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Turkey, KRG ink landmark energy contracts

Reuters, *29.11.2013*

Turkey and KRG signed a multi-billion-dollar package this week that will help transform the semi-autonomous region into oil and gas powerhouse but infuriate the Baghdad.

The move follows months of negotiations and was learned from sources close to the deal on Friday after being kept secret. Baghdad says any independent Kurdish oil exports are illegal and that it has the sole authority to manage Iraqi oil. For energy-hungry Turkey, dependent on imports for almost all of its needs, exploiting KRG's rich hydrocarbon resources will help diversify its energy supplies and reduce the country's ballooning $60 billion energy bill.

Ankara's close partnership with Iraqi Kurds is historic and to many, marks the beginning of a new era, given the decades-long fight with Kurdish militants on Turkish soil that has claimed more than 40,000 lives. The deal came in the early hours of a frosty Wednesday morning in Ankara, and was signed during a three-hour meeting between Kurdish Regional Government (KRG) Prime Minister Nechirvan Barzani and Turkish Prime Minister Tayyip Erdogan. "This is the most comprehensive energy deal in Turkey's history,1 a source close to the matter said. "But due to political sensitivities, both sides are taking their time to announce it." Neither the Turkish prime minister's office nor the energy ministry confirmed the signatures following Wednesday's meeting. On Friday, the energy ministry declined to comment.

Officials in the office of Iraq's deputy prime minister for energy, Hussain al-Shahristani, were not immediately available for comment. Sources say neither the Turks nor the Kurds wanted to pop the champagne while efforts to get the Iraqi central government on board continue, even though Baghdad can do nothing to stop the process. Baghdad has long claimed the sole authority to manage Iraqi oil and says Kurdish efforts towards oil independence could lead to the break-up of Iraq. Turkey's courtship of Kurds has also raised concern in Washington. But Turkey has repeatedly said it respects Iraq's sensitivities over territorial integrity and that increasing oil revenues will help the whole of Iraq.

Oil exports from the Kurdish region via an Iraq-Turkey pipeline had dried up due to a row over the sharing of oil revenues. The deal between Turkey and the Kurds also offers a solution to the payment problems. Crude flow in the KRG's new pipeline is to start soon, and will link with the 40-inch-wide existing Kirkuk-Ceyhan pipeline to be exported to world markets. As part of the deal, state-backed Turkish Energy Company (TEC), which Ankara set up to work in northern Iraq, has signed a contract to operate in 13 exploration blocks. In about half of those, it is teaming up with U.S. oil giant ExxonMobil. The contracts also envisage the building of a new oil pipeline and a gas pipeline, aimed at helping the region's oil exports climb to 1 million barrels per day by 2015. The gas flow is likely to start by early 2017.

Under the deal, payments for the KRG's oil will be collected in an escrow account at a Turkish state bank. Once the contractor fees are paid, the balance will remain untouched until the KRG and Baghdad reach a deal on revenue sharing. Comments by the KRG natural resources minister, Ashti Hawrami, last week that the money belongs to the whole of Iraq "could trigger a new era in Iraq and finally get the two sides to agree on a revenue-sharing plan in line with the constitution", another source close to the deal said. The KRG has long proposed taking 17 percent of Iraq's total oil revenues and leaving the rest to Baghdad, a distribution that takes its justification from an article in the Iraqi constitution based on population count.

"The key aspect of these deals is the transparency. The metering of the exports, the payments are all open for international audit and Baghdad can come and observe if they wish to do so," the first source said. The contracts confirm earlier plans to build a second pipeline for Kurdish oil via Turkey as well as imports of Kurdish oil and gas. They also finalize the deal on Turkey's partnership in 13 exploration blocks in northern Iraq. Turkey will have priority to import the KRG's oil through an established nominal amount, while the rest of the oil produced will be marketed internationally.

The KRG will market its own oil and bargain with prospective customers but TEC will be able to assist in handling cargoes between storage tanks and loading onto tankers. Turkey will be able to purchase up to 20 billion cubic meters per year of Kurdish gas through a new pipeline to be built via Turkey. The imports are expected to start by early 2017 and Anglo-Turkish Genel Energy is likely to be the first company to export. Kurdish gas will be bought at a cheaper price than those of Turkey's current suppliers. It buys natural gas from Iran, Azerbaijan and Russia via pipelines and liquefied natural gas from Algeria and Nigeria.

