Oil & Gas Bulletin

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Yildiz: No hikes in natural gas due to warm winter

Today's Zaman, *26.02.2013*

The government is not considering an increase in the price of natural gas for households and industrial zones in March, Energy Minister Taner Yildiz told in Ankara, a decision resulting primarily from relatively lower demand amid warm winter weather.

Yildiz said his ministry estimated that the state spent $700 million less on natural gas imports between October and January over the same period a year ago. "Last year we had the coldest winter in 62 years, so demand for natural gas was high. The fact that winter this year is relatively warmer helped lower consumption," Yildiz noted.

"We hope that any possible fluctuation in global energy prices does not change our plans," Yildiz said. BOTAS indexes its prices each month based on a formula that takes into account the foreign exchange rate, interest rates, inflation and global oil prices. Referring to earlier reports that BOTAS had increased the price of natural gas in certain provinces, Yildiz said: "Because the contracts of private distributors in these places expired, BOTAS had to readjust the service prices that differed from one city to another by between TL 5 and TL 10."

ExxonMobil begins its exploration for oil in Kurdish region

Natural Gas Europe, *25.02.2013*

The Kurdish Regional Government (KRG) had announced that ExxonMobil had begun its exploring for oil in Kurdish Region, stressing that the constitution allow the KRG to sign contracts with Oil exploration companies.

Safeen Dezae Spokesman of KRG said in a statement that ExxonMobil had begun its first stage of exploring oil in Kurdish Region by search the locations of the oil fields in the Region, the second stage will be drilling and exploring oil from these fields. He also stressed that the company will continue performing their operation in the Region.

Regarding the impact of the company's working in the Region on the Federal government, Dezae responded that the constitution have a clear article regarding the newly found oil fields, that the province or the region have the right to deal with it, coordinating with the federal government is needed. Dezae added that there are no legal or constitutional problems regarding this matter.

Dezae had called for passing the oil and gas law to resolve any conflicts, stressing that the performing of oil companies in Kurdish Region is returning with benefits for Iraq and the Region and that the oil imports from Kurdish Region is returning to the Federal Government. Exxon mobil is one of the largest oil companies in the world and had signed contracts with Kurdish Region in the aim of exploring oil, the company also operating in the south of Iraq.

Gazprom Neft bags Kurdish block

Upstream Online, *26.02.2013*

Gazprom Neft is reported to have acquired its third exploration block in Northern Iraq, defying Baghdad's opposition to such deals with Kurdish region. Gazprom Neft has secured an 80% operating stake in the Halabja project, with reserves estimated at between 630 million and 790 million barrels.

"We are the operators of the project. Our immediate task is to map out an exploration and research program. Investments have not been defined yet. The exploration period will last seven years," Gazprom Neft's deputy chief executive Vadim Yakovlev said.

Masoud Barzani, president of the Kurdish Regional Government (KRG), said Gazprom Neft had signed new agreements with the KRG, without disclosing details. The company acquired interests in two other Kurdish blocks Garmian and Shakal last August, following similar deals struck with international oil companies such as ExxonMobil, Total and Chevron that the Iraqi government deems illegal.

Gazprom Neft risks incurring the wrath of the Baghdad regime as it seeks to develop the Iraq-controlled Badra oilfield, with reserves of around 3 billion barrels, that is due to come on stream in 2017. The federal government reportedly sent an ultimatum to the Russian company last November warning that it could lose its 30% operated stake in the field unless it pulled out of Kurdish Region. Iraq has meeted out similar treatment to other players such as Total and ExxonMobil. However, Yakovlev said Gazprom Neft has not been notified by the Iraqi government of any wrongdoing.

Production sharing contracts being offered by Kurdish Region to develop its prospective acreage are seen as more lucrative by foreign players than technical service deals on offer in Iraq as they gain a greater share of oil revenue. However, Baghdad denies that the KRG has the right to sign such deals under Iraq's constitution, which has led to Iraq withholding export payments to foreign producers in Northern Iraq in the ongoing dispute over territorial rights and resource sovereignty.

Iraq oil payment talks 'hit impasse'

Upstream Online, *25.02.2013*

Iraq talks aimed at resolving an oil payments dispute with Kurdish Region are believed to have hit deadlock, while reported deals signed by Russia's Gazprom Neft with the regional government are set to further strain relations with the Baghdad regime.

Reports at the end of last week that officials from the Kurdish Regional Government (KRG) had finalized an agreement with federal counterparts for a workable mechanism for payments to foreign producers in the northern region had raised hopes of a resolution to the long-running spat.

