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Turkish Parliament opens way to oil market liberalization

Hürriyet Daily News, *31.05.2013*

The Turkish Parliament's General Assembly has approved a draft code on the petroleum market that comprises regulations to boost the dynamism in the sector by easing the circumstances for private actors and to end rentiers in the sector.

The new law, which is designed to regulate oil exploration and production operations in compliance with the country's energy policies, has passed into law. The government says the new regulations would liberalize the sector significantly. But opposing groups say that it would leave the state-run Turkish Petroleum Company (TPAO) in a weaker position.

During the discussion of the draft in Parliament, one of the main opposition Republican People's Party deputies attacked the draft, blaming the government for "not thinking to make exploration and production more efficient and rather seeking ways to please foreign capital." The real aim is to transform TPAO into a company that can operate flexibly in international markets, Turkish Energy Minister Taner Yildiz said, answering questions. "As long as we can achieve this, it can remain a state company, can become a private company, can be offered to the public, or not."

According to the existing law, TPAO may acquire more licenses in each region provided that the total number of licenses does not exceed 10 times the number of petroleum regions. However, the limitation on the number of licensees per region has been completely removed in the draft law. Furthermore, TPAO no longer has any special privileges over other exploration companies. Yildiz said none of top global energy companies like BP, Shell or Exxon were state firms, noting that 41 percent of the world's integrated companies are private firms. "Total being owned by France doesn't mean it is France's national company," he added.

Another prominent reform to be brought with the new law is the measure taken against inefficient operations in the market. The new scheme suggests regulations to force companies to search for oil and gas promptly, instead of holding fields without making any investments for long periods.

Under the present law, companies are able to hold petroleum fields without making any investments. However, according to the 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 law also divides Turkey into two petroleum regions – onshore and offshore – instead of 18 regions as it had been. The offshore region is also divided into two regions: interior and exterior territorial waters. The companies will be also obliged to present their annual investment plan in order to obtain their research license.

Turkey ready to deliver Turkmen natural gas to Europe

Reuters, *30.05.2013*

Turkey is ready to deliver Turkmenistan's natural gas to consumers in Europe, Turkish President Abdullah Gül said on Thursday, supporting the Central Asian nation's plans to build alternative pipelines and ease dependence on exports to Russia.

Turkmenistan, a Turkic Muslim nation of 5.5 million, pins hopes of future propriety on its giant natural gas reserves, the world's fourth largest. As Turkmenistan plans to start production at the Galkynysh natural gas deposit, the world's second largest, by June 30, its current export outlets are limited by former imperial master Russia, China and Iran.

"We have discussed issues and signed an agreement on bringing Turkmen energy supplies to Europe via Turkey," Gul said through an interpreter after talks with Turkmen President Kurbanguly Berdymukhamedov in the Turkmen capital Ashgabat. The two presidents oversaw the signing of a framework agreement on cooperation in Turkmen gas deliveries to Turkey. It was inked by Turkmen Deputy Prime Minister Baymurad Hojamukhamedov and Turkish Energy Minister Taner Yildiz.

Senior Turkish officials had said earlier Turkmenistan would be welcome to link to the $8-billion Trans-Anatolian natural gas pipeline (TANAP). The TANAP project, controlled by Azerbaijan's state energy firm SOCAR, aims to take Azeri gas to Turkey and to markets in Europe. Azeri officials have said they will back the construction of a gas pipeline from Turkmenistan to Azerbaijan across the Caspian Sea, if Ashgabat takes such a decision. Construction of the TANAP pipeline, which will be built from the Turkish-Georgian border to Turkey's border with Europe, is expected to start at the end of 2013. TANAP is due to start carrying 16 billion cubic metres of gas a year from Azerbaijan's Shah Deniz II offshore field from 2018. The total could eventually rise to as much as 60 bcm.

Turkmenistan's exports to Russia, once the traditional market for Turkmen gas, have shrunk to roughly a quarter in the past few years to around 10 bcm per year. Exports to China stood at 20 bcm in 2012, Turkmen data show. Annual export capacity to Iran is 14 bcm, but actual - and undisclosed - exports are much smaller. Turkmenistan expects to produce between 75 bcm and 80 bcm of natural gas this year, up from 70 bcm in 2012, a senior Turkmen energy official said last week. It aspires to more than triple annual gas output to 250 bcm by 2030.

Turkey offers pipelines to Cyprus, Israel and Iraq

Hürriyet Daily News, *27.05.2013*

Israeli and Greek Cypriot officials and representatives of Turkish Cyprus all agree on the reality that natural gas produced in the eastern Mediterranean will get its utmost feasibility by a pipeline passing through Turkey, Energy Minister Taner Yildiz tells the Daily News.

Energy-hungry Turkey has offered to cooperate with its oil and gas-rich southern neighbors for the exploration and transportation of their hydrocarbon products to world markets via Turkey. It has particularly called out to Israel and Cyprus, which recently had problems over the legality of the licenses issued for exploration in the Eastern Mediterranean.