No decision reached in building second pipeline from Arbil

Caspian TV, *28.11.2013*

Talks between Turkish Prime Minister Recep Tayyip Erdogan and KRG Prime Minister Nechirvan Barzani didn’t end on Wednesday with concrete results on the construction of a new oil pipeline from Kirkuk. Sources close to the Prime Ministry said there are still problems with some technical details that need to be solved, particularly concerning the share of revenues gained from the oil trade.

The meeting was also attended by Turkish Minister of Energy and Natural Resources Taner Yildiz, Minister of Development Cevdet Yilmaz, KRG Deputy Prime Minister Imad Ahmad and KRG Natural Resources Minister Ashti Hawrami.

A preliminary deal over the construction of this pipeline was reached several months ago, but sources close to the deal say the Turkish side is waiting for the visit of Iraqi Prime Minister Nouri al-Maliki before concluding it. The visit is expected to take place in December. Erdoğan and Barzani’s meeting lasted nearly three hours on Wednesday. There was no press conference afterward, but according to Prime Ministry sources the two statesmen exchanged views on regional problems as well as on ways to improve bilateral relations between Turkey and the autonomous Kurdish administration. The two also talked about the opening of two new border gates.

The same sources said the Turkish prime minister reiterated his oft-spoken desire to maintain and improve relations with all segments of Iraq’s fragmented society for the sake of contributing to the country's stability and prosperity. Turkey has recently attempted to thaw its frosty relations with the Baghdad government through a series of diplomatic attempts. The initial step was taken after al-Maliki delivered a message that his government “wants to improve relations with Turkey again,” which was followed by a visit from the head of Turkish Parliament’s Foreign Affairs Commission, Volkan Bozkir. Iraqi Foreign Minister Hoshyar Zebari was in Turkey last month and held talks with President Abdullah Gül, Erdoğan and Foreign Minister Ahmet Davutoglu. “It is high time to close this page and open a new one,” he said after these talks.

“Although there are differences of opinion on some issues, there aren’t any problems that cannot be solved between us,” Zebari said in a joint press conference with Davutoglu. Recently, the Turkish foreign minister visited Baghdad, returning with warm messages after his talks with top-ranking Iraqi state officials. Parliament Speaker Cemil Cicek’s visit on Nov. 25-26 also was an effort to contribute to the amelioration of mutual ties between the two neighbors. Although both sides seems to be making strides to calm down tension and reinstitute the long-derailed relations between Ankara and Baghdad, there are still some ambiguities that need to be cleared. The central administration is at odds with the northern Kurdish autonomy over the exploitation and exportation of the region’s rich oil and gas resources. Ankara is trying to keep a foot in both camps.

KRG President Massoud Barzani was in Turkey a couple of weeks ago, addressing the masses in Turkey's Kurdish-populated Diyarbakir with Erdogan and calling for regional peace. Turkey is planning to host al-Maliki in Turkey soon and convene the High-Level Strategic Council between the two countries' cabinets for the second time. Sources noted that Erdoğan wants to return a visit to al-Maliki after the council meeting and even extend it to include Kirkuk. After landing at Ankara's Esenboga airport on Tuesday evening, Barzani told reporters that oil exports to Turkey from northern Iraq may start as early as December this year, but he avoided divulging any further details.

A KRG-sponsored oil pipeline, which is almost complete, will link up to an existing Iraq-Turkey pipeline. The new oil pipeline is expected to have an initial capacity of 400,000 barrels per day (bpd). The amount will rise to 1 million bpd per day in 2015 and 2 million bpd in 2019, in line with the increases in the production capacity. The Kirkuk fields, which are under Baghdad's control, are sending around 400,000 bpd through the existing Kirkuk-Ceyhan pipeline, far less than its capacity for 1.6 million bpd. Turkey's endeavors to strengthen relations with Arbil are perceived as efforts to diversify its energy resources, but its rapprochement with Iraqi Kurds has infuriated Baghdad, which sees the KRG control over hydrocarbon resources as unconstitutional and doubts that its control over the oil and gas fields may pave the way for an independent Kurdish state.

Iraq's constitution indicates that oil export revenues belong to the central government and the autonomous Kurdish region is entitled to 17 percent of that total. Iraqi KRG is cooperating with firms including ExxonMobil, Chevron and Total to develop its energy industry. Turkey is also on the field with its state-backed Turkish Energy Company (TEC) in partnership with Exxon. But as Kurdish output grows, with several new fields coming online this year and next, a second pipeline will be needed. “The second pipeline will be mainly for the heavy oil that will come from the northern fields. Taq Taq and Tawke crude is very high quality and blending the two grades would depreciate the value of both crudes,” the source close to the deal said.