The payments row, part of a wider dispute over resource sovereignty and revenue sharing, stems from Baghdad's objection to production sharing deals signed by Kurdish Region with international oil companies (IOCs) such as DNO International, Genel Energy and ExxonMobil that it deems illegal. Exports from the region through the official Kirkuk pipeline network have been halted since December due to the stand-off, which has been further inflamed by armed clashes in the disputed Kirkuk area.

Anglo-Turkish producer Genel Energy has been exporting crude by truck to Turkey to circumvent the stoppage, despite Baghdad threats to take legal action to halt the move. Turkey has told Iraq it will reject any new oil and gas export pipelines built by Kurdish Region without the approval of the Baghdad government, Iraq's Oil Minister Abdul Kareem Luaibi was quoted as saying by the state media network. Lawmakers from Iraq's ruling coalition were reported to have met with KRG representatives, along with government ministers and other officials, in the Baghdad parliament at the weekend to discuss the payments issue. However, the political factions failed to agree on the amount of money that is still owed to IOCs working in Kurdish Region, after earlier payments made by Baghdad, coalition legislator Ammar Tohme told. "The groups met today but the issue has not been settled," he said. The Kurds claim the companies are owed 4.2 trillion dinars ($3.6 billion), while the central government's accounting bureau has said the amount is $1.5 billion.

Iraq's government-sponsored Iraqiya earlier said that the political groups had reached an agreement. The groups may call for a future meeting between Iraqi Oil Minister Abdul Kareem al-Luaibi and KRG Natural Resources Minister Ashti Hawrami, together with the parliamentary finance committee, to reach an agreement on the payments, Tohme said.

Meanwhile, Kurdish Region is reported to have signed new agreements with Gazprom Neft, the oil-producing subsidiary of Russian gas monopoly Gazprom. "We are satisfied with Gazprom Neft's work in the region. New agreements have been reached with this Russian company in recent days," KRG President Masoud Barzani was quoted as saying by news agency Interfax, which didn't report any details. The Russian player acquired interests in two Kurdish blocks last August, but also has a contract with Baghdad for the Badra oilfield in Iraq.

Greece and Turkey spar over Aegean energy

Natural Gas Europe, *28.02.2013*

The relationship between Turkey and Greece has improved immeasurably over the past few years. Once locked in a miniature Cold War, Ankara and Athens have now realized that they need to cooperate on a host of issues particularly gas transit. But as many other countries have come to realize, natural gas is just as often a source of division as cooperation.

A new row over offshore drilling rights, along with the ongoing disputes over eastern Mediterranean gas, is posing new difficulties for their relationship.

In January Greece was planning unilateral drilling in disputed areas, prompting a cautious warning from Turkey. Not much more was heard until, in mid-February, Greek Prime Minister Antonis Samaras insisted that Greece has the right to explore for oil and gas anywhere within its territory and that it could declare an Exclusive Economic Zone (EEZ) for that purpose. Greece submitted a note to the United Nations raising the issue of "Turkey's granting of exploration permits for oil and gas drilling for areas of the Greek continental shelf" which, Athens said, violated the UN Convention on the Law of the Sea.

Ankara promptly responded by vowing to submit its own note to the UN and take appropriate counter steps. Turkey said that "the licenses that Turkey has given to the TPAO since 2007 are within the borders of the Turkish continental shelf in the Eastern Mediterranean and Turkey has sovereign rights concerning exploration and drilling for natural sources in these fields." The dispute over maritime boundaries in the Aegean and eastern Mediterranean has been rumbling on for decades, complicated by the presence of Greek islands near the Turkish coast. Both sides have threatened to use force if the other drills in what they see as their own waters. As Turkey noted, TPAO has been granted exploration licenses in the Aegean and Mediterranean since 2007, although activity since then has been limited. In 2008 Turkey conducted some exploratory work in Turkish waters and in late 2009 TPAO reportedly discovered gas in the area but little has happened subsequently. International investors are cautious until absolute clarity on continental shelf and EEZ rights can be assured.

So why has the dispute flared up again, and what does it mean for the regional gas picture? The answer to the first question is clearer. Samaras was speaking shortly after French President Francois Hollande visited Greece and expressed interest in French firms helping to explore for oil and gas in the Aegean. Total is reportedly keen to drill in the Aegean, which is believed to be extremely prospective but remains under-explored due to the political tensions. Reportedly Hollande is already encouraging Athens to lease two French frigates for the exploration, though whether as escorts or to be fitted with seismic equipment is unclear.

