Oil & Gas Bulletin

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Turkish gov't liberalizes oil sector despite opposition outcry

Hürriyet Daily News, *24.05.2013*

Turkish Parliament will start to debate a controversial draft of Turkey's new petroleum law next week. The government says that the new law would liberalize the sector significantly, although the opposing groups say that it would leave the state-run Turkish Petroleum Company (TPAO) in a weaker position.

"The new draft law on petroleum affairs does not leave TPAO a weaker organization. In contrast it could get many more licenses for oil and gas exploration and drilling," Selami Incedalci, general manager of General Directorate of Petroleum Affairs said.

According to the existing law, TPAO may acquire more licenses in each region provided that the total number of licenses does not exceed ten times the number of petroleum regions. However, the limitation on the number of licensees per region has been completely removed in the draft law. Further, TPAO no longer has any special privileges over other exploration companies.

"The new draft extends the exploration powers of TPAO. Under the existing law, TPAO could have 180 licenses at most. Now this limitation will be removed. TPAO could have hundreds of licenses if it wants," Incedalci said.

Opposition groups say the new draft makes TPAO a weaker organization. "TPAO will compete in the future tenders, like other companies, and lose its privileges as a state-run company if the draft is accepted. TPAO had already lost its refinery and station networks due to the privatizations in previous years and could now only fulfill exploration and operating activities. This will most probably make it much less competitive abroad," a sector representative said.

No doubt that the petroleum law, adopted in 1954, is outdated, sector representatives agree. The law had to be revised a couple of times. The Turkish government appears to need foreign funds to finance its exploration and drilling activities. The new petroleum law draft's primary concern is to make the sector more competitive and more liberalized, Turkish Energy Minister Taner Yildiz said previously.

Turkey eyes oil and gas deals with Northern Iraq

Reuters, *22.05.2013*

Turkey is looking to sign commercial contracts this year with Russian and U.S. companies operating in northern Iraq for joint oil and gas exploration, Turkey's Energy Minister Taner Yildiz told Reuters.

Turkish Prime Minister Tayyip Erdogan last week discussed U.S. concerns about Turkey's deepening energy ties with Northern Iraq during meetings in Washington with President Barack Obama. Minutes before his departure for Washington, Erdogan announced that a Turkish company already had a contract in place with U.S. energy company ExxonMobil but declined to provide details until after the visit.

Yildiz, who was in Erdogan's delegation, said the discussions with Obama and his teams were very positive and fruitful. "We are likely to be involved with Russian and American companies in northern Iraq for different projects like oil and gas exploration. And this year, state-owned and private companies could sign commercial contracts with northern Iraq," he said in an interview. He declined to name companies. Iraqi companies operating in the northern region could also take part in such partnerships, which will involve three or four partners, Yildiz said.

Yildiz said Turkey had made it clear during the U.S. visit that it was impossible for Ankara to remain indifferent to potential projects in Iraq and the two parties discussed what the ideal model for partnership should be in order to respect the Iraqi constitution. "These partnerships could be done through state companies, semi-state companies and sometimes completely private ones," he said. Until now, resource-hungry Turkey has been a customer and a transportation outlet for oil exports from the Kurdish region. With such partnerships, the Turks would play an active role in exploiting KRG's rich hydrocarbon resources.

Yildiz also said Turkey was keen to help Iraq build more pipelines as the OPEC member's oil production is increased, but that the existing pipeline carrying oil from Iraq's Kirkuk fields to Turkey's Mediterranean hub of Ceyhan should be fully utilized. Turkey also discussed its oil purchases from Iran during Erdogan's U.S. trip, Yildiz said. "The U.S. had no requests from us to further reduce the oil we buy from Iran," Yildiz said, adding Turkey would continue to buy Iranian oil at current levels.

Following last year's 40 percent cut, Turkey's sole refiner Tüpras is now buying around 110,000 barrels per day (bpd) of Iranian oil as a European Union oil embargo against the Islamic Republic came into full force on July 1. Turkey was twice granted a waiver on Iranian oil last year by the United States for 180 days after it made initial cuts. Before the introduction of stricter U.S. and EU sanctions against Iran last year, imposed over Tehran's disputed nuclear programme, Tüpras' purchases were averaging 180,000 bpd.

Turkey in talks with Chevron for KRG

Hürriyet Daily News, *21.05.2013*

After Turkish Prime Minister Recep Tayyip Erdogan's announcement that a Turkish company would be partnering with the Kurdish Regional Government (KRG) and Exxon Mobil to carry out oil exploration in northern Iraq before his U.S. visit last week, Turkey is now reportedly in talks with U.S. energy company Chevron about activities in KRG.