"Israeli officials, local officials in Greek Cyprus and representatives of the TRNC [Turkish Republic of the Northern Cyprus], they have all agreed on one reality: The natural gas to be produced from this region will get its utmost feasibility by a pipeline that will pass through Turkey. All relevant figures prove this idea," Energy Minister Taner Yildiz told the Hürriyet Daily News in a comprehensive interview outlining the Turkish government's energy policies regarding oil and gas reserves of its southern neighbors.

Yildiz held substantial meetings with acting Secretary of Energy Daniel Poneman and U.S. President Barack Obama's special envoy for energy issues Carlos Pascual last week in Washington. The meetings were crucially important as the two allies found themselves on opposite sides on a number of issues related to Baghdad-Ankara tension over the latter's growing interest in making deals with the Kurdish Regional Government and to the Turkey-Cyprus quarrel over the Greek Cypriot government's ambitious moves for oil exploration in the disputed areas of the Mediterranean. Although Yildiz underlines that Turkey appears to be the best route for these countries to flow their products to world markets, he is doing his best to show that Turkey is not in a position to abuse its geographical advantage in its potential talks with its neighbors. "Turkey does not say 'Well, you are obliged to pass through our territories, so let's talk over this.' It adopts a very realistic approach," he said. "Instead," Yildiz continued, "Turkey says it's open to any sort of projects with the accomplishment of political stability in the region."

The political stability the energy minister referred to concerns the decades-old Cyprus problem which could not be solved despite numerous mediation efforts by the United Nations. There are floating ideas that recently discovered oil and gas reserves off the island could set an opportunity for Turkish and Greek Cypriots to resolve their differences and agree on a peace plan. "I agree that opportunity is there. But this should have legality," Yildiz said, adding that the current status of the Greek Cypriot oil explorations in the Mediterranean was illegal as there was no deal among the countries who have coastlines on the definition of economic exclusive zones.

For Yildiz, the position Turkey has adopted in Cyprus's energy bid is not very different from his stance with regard to northern Iraqi reserves. "The reasonableness and consistency of what we are saying about Iraq [with regard its oil and gas reserves] should also be valid for Cyprus or vice versa. These two issues are mutually supportive," he said. A growing political stalemate between Ankara and Baghdad under the leadership of Prime Minister Nouri al-Maliki had implications for Turkish companies operating in southern Iraq that pushed Turkey to seek more substantial energy deals with the KRG.

"Signing a protocol and an agreement are different things. Agreements are inter-governmental," Yildiz explained while clarifying a recent deal between a Turkish state company and the U.S. giant Exxon for exploring oil in northern Iraq. "The idea that state companies cannot make commercial contracts is wrong. They can make them," he said. Pointing out those 39 companies from 19 different countries had already made similar deals and although central Iraqi government did not recognize them it started to receive 83 percent of revenues out of these projects as a result of their revenue sharing agreement with the KRG, Yildiz said that, "This means an indirect recognition of these commercial contracts." Giving some clues as to how he introduced the situation in Iraq to his American counterparts, Yildiz preferred to use the concept of normalization in Iraq that would help to resolve all standing problems.

"What's the goal of Iraq? Increasing its current 2.7 million barrels per day oil production to 7 million, this is very good. You have oil and gas and you want to use them for your needs. But you cannot. This is abnormal," he said. The normal thing was to use them and to transport them to world markets, he stressed, adding Turkey was ready to contribute to them. "What's wrong with that?" asked the minister. Washington's concern was that Turkey's interest in northern Iraq would cause the division of Iraq, according to Yildiz. "What we have told them is this: On the contrary, Iraq would be divided if we do not show this interest. Iraq would not get divided as long as it becomes normalized. It would be divided if it would become abnormal. We are creating formulas for the normalization of Iraq." For Yildiz, an Iraq which would increase its annual revenues up to $300 billion, three times more than current figures, and which would share it accordingly, would not face the risk of partition. Yildiz said Turkey was ready to discuss these issues with Iraq whenever they requested.

According to him, Washington well understood Turkey's position. "They [Americans] have realized that there is nothing abnormal about the point we have arrived at [in the northern Iraq]. What we are discussing [with the U.S] now is legality [of Turkey's deals] and not their rightness. What we are doing in Iraq is the right thing from the perspective of international relations and of neighborhood. I must confess that the problem of legality will be resolved only after the hydrocarbon law is passed in Iraq." Turkey's interest in doing business in Iraq will not fade away he said, recalling that Turkey's daily oil consumption was around 750,000 barrels, much higher than that of 22 European Union countries. "I am sorry but if Turkey goes 8,000 kilometers away, to Colombia, to explore oil it will not hesitate to go to 200 kilometer away," he said.

