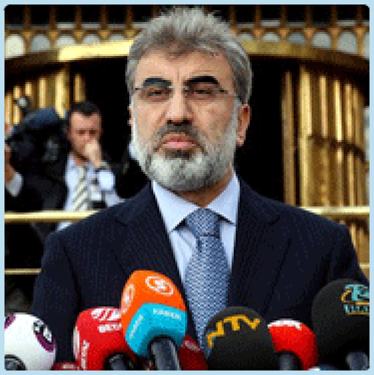
Oil & Gas Bulletin

▶ *05.07.2013*

Turkey says use of shale gas not possible before 2020

Today's Zaman, *01.07.2013*



Energy Minister Taner Yildiz confirmed that Turkey would not be able to locate and properly extract its predicted shale gas reserves before 2020, addressing reporters on Monday who asked if analyses that say it would take about 15 more years for Turkey to realize its shale gas potential were true.

Speaking to reporters following a meeting with the Union of Natural Gas Distribution Companies (GAZBIR), Yildiz noted that shale gas in the country cannot be used before 2020 as it would take between three to 15 years to study the feasibility of such a project while attracting international investments. "Right now we are in the R&D phase.

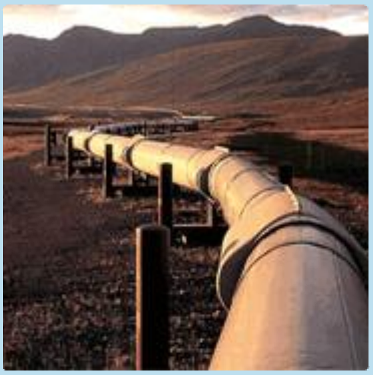
The IEA report indicates that there is a reserve of around 680 billion cubic meters that can meet Turkey's demand for 15 years but we can only confirm that after explorations are completed. We prefer to adopt a cautious approach in order to not create false hopes among our citizens and to maintain our current economic conditions," he said.

However, Yildiz stated that the ministry will send a committee to the US and Canada in July to research and examine the practices used by these countries to extract the gas in a way that also protects the environment. "The committee will look into the shale gas technology used in these counties as well as hold meetings with companies and institutions that take part in exploration, production and inspection phases on the field. Legal procedures and inspections mechanisms as well as environmental effects will be studied. The committee will also talk to legal consultation firms that deal with shale gas issues. The experience of the committee will shed light on future gas practices in the country."

He explained that the shale gas studies also aim to use Turkey's own resources in line with the government's efforts to increase renewable resources towards meeting its energy needs, adding: "I hope people don't go out protesting our decisions on Turkey's energy policies. Our target is to reduce energy imports, and if people attempt to limit such a policy, then I could easily say that that is the work of natural gas import lobbies." "There are also concrete studies being done by a private company in the province of Yozgat to explore uranium mining and we will give all the logistic support needed for the private sector to export uranium," Yildiz concluded.

KRG pressures Baghdad with Turkey oil pipeline push

Reuters, *02.07.2013*



Sparks fly as workmen weld together a pipeline set to carry crude from the self-ruled KRG of Iraq to Turkey, defying the central government and shifting the energy balance of power in the region.

Some 600 km away, Iraqi officials in Baghdad's heavily fortified oil ministry are threatening dire consequences if the pipeline is completed, but appear powerless to prevent the Kurds exporting oil without their consent. Turkey's courtship of the Kurds has strained relations with Baghdad, which says the pipeline would set a precedent for other provinces to pursue independent oil policies.

"They tell us to finish it as soon as possible because they don't want the Iraqi government to do something... (but) it cannot do anything," said an engineer at the site in the northern Kurdish province of Duhok. "This is very important for KRG because it will benefit the economy." At an estimated cost of $200 million, the 281-kilometre (174-mile) pipeline will reduce the autonomous region's reliance on Baghdad. For the Turks, it will open up a new energy corridor and allow them to scale back their dependence on Russia and Iran for oil and gas. Neither side has been deterred by the United States, which has urged both the Kurdish Regional Government (KRG) and Turkey to abandon the project.

