Siberia fields to keep the line fully flowing despite strong demand in China and Japan. "There is just enough East Siberian for the existing pipeline," said Sberbank Asset Management energy analyst Valery Nesterov. "But expanding this pipeline further would be impossible without West Siberian oil and that oil is already meant to go west," Nesterov pointed out.

Putin brushed those concerns aside as he joined in the ribbon-cutting ceremony by video link from the Far East city of Khabarovsk. "By completing the second leg, our potential is expanding," Putin said in televised remarks. "This is a serious event." The second leg of the 4,200-kilometer pipeline runs from fields west of Lake Baikal to the Pacific port of Kozmino near the northeastern edge of China. The port previously connected to East Siberian oil fields by rail also provides Russia with quick access to Japan and South Korea. But the head of the Transneft state oil pipeline operator said most of the crude from the final leg would in fact be destined for the United States. "The American market will receive 35 percent of Kozmino oil," Nikolai Tokarev said at the opening ceremony in comments reported by the company's website.

Iran starts naval drills in Strait of Hormuz

Upstream Online, *28.12.2012*

Iran started six days of naval drills in the Strait of Hormuz, maneuvers aimed at showcasing its military capabilities in what is a vital oil and gas shipping route.

Naval commander Habibollah Sayyari said the “Velayat 91” drills would last until Wednesday across an area of about 1 million square kilometers in the Strait of Hormuz, the Gulf of Oman and northern parts of the Indian Ocean, the official IRNA news agency reported. Sayyari told that the goal of the maneuvers were to show “the armed forces’ military capabilities” in defending Iran’s borders as well as sending a message of peace and friendship to neighboring countries.

Iranian officials have often said Iran could block the strait through which 40% of the world’s sea-borne oil exports pass if it came under military attack over its disputed nuclear program. Iran held a similar 10-day drill last December and sent a submarine and a destroyer into the Gulf four months ago just as US and allied navies were conducting exercises in the same waters to practice keeping oil shipping lanes open. Sayyari was quoted as saying that the new drill would test the navy’s missile systems, combat ships, submarines and patrol and reconnaissance methods. A heavy Western naval presence in the Gulf is meant to deter any attempt to block the waterway.

Announcements & Reports

► *World Energy Outlook 2012 Turkey Presentation*

Source : TUSIAD
Weblink : http://www.tusiad.org/__rsc/shared/file/Fatih-Birol-Sunum---12-Aralik-2012.pdf

Upcoming Events

► 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/

► 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

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

► All Energy Turkey *(in Turkey)*

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