When it comes to cooperating with Israel on its energy projects, Yildiz drew attention to the fact that first there was a need for political feasibility to talk about these projects' technical feasibility. The minister recalled that there were signs of this political feasibility after Israel apologized to Turkey but he wanted to underline that these projects could never be presented as the reasons for this apology. "They may well be the consequences of this apology," he stressed

Iraq oil exports flatline on attacks

Upstream Online, *27.05.2013*

Iraq oil exports averaged 2.6 million barrels per day in May, affected by attacks on a northern Kirkuk pipeline while production was 3.15 million bpd for the month, Reuters cited the country's oil minister as saying on Sunday.

Iraq's May exports are flat compared with the previous month's shipments of 2.6 million bpd, and total oil production of 3.1 million bpd. "Unfortunately exports have been affected by terrorist acts against Kirkuk export pipeline," Oil Minister Abdul-Kareem Luaibi told reporters. Crude oil flows from Iraq to Turkey were interrupted in May due to repeated attacks by insurgent groups.

The May attacks have forced Iraq to increase oil police patrols along the export pipeline to Turkey in a bid to stop militants from bombing it, according to another oil ministry official. "Recent attacks have caused real problems with oil exports from Kirkuk. We decided to boost security forces along the pipeline." Luaibi also said output from the country's Majnoon oilfield, operated by Anglo-Dutch supermajor Shell, would resume at the start of July after maintenance, with initial production of 100,000 bpd. "Majnoon's restart was exacted in early May, but we think now more work is still needed to resume operations in the start of July," Luaibi said.

Turkey approves 50 percent sale of Star media group to SOCAR

Today's Zaman, *30.05.2013*

The Competition Authority has approved the sale of 50 percent of Turkish newspaper and media group Star Media after weeks of acquisition talks with the State Oil Company of Azerbaijan Republic (SOCAR).

The Azeri oil giant earlier said the talks on the purchase of the Star daily and Kanal 24 television are positive. Star Media group partner and chairman of the Rixos hotels Fettah Tamince earlier told that his future stake in Star Media "was not yet clear." Star Media is owned by Tamince and Tevhit Karakaya and was purchased by Tamince from Ethem Sancak in 2009.

Tüpras becomes local export champion of year

Hürriyet Daily News, *29.05.2013*

Turkish Petroleum Refineries Corporation (Tüpras) ranked as to top exporter of 2012 with $5.42 billion of exports, according to a survey by the Turkish Exporters' Assembly (TIM).

It was followed by two automotive companies: Ford with $3.2 billion in exports and Renault with $3.15 billion. These three companies have maintained their leadership positions from the year before. More than 57.9 percent of Turkey's $152.5 billion of exports was completed by the top 1,000 exporters – over $88.2 billion in exports – in 2012, TIM said. Top 500 companies completed 85.4 percent of $88.2 billion of exports.

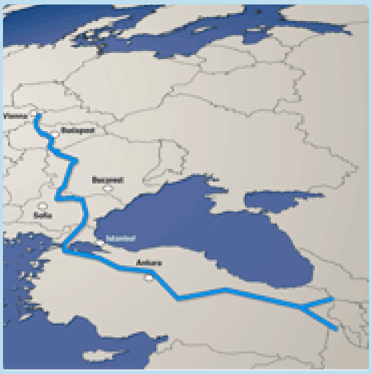
Germany became the biggest market of the top 1,000 Turkish exporters in 2012 with its share of 9.8 percent of total exports. Germany was followed by Britain with 6.8 percent, Iraq with 6.5 percent and Italy with 5.4 percent. A total of 464 of the top 1,000 exporters are based in Istanbul. Istanbul is followed by the southeastern city of Gaziantep with 71 companies and the Aegean city of Izmir with 61 companies.

"The exports by the top 1,000 Turkish companies have increased by 1 percent compared to last year's figures. Each of the top 12 companies exported goods valued at more than $1 billion," Mehmet Büyükeksi, president of TIM, said yesterday. He added that they aimed to increase the number of the companies exceeding $1 billion in exports from 12 to 50 in the next decade.

Industrial goods constituted 86.6 percent of the exported goods in 2012, followed by agricultural goods with 11.6 percent and mining products with 1.8 percent, according to the TIM survey. The biggest share was owned by the automotive industry, which made 19.7 percent of Turkey's exports in 2012. The average profitability of the top 1,000 exporters is 1 percent above the 2011 average but lower than the 2010 and 2009 averages. While the top 1,000 exporters had provided employment to 381,000 people in 2011, they provided jobs to 442,000 people by creating 61,000 new jobs in 2012.

GDF enters into Nabucco

Hürriyet Daily News, *29.05.2013*



France's GDF Suez said on May 28 that it agreed to buy from Austria's OMV a 9 percent stake in the planned Nabucco West gas pipeline. OMV said this was a "clear sign of the broad pan-European backing for the project," which also involves Bulgaria's BEH, Turkey's BOTAS, and Hungary's Transgaz.