Turkish officials and the executives of Chevron have been talking about oil and natural gas pipelines that are planned to be built from the KRG through Turkey. However, Exxon is also looking for a partnership with Turkey in the KRG, Chevron's approach to Turkey is different to Exxon's.

Chevron executives and officials from Turkey's Energy Ministry are also negotiating on the construction and the financing of the new pipelines, the sources said. During Erdogan's U.S. visit, he was expected to seek Obama's support for further energy deals that Turkish companies are hoping to strike in northern Iraq. "An agreement was in place for a Turkish company to become a partner with Exxon and the KRG, and details will be clearer after the U.S. visit," Erdogan had said.

Tender for new natural gas depository begins

Hürriyet Daily News, *23.05.2013*

Turkish Petroleum Corporation (TPAO) started a tender for a project to raise the capacity of the North Marmara natural gas depository, according to a statement in the Official Gazette today. The project is planned to be completed in two stages ending in 2019, thus Turkey's natural gas storage capacity is to increase to around 10 percent of its annual gas consumption, which was over 45 bcm last year, sector representatives say.

TPAO put the Silivri facilities into service in 2007, with an initial gas storage capacity of 1.9 bcm, then increasing its capacity to 2.6 bcm.

Turkish state electricity generator commits to liberalization

ICIS Heren, *21.05.2013*

Turkey's state-owned electricity generation company EUAS plans to build some 13GW of capacity by 2020 via joint ventures with foreign companies, its head told the EMART conference in Istanbul on Tuesday.

The company is in the process of selling 16.5GW of its current hydro, coal and natural gas generation, which means that it would retain some 7GW of generation. However, under recent amendments to the country's Electricity Law, EUAS is allowed to partner up with public companies such as the United Arab Emirates' national energy firm TAQA to build lignite-fired generation.

"EUAS will contribute with capital, but that does not mean that EUAS's share will increase in the market," said Halil Alis, EUAS managing director. The recent agreement signed between Turkey and a French-Japanese consortium for the construction of the 5GW Sinop nuclear power plant in north-central Turkey (see EDEM 2 May 2013) would also leave EUAS's market share unchanged, he added. Under the agreement, Turkish state wholesale trading company TETAS will buy electricity at 11.80 US cents/KWh (9.17 euro cents/KWh) if Turkey can provide the uranium and 10.80 US cents/KWh if Turkey cannot provide the uranium.

ICIS understands that in future EUAS can keep around a 30% stake and either pass these shares to the private sector or sell them on the stock exchange. EUAS is in the process of overhauling its operations. It has already sold over 2GW of thermal generation to the private sector, has ended long-term transitional contracts with TETAS, and has long-term ambitions to trade electricity, gas and emissions.

In 2011, EUAS sold 5% of its generation to the spot market PMUM, which represented 16% of the exchange-traded volumes. Meanwhile, bilateral agreements represented 88% of its totally generated volumes and 37% of the volumes traded in the market. Traders told ICIS that transparency over EUAS's market share and pricing was key to the functioning of the traded markets, with the state-owned generator's involvement already affecting the formation of reference prices on PMUM. PMUM prices were very low between November 2012 and February 2013, and sources said that while temperatures had been seasonally high, the amount of generation that EUAS sold into the market was very opaque and a possible source of price distortion

Market participants are already at odds on where the Q1 '14 Baseload contract should be quoted, with one camp quoting prices around Turkish lira (TL) 148-150/MWh (€62-63/MWh), based on historical average deliveries, and another quoting prices of around TL165-168/MWh, based on increasing demand and the lack of reliability of historical prices informing forward prices based on this past winter's experience.

SOCAR to borrow $4 billion to build refinery in Turkey

Oil&Gas Eurasia, *20.05.2013*

Azeri state energy firm SOCAR plans to borrow about $4 billion from foreign banks to finance construction of a refinery in Turkey, an company official said, a project that could provide a profitable outlet for its crude.

"According to a financing scheme, 65 percent of financing of the Star refinery will be provided by bank credits, while the remaining 35 percent (will come) from Azerbaijan's own resources, mainly the state oil fund," SOCAR Vice President Suleiman Gasymov said. Turkey currently imports most of its oil products. Its sole refiner, Tüpras, already buys some Azeri crude as some of the 28 million tonnes of oil.