Samaras' statement also came just a few weeks before he visits Ankara with members of his Cabinet for high-level meetings. Announcing Greece's right to declare an EEZ and drill in the Aegean was a clear statement of intent to the Turks in advance of that trip, even if he has insisted that a peaceful solution must be found.

Greece is evidently laying its cards on the table and trying to force some movement on the Aegean border issue. Turkey, however, is unlikely to compromise. It is already at loggerheads with Greek Cyprus over natural gas issues in the eastern Mediterranean and sees Greece as the endpoint of an axis running from Israel and through Greek Cyprus. Ankara has already warned the three states that a subsea pipeline isn't going to happen; the fact that Total has recently signed a deal with Greek Cyprus to drill offshore a decision which blackballs it from working in Turkey underlines the connection.

Given Turkey's sense of a confrontation stretching from the Aegean to the Levant, and its efforts to increase its own offshore drilling, don't expect Ankara to compromise on Greek demands. Samaras almost certainly knows this. But Greece's economic woes have raised the stakes. Developing a new source of revenue whilst also flying the flag for sovereignty might be a popular move.

Worsening Turkish-Greek relations may have an impact on wider gas export patterns. Most obviously it would exacerbate existing tensions in the eastern Mediterranean between Turkey and Greek Cyprus, as both relationships tend to influence each other. The chances of a rapprochement between Ankara and Nicosia on energy, or of a subsea pipeline from Israel, would get even slimmer.

Indirectly it could also affect the chances of the Trans-Adriatic Pipeline being chosen by the Shah Deniz consortium in June. Formally of course the decision of the consortium, in which TPAO has a small stake, is not supposed to be at all political. But in practice a political crisis over the Aegean, or a Turkish decision to suspend energy cooperation with Greece on existing gas pipelines, would raise serious questions about the viability of another pipeline crossing between them.

For now both sides are committed to dialogue and finding a constructive solutions. Greece and Turkey have come a long way in the past few years: this is not 1987, when attempted hydrocarbon exploration by Turkey almost led to a military confrontation. But the energy stakes in the Aegean could be very high, and both sides will try and take things down to the wire.

Black Sea: Energy security fault line?

Natural Gas Europe, *26.02.2013*

An unfortunate consequence of lofty expectations, past optimism for the Black Sea to become the "next North Sea" has wilted with time. Now, the latest hopes for a Black Sea energy bonanza now lie with a fresh deal inked between the Turkish Petroleum Corporation (TPAO) and Royal Dutch Shell to explore 1,500 square kilometers with hundreds of millions of dollars at stake.

But Turkey, which spent some $60 billion for energy last year, remains tenacious in seeking out domestic and regional alternatives to the country's overwhelming dependence on farther-flung external sources.

While the jury is still out on the ultimate viability of the Black Sea as an energy source, the impetus to develop locally is catching on beyond Turkey and throughout the region. Partially spurred in no small part by the shifting economics of energy, the more urgent -- if generally muted -- rationale lies with geopolitical realities. For the most part, the states that hug the littorals of the Black Sea are overwhelmingly dependent on Russia for a significant portion of their energy needs, and especially natural gas. The one major exception in Georgia, which has recently had poor relations with its giant northern neighbor, resulting in gas cutoffs and embargoes in 2006 and a war in 2008. Georgia today imports its gas from Iran and Azerbaijan -- the latter via the Baku-Tbilisi-Erzurum pipeline, which ferries large quantities of Azerbaijani gas to Turkey and European markets via Georgia. And at the moment, energy transit through Georgia is currently the only Westward artery that isn't under Russian control.

Famous for practicing "pipeline diplomacy," Moscow has never been shy about leveraging its extensive delivery network in the service of political aims. Recent case studies of this phenomenon include Georgia's spat with Russia, which led to the Kremlin hitting the off-switch in gas mid-winter in 2006. Similarly, Ukraine under the previous, pro-West government was hit by similar situations in 2005-2006 and again in 2009. The latter was particularly damaging because it affected downstream distribution to other European states which were supplied via Ukraine's expansive distribution network, which Moscow has repeatedly sought to purchase by hook or crook.