"The export of oil and gas is not a monopoly of any single entity to be decided in Baghdad," KRG Natural Resources Minister Ashti Hawrami said in a speech in London last month. "Indeed, it is our duty as Iraqis under the federal constitution to pursue export routes for oil and gas to secure our future."

A trench dug through fields parched by summer heat marks the future course of the pipeline, which was initially designed to supply gas but later converted for oil and re-routed toward Fishkhabour, a strategic point where the borders of Iraq, Turkey and Syria converge. It is a highly sensitive region in the eye of three overlapping storms: civil war in Syria, the contested frontier between Arab Iraq and KRG, and a three-decade-long conflict involving with PKK terrorists in southeastern Turkey. Workmen now laying the final stretch of the pipeline is on track to finish in September, with initial flows of 200,000 barrels per day (bpd) expected.

Once it reaches Fishkhabour, now just 10 km away, it remains to be seen whether the pipe will be tied into the existing line running from Kirkuk to the Turkish port of Ceyhan at a metering station controlled by Baghdad, or beyond there, either before the Turkish border or after it. "I think it will be a last-minute decision," said a KRG-based industry source on condition of anonymity.

As much as 200,000 bpd of crude from KRG used to flow to world markets through the Kirkuk-Ceyhan pipeline, but those exports dried up last year in a row over payments for oil companies operating in the northern enclave. In recent years, the Kurds have signed their own contracts with the likes of Exxon Mobil, Chevron Corp and Total antagonizing Baghdad, which claims sole authority to manage the exploration and exports of Iraqi oil. The two sides recently began a new round of negotiations to resolve their differences, which are rooted in a fundamental disagreement about the degree to which power should be centralized in Baghdad. “I believe if this (pipeline) system is up and running it will help expedite a compromise,” said another industry source in KRG on condition of anonymity. “At any rate, this will not stop the pipeline between the KRG and Turkey”.

Under a hot sun, three teams work in parallel, digging the way forward, welding and bending the pipeline into shape. Workers dressed in blue overalls, many of them Iranian, pause to rest in the only refuge from the sun's scorching rays, inside the pipeline, which has the words “Made in Turkey” stamped on the outside. “It is difficult work,” said a laborer from the Iranian city of Isfahan, sweat sticking his hair to his forehead. “We came here because there is no money in Iran because of the sanctions”. Tehran, under international sanctions that have slashed its oil exports to their lowest level in decades, shares Baghdad’s animosity towards Turkey and also objects to the pipeline, which would help compensate for missing Iranian crude in the market.

“If Ankara gives the green light for KRG oil to flow through the Kirkuk-Ceyhan pipeline, then all options are open for the central government, including severing ties with Turkey and taking this issue to the international community,” an Iraqi government official close to the oil industry said. Undeterred, the Kurds are already planning a second pipeline with a higher capacity of 500,000 bpd, a publication overseen by the KRG’s department of foreign relations shows.

Kurdish officials say the Iraqi constitution entitles them to exploit their reserves and this year passed a law codifying their right to export unilaterally if Baghdad fails to pay oil companies’ dues within a given period. Hundreds of trucks already transport oil across the border to Turkey, circumventing the federal pipeline system and riling Baghdad, which has threatened to sue Genel Energy, the first company to export directly from KRG. As yet they have taken no action and volumes have risen to around 70,000 bpd, industry sources say. The Kurdish region aims to raise exports to one million bpd by the end of 2015, and to two million by the end of the decade.

“In Iraq you have to force certain issues and then you let the politics follow,” said a KRG official familiar with oil and gas issues. “Now the conversation is changing to: what happens to the money?” In the past, Baghdad received the proceeds from Iraqi oil exports and passed on 17 percent of the country’s revenues to Erbil, where Kurdish officials have long complained that they end up getting closer to 10 percent. Instead, KRG wants to collect the revenue, take its share, and hand the remaining 83 percent over to the central government. Baghdad rejects this and a Turkish proposal under which it would disburse the revenues. An Iraqi oil official said the central government could be reconciled to the pipeline, as long as it manages the exports and revenues: “The Kurds’ message to Baghdad is very clear: pay us, or the Turks will.”