The refinery at Aliaga in western Turkey is planned to produce annually 500,000 tonnes of jet fuel, 6 million tonnes of diesel, 500,000 tonnes of petroleum coke, 300,000 tonnes of liquefied petroleum gas and 1.6 million tonnes of naphtha. Gasymov said SOCAR would sign an EPC (engineering, procurement and construction) contract with a consortium of foreign companies this month. "The EPC contract on construction of the Star refinery with a capacity of 10 million tonnes of oil a year is expected to be signed within days," he said. "Conditions of the project will be presented to creditors after that."

Total construction costs are estimated at $5 billion to $6 billion. It is expected to be completed by 2016. SOCAR, which controls Turkish petrochemical giant Petkim, owns 81.5 percent of the project, while Turkey's Turcas Petrol owns the remaining 18.5 percent. In December 2012, SOCAR selected a consortium of Tecnicas Reunidas, Saipem, GS Engineering & Construction and Itochu to build the refinery on the Aegean coast. Gasymov said the European Bank for Reconstruction and Development, the World Bank and some foreign commercial banks had expressed interest in funding the project.

Turkey, Iran and Egypt to found petrochemical body

Hürriyet Daily News, *21.05.2013*

The National Iranian Petrochemical Organization (NIPO) has made a proposal to Turkey and Egypt to form an international petrochemical association similar to the Organization of Petroleum Exporting Countries (OPEC) with Iran at a D8 meeting in Tehran.

According to a press release by the Turkish Plastic Industrialists Federation (PLASFED), the offer was presented at a petrochemicals meeting of the D8 Countries in Tehran, between May 13 and 14. "It was decided that all preparations of the proposed association were to be completed until a meeting in Iran at the first quarter of 2014," said.

According to Islamic Republic of Iran Broadcasting (IRIB), NIPO Managing Director Abdolhossein Bayat said on May 18, "On the sideline of the petrochemical conference of the D8 group of countries, Turkey and Egypt, as the two biggest producers of petrochemical products and engineering polymers in the Middle East, agreed to Iran's oil proposals." Bayat noted that Iran would hold talks with several other petroleum producing Islamic countries in the near future to further discuss the establishment of an international petrochemical association. "Currently with the presence of Iran, Turkey and Egypt, the core establishment of a petrochemical OPEC has been formed," he added.

Gas discoveries give Israel regional clout

Today's Zaman, *22.05.2013*

Israel's natural gas reserves will boost its regional clout and could help it improve ties with neighboring states in need of new energy sources, Energy Minister Silvan Shalom said.

Once totally dependent on fuel imports, Israel has made the largest gas discoveries in the world over the past decade off its Mediterranean coastline, and is expected to become an exporter by the end of the decade. "Gas gives you much more power than you had. It is something that is very helpful in the geopolitical arena and helps to narrow the gaps," Shalom, who also serves as Israel's minister for regional development.

“It is a tool we can use in a sensitive and very clever way to enable us to develop relations ... and to have better relations with many other countries,” he added when asked if future gas trade could warm up chilly Israeli-Turkish ties. Encouraged by the United States, the two countries announced in March they were working to improve relations that were thrown into the deep freeze when Israeli commandos boarded a Gaza-bound Turkish ship in 2010, killing nine Turks in the fracas. The diplomatic detente has raised speculation that a pipeline could one day be built to carry Israeli gas across Turkey and on to Eastern Europe, which depends heavily on Russia for gas supplies at present.

Shalom, a former foreign minister and veteran member of Prime Minister Benjamin Netanyahu’s ruling Likud party, declined to discuss the issue. But he revealed that Russian President Vladimir Putin had raised the question of Israel’s gas projects only last week. “President Putin and Prime Minister Netanyahu talked about it. It was a first discussion they have held, but it is not something we are dealing with these days,” he said, giving no further details. Russian energy group Gazprom said in February it was in exclusive talks to buy liquefied natural gas from Israel’s Tamar field and has also made clear it wants to buy from the larger, nearby Leviathan field.

Some Israeli leaders have suggested the country should adopt a “gas for peace” strategy, offering its energy resources to neighbors at discounted prices to cement peace ties. Shalom appeared to dismiss the idea of one day selling gas to Egypt, saying its southern neighbor had more reserves than Israel, but he did not rule out deals with Jordan to the east. The Israeli government will soon announce how much future production it will allow companies to export, looking to weigh up the needs of the domestic market with the demands of major energy firms that are unwilling to spend huge sums developing deep water fields if they cannot reap instant export reward. “I believe we need a balanced attitude, something that will keep gas for the next generations to come and to enable more exploring in future for foreign companies,” Shalom said.