For Turkey, its energy relationship with Russia has had its own complications. Despite being one of the largest buyers of Russian hydrocarbons, periodic trade disputes have plagued the partnership. In 2008, shortly following the 2008 war between Russia and Georgia, Turkey-bound exports were unexpectedly curbed by Russia, which many analysts said was a punitive measure for Ankara's permission for two U.S. warships to transit the Bosphorus. And in 2011, Turkish state gas pipeline operator BOTAS canceled its contract with Russian state gas giant Gazprom over the latter's stubbornly above-market rates and rigid terms. Though imports were soon resumed, both these situations underscored Turkey's massive vulnerability to Moscow's mercurial approach to energy supply.

These various episodes have not gone unnoticed throughout Europe, either, which has been affected either directly or indirectly by periodic energy-related drama. Among the Black Sea states, this sensitivity has been especially heightened, as they are generally the most directly-affected by the extended uncertainty posed by Russian energy delivery. Ironically, Moscow's hard-line approach to energy deal-making has been a driving force for diversification efforts by the Black Sea states away from Russian sourcing.

Turkey's exploration effort in the western Black Sea isn't the only bid for diversification in the region. Ukraine recently announced its own decision to move ahead with a long-stalled project to explore a 13,000 square kilometer area by the Kerch straits, where preliminary estimates peg gas potential at 10.8 billion cubic meters. Ukraine is also looking to tap the Skifska field also in the Black Sea and estimated to hold as much as 250 bcm of gas which is being operated by a consortium led by ExxonMobil. Off Romania's coast, ExxonMobil is also leading exploration of a field that may hold a further 85 bcm. But the biggest prize may actually be shale. In Ukraine, estimates and optimism in the country's shale gas reserves are soaring, with the U.S. Department of Energy's Energy Information Administration (EIA) estimating shale gas reserves in the 42 trillion cubic meter range, leading to a $10 billion deal between Kyiv and Shell. In neighboring Romania, Bulgaria, and Hungary, EIA estimates about 540 bcm of shale gas about the annual consumption of the entire European Union. Even Turkey is getting into the act, with expectations building for Turkey's own shale potential in its expansive southeast. Even Armenia and Georgia may be headed in the same direction.

Between Black Sea reserves, the promise of shale, and the flexibility of liquefied natural gas, the pipeline regime favored and dominated by Russia is quickly unraveling and giving way to disaggregated supply architecture. While this may have always been inevitable to some degree, Moscow's approach recently exemplified by its apparently-punitive $7 billion bill against Ukraine seems to be only hardening resolve among Black Sea states to diversify and localize.

From an energy security perspective, the interregnum between Russia's near-monopoly and truly disaggregated regional energy architecture is likely to be dominated by frequent spats between Moscow and its buyers. While the latter look to use the rise in local and unconventional plays to strengthen their bargaining power, Russia, in response, will likely opt to crack down in response. This could mean increasing instability in the short term before new sources are developed and come online, but Russian intransigence will only hasten this process.

For investors, however, that intermediary period could present a prime opportunity. Black Sea states, and especially countries like Ukraine and Turkey, will be increasingly motivated to incentivize domestic or local energy sources to wean their economies from Russian hydrocarbons. This is likely to translate into preferred terms and generous latitude in pursuing energy sources. As the recently agreed-upon Trans-Anatolian Pipeline as well as Ankara's aggressive exploration efforts in the Black Sea and Mediterranean Seas well-demonstrate, a more favorable energy portfolio is considered a national strategic priority. This is no less true in Ukraine, where the need to bring new sources online remains urgent. The Black Sea may or may not earn its erstwhile moniker as the next North Sea. But a rapid-changing energy game is well-afoot in the region, which will make it a massive test case for energy security as well as concomitant geopolitical considerations. How Black Sea states adapt to the increasingly new energy regime including Russia itself will not only be a major determinant of Europe's energy fortunes, but the future of the region's checkered geopolitical alignments.

Gazprom agrees main terms to buy LNG from Israel's Tamar project

Platts, *26.02.2013*

Gazprom Marketing and Trading has agreed on the main terms of a 20-year deal with Levant LNG Marketing for off take from Israel's Tamar floating LNG project.

The Tamar floating LNG project is scheduled to be commissioned in 2017, and production is estimated at 3 million mt/year. The agreement was signed in Seoul Monday. The consortium developing the Tamar and Dalit offshore gas fields, which will feed the LNG project, has also signed a letter of intent with Gazprom for the sale of 3 million mt/year of LNG over a 20-year period, consortium member Delek Drilling said in a separate statement.