GDF Suez said the deal, financial details of which were not disclosed, "re-asserts its position as a key player in European natural gas." Initially the Nabucco project aimed to transport some 30 billion cubic meters of gas per year from the Caspian Sea to Europe. It is one of two proposed pipeline to bring gas from a huge new Caspian Sea gas field.

Decision of whether Nabucco or Trans Adriatic Pipeline (TAP) will carry the gas to Europe will be made in June. Originally planned to run through Turkey to Austria via Hungary, Romania and Bulgaria, the 3,900-kilometre pipeline has been plagued by problems, including a lack of potential suppliers that have repeatedly delayed the start of construction. In a bid to breathe life back into the project, its shareholders have proposed a shorter pipeline, Nabucco West. Last month Germany's RWE sold a 17-percent stake in Nabucco to OMV.

GDF in Medgaz sale talks

Upstream Online, *29.05.2013*

GDF Suez has agreed to shed its holding in an Algeria-Europe pipeline on the same day it has taken a stake in the Nabucco pipeline project, according to a report

The French energy player is selling its 12% holding in Medgaz to Spanish pair Gas Natural Fenosa (GNF) and Cepsa, Reuters reported on Tuesday, citing two informed but unidentified sources. Both of the reported buyers are current partners in the project and have purchase options over other partners' shares. GNF currently holds a 10% stake while Cepsa is on 20%. The 12% represents GDF Suez's entire holding while Algerian state player Sonatrach is on 26%.

Medgaz is the company responsible for the design, construction and operation of a deep-water gas pipeline from Algeria to Europe. It will supply gas from Beni Saf on the Algerian coast to Almeria in Spain. It will have an initial capacity of 8 billion cubic meters per annum. On Tuesday GDF Suez took an 8% stake in the Nabucco West project from Austria's OMV for an undisclosed fee.

Genel Energy makes Ber Bahr find

Upstream Online, *30.05.2013*

Anglo-Turkish independent Genel Energy has confirmed a commercial oil discovery at the side track of its Ber Bahr-1 exploration well in Northern Iraq. Ber Bahr-1 was drilled to a total depth of 3933 metres in May last year. It encountered a 300-metre oil column in the Jurassic reservoir of the Chia Zairi formation but failed to flow hydrocarbons during testing.

London-listed Genel said it has now side tracked the well and achieved a sustainable flow rate of 2100 stock tank barrels per day of 15 degree API oil from the Middle Jurassic-aged Sargelu formation. The discovery, which was said to have followed a work over on the inconclusive well.

Sources in Erbil said Genel was preparing an announcement, the newspaper said. Genel head of Exploration, John Hurst said this new discovery added to the company's already significant Kurdish region of Iraq resource base. "We plan to begin a phased development of the field in the second half of this year," he said in a statement on Thursday. Genel operates the Ber Bahr Block with a 40% stake. London-listed Gulf Keystone holds another 40% while the KRG has a 20% carried interest in the production sharing contract.

International companies to invest in Yemen

Yemen Times, *27.05.2013*

In a speech delivered at the first Yemeni-Turkish forum held in Sana this past Saturday, oil and minerals' minister, Ahmed Dares, confirmed that 35 international companies are currently competing to invest in 20 oil sites throughout Yemen.

The ministry intends to carry out surveys on oil sites in order to provide investors with necessary information and attract more companies to invest in Yemen. The decision to go through with the investment project in Yemen has not yet been finalized. Dares said that this announcement will come in mid-July.

Sadik Yildiz, chairman of Turkish-Yemeni Business Council, told the Yemen Times that in spite of the obstacles occurring in Yemen-such as political and security issues-they are willing to work in cooperation with the Yemeni official authorities to overcome them.

Ten acts of damage against oil pipelines took place since the beginning of 2013, the last of which happened on oil pipelines in the Serwah area of Marib on Friday. Yemen used to produce 208,000 bopd in 2011, however due to the repetitive attacks on oil pipelines; this number has dropped to 170,000 since the beginning of 2012.

“Eighteen oil fields have been discovered,” said director of Oil Exploration and Production authority, Adel Al-Hazmi, explaining that there are also 13 other undiscovered fields that most likely contain oil. Al-Hazmi added that there are several indicators showing the existence of oil in many regions of Yemen such as Al-Jawf, Shabwa, Marib, Socotra, Al-Mahra, Al-Masela and Sayoun. Companies will start exploring these areas as well as the 25 oil fields that need improvement after signing agreements with the Oil and Minerals Ministry.

US gas prices of $5 could spur return to coal

Hürriyet Daily News (Reuters), *28.05.2013*

U.S. gas prices of around $5 per million British thermal units could prompt the world’s largest economy to step up use of coal, after years of cutting back on its consumption in favor of cleaner-burning gas, the West’s energy agency said yesterday.