An interministerial committee last year suggested that some 53 percent of Israel’s gas resources should be offered to export once a 25-year supply for the domestic market was secured. Shalom said his ministry was still studying the report and would present its recommendations to the cabinet within “a few weeks, or one month”. Asked if he would endorse the findings, he said: “I have said that anything can be changed by a human being except the bible.”

The Tamar field, which came online in March with an estimated 10 trillion cubic feet (tcf) of gas, can meet Israel's needs for decades. The nearby Leviathan field, which is expected to begin production in 2016, is estimated to hold 19 tcf. A US-Israeli group announced earlier this month that it had discovered positive signs of another natural gas field off Israel's coast that could contain 2 tcf of gas.

Israel pushed to spell out gas export plan

Oil&Gas Eurasia, *20.05.2013*

Noble Energy of Houston, which discovered Israel's big natural gas fields in the eastern Mediterranean, is pressing the government to decide on an energy export policy as the prospect of an undersea pipeline to Turkey gains credibility.

Israel's deep-water Tamar field, found in 2009 and containing an estimated 9 trillion-10 trillion cubic feet of gas, began production March 31. But Nobel and Israeli partner Delek Energy, the team that discovered Tamar and other fields off Israel, is reluctant to develop the much bigger Leviathan field, found in 2010, until it the government makes up its mind what it wants to do.

"We need to commit to develop Leviathan this year, but we can't do it without an export policy," Nobel Chief Executive Officer Charles Davidson cautioned in April. The government wants to use the gas initially to fuel power stations, thereby reducing electricity costs by cutting out expensive imported fuel. But there will clearly be a large volume available for export. In 2012, Israel set up a committee to advise the government on the gas reserves, among the largest offshore finds in the world, and it reportedly recommended exporting just over half the country's gas production. Nobel says it needs to export, and soon, to underwrite the $4 billion cost of developing Leviathan.

More strikes are likely in Israel's Exclusive Economic Zone, which abut Cypriot waters where Nobel Energy has found in gas in the Aphrodite field. Initial estimates are it contains at least 7 tcf, with more strikes expected. Turkish Energy Minister Taner Yildiz said a couple of weeks ago it's too early to talk of an energy deal with Israel but that Ankara's open to energy cooperation. "This is a rare positive development in a region bedeviled by geopolitical tensions that threaten to curb the eastern Mediterranean's potential to benefit collectively from its huge reserves of offshore natural gas," Oxford Analytica observed.

The Financial Times mused that pipeline projects like this "could reshape the map of the eastern Mediterranean by deepening ties between Israel, Turkey and other states in the region." But there's a lot of bad history to surmount before that can happen. Israel's initial approach was to team with Cyprus, 150 miles west, pool their gas production and pump it to Greece via an underwater pipeline for Europe. But the Greek Cypriots in the southern sector of the island have gone into economic meltdown because of the Eurozone crisis and are trying to negotiate a bailout.

There was talk of building a floating liquefied natural gas plant, probably costing around $2 billion, from where the LNG would be shipped by special tankers to Europe or beyond. But a facility like that's highly vulnerable to attack and the idea seems to have been discarded. The current rapprochement between Israel and Turkey, whose 1996 strategic alliance went sour in May 2010, points toward an energy deal that would have immense military, diplomatic and economic benefits for both parties.

Israel would revive its alliance with the region's other non-Arab state, which would worry Iran, whose nuclear program Israel views as an existential threat. Cyprus might get in on that as well. The Israel-Turkey pipeline project, adjusted to carry Cypriot gas too, might convince Turkey and the Greek Cypriots to end the division of the island, and find a political settlement that will benefit everyone.

Turkey, eager to cut its dependency on Russian gas, seeks to restore its former power in the region and to become its pivotal energy hub, which gives it a big incentive to cut a deal with Israel, and maybe Cyprus, too. Turkey's been trying to sabotage the Greek Cypriots' coming energy boom until they agree to a resolution of the 39-year-old Cyprus problem. But Ankara could come to accept that there would be major economic benefits all round if the Cypriot gas went to Turkey as well on its way to Europe. "In theory, energy cooperation could act as a catalyst to break down political barriers," Oxford Analytica observed. "However, even if the mutual benefits of a gas pipeline help Israel and Turkey to mend relations, it is hard to see more deep-rooted regional disputes being so resolved."