Under the terms of the agreement the gas price would be linked to the price of Brent crude. The gas will be exported from the planned FLNG facility at the Tamar field located 90 kilometers off Israel's northern Mediterranean coast. The agreement calls for Gazprom to place financing for the FLNG project in the form of a direct investment. The signings follow a year of negotiations between Gazprom Marketing and Trading and the consortium, which comprises operator Noble Energy, with 36%, Avner Oil and Gas (15.625%), Isramco (28.75%) Dor Gas Exploration (4%) and Delek Drilling (15.625%).

In November 2011 the consortium signed a deal with DSME, NextDecade and D&H Solutions to jointly develop the floating LNG plant, with Levant LNG Marketing subsequently set up to market the plant's LNG. Gazprom Marketing & Trading CEO Vitaly Vasiliev described the deal as "an important milestone" in terms of Gazprom's strengthening position in the global LNG market, according to the company's statement. "We are confident that this deal will not only help strengthen and diversify Gazprom's LNG portfolio, but also help Gazprom Marketing & Trading build on our success in the Asia-Pacific region, where we have recently closed long and medium-term deals with numerous counterparties in India and Northeast Asia," Vasiliev said.

In October Gazprom Marketing and Trading signed a deal to supply South Korea's Kogas with up to 1 million mt of LNG in 2013/2014. In the same month it also signed a 20-year deal with India's GAIL to supply 2.5 million mt/year, with deliveries slated to begin in 2019. The Tamar partners stressed that the agreement with Gazprom will not have an impact on supplies to the Israeli domestic market. The consortium has signed eight supply agreements with local customers with a commitment to supply around 170 Bcm of gas over the next 15 years. Commercial production is due to begin in April.

The Tamar field has estimated resources of 274 Bcm. Gas from the field is expected to be the sole local source of supply in the coming years. The cost of developing the field is put at $3 billion, not including the FLNG. “The signing of the agreement in principle with Gazprom is not only an important cornerstone for advancing the FLNG project but also represents strategic cooperation with a leading international player,” said Gideon Tadmor, chairman of Delek Drilling and CEO of Avner Oil and Gas. The proposed FLNG project is expected to be one of the first in the world. Delek Drilling said the agreement with Gazprom is subject to the receipt of all necessary regulatory approval.

The Israeli government has yet to approve the recommendations of a panel of experts on gas export policy. The new Israeli government is expected to take up the matter once it is formed. The panel issued its report in August and recommended the government approve the export of up to 500 Bcm of gas through 2040, or approximately 50% of the country’s current estimated reserves. However, there is growing opposition to this and a final agreement with Gazprom will depend on the new government’s position.

Iran to set up three energy hubs

Oil&Gas Eurasia, *27.02.2013*

Iran is planning to establish three energy hubs in the Persian Gulf islands of Lavan, Qeshm and Siri. Mahmoud Zirakchianzadeh, managing director of the National Iranian Offshore Oil Company (NIOOC), said that Iran should invest $70 billion in the upstream sector of the oil industry and NIOOC plans to turn Lavan Island into a petrochemical hub.

He said 3 billion cubic feet of gas will be fed into the Lavan Island for it to produce and directly export petrochemical products. He added that about $12 billion and $16 billion in investment are respectively needed for the development of Lavan’s upstream industries and petrochemical sector.

Qeshm Island has been designated as a hub for generating electricity from gas, he said. He pointed that Siri Island will become Iran’s gas export hub where 14 billion of investment is needed for the development of the three gas fields of Foruz-A and -B and Binaloud in the island. The petrochemical sector in Siri Island presents some $16 billion in investment opportunities, he said.

Lebanon kicks off first onshore oil survey

The Daily Star, *25.02.2013*

The British foreign secretary joined Lebanon's energy minister to launch the country's first onshore seismic survey of potential hydrocarbon reserves, bringing the hunt for oil and gas inland for the first time in nearly 50 years.

Britain-based Spectrum was awarded the contract to collect 500 kilometers of 2-D seismic data last year after completing 2-D and 3-D seismic surveys of Lebanon's offshore reserves and expects to begin work in portions of the northeast, the Bekaa Valley and in areas of the south surrounding Marjayoun within a few months.

Though Foreign Secretary William Hague acknowledged that there were complex issues to resolve concerning Lebanon's disputed maritime border with Israel, he said this should not dissuade British companies from bidding on oil and gas contracts in the country. "It is quite a complex picture across the entire Mediterranean, not just between Lebanon and Israel," he said. "So there are those difficulties to be resolved, but clearly that is not stopping preparation for extraction and the course of important discovery work."