Energy sector makes mark in top firms' list

Hürriyet Daily News, *29.06.2013*

Oil refinery Tüpras has been named as the top company in Turkey in the 'Fortune 500 Turkey' list, which was dominated by the petroleum and energy companies that had boosted sales Energy firms left their marks on the Fortune 500 Turkey list as they accounted for almost one third of the sales of 500 companies, while Turkey's oil refiner Tüpras again ranked as the top firm.

The list ranks the top 500 companies in Turkey on the basis of their turnover and profits, and this year's showed that local firms managed to raise their sales and profit in 2012 despite the slowed down growth.

Energy firms occupied the highest proportion of ranks since they accounted for most of the sales – 179.7 billion Turkish Liras – while Tüpras became the highest earning company for the second consecutive year, further widening the gap between itself and the second company. Tüpras received the crown thanks to a 15.4 percent rise in its sales which reached 47.1 billion liras. The company which processed 22 million barrels of crude oil last year multiplied its exports by 23.8 percent, to 10 billion liras, as well, elevating it to the second largest exporter spot.

Moreover, seven of the 10 top companies in the list are operating in the energy or oil sectors. OMV's Petrol Ofisi also kept its spot in second place after Tüpras with net sales of 20.2 billion liras, while Turkish Electricity Distribution, an electricity grid, entered into the 2012 list in third place, rising one notch. Overall, the energy, oil and electricity sector firms in total accounted for 30.4 percent of the net sales of 500 companies. When energy sectors were compared among each other, oil companies, dealing with oil derivatives or distribution, have the highest share with 17.4 percent. Meanwhile, the other energy sectors have raised their share by 4 percentage points from 2011, to 13 percent.

Gazprom says Turkey may surpass Germany as largest export market

Bloomberg, *29.06.2013*

Gazprom said that Turkey may overtake Germany as its largest customer on growing demand. "Turkey, in the near future, may become our largest importer, surpassing Germany," Chief Executive Officer Alexey Miller told in Moscow. Turkish demand may grow by 20 percent from current levels, Miller said.

Turkey's dependence on oil and gas imports is growing, IEA Chief Economist Fatih Birol said. Gazprom supplied 27 billion cubic meters of the fuel to Turkey last year compared with 33 billion cubic meters to Germany, according to Gazprom's website.

Maliki discusses oil projects in Russia

AFP, *02.07.2013*

Iraqi Prime Minister Nuri al-Maliki held talks in Moscow yesterday with the Russian oil company Lukoil about enacting an existing energy contract and possible participation in future deals, Lukoil said.

Lukoil said that Maliki and Iraqi Oil Minister Abdelkarim al-Luaybi met the chief executive, Vagit Alekperov, to discuss Lukoil's participation in West Qurna 2 oil field. Lukoil and Norway's Statoil won the right to develop a section of Qurna - one of Iraq's largest oil fields - in 2009. "The sides discussed the progress of the West Qurna 2 field's development and the company's plans to exploit Block 10,"

"They also discussed other promising projects in which the company may become involved." The statement added that the Iraqi officials stressed that Lukoil "was strictly fulfilling all of its obligations" at West Qurna 2. Iraq has proved reserves of 143.1 billion barrels of oil and 3.2 trillion cubic metres of gas - both among the highest such deposits in the world. Last year Iraq also signed a deal with Lukoil and Japan's Inpex to explore a block covering the provinces of Muthanna and Dhi Qar in the south of the country. Maliki's visit to Moscow coincided with Russia staging an informal summit of gas exporting nations that will include the participation of the leaders of Venezuela and Iran.

Putin urges gas exporters to adopt single pricing model

AFP, *01.07.2013*

Russian President Vladimir Putin called on gas exporting countries to come up with a single pricing mechanism and resist EU market rules as he hosted a summit with leaders from some of the world's top energy states.