Russian Ministry of Economy sees oil price falling to $90–95 in 2016–2017

Oil&Gas Eurasia, *22.05.2013*

Russia's Economic Development Minister Andrei Belousov said on Wednesday that oil prices may fall to U.S. $90–95 per barrel in 2016–2017. "There are risks of a significant decrease of these oil prices, especially in the middle of the decade…in 2016, 2017," Belousov said, adding that the oil price may fall to $90–95 per barrel in this period.

However, the prices are unlikely to significantly decrease in the near future and will remain within the range of $95–100 per barrel, Belousov added. "I don't think that the decrease will happen in the near future. Oil prices will be somewhere in the range of $95–100 per barrel."

Belousov also said that the budget rule, which bases budget spending on the average price for oil, will no longer be in use in 2016–2017 if the price for oil falls lower than the calculated price used to limit budget spending. In early April, the ministry revised up its forecast for the oil price for 2013 to $105 per barrel from $97 per barrel.

TAP secures third party access exemption

TAP, *18.05.2013*

Following the approval from the relevant regulatory authorities in Italy, Greece and Albania, the European Commission has formally approved the Trans Adriatic Pipeline's (TAP) application for Third Party Access (TPA) exemption for the initial capacity of 10bcm.

The decision means that TAP can offer capacity for export of gas volumes from Azerbaijan to Europe for a period of 25 years. In addition, the Commission has approved exemptions from regulated tariffs on both TAP's initial and expansion capacity, as well as exemption from ownership unbundling for 25 years.

European Union internal market regulation typically requires third party access to all energy infrastructure, including gas pipelines. However, national regulators can grant exemptions to this rule for a limited period of time, in order to facilitate major infrastructure projects such as international pipelines. Provided that all conditions have been met, the European Union then corroborates the decision, offering an exemption from certain provisions in the regulatory framework.

Commenting Kjetil Tungland, TAP's Managing Director, said: "We are grateful to the European Commission for the swift handling of this exemption. Its signature means that we now have all of the agreements we require ahead of the Shah Deniz Consortium's decision next month. "We are absolutely confident that the Trans Adriatic Pipeline is the best solution to transport Caspian gas to Europe, improving the entire region's energy security. It is the shortest and most technically advanced pipeline, which does not require subsidies or grants and crucially is the most commercially feasible project." Lutz Landwehr, TAP's Commercial Director, added: "The Trans Adriatic Pipeline was the first project to conclude its Funding, Equity and Shareholder agreements with the Shah Deniz Consortium, and the first pipeline to complete its Front End Engineering Design (FEED). Coupled with today's announcement it demonstrates that we are in pole position to win the right to transport Caspian gas to Europe."

Having submitted TPA applications to the Greek, Albanian and Italian national authorities in September 2011, TAP received its national exemptions in March 2013 under the Directive 2009/73/EC. Designed to expand the capacity from 10 to 20 bcm per year, TAP will open up the so-called Southern Gas Corridor, enhancing Europe's energy security by providing a new source of gas. TAP's shareholders are Axpo of Switzerland (42.5%), Norway's Statoil (42.5%) and E.ON of Germany (15%). Shah Deniz Consortium members – BP, SOCAR and Total - have the option to join TAP, if it is selected in June 2013 as the gas transportation route to Europe, and they are currently funding the development of the TAP project.

Gazprom drives hard bargain as sole major bidder for Greek DEPA

Reuters, *22.05.2013*

Gazprom is squeezing Athens for better terms to buy DEPA, Greece's sole retail gas distributor, a Greek official said, as the Russian gas export monopoly leverages its strength position as the only major player in the running.

Binding bids are due to be submitted on May 29 for DEPA, which posted a net profit of 106 million euros last year. Gazprom last year made a non-binding bid of 900 million euros ($1.2 billion). Gazprom is already DEPA's main supplier, providing about 60 percent of its gas last year. It cut its supply prices by about 7 percent in 2011, but Greek energy players say prices are high.

Senior Gazprom officials arrived in Athens on Tuesday, the third such visit since March, to seek assurances that DEPA's austerity-hit customers will settle arrears of 380 million euros and a concession that it will not have to deposit 20 percent of the purchase price as a guarantee before the sale gets European Union approval. Greece has already agreed to reduce the required guarantee and is striving to resolve DEPA's liquidity problem, said Stelios Stavridis, chairman of Greek privatization agency HRADF in an interview with state radio NET. "We are in the final stages to formulate the contract on the basis of which offers will be submitted," he said. "The big problem in Greece's energy market is that everybody owes to everybody else. The government wants to solve this problem," he added.