In light of the high prospects for offshore reserves and the level of interest from international companies that have paid "multimillion dollars" for seismic data of the Mediterranean basin, Energy and Water Minister Gebran Bassil said expanding the search for oil and gas resources into Lebanese territory was the natural next step. "In the past three years, we managed to pass the offshore Petroleum Law, issued all necessary regulations, and covered our entire maritime waters with 2-D and 3-D seismic surveys," Bassil said. "We appointed a petroleum administration, launched a prequalification round, and announced the opening of the first licensing round on May 2, 2013."

The onshore survey is the latest prong in the quest to turn Lebanon into "an oil hub of the region," Bassil said, "diversifying our hydrocarbon resources and reducing our energy dependency and oil bill." Though Spectrum has not started the survey yet and Lebanon still lacks legislation governing onshore oil exploration – the existing law dates back to the French Mandate – the vice president of Spectrum in the Middle East, David Rowlands, said Thursday's event was nevertheless, "groundbreaking." "He announced to the world his intention to open up onshore exploration in Lebanon after focusing on offshore oil and gas for so long," Rowlands told.

Rowland's said Spectrum had already conducted two scouting missions. The company is in the process of obtaining municipal permits and permission from landowners and expects to being surveying within a few months. The work will be done with a vibro-seismic vehicle that determines the potential reserves below ground by measuring the time it takes the vibrations to penetrate the geological layers. Spectrum will also begin drafting an environmental impact assessment to present to Parliament, but he said conducting the 2-D survey would be minimally disruptive to peoples' lives.

The truck, which is about the size of an RV, looks like a mobile science lab, and sounds like a cement mixer, will do nothing more than possibly cause traffic, Rowlands said. “This is the first stage,” he said. “It’s way too early to start making the estimates of the hydrocarbons. That will probably take a year or so. Then it’s up to the government to pass the necessary legislation and invite foreign companies to bid for contracts.”

Though Lebanon won’t have to contend with competing claims from Israel in onshore exploration, one audience member said that a handful of families who were given exploration concessions in Lebanon back in the 1920s, which they have not used in at least 50 years, may contest the government’s attempts to extract the black gold. That too, however, is far off, and Bassil dismissed such concerns: “We have a legal framework that existed and I think we are preparing a new one whereby this matter will be resolved legally, [giving] the Lebanese state full rights to deal with it properly.”

While it will be years before any drill penetrates Lebanese soil, Hague warned the government to seek national consensus now on how oil and gas revenues would be spent: “That revenue, if well managed presents incredible opportunities for Lebanon in tackling national debt, in upgrading power, water, transport and communications infrastructure. All the things that is vital to economic development.”

Shell’s Arctic program faces more setbacks

Oil&Gas Eurasia, *26.02.2013*

Shell needs to address a series of safety violations revealed by the U.S. Coast Guard regarding the company’s work off the Alaskan coast, a U.S. lawmaker said.

The Coast Guard sent a list of safety and environmental violations to the U.S. Justice Department and the House Natural Resources Committee following an investigation into problems with the Noble Discoverer drill ship. U.S. Rep. Ed Markey, D-Mass., ranking member of the committee, said he sent a letter to Shell asking what plans it had for drilling in arctic waters given the revelations.

“It is imperative that any drilling operations in the Arctic Ocean occur with the highest levels of safety and environmental protections in place, and I am not convinced that these levels can ever be met given the extreme weather conditions and Shell’s performance thus far,” Markey wrote. Markey published a list of 16 violations reported by the Coast Guard. He said there were systematic failures that led to serious engine failures on the Noble Discoverer drillship. Shell’s campaign for exploration off the northern coast of Alaska was hampered by severe weather and a series of equipment malfunctions last year. In January, U.S. Interior Secretary Ken Salazar ordered a two-month review of Shell’s work in Alaska, saying recent missteps may prevent offshore work this year.

Russia to ease foreign access to oil exploration

Oil&Gas Eurasia, *25.02.2013*

The Russia Today reports that foreign companies could be granted more freedom to explore natural resources in Russia's remote regions to avoid the possible decline in oil, gas and mineral extraction.

They may be allowed to co-develop onshore deposits of federal importance, the Russian Natural Resources Minister Sergey Donskoy told. He explained deposits in the Far East and Eastern Siberia will be first. The initiative concerns all kinds of mineral resources except of those on the continental shelf, the Russian Deputy Minister of Natural Resources, Denis Khramov, told.