Turkish state pipeline company BOTAS will be instrumental in building the second pipeline, a government source said. A private Turkish company is also interested in the project. The new pipeline will have a capacity of at least 1 million bpd of crude oil, KRG Minister Hawrami said in İstanbul last week. The exports will be metered independently, he said, inviting all parties -- including Baghdad -- to send auditors to observe the process. Revenues will be paid into KRG accounts, a source familiar with the plans said. Hawrami repeated that the KRG is ready to send 83 percent of its oil income to Baghdad after deducting the autonomous region's share. But Baghdad views such plans as illegal.

Ankara watchful on oil accords with Iraq

Hürriyet Daily News, *29.11.2013*

Turkey does not want to create any problems for Baghdad in oil deals with the Kurdish Regional Government (KRG) as transparency will be key in talks to deepen energy cooperation between Turkey and Iraqi Kurds, a Turkish official told Hürriyet Daily News.

Turkey will continue energy cooperation discussions with the KRG, the official said, stressing that Ankara was not "conducting any hidden work." Foreign Minister Ahmet Davutoglu conveyed this principle to Iraqi leaders during a recent visit to Baghdad, the official said, underlining that Ankara was continuing to stick to this principle.

"Our position has not changed since before or after the visit of [KRG Prime Minister Nechirvan] Barzani to Turkey," he added. During the talks in Baghdad, Davutoglu said Turkey was willing to conduct "energy cooperation with all of Iraq," the official said, adding that both parties agreed to hold talks between the energy ministers of the two countries. Energy Minister Taner Yildiz will soon pay a visit to Baghdad, but the schedule is not clear yet, another official from the ministry told the Daily News. Meanwhile, Yildiz was invited to an international energy conference in Arbil, but he will not be able to participate due to alternate plans, according to the official.

The KRG-Iraq Oil & Gas Conference 2013 is in its third year and will open on Dec. 1. Yildiz was unable to attend last year's conference due to Baghdad's last-minute refusal to allow his plane to fly directly from Istanbul to Arbil. The Turkish government is determined to continue comprehensive energy cooperation with the KRG, but Ankara is also taking care not to harm bilateral ties with the Iraqi government amid recent rapprochement after a tense period of relations due to several issues, including energy cooperation plans between Iraqi Kurds and Turkey. The Iraqi Constitution does not prevent Turkish companies from making deals in the autonomous region, the official said. Barzani held three hours of talks with Turkish Prime Minister Recep Tayyip Erdogan and Yildiz on Nov. 27 on comprehensive new energy deals between Ankara and the KRG.

The absence of any agreement or contract during a visit by the Iraqi Kurdish regional prime minister to Ankara did not stop Baghdad from hastily issuing a blunt warning over the dangers of any step that would pave the way for the opening of a new oil export pipeline from its autonomous Kurdish region, which is outside central government control. After two years of tension between the two states, Iraq warned that the opening of a new oil export pipeline from the KRG would seriously harm relations. "The Iraqi government informed the Turkish ambassador in Baghdad of its strong opposition to signing the pipeline deal with the KRG," Iraqi Prime Minister Nouri al-Maliki's spokesman, Ali Mussawi, told Agence France-Presse. If such a deal is signed, "bilateral relations between Baghdad and Ankara will be damaged severely," Mussawi said. His comments came after Barzani said ahead of talks in Ankara that the pipeline could open as early as next month.

Al-Maliki also met with Turkish Ambassador to Baghdad Faruk Kaymakci yesterday. Meanwhile, the United States reiterated that Washington “doesn’t support oil exports from any part of Iraq without the approval of the Iraqi federal government.” “We continue to urge the federal government of Iraq and the Kurdish Regional Government to reach a constitutional solution, and that has consistently been our position. And it also has not changed,” U.S. State Department spokeswoman Jen Psaki told reporters Nov. 27.

Iraqi Kurdish oil exports to Turkey may start next month

AFP, *27.11.2013*

Oil exports from Kurdish Regional Government (KRG) to Turkey could start next month, the region’s prime minister said, despite a dispute with Baghdad over how to divide the spoils from its energy resources. Necirvan Barzani told reporters in Ankara late Tuesday that a pipeline from the Kurdish region could start carrying oil “before Christmas”, without elaborating.

Barzani was due to meet Prime Minister Recep Tayyip Erdogan and Energy Minister Taner Yildiz on Wednesday for discussions about comprehensive energy deals between Ankara and Arbil.