According to Greek sources close to the sale, Gazprom is concerned that the European Union might block the DEPA acquisition, in which case it would lose the deposited guarantee. Gazprom's role as supplier to DEPA has raised concerns the European Union, which is already trying to loosen Gazprom's grip on Europe's energy market, might block or impose stringent conditions on the deal. In a previous attempt to sell DEPA in 2003, Greece excluded the utility's gas suppliers from submitting bids, but it did not include that condition this time. Gazprom's only rival for DEPA is M&M Gas, a joint venture by Greek energy firms Motor Oil and Mytilineos. But M&M's initial bid of about 550 million euros was far below Gazprom's, and its parent firms own money to DEPA and compete with it in the wholesale gas market.

Sintez, a small Russian energy firm controlled by Russian tycoon Leonid Lebedev, is expected to submit a binding bid just for grid operator DESFA, which is part of DEPA but can be sold separately, Stavridis said. Sintez's major rival for DESFA, a regulated business with a steady profit margin, is Azerbaijan's state gas firm SOCAR. Greek-Czech consortium PPF/Terna, another contender for DESFA, may drop out of the race, according to two officials close to the group. "It can't be taken for granted that PPF/Terna will submit a final bid," one of the officials said.

Despite lacking FTA, Japan to get US LNG

Japan Times, *21.05.2013*

The United States said Friday it will allow exports of domestically produced liquefied natural gas to Japan and other countries to which it is not bound by free-trade agreements.

Japan has been asking the United States to lift a ban on LNG exports to meet its energy needs after most of its nuclear reactors were suspended because of the 2011 Fukushima nuclear disaster as well as rising prices of energy imports. The U.S. Energy Department authorized two companies under Texas-based Freeport LNG Development to export LNG to countries that are not U.S. free-trade partners.

The announcement will pave the way for the producer of low-cost LNG to export it to Japan as early as 2017, according to a project plan. Other Japanese corporations, including major trading houses Mitsubishi Corp. and Mitsui & Co., are also involved in shale gas development projects in the United States. The department said in a statement that the Freeport terminal in Texas is authorized to export up to a prescribed daily limit for a period of 20 years. A total of 4.4 million tons a year of LNG will be shipped to Chubu Electric and Osaka Gas.

It was the second permit given by the Energy Department for LNG exports to a country lacking an FTA with the U.S. The department said it weighed economic, energy security and environmental considerations as well as nearly 200,000 public comments. The issue of whether to export natural gas has been controversial. Producers of natural gas and supporters of free trade have urged the Obama administration to approve LNG export facilities. But environmentalists fear it will provide incentives for a new wave of drilling in places such as Pennsylvania.

U.S. manufacturers, especially those from the petrochemical industry, which uses natural gas as a raw material as well as an energy source, also oppose substantial exports. They say the surge in gas supplies and the modest prices for natural gas give the U.S. a competitive advantage that will revive industry and create more value than would be gained from exports. Dow Chemical, one of the leading voices opposing widespread exports, also owns a share of the Freeport terminal through a subsidiary. On Friday, it issued a statement calling the Freeport permit “a prudent step in pursuit of a measured and balanced approach” to LNG exports while adding that it “will adopt a wait and see approach regarding further approvals.”

In an interview, Peter Molinaro, Dow Chemical’s vice president of federal and state government affairs, said the firm was worried that a combination of retirements of old coal-fired power plants and new industrial plants (including one of its own) between 2016 and 2020 could push natural gas prices sharply higher. “We are the voice of the consumer, and we plan to continue to be,” Molinaro said.

Natural gas rises recently hit a 20-month high after an unusually cold March. The benchmark Henry Hub spot price averaged $4.17 a thousand cubic feet in April, the highest monthly average since July 2011, according to the Energy Information Administration. The EIA forecasts that natural gas production would increase from 69.2 billion cu. ft. a day in 2012 to 70.1 billion in 2014. According to a new Barclays report, if all of the other 14 terminals seeking Energy Department export permits were approved, their total capacity would amount to 28.7 billion cu. ft. a day.