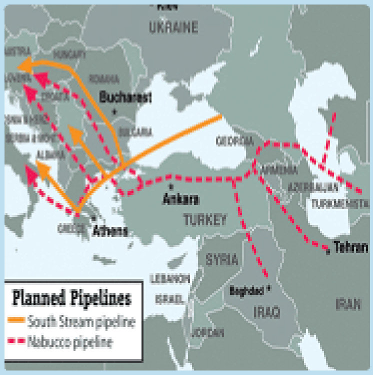
The United States’ shale revolution has driven up domestic gas production and led to a drop in gas prices. The production increase has led to plans to export the fuel, with Wood Mackenzie predicting exports of 50 million tons of liquefied natural gas (LNG) by 2020. Such exports are widely expected to boost U.S. domestic gas prices.

“Our analysis shows if U.S. gas prices come to around $5 mmBtu - it is about $4.30 per mmBtu now - we may well see coal come back,” Fatih Birol, chief economist of the International Energy Agency, told reporters at an industry conference. Only regulatory intervention to bar a switch back to coal could prevent greater coal use if gas prices rise to $5 per mmBtu, Birol said.

“If it is left only to economics, around $5 we may see a [coal] comeback, which would definitely be a development which would catch many people by surprise,” Birol said. U.S. natural gas futures were trading at about $4.20 per mmBtu yesterday. U.S. coal exports reached record levels in 2012 as producers exported their coal instead of selling it at home. The surge in U.S. exports has, in turn, pressured Asian coal prices. Rising U.S. shale oil production will help meet most of the world’s new oil demand in the next five years, the IEA has said.

Russian gas pipeline could doom Europe's Nabucco plan

Reuters, *28.05.2013*



Europe's grand plan for a gas pipeline from the Caspian Sea that would make its eastern states less reliant on Russia may have been fatally undermined by Russia's even bigger project.

As Azerbaijan nears a decision on which pipeline to choose for its future exports, the Nabucco plan that was long the European Union favorite could lose out to the more modest Trans Adriatic Pipeline (TAP) across Greece to southern Italy. In a complex equation based on politics as much as economics, TAP is in the ascendancy over the Nabucco to Austria in the face of Russia's $39 billion South Stream plan.

"The question is: 'Is Nabucco viable if South Stream is built?'" said Andrew Neff, Moscow-based principal energy analyst with research firm IHS. The decision between TAP and Nabucco is expected in June from partners in the Shah Deniz consortium, led by gas field operator BP and Azeri state energy company SOCAR. The European Union won't have a direct say in the choice, but its recent switch to "project neutrality" from support for Nabucco could make a big difference. It now says it would be happy with either pipeline or even both.

"There has been a dramatic shift," TAP's External Affairs Director Michael Hoffmann said. Nabucco spokesman Christian Dolezal, however, said his project retained strong political support. Europe's original plan was one 3,900 km pipeline all the way from Azerbaijan, across Turkey and up through the Balkans. It was named Nabucco after the epic Verdi opera, with its rousing chorus that the founding parties had listened to at the Vienna opera house in 2002. Although the plan, led by Austria's OMV, was scaled back to a 1,300 km version linked to a Turkish pipe, it had kept the favor of both Brussels and Washington.

That was not least because 'Nabucco West' would cross former eastern bloc countries that depend the most on Russia for energy - even though initial Azeri gas supplies will account for a mere 2 percent of EU needs. The TAP pipeline is only 800 km, including a stretch under the sea to southern Italy. Its shareholders are led by Swiss AXPO and Statoil, which has a stake in the Azeri gas fields. The business case for the two appears relatively balanced. Nabucco would be estimated to cost less than $8 billion with one Azeri expert reckoning TAP would be $500 million cheaper, but Nabucco might bring access to more markets. "Both have advantages and disadvantages," said Gulmira Rzayeva, a leading research fellow at the Center for Strategic Studies under the President of the Republic of Azerbaijan. All of which makes the politics even more important. Choosing TAP, which does not cut through territory that Russia traditionally dominated, could be politically expedient for Azerbaijan, which is broadly aligned with the West but has no interest in conflict with its former Soviet overlord. Russia began building South Stream in December and hopes to deliver gas to Europe well before 2019, when the Azeri gas is due to start flowing to the European Union.

The Gazprom-led 2,500 km South Stream will cross the Black Sea and then closely follow the line of Nabucco West. Plans for a southern route that could have competed with TAP were scrapped, another boost for Nabucco's rival. Southern European states see benefits for themselves too. Italy, which relies for gas on politically unstable North Africa as well as Russia, is keen to diversify supply. Struggling to recover from its debt crisis, Greece would welcome the additional revenue from the pipeline. Influential Germany would be happy with anything that strengthens Greek finances and reduces potential future bailout costs.