According to current Russian law oil and gas deposits of national importance are those having 70 mn tons of oil and 50 bcm of gas. The list of those deposits was outlined in 2008. Since then only two Russian majors, Gazprom and Rosneft, have had access to sea deposits, while the right to develop fields were put up for auction with the limited list of bidders. The access of foreign investors to such deposits was restricted four years ago – they have to get government approval to have more than 10% of the company developing deposits of federal importance. Also, such deposits cannot be automatically converted from exploratory into production.

Doskoy said that even if a foreign company discovered a new deposit it would have been often denied the right to develop it, which is a huge barrier to cross-border capital inflow. The Russian Ministry of Natural Resources expects oil production in the country to considerably drop in the near future. In 2013 the decline is expected to reach 0.8% or 510 million ton. In order to change the trend and until the Arctic shelf can fill the gap, which is unlikely to happen until 2020, the ministry plans to propel onshore production.

It is hoped the initiative will have a major impact on ore extraction as well as oil and gas. Eastern Siberia and the Russian Far East are underexplored even though they have great potential. If the initiative is approved by the government and the president, it could stimulate companies to develop the area.

Russia plans to curb Gazprom's domestic gas tariffs

Oil&Gas Eurasia, *26.02.2013*

Gazprom's gas prices for Russian industrial users will fall by 3 percent in the second quarter, the first drop in years as analysts say the government tries to curb the company's overblown spending.

Denis Volkov, in charge of oil and gas tariff policy at the Russian Federal Tariff Service (FST), told Reuters the FST would recalculate the state-controlled gas export monopoly's tariffs later this week with a view to cut them by 3 percent starting from April 1.

"This is in line with a government order to recalculate the tariffs quarterly," he said, adding that on average, Gazprom's charge of some 3,000 roubles ($98.55) per 1,000 cubic metres will decline by around 90 roubles as a result. Gazprom has benefited from a steady increase in state-regulated domestic gas tariffs as the government has sought to achieve parity between the company's high exports prices and its traditionally lower prices for domestic users.

Analysts have deemed this policy irrelevant as other companies such as Novatek, Rosneft and TNK-BP have taken a greater share of the domestic gas market by striking direct deals with end-users at lower prices than Gazprom's. Regulated tariff increases for energy suppliers such as Gazprom have, furthermore been working against the government as it has attempted to beat back inflation, a sensitive political issue for Russian President Vladimir Putin.

Analysts said the state has been tweaking tariffs as a way to make Gazprom more efficient, helping it maintain markets at home and abroad, although they criticise this approach so far as piecemeal and insufficient. Last year, Gazprom's exports to Europe, a major source of revenue, fell 7 percent to 139 billion cubic metres (bcm) on the back of sluggish demand. European gas consumers have also won pricing concessions from Gazprom in long-term contracts. FST's Volkov said Gazprom's tariffs still will increase by 15 percent in 2013, though analysts says it is not clear and that the state should be more transparent and straightforward in setting out tariff policy.

Kiev wants to join South Stream talks

Oil&Gas Eurasia, *27.02.2013*

Kiev wants to participate in all negotiations associated with the construction of the Russia-led South Stream gas pipeline, designed to pump gas to Europe and bypassing Ukraine.

Kiev asked for full access to the negotiations at a meeting with E.U. leaders. Ukrainian President Viktor Yanukovich said that Ukraine is unhappy with its cooperation with the European Energy Community as it remains indifferent to Ukraine's complaints about a U.S. $7 billion fine by Russian gas giant Gazprom and the construction of the South Steam pipeline. In January, Gazprom sent Naftogaz Ukrainy a $7 billion bill for gas that was contracted but not purchased.

China and Russia reach consensus on oil supplies

Oil&Gas Eurasia, *27.02.2013*

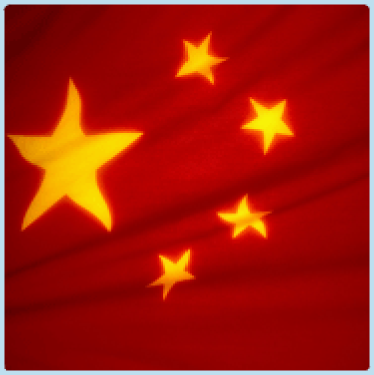
China and Russia have reached an important consensus on boosting oil trade, Vice Premier Wang Qishan said. Wang made the remarks after holding talks with his Russian counterpart Arkady Dvorkovich at the Great Hall of the People.

"The two sides have reached an important consensus to expand the trade of oil, marking major progress for China-Russia energy cooperation," Wang said, urging government agencies on both sides to hasten negotiations and ink an inter-governmental deal at an early date.