Senate Energy and Natural Resources Committee Chairman Ron Wyden, an Oregon Democrat, said that the Energy Department "will be making export decisions on a case-by-case basis" in a way that is "consistent with my belief that a measured approach on exports will provide the greatest advantage for the U.S economy." Wyden said the department should "assess the market impacts of each export decision after it is announced, to ensure American consumers are not harmed by large-scale exports." "This decision is a victory for those who believe free trade is good for the American economy," said the committee's ranking Republican member, Sen. Lisa Murkowski of Alaska.

US agrees to export gas to India

Oil&Gas Eurasia, *21.05.2013*

Opening up the prospects of export of shale gas to energy-starved India, the US on Saturday granted conditional authorization to export domestically produced liquefied natural gas (LNG) to nations that do not have free trade agreement (FTA) with it, Oman Tribune reports.

In a decision, which has major implications for India, the Department of Energy announced that that it has conditionally authorized Freeport LNG expansion, LP and FLNG Liquefaction, LLC (Freeport) to export domestically produced LNG to non-FTA countries from Freeport Terminal on Quintana Island in Texas.

Given that the companies from countries like China, Japan and Britain have already have an overwhelming stake in this Texas company, India is unlikely to benefit immediately from this grant of license. But the decision paves the way for India to get its companies seek similar licenses for import of much needed gas from the US in large quantities from other terminals. The existing federal law generally requires approval of natural gas exports to countries that have an FTA with the US. For countries that do not have an FTA with the US, the Natural Gas Act directs the Department of Energy to grant export authorizations unless the Department finds that the proposed exports "will not be consistent with the public interest."

In its 132 page order, the Department of Energy said that the proposed exports are likely to yield net economic benefits to the US. "We further find that granting the requested authorization is unlikely to affect adversely the availability of natural gas supplies to domestic consumers or result in natural gas price increases or increased price volatility such as would negate the net economic benefits to the US," it said.

Oettinger: EU studying fracking as it seeks to cut energy prices

UPI, *23.05.2013*

The European Union will carefully weigh the risks of shale gas development this year but also needs to stem high energy prices, the union's energy chief says.

European Energy Commissioner Guenther Oettinger, in an interview published Monday in the German daily Die Welt, strongly signaled member countries are embracing the idea that developing cheap shale gas may be necessary if Europe's struggling economy is to remain competitive, despite the environmental risks. "If we in Europe do not respond to the energy price gap in global competition, we will not be able to compete in 10 years," he said.

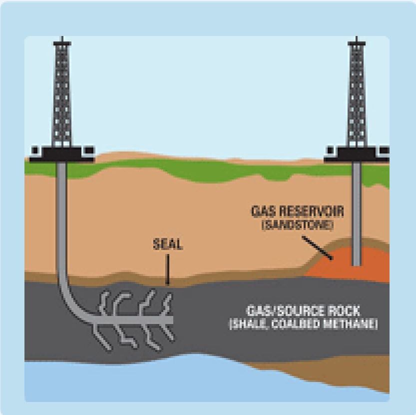
The comments came as the European Council was to meet to discuss energy costs and their effect on Europe's competitiveness, growth and job creation. High on their energy agenda will be the completion of a single European energy market, the search for private infrastructure investment and "the challenge" of high energy prices -- especially in light of the boom of shale gas in the United States. Oettinger's interview comments also came as the European Commission is working on legislation due by this year laying out clear rules on shale gas exploration and exploitation.

That effort comes amid strong protests from environmentalists over the effects of hydraulic fracturing, or "fracking," the mining method used to extract shale gas. EU studies last year determined that fracking generally imposes a "larger environmental footprint" than conventional gas development and can lead to groundwater contamination, water resource depletion and air and noise emissions if too highly concentrated. Thus, Oettinger said, an EU move to support shale gas development on economic grounds must also be accompanied by tough environmental standards. "The protection of areas where drinking water and groundwater occurs ... is absolutely correct," he said. "At the EU level, we will look at the issue of fracking and environmental protection in more detail this year."

With Europe struggling through a lingering recession, it is vital the bloc keep its energy costs down, the commissioner told Die Welt. "I am glad that the waves of the shale gas revolution striking in the U.S. have arrived in Brussels and Germany," he said. "According to current projections, the Americans by 2017 will be the largest gas producer in the world, and by 2020 might produce more oil than Saudi Arabia." "Energy prices are much higher in Europe than in the U.S. and I do not think that we will manage to get them to the same level in the near future. But maybe one day we will have gas prices that are only twice as high and no longer four times higher as now." Oettinger also said his home country of Germany should reject moves to ban fracking. Germany shouldn't miss an opportunity to tap gas reserves under its own soil, Oettinger said, adding, "If we allow drilling, we will be far wiser in a few years and will be better informed about the costs. That should be advisable in an engineering country like Germany."