The Trans Adriatic Pipeline would have the side benefit of forcing greater cooperation between old rivals Greece and Turkey, EU diplomats said. Bulgaria and Romania, the poorest European Countries, would appreciate the infrastructure investments if Nabucco were built. But their economies do not face the immediate pain that Greece's does - and a South Stream pipeline through Bulgaria, Serbia, Hungary and Slovenia would also bring economic benefits even though it would not break Russia's dominance.

Gazprom and Gasunie agree joint approaches

Naturalgas Europe, *30.05.2013*

Russian gas giant Gazprom and Dutch infrastructure company Gasunie signed a Memorandum of Understanding during the 16th annual general meeting of the European Business Congress in Amsterdam. Gazprom said the agreement would lead to streamlined bilateral cooperation in European gas markets.

In particular, the MoU stipulates that the companies enhance closer ties in such areas as gas transmission infrastructure development. The Nord Stream pipeline project was specified, and gas processing and LNG production are also covered.

Gasunie has a 9% stake in Nord Stream. The other shareholders are: Gazprom 51%, Wintershall Holding and E.ON Ruhrgas – 15.5% each, GDF Suez 9%. "Gazprom and Gasunie have been partners for many years and have a proven experience in effective delivery of projects in the European market. The Memorandum signed today opens up new horizons for the development of strategic partnership between our companies," said Gazprom executive chairman Alexey Miller.

"Gas infrastructure is an indispensable element of the secure gas supply. Our joined efforts to cooperate on the development and use of gas networks will enhance efficient and stable delivery of gas to European consumers," commented Paul van Gelder of Gasunie.

OPEC shifts its oil trade map after shale

Reuters, *30.05.2013*

OPEC oil exporters, set to leave output policy unchanged, were weighing the impact of rising supplies of US shale oil that are redrawing the landscape of global oil trade.

The Organization of the Petroleum Exporting Countries has little room to pump more oil due to the US oil boom that has sparked competition for market share in Asia and set off a rivalry between its top two producers Saudi Arabia and Iraq. At a meeting in Vienna on Friday the 12-member group is expected to stick with its 30 million barrel a day (bpd) output target for the last six months of 2013. "We will maintain the production level," said Libya's Oil Minister Abdelbari al-Arusi.

A year ago, OPEC gave shale oil short shrift, but now it is a hot topic. Gulf producers are of the view that OPEC will still be able to pump at least 30 million bpd, provided US shale grows at a moderate pace. "Shale oil is not a threat, but it changes the dynamics of where the oil is going. There will be more competition in Asia," said a Gulf OPEC source. Despite the growing supply, oil is comfortably above $100 a barrel, well below the $125 that rang alarms in major consumer countries last year. But triple digit oil has also unlocked vast amounts of US shale oil in North Dakota and Texas - which competes with OPEC crude of similar, light quality from Nigeria and Algeria, rather than heavier Saudi output. Nigeria, along with Algeria, has already felt the heat from the US oil boom, losing ground in its most lucrative export market and diverting sales to Asia. Fast-growing exporter Iraq is also fighting for more Asian market share, competing with regional rival Saudi Arabia.

"We are looking to increase our exports and we aim to make our crude more competitive in the market," Iraq's Oil Minister Abdul Kareem Luaibi told. The United Arab Emirates, also building up capacity, has the region in its sights, but downplayed the prospect for battle. "I'm not of the view that competition in Asia is going to distort the price," UAE Oil Minister Suhail bin Mohammed al-Mazroui told. By the end of last year, the United States had recorded the biggest annual rise in oil output since it first pumped oil in the early 1860s. The 850,000 bpd increment was more than each of OPEC's two smallest producers, Qatar and Ecuador, pump in total.

With change in the output ceiling unlikely, short-term market management will be guided by OPEC's leading producer Saudi Arabia - the only member with significant unused capacity - supported by the UAE and Kuwait. Saudi Arabia has cut back from a 30-year high reached in 2012 of 10 million bpd, pumping 9.30 million bpd in April. That has helped bring overall OPEC production down to 30.46 million bpd, 460,000 bpd above the target. Iran's crude exports fell back in May to around 1.00 million bpd from 1.1 million bpd in April, according to a Reuters survey, reflecting the impact of US and European sanctions on sales. While challenges loom in the medium term, the numbers for the rest of 2013 suggest some breathing space for OPEC. Demand for OPEC crude is set to rise in the second half to average 30.47 million bpd, up from 29.14 million bpd in the current quarter, according to OPEC forecasts. So if OPEC holds output at April's rate, supply would match the average requirement in the second half of 2013.

Iran counts on India refineries

Hürriyet Daily News (Reuters), *29.05.2013*

Aiming to mitigate the impact of Western sanctions on its crude sales, Iran has offered insurance to Indian refineries, which have been gradually cutting imports from Iran, during the Iranian oil minister's New Delhi visit.