Putin received the likes of Venezuelan President Nicolas Maduro and Iran's outgoing leader Mahmoud Ahmadinejad for the Gas Exporting Countries Forum at the Kremlin's gilded halls. The occasional series of GECF meetings are designed to group the natural gas producers into a tight-knit community of nations resembling the OPEC oil cartel.

But important differences in how the two hydrocarbons are supplied to global clients and the more regional nature of gas distribution have kept the GECF countries from building particularly strong bonds. "Our priority is to provide stable deliveries to global markets in the long-term perspective," Putin told the other leaders. He said it was imperative for the countries to defend the practice of tying gas prices to those of oil and fighting the more temperamental nature of the spot market. He also defended long-term contracts that bind clients to purchase gas within a specific price range for a number of decades and which Russia has recently been forced to abandon under pressure from some European states.

EU nations in particular abhor the link between the price of oil and gas because of the expanding supplies of the latter that have come in recent years thanks to the booming liquefied natural gas (LNG) market. Shale gas production in North America has also redrawn the energy map, with the United States no longer a perspective market for Middle Eastern and Russian gas.

Putin reiterated criticism of the European Union's Third Energy Package that bars companies such as Gazprom from owning both distribution pipelines and processing facilities in the same country. "The solidarity of exporting countries (in respect to the Third Energy Package) is imperative," Putin said. "We must jointly resist illegal pressure and more effectively defend the interests of gas producers and suppliers on international markets."

Venezuela's Maduro for his part said it was time for the forum to transform itself into something more closely resembling OPEC. "This forum must evolve," he said. "It must become an organization that unites the countries present here." Iran's Ahmadinejad in turn suggested that those gathered "come up with a pricing mechanism for different forms of gas." He provided no immediate details and no firm commitments were expected to be made.

Renewables to surpass gas in global power mix by 2016

Hürriyet Daily News, *30.06.2013*

Power generation from hydro, wind, solar and other renewable sources worldwide will exceed that from gas and be twice that from nuclear by 2016, the International Energy Agency (IEA) said last week in its second annual Medium Term Renewable Energy Market Report. Investment and deployment of renewables are accelerating in emerging and developing markets, including China, New Zealand and Turkey, the report said.

According to the report, despite a difficult economic context, renewable power is expected to increase by 40 percent in the next five years.

Renewables are now the fastest-growing power generation sector and will make up almost a quarter of the global power mix by 2018, up from an estimated 20 percent in 2011, the report said. The share of non-hydro sources such as wind, solar, bioenergy and geothermal in total power generation is expected to double, reaching 8 percent by 2018, up from 4 percent in 2011 and just 2 percent in 2006.

"As their costs continue to fall, renewable power sources are increasingly standing on their own merits versus new fossil-fuel generation," said IEA Executive Director Maria van der Hoeven as she presented the report at the Renewable Energy Finance Forum in New York. "This is good news for a global energy system that needs to become cleaner and more diversified, but it should not be an excuse for government complacency, especially among OECD countries."

Van der Hoeven also warned that "policy uncertainty is public enemy number one" for investors: "Many renewables no longer require high economic incentives. But they do still need long-term policies that provide a predictable and reliable market and regulatory framework compatible with societal goals," she stated. "And worldwide subsidies for fossil fuels remain six times higher than economic incentives for renewables." Two main factors are driving the positive outlook for renewable power generation. First, investment and deployment are accelerating in emerging markets, where renewables help to address fast-rising electricity demand, energy diversification needs and local pollution concerns while contributing to climate change mitigation. Led by China, non-OECD countries are expected to account for two-thirds of the global increase in renewable power generation between now and 2018. Second, in addition to the well-established competitiveness of hydropower, geothermal and bioenergy, renewables are becoming cost-competitive in a wider set of circumstances. For example, wind competes well with new fossil-fuel power plants in several markets, including Brazil, Turkey and New Zealand. Solar is attractive in markets with high peak prices for electricity, for instance, those resulting from oil-fired generation.