The pipeline project to Turkey is projected to carry up to 300,000 barrels per day (bpd). Turkey, which is dependent on Russia and Iran to meet its growing energy needs, is seeking to secure affordable oil and gas supplies from elsewhere, with KRG seen as the best option. But the move risks aggravating tensions in the powderkeg region and harming relations with the central government in Baghdad, which is in dispute with KRG over the sharing of the region’s energy wealth. The Turkish government has been developing ties with Iraqi KRG, and Erdogan held talks with Kurdish leader Massud Barzani in Turkey’s own Kurdish dominated region earlier this month.

Ankara is however keen on restoring ties with Baghdad, which have been strained for several years, and has offered to mediate in the oil dispute. A Baghdad-controlled oil pipeline currently runs between Kirkuk in Iraq and the southern Turkish port of Ceyhan but operates well below its capacity of 1.5 million tonnes a day, at around 400,000 tonnes. In the initial phase, Ankara wants to boost the capacity of the existing pipeline and also add additional oil and gas pipelines along the route. Iraqi KRG has been shipping oil to Turkey by tanker for almost a year.

Turkey – KRG energy deal to go ahead with or without Baghdad's consent

Hürriyet Daily News, *26.11.2013*

The Atlantic Council summit that gathers representatives of the energy community active in this part of the world took place last week in Istanbul, just as it did last year around this time. And just as the case was last year, it will be followed by the KRG - Iraq oil and gas conference which will take place on Dec.2 in Erbil.

Last year, the Atlantic Council summit's agenda was dominated by the anticipation that an agreement was about to be announced between the Kurdish Regional Government (KRG) and the Turkish government on the purchase and transfer of Iraqi-Kurdish oil to Turkey.

Some of the Americans present were clearly concerned about such a prospect taking place in the absence of Baghdad's consent. The U.S.'s former envoy to Ankara, James Jeffrey, strongly criticized the increased cooperation between Turkey and the KRG, warning that there could be negative consequences to a deal in the absence of approval from Baghdad. It was interesting to hear a former US official express worry over steps taken by Turkey that could potentially divide Iraq. A few days later, Turkey's Energy Minister Taner Yildiz's plane, which was taking the minister and his delegation to the conference in Erbil, had to adjust its flight path by making a detour due to an obstruction from the Iraqi central government.

Yildiz is again expected to attend this year's conference in Erbil. If he has decided to go, this means he is confident there won't be a similar reaction coming from Baghdad. In fact the change in the mood made itself felt during this year's Atlantic Council meeting which was attended by U.S. Secretary of Energy Ernest Moniz, who used a much softer rhetoric about a possible deal between Turkey and the KRG. The answer changes according to the respondents. "Our position has not changed," a U.S. official told me. The U.S. has never been against a deal between the KRG and Turkey; however, it was against such a deal that did was sealed without gaining Baghdad's approval, according to that official. It is very difficult for the outgoing Iraqi parliament to strike a consensus over an oil and gas law, which would solve the dispute between the KRG and central governments.

In the absence of such a law, Turkey, the KRG and the Iraqi central government are expected to come to an agreement on the issue of revenue sharing, with dialogue seeming to have intensified recently. The US official expressed optimism over the possibility of bridging differences in a short time. Some other observers, however, believe that stakeholders are under pressure with developments on the ground to be persuaded that Turkey and KRG will go ahead in any case and that includes Washington and Baghdad. "The construction of the pipeline that will carry KRG oil to Turkey is complete," a highly informed source told me, recalling KRG head Massoud Barzani joining Turkey's Prime Minister Recep Tayyip Erdogan in his historic visit to Diyarbakır a few weeks ago.

"If one of the messages Erdoğan wanted to give to Barzani by inviting him to Diyarbakır was that Turkey was not doing a deal with the PKK at his expense, the other one was to show to Turkey's Kurds that Barzani was on his side," he said, adding "Would Barzani come to Diyarbakır if he was not sure that the energy deal will go ahead?" Yet one should not forget Ankara's efforts to mend ties with Baghdad, which resulted in the visit of Iraqi foreign minister Hoşyar Zebari to Ankara last month, followed by Yildiz's meeting with his Iraqi counterpart, Hussein al-Shahristani, at a summit in South Korea.

"Ankara wanted to show that it did its best and tried to strike an understanding with Baghdad. But the oil will start flowing with or without it," an energy expert told me, as Yildiz is expected to officially announce the agreement between Turkey and the KRG next week in Erbil. One still hopes that Turkey remains genuine in its efforts to improve relations with Baghdad in general. As Egypt joined the list of countries with which Turkey is cross with, and this time for sure, it should continue efforts to get Iraq off of that list.