Cheap shale gas bubble will burst within 2-4 years

EurActiv, *23.05.2013*



The current shale gas boom which has bathed the US economy in cheap energy will soon go bust, a former gas industry geologist has told EurActiv.

The future of shale gas in Europe was high on the agenda at an EU summit in Brussels yesterday (22 May), with leaders stressing the 'crucial' role that such indigenous energy resources could play in reviving industry. But according to David Hughes, a geoscientist and former team leader on unconventional gas for the Canadian Potential Gas Committee, the US boom on which many base their expectations is founded on shifting sands.

"The cheap price bubble [in the US] will burst within two-to-four years," Hughes said. "At a high enough price, the supply bubble will burst perhaps 10-to-15 years later, when drilling locations become sparse." "Supply can be maintained for many years," he added, "but only at much higher prices with ever-escalating environmental impacts due to the accelerating number of wells that must be drilled."

The importance of cheap shale gas-fuelled energy prices has become a constant in EU discourse. In his presentation to the European summit yesterday, one of the first slides shown by the European Commission President José Manuel Barroso depicted trends in energy price indexes from 2005-2012. While gas prices had risen 35% for EU industry, they had plummeted 66% in the US. Similarly, while the electricity price index for EU industry rose by 38% in the seven-year period, it fell for their US competitors by 4%.

An initial boom in US shale gas production slashed prices from about $13.50 per mcf in 2008 to $2 per mcf last year, boosting US industry, but causing a net loss for shale gas extraction companies of at least $9.3 billion in 2012. Prices have since risen to over $4 per mcf but, according to Hughes, ever-increasing supplies of shale gas are not compatible with low prices, because the best 'sweet spots' for extracting shale tend to deplete quickly. "The bubble is a result of sweet spots running out of drilling locations at which time drilling must move to progressively lower quality portions of the 'play', requiring ever more wells and ever higher prices to justify them," he said.

With the exception of the very best sweet spots, shale was "not very" profitable in Hughes' view. His research found that large returns in the industry came from selling assets acquired at low prices early in the boom, and through joint ventures, and mergers and acquisitions. The US shale boom then grew so fast because of "held-by-production" lease commitments - sold at values of up to $25,000 an acre - which amounted to an injunction: "Drill or you lose your investment," Hughes argued. "After wells are drilled they are put on production to generate cash flow and maintain stock prices, even though they are unlikely to turn a profit," he said.

Some analysts estimate this production decline at between 60%-90%. Hughes' analysis was based on exclusive access to shale gas production data from 65,000 wells, which he studied for a report published earlier this year by the US-based Post Carbon Institute: Drill, Baby Drill. But his conclusions are not uncontested.

Laura Parmigiani, a research fellow in the energy centre of the French Institute for International Relations (IFRI), said that while shale gas prices would probably rise in the next 2-to-3 years, it was impossible to say by how much - or at what point that would burst the shale price bubble. "It is the key question but even in the US, industry will never answer it," she told EurActiv. More generally though, "I don't think that [US shale gas] investment and production are falling," she said. "The balance between demand and supply in this period is getting stable, as both are rising." Poland, Denmark and the United Kingdom could be bringing shale gas to market between 2018 and 2020, Parmigiani said.

However, few analysts expect a US-style scenario to be replicated on the continent due to factors ranging from less helpful geology and higher production costs, to urban planning and more stringent environmental laws. Mónica Cristina, an advisor to Shale Gas Europe, an industry coalition, said that the effect of shale gas on Europe's energy prices was "not going to be transformational". "It is not a panacea and won't be a revolution as it was in the US because the size of the resource is different here, the regulatory environment is different, and the density of population in Europe is different."

But it would still have a positive impact in helping wean some countries off gas import dependence. "It will also contribute to lowering gas prices and ensuring that energy intensive industrial sectors keep their competitive levels vis-a-vis their US counterparts," Cristina said. A report by the UK's Institute of Directors published yesterday found that shale gas drilling could create 70,000 jobs and a £4-billion-a-year industry

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Source : International Energy Agency
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Upcoming Events

► *Caspian Oil & Gas*

Date : 4 – 7 June 2013
Place : Baku – Azerbaijan
Website : http://www.caspianoil-gas.com/2013/index.html

► *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

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

► *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