Gazprom wants to boost Europe gas sales

Reuters, *29.06.2013*

Gazprom will supply more natural gas through its pipelines to Europe this year as Asia turns to more competitive suppliers for LNG cargoes, but that will not be enough to prevent a 10 percent decline in profits it said.

Chief Executive Officer Alexei Miller told the export monopoly's annual general meeting that Gazprom increased natural gas supplies to Europe by 10 percent from January to June as the region imported less liquefied natural gas (LNG) from rivals. "This is one of the signs that the role of pipeline gas on the European market has been increasing, while the LNG segment offers additional market niches for us," he told.

This is consistent with analyst views. Barclays Capital expects that LNG supplies to Europe are likely to drop by almost 70 percent by 2015 as cargoes are redirected towards the faster-growing Asian market. Gazprom's January-June 2012 gas exports to Europe and Turkey, where it supplies a quarter of gas needs, stood at 72 billion cubic metres.

The Russian state-run company is aiming to restore its gas exports to the European Union and Turkey to over 150 billion cubic metres this year after they fell by about 7 percent to over 138 bcm in 2012 due to weak demand. But despite rising sales volumes the company expects its profit to fall by up to 10 percent this year due to rising taxes, lower growth in domestic gas prices and rebates to cash-strapped European clients.

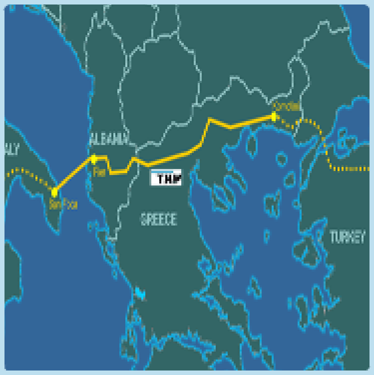
Gazprom has agreed to revise long-term gas supply contracts with customers in Europe, where it generates around 55 percent of its revenues, making what it calls "retroactive payments" to avoid losing business. Gazprom was also hit by a court decision on Thursday when a court ruled it had to include a pricing component linked to the spot gas market in the rates it charged Germany's RWE.

Ever since launching pipeline supplies to Europe in the Soviet era, Gazprom has tied its contract prices to oil, but has been forced to weaken this link because of the relative abundance of gas supplies. Gazprom is also under pressure at home, where Russia's leaders have abandoned a medium-term goal of raising regulated prices in line with the level it charges its foreign customers.

From 2014, gas prices will only be allowed to rise in step with retail price inflation for five years, President Vladimir Putin said last week. Putin also opened the door for competitors such as Novatek and Rosneft to export LNG from multi-billion-dollar projects they plan, challenging Gazprom's own LNG export strategy.

Azeri gas deal inked for Greek section

AA, *05.07.2013*



The Trans-Adriatic Pipeline (TAP) consortium and the Greek natural gas transmission network operator (DESFA) signed an agreement late July 3 under which DESFA will operate and maintain the Greek section of the pipeline, which will traverse northern Greece. TAP's Greece representative, Rikard Scoufias, said the deal was finalized between TAP and DESFA after nine months of negotiations.

This move constitutes the first concrete benefit for Greece from the decision by the Shah Deniz II consortium to choose TAP for the transmission of gas from Azerbaijan to Europe passing through Greece.

DESFA and TAP will also cooperate for the interconnection and interoperability of the two natural gas networks, as part of the Host Government Agreement signed last week in Athens around two-thirds of TAP will be on Greek soil.

TAP 'outguns' Nabucco on almost all criteria

Hürriyet Daily News (Reuters), *02.07.2013*

TAP outscored rival Nabucco West on virtually all fronts to win the race to carry Azeri gas into Europe, a junior minister at Italy's Industry Ministry told.