Sector players say the attempt might fail to achieve the Iranian government's goals Iran has offered insurance to Indian refiners in a bid to boost its crude sales, industry sources said, though some oil executives warned the plan would not remove the threat of Western sanctions. The offer was made during a visit to India led by Iranian Oil Minister Rostam Qasemi in a bid to revive crude sales.

U.S. and European Union sanctions, aimed at choking off oil money and forcing Tehran to curb its nuclear programme, halved Iran's crude exports in 2012, costing it as much as $5 billion a month. Those measures have forced Indian refiners to reduce imports because local insurers have said they can no longer cover plants that process Iranian crude. Other buyers such as South Korea may have to follow suit. The delegation led by Qasemi arrived on May 26 with the aim of persuading New Delhi to step up both oil imports and investment in the OPEC-member's oil and gas sector. "Iran said they can provide insurance for our refineries," said a source on May 27, after a meeting between Qasemi and India's Oil Minister Veerappa Moily. Qasemi confirmed the talks on the energy sector but provided no further details.

Taking up the Iranian offer would not be a solution to the insurance problem, said two oil company executives, declining to be identified as they are not authorized to talk to the media. "Iranian insurance companies are under sanctions, how I can take cover from them?" asked one of the executives. Also, refiners have to cover plants and equipment worth billions of dollars, and typically have a composite policy covering ongoing projects, supply installations, plants and cargoes. As such, it would not be possible to break down coverage for just refineries, the second source said. "We take a mega policy from local insurers every year and it covers everything," said. "It is not possible to have coverage only for refineries from Iran." India, along with other top Asian buyers of Iranian oil, is awaiting its third six-month exception to sanctions from the United States. With the renewal due in June, the Indian government is unlikely to allow refiners to take cover from Iran, the second source added.

Two refiners - Hindustan Petroleum Corp, and Mangalore Refinery and Petrochemicals Ltd - halted Iranian oil purchases in April over the insurance problems. India cut imports of Iranian oil by 26.5 percent in the fiscal year ended March 31 from the previous year. Its April imports from Iran were down 56.6 percent from a year ago, according to data from trade sources. Qasemi also offered a production-sharing contract to Indian companies to develop the Farzad B gas field in the Farsi block and asked New Delhi to boost exports to Tehran to fix a trade imbalance, sources said. India in turn asked Iran to participate in tenders seeking oil supplies for its strategic storage, the sources said.

NIOC attracts $25 billion in upstream sector

Rigzone, *28.05.2013*

Senior Iranian oil industry officials announced that they have invested a record sum of 25 billion dollars in the upstream sector last year. The announcement was made by Managing Director of the National Iranian Oil Company (NIOC) Ahmad Qalebnai, adding that this amount of investment took place despite sanctions.

Qalebani said that domestic resources of the NIOC accounted for 4.6 billion dollar of investments while the remainder was provided through finance, foreign participation, buyback and Central Bank of Iran (CBI) resources. "In last year 2 billion barrels of oil were discovered" Qalebani said.

"Hydrocarbon reserves rose to 156 billion barrels of oil, the number of drilling rigs increased to 136, on the surface oil facilities were modernized, natural gas production rose to 622 million cubic meters per day on average and 750 million cubic meters during the days of peak consumption," the NIOC top executive said.

"Early production from Yadavaran oil field, finding out Sardare Jangle oil field in Caspian Sea, gathering associated gases of Nargesi oil field and launching gas storage facility in Serajeh, near Qom with the contribution of National Iranian Gas Company (NIGC) are among the other activities of NIOC during the last year," Qalebani added.

He stated that last year various contracts were signed including contracts related to development of Zagheh, Changuleh and, Mansouri oil fields and development of Kish gas field in two phases. He said NIOC will expand its activities this year, which has been dubbed 'The Year of Political and Economic Epic' by the Supreme Leader of the Islamic Revolution, mostly including exploitation of South Pars gas field phases 12, 15, 15, 17 and 18. He noted daily gas production capacity of the country will rise by at least 100 million cubic meters over current year.

Rosneft to take over Itera for $3 billion

Reuters, *28.05.2013*

Russia's state-controlled oil company Rosneft is planning to take over local gas firm Itera for $3 billion, two sources close to Rosneft said on Tuesday, strengthening its hand in challenging Gazprom's industry dominance.

Rosneft already owns a 51 percent stake in Itera, which was the top gas supplier to the former Soviet Union republics in the 1990s before Gazprom secured a monopoly on Russian gas exports in 2006, and has now approved the purchase of the remaining 49 percent of Itera for around $3 billion, the sources said. Rosneft acquired the controlling State in Itera last year when Igor Sechin was appointed.