During the talks, Wang said the Chinese and Russian governments endorsed their respective enterprises' negotiations on gas supplies to be delivered via an east pipeline, with Russia set to deliver 38 billion cubic meters of gas each year to China. The two sides will continue feasibility research on liquefied natural gas (LNG) cooperation using the east line, as well as gas to be supplied via a west line, Wang said. Priority will be given to gas-related projects in bilateral energy cooperation, Dvorkovich said, adding that he hopes the pipeline project and the LNG east line project will be pushed forward at the same time.

China to produce abroad 3 million barrels of oil a day by 2015

Oil&Gas Eurasia, *25.02.2013*



Qatar's MENAFN reports that Chinese oil companies will produce three million barrels of oil a day at foreign oil fields by 2015, the Chinese media says with reference to a report of the International Energy Agency (IEA).

"After the conclusion of the recent deals, China may become one of the biggest producers of oil on the shelf," IEA chief economist Fatih Birol said in a statement. According to the report, by 2015, China may increase the oil production abroad almost twice, leaving behind Kuwait and the United Arab Emirates according to this index.

In 2011, China produced 1.5 million barrels a day at foreign oil fields, the Chinese media recalls. In recent years, Chinese companies made a series of deals on the purchase of oil and gas assets abroad. In 2012 alone, the Chinese oil company Sinopec and the Chinese national offshore oil and gas corporation spent 35 billion dollars on these deals.

China takes on more U.S. shale reserves

Oil&Gas Eurasia, *27.02.2013*

UPI reports that a subsidiary of China Petrochemical Corp. said it was spending $1 billion to buy half of rival Chesapeake Energy Corp.'s oil and gas acreage in Oklahoma.

Sinopec said it was taking on half of Chesapeake's shale reserves. "We are excited to announce the execution of our Mississippi Lime joint venture with Sinopec, which moves us further along in achieving our asset sales goals and secures an excellent partner to share the capital costs required to actively develop this very large, liquids-rich resource play," Chesapeake Chief Operating Officer Steven Dixon said.

Sinopec in 2011 paid $2.2 billion for access to five shale plays in a deal with U.S. company Devon Energy. Chesapeake said production from the Mississippi Lime formation and similar assets in northern Oklahoma was around 34,000 barrels of oil equivalent per day during the fourth quarter of last year. "There was approximately 140 million barrels of oil equivalent of net proved reserves associated with the assets," the U.S. company added.

Announcements & Reports

► *Electricity in a Climate-Constrained World*

Source : International Energy Agency
Weblink : http://www.iea.org/W/bookshop/add.aspx?id=445

Upcoming Events

► *6th International Petroleum Technology Conference*

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

► *LNG17 – International Conference and Exhibition on Liquefied Natural Gas*

Date : 16 – 19 April 2013
Place : Houston – USA
Website : http://conferencehound.com/conference/lng17-international-conference-and-exhibition-on-liquefied-natural-gas/53874

► *Offshore Technology Conference*

Date : 6 – 9 May 2013
Place : Texas – USA
Website : http://www.gshtx.org/en/cev/908

Supported by PETFORM

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

Date : 15 – 16 May 2013
Place : Istanbul – Turkey
Website : http://www.wplgroup.com/aci/conferences/eu-eug2.asp

► *12th Moscow International Oil & Gas Exhibition*

Date : 25 – 28 June 2013
Place : Moscow – Russia
Website : http://mioge.com/about/upstream.aspx

► Oil and Gas Conference and Exhibition 2013

Date : 3 – 6 September 2013
Place : Aberdeen – UK
Website : http://www.offshore-europe.co.uk/page.cfm/Link=1/t=m/goSection=1

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

► Texas Oilfield Expo

Date : 6 – 7 March 2013
Place : Texas – USA
Website : http://www.gshtx.org/en/cev/906

► 21st Kazakhstan International Oil & Gas Exhibition and Conference

Date : 1 – 4 October 2013
Place : Almaty – Kazakhstan
Website : http://www.kioge.com/2013/upstream2013.html

► Deep Offshore Technology International Conference & Exhibition

Date : 22 – 24 October 2013
Place : Texas – USA
Website : http://www.biztradeshows.com/trade-events/deep-offshore-technology.html

► World Shale Gas Conference & Exhibition

Date : 4 – 7 November 2013
Place : Texas – USA
Website : http://www.biztradeshows.com/trade-events/world-shalegas-exhibition.html