Azerbaijan's state energy company SOCAR and its partners in the Shah Deniz II gas field, including BP and Statoil selected TAP. The project, linking a Turkish pipeline to southern Italy via Greece and Albania, plans to deliver 10 bcm of gas to Europe each year beginning in 2019. BP said there was a "substantial" commercial difference between the two competing pipeline projects, including the cost of shipping the Azeri gas and gas prices in the respective markets.

"It was not for high gas prices in Italy and Greece," Claudio De Vincenti said in an interview. TAP beat Nabucco on seven out of eight evaluation criteria, De Vincenti said, naming them as market opportunities, timing, scalability, management operability, funding available, project quality and transparency.

Gazprom announces over 19 bcm should be injected in Ukrainian storage facilities

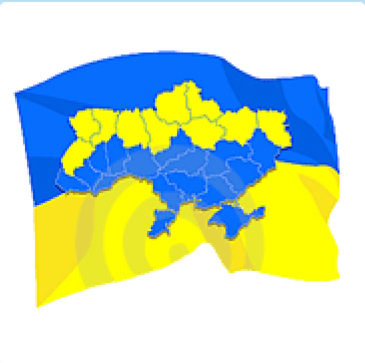
Oil & Gas Eurasia, *02.07.2013*

The Gazprom headquarters hosted today a working meeting between Alexey Miller and Yury Boiko, Vice Prime Minister of Ukraine.

The sides discussed pumping natural gas into Ukrainian underground gas storage facilities by Naftogaz Ukrainy. Gazprom noted that Ukrainian facilities should store over 19 bcm by the beginning of the autumn-winter period for the Ukrainian company to fulfill its commitments on transit of Russian gas to Europe. The meeting also highlighted that the $1 billion advanced payment made by Gazprom for gas transit could be used for filling UGS facilities with gas.

Ukraine could become Europe's gas hub

Interfax, *01.07.2013*



The European Union and Ukraine will discuss the creation of a gas hub in Ukraine in September, Energy and Coal Industry Minister Edward Stavytsky has said.

"There is an agreement with European Commissioners [for Energy Guenther] Oettinger and [for Enlargement and European Neighborhood Policy Stefan] Füle to hold a meeting on this matter with the interested parties from the EU and Ukrainian companies. It will take place around September," he told. As reported, Ukraine plans to develop the Eastern European gas hub on the basis of its underground gas storage facilities.

Earlier Ukrainian President Viktor Yanukovych said that after the modernization of its gas transportation system, Ukraine could offer its underground storage facilities as a basis for a new gas spot market. He said that the storage facilities could operate under the principle of a gas exchange, becoming a spot market in the east of Europe.

Nabucco loss may open doors for Poland

Oil & Gas Eurasia, *01.07.2013*

A final decision was confirmed ruling out the Nabucco West pipeline as a channel bringing gas to Europe from Azerbaijan, as Poland presses on with its own LNG terminal.

The Shah Deniz II Consortium has confirmed that it has opted for the Trans-Adriatic Pipeline (TAP) which will transport the gas from the Turkish border via Greece and Albania to Italy. The Nabucco West connection, which was backed by the EU and the US, would have brought gas via the Balkans to Baumgarten in Austria. Nevertheless, the Nabucco West loss could open doors for Poland and its three co-members of the Visegrad Group, Hungary, Slovakia and the Czech Republic.

Gas exporters to defend pricing system as courts reject oil link

Bloomberg, *01.07.2013*

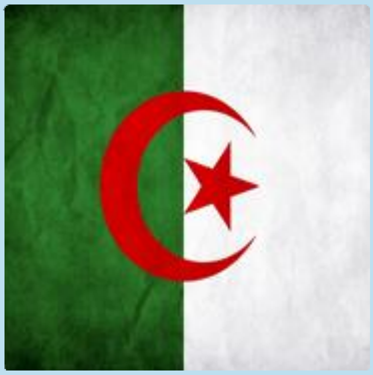
The world's biggest natural gas exporters will seek to defend linking prices to the cost of oil even after courts ruled they overcharged customers and rising output from the U.S. to Australia challenges their dominance.