Gazprom's domestic gas sales are dwarfed by the take from its exports to Europe, but just when the Russian giant faces more competition in foreign markets it has lost share at home to rivals producing lower cost gas. With the Russian economy slowing, worries about Gazprom losing its competitive edge have prompted open speculation by analysts and media about Gazprom's future and Putin has already ordered a rethink of Russia's gas strategy. Gazprom said its share of the domestic market fell to 73 percent last year from 80 percent in 2008, reflecting rising output of low cost gas from independent producer Novatek as well as increased sales by oil companies with associated gas. "We are certain that Gazprom's share will remain around 75 percent to 2020," Kirill Seleznyoy said.

"The volumes that go to the independents will be compensated for by the addition of new consumers," he said. As chief executive of Rosneft Sechin is building it into a global player, buying up domestic businesses and partnering with ExxonMobil to explore for and develop its potentially vast offshore oil and gas prospects. In the biggest coup since he moved from government to head Rosneft a year ago, Sechin also completed the $55 billion purchase of Anglo-Russian oil firm TNK-BP in March, in a deal that turned Rosneft into the world's largest listed crude oil producer by output. That is not enough for Sechin, a former deputy chief of staff to Putin who has set a goal of increasing gas production at Rosneft by 150 percent by the end of this decade. "Rosneft has ambitious plans to produce 100 bcm in 2020, so strengthening its gas project portfolio is in line with that strategy," VTB Capital analysts led by Dmitry Loukashov said in a note.

Rosneft has also joined forces with Novatek to lobby for the right to export liquefied natural gas (LNG) - challenging Gazprom's goal of increasing exports of LNG to Asia to reduce its reliance on pipeline gas exports to Europe. Rosneft aims to increase its share of the domestic gas market from 9 percent to 19-22 percent by 2020 and expects to produce more than 40 bcm of gas in 2013, over 60 bcm by 2016 and 100 bcm in 2020, of which more than half is to be produced at newly acquired projects.

British government to streamline regulatory permissions for shale gas wells

Natural Gas Europe, *27.05.2013*

The British Government is working to streamline the process to obtain permissions for exploratory shale wells, said Duarte Figueira, Head of the Office for Unconventional Gas and Oil (OUGO).

"We want to streamline, simplify, but also to make sure that we don't miss anything," said Figueira at the conference 'Shale Gas – Lancashire's next industrial revolution?' organized by the employer group Institute of Directores (IoD) in Preston, Lancashire. Figueira stressed that streamlined procedures can promote the UK shale gas industry as long as regulations protect the environment.

"The important thing is that we have a process in place, which is safe, environmentally sound and encourages the explorations," stated Figueira, Head of the Office recently created within the Department of Energy and Climate Change (DECC). According to the statistics published by DECC in April, the UK imported 64% of the natural gas consumed in 2012.

"We want to encourage development in a way that improves our security of supply. We are committed to an energy mix and gas has got a significant future," concluded Figueira. Earlier this year, Energy Secretary Ed Davey said that gas would play a key role in the UK's energy mix over the next two decades, with unconventional gas "making a difference." Although the recognition by national politicians, operators claim that the regulatory framework is still confusing.

Corin Taylor of the Institute of Directors (IoD) addressed this point on Wednesday, suggesting that the first barrier to shale gas explorations is the planning and permitting process. "At the moment if you want to drill and fracture one exploration well, you need to get permission from four different agencies," said Taylor on Wednesday. Taylor argued that there is a lack of guidance and suggested that the planning and permitting regimes need further clarification.

"It is not clear when you need the Environmental Impact Assessment and when you don't need," concluded Taylor, author of the report 'Getting shale gas working.' According to the report released early this week by IoD, the application process for exploration is complex and cumbersome. 'In our view, the planning and permitting regime for shale exploration, as currently constituted, presents a major barrier to the development of shale gas in the UK,' reads the report. The four agencies involved are the Department of Energy and Climate Change (DECC), the Environmental Agency, the Health and Safety Executive and the Local Mineral Planning Authority

Reliance makes gas condensate discovery offshore India

Rigzone, *25.05.2013*

BP and partners Reliance Industries Ltd. and NIKO said Friday they had made a significant gas and condensate discovery in the KG D6 block in the Krishna-Godavari field off the eastern coast of India where the partners are trying to boost declining gas output.

The government of the energy-hungry nation is seeking to reduce dependence on oil and gas imports and is currently proposing to allow gas prices in India to be benchmarked to global rates, which would lead to an increase in prices and would benefit the companies involved in extraction. Discovery is expected to add to the resources KG D6 block.

Appraisal will now commence to better define the scale and quality of the field, the statement said. In February, BP and Reliance said they planned to jointly invest more than $5 billion over the next three to five years to boost declining gas output in the KG D6 block in the Krishna-Godavari field. In 2011, BP spent $7.2 billion buying a 30% stake in 23 oil and gas production-sharing contracts that Reliance operates in India, including the producing KG D6 block. The two companies also formed a joint venture to source and market gas in India.

Announcements & Reports

► *Resources to Reserves 2013*

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=447

► *Energy Policies of IEA Countries – Germany*

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=447

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

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

► *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