Tying gas costs to oil will dominate "in the long-term" as the system provides visibility and transparency for buyers, the Gas Exporting Countries Forum said before its second summit of heads of state. RWE said an arbitration court ruled that Germany's second-largest utility had paid Russia's Gazprom too much since May 2010 and forced the group's biggest producer to add links to market prices in its formula.

Utilities are challenging the 40-year-old system after European market prices slumped below oil-linked contracts as the debt crisis cut demand for energy. State-controlled Gazprom has earmarked as much as 200 billion rubles ($6 billion) for potential rebates to European utilities this year. The estimate is higher than the 114 billion rubles set aside in 2012 and enough to meet all necessary payments, Chief Financial Officer Andrey Kruglov said June 27 in Moscow. "This could well be the tipping point that ushers in a new commercial era for European gas," Trevor Sikorski, an analyst at Energy Aspects Ltd. in London, said June 28 by e-mail. "If so, the impact will be felt wider than Europe, with Asian customers looking longingly at European and U.S. hub prices, and seeing that commercial arbitration might be one way of lessening the burden."

Algeria warned of gas shortage

Upstream Online, *02.07.2013*



Algeria needs to take measures to tackle a possible gas supply shortage due to strong demand and the absence of new gas discoveries, according to an official study.

Concerns over depletion of reserves have begun to be felt in Algeria, said the study by the Saudi-based Arab Petroleum Investment Corporation. The study noted that the revision of the hydrocarbon law introduced most needed changes. First offers for new incentives and attract interest in unconventional gas. While the second commits to remunerate the Sonatrach's partners on an export-based opportunity cost, should their share of gas be requested.

PGNiG begins consolidation of distribution companies

Oil & Gas Eurasia, *02.07.2013*

PGNiG have established a single distribution company, in line with the provisions of the Short-Term Value Creation Strategy for the PGNiG Group in 2012-2014, the company reported.

The establishment of a single company to take up the shares of the six existing gas distribution companies (Pomeranian, Greater Poland, Lower Silesian, Upper Silesian, Carpathian and Mazovian) and acquisition of the shares in the new company by PGNiG marks the first stage of the consolidation process. As preparations for the consolidation, Warsaw acquired shares in the six gas distribution companies

The gas distribution companies conduct business activity consisting in management of gas distribution networks. PGNiG SPV 4 intends to continue the same business activity. The objective behind the consolidation is to adapt the company to the new conditions prevailing on the gas market during its deregulation and opening to competition. Therefore, there are plans to introduce uniform procedures and IT systems, which will enhance operational efficiency and ensure more effective customer service. Each stage of the process will be consulted with the relevant groups, including trade unions. No mass redundancies are planned, and employees will continue to perform their duties at their current workplaces. The integration of the companies should also help optimize distribution costs, thus improving the consolidated company's profit, and reduce transmission fees for PGNiG customers.

CNPC set to buy stake in Kashagan

Upstream Online, *02.07.2013*

China National Petroleum Corporation is reportedly in line to buy an 8.4% slice of Kazakh giant Kashagan for more than $5 billion. Kazakh state player KazmunaiGaz is to strike back to back deals under which it will exercise pre-emptive rights on ConocoPhilips' stake in the project and then sell it to CNPC, KMG chief executive Lyazzat Kiinov told.

Kiinov did not elaborate on the deal other than to say he hoped the transaction would be completed quickly. If the deal transpired, it would end months of deliberation in Kazakhstan about the fate of the share ConocoPhillips is selling as part of its wider divestment programme.

ONGC agreed to buy ConocoPhillips' stake in the giant field in November 2012 in deal which has apparently failed to gain approval from Kazakhstan. The supergiant shallow-water field holds an estimated 30 billion barrels of oil in place, of which as much as 12 billion is thought to be recoverable. The long-delayed development of Kashagan is expected to produce 370,000 barrels per day in its first phase, with a possible increase to 450,000 barrels per day

Brent-WTI spread shrinks to $5 for first time in 2 1/2 years

Bloomberg, *01.07.2013*

The difference between the world's two most-traded crude oil grades shrank to less than $5 a barrel for the first time in about 2 1/2 years, underlining the easing of a supply bottleneck in the U.S.

Europe benchmark North Sea Brent crude's premium to West Texas Intermediate narrowed to as little as $4.77 a barrel today. It's the first time the spread between the two grades has been at $5 or less since Jan. 18, 2011, on an intraday basis, according to data compiled by Bloomberg. WTI, the main U.S. crude grade, had been typically the more expensive grade until mid-2010.

The drop in the gap between Brent, a gauge for more than half the world's oil, and WTI shows how improved pipeline networks and the use of rail links have helped to unlock a glut at America's oil-storage hub at Cushing, Oklahoma, in line with a prediction made by Goldman Sachs Group Inc. as long ago as February 2012. WTI rose 5.2 percent in the first half of this year. Brent dropped by 8.1 percent as North Sea supplies have stabilized following oilfield maintenance.

"The spread is coming in on anticipation that we're going to see pipelines get built and more rail capacity put in place," said Bill O'Grady, chief market strategist at Confluence Investment Management in St. Louis, which oversees $1.4 billion. "There is now a likelihood that not only will U.S. imports drop further, but that the country will be exporting before long."

WTI for August delivery advanced $1.43, or 1.5 percent, to $97.99 a barrel on the New York Mercantile Exchange, the highest settlement since June 19. Brent for August settlement increased 84 cents, or 0.8 percent, to end at $103 a barrel on the London-based ICE Futures Europe exchange. Brent's premium over WTI closed at $5.01 after falling below the $5 level in intraday trading. That's the lowest settlement since Jan. 4, 2011. WTI futures open interest reached a record high of 1.87 million contracts on June 18. The number of total contracts outstanding has stayed above 1.8 million since June 10.

Brent open interest reached a record high of 1.61 million on May 13. Since the start of 2012, new and reversed pipelines have boosted capacity to Houston by almost 1.2 million barrels a day, with another 850,000 barrels a day coming online by the end of the year, according to data compiled by Bloomberg. The coming expansions include the Magellan Midstream Partners LP (MMP)'s Longhorn pipeline, TransCanada Corp. (TRP)'s southern leg of Keystone XL and Sunoco Logistics Partners LP (SXL)'s Permian Express line.

"WTI is enjoying its return to market leadership," Olivier Jakob, managing director at Petromatrix GmbH, an energy-research company in Zug, Switzerland, said in a June 25 report as the spread narrowed to less than $6. The WTI-Brent spread widened to a record of $28.08 a barrel on Oct. 14, 2011. It was $19.29 at the end of last year and averaged $16.04 since the start of 2011 through June 28 this year. "Even U.S. East Coast refineries, which historically have relied on Brent crude oil and Brent-like crudes, can now access U.S. light sweet crude oil," the U.S. Energy Information Administration, a unit of the Energy Department, said in a report on June 28. "U.S. crude that moves by rail is replacing Brent crude oil and Brent-like crude oil imports into the U.S. East Coast, putting downward pressure on the price of Brent crude and narrowing the differential versus WTI crude."

Goldman Sachs was for many months all but alone in predicting that the spread, one of the most-traded price relationships in energy markets, would decrease. The bank reiterated its stance in subsequent reports, even as the differential widened to as much as $26 on Nov. 15. Goldman said on May 10, that it expected the premium to drop to $5 a barrel in the third quarter. North Sea crude production in July is set to rise to 1.94 million barrels a day, the most since April and 3.1 percent higher than a year earlier, as the main maintenance period for the region's oil fields ended, according to loading program data compiled by Bloomberg.

Announcements & Reports

► *Transition to Sustainable Buildings*

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=457

Upcoming Events

► *3rd Erbil International Oil and Gas Exhibition*

Date : 2 – 5 September 2013
Place : Erbil – Iraq
Website : http://www.erbiloilgas.com/

► *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