Ernest Moniz: US hails Turkey-Iraq oil dialogue

Hürriyet Daily News, *24.11.2013*

Turkey and the Kurdish Regional Government's (KRG) increasing dialogue on the distribution of Iraqi oil to world markets through Turkey pleases Washington, U.S. Energy Secretary Ernest Moniz said.

Washington is pleased to see increased dialogue between Baghdad and Turkey and the oil deal must be decided on by the parties and should be dealt within the Iraq's constitutional structure, said Moniz on Washington's evaluation regarding the central government in Baghdad's disapproving stance with the Turkish-Iraqi deal that would let the semi-autonomous region start piping oil to world markets.

Taner Yildiz said that Turkish public and private companies located in northern Iraq and have signed contracts for oil fields in Arbil and the money generated from these transactions will be kept in a state bank. Turkey will send the receipts of each transaction to the central government in Baghdad. Baghdad and autonomous KRG will share the money as per the ratio they will decide upon, according to Yildiz. Moniz also said the increase of production in shale oil does not mean the U.S. is removed from the global oil market, adding the U.S. is committed reducing oil dependency.

Meanwhile, Iraqi KRG's oil exports may start flowing through its own pipeline via Turkey within weeks, and without necessarily agreeing on payment protocol with the Baghdad central government, the region's natural resources minister Ashti Hawrami said, according to a Reuters report."We could even see flows before Christmas," he told a conference in Istanbul on Nov. 21, bringing forward previous forecasts that the first flows would be early next year.

The 300,000 barrel per day (bpd) pipeline is being built by Iraq's semi-autonomous KRG, which has proposed taking 17 percent of Iraq's total oil revenues, based on an article in the country's constitution. Hawrami said Arbil would press ahead with exporting oil whether or not Baghdad agrees the payment plan. "We are not ignoring Baghdad but if nobody wants to speak with us, then that's fine. We have been patient for ten years." Once the pipeline comes online the KRG will phase out exporting by road to the Mediterranean port of Ceyhan.

"A big part of our production will go into this oil pipeline," Mehmet Sepil, president of the Anglo-Turkish oilfield operator Genel Energy, said on Nov. 22, reiterating oil would start flowing through the KRG pipeline within weeks. He said Genel has the capacity to produce about 230,000 bpd at two of its fields - Taq Taq and Tawke - in KRG. The company is at the exploration stage in other fields in the region.

US says views on Kurdish oil sale to Turkey not changed

Hürriyet Daily News, *24.11.2013*

The US Department of State has reiterated its concerns over a plan for the export of oil from Iraqi KRG to Turkey, saying that no energy deals should be implemented without the approval of the Iraqi central administration. "Our view has not changed. We don't support oil exports from any part of Iraq without approval of the Iraqi federal government.

We continue to urge the federal government of Iraq and Kurdish Regional Government [KRG] to reach a constitutional solution, and that has consistently been our position," said US Secretary of State Spokeswoman Jen Psaki during a daily press briefing on Wednesday.

Her remarks came hours after Prime Minister Recep Tayyip Erdogan and KRG Prime Minister Nechirvan Barzani met in Ankara to discuss the construction of a new oil pipeline from Iraqi Kurdish to Turkey but failed to reach a concrete result. The Iraqi central government and the US are disturbed by the fact that Turkey has become a major trading partner for the Iraqi Kurdish region in terms of energy exports and have continued to warn that the growing ties between the KRG and Turkey might lead to the breakup of Iraq. Psaki was asked whether American officials raised the issue of the energy deal with Turkish Foreign Minister Ahmet Davutoglu during his visit to Washington on Nov. 18, but the spokeswoman did not answer the question.

Erdogan and Barzani, joined by Turkish Minister of Energy and Natural Resources Taner Yildiz and Minister of Development Cevdet Yilmaz as well as KRG Deputy Prime Minister Imad Ahmad Sayfour and Natural Resources Minister Ashti Hawrami, held a three-hour meeting at the Prime Ministry and exchanged views on regional problems as well as ways to improve bilateral relations between Turkey and the autonomous Kurdish administration.

A preliminary deal for the construction of the new pipeline was reached several months ago, but sources close to the deal say the Turkish side is waiting for a visit by Iraqi Prime Minister Nouri al-Maliki before concluding it. The visit is expected to take place in December. According to sources at the Prime Ministry, Erdogan said during the meeting that high-level visits between Turkey and the KRG will continue in the coming weeks and that Turkey also wants to host Maliki in Ankara to convene for the second time the High-Level Strategic Council of the two countries' cabinets.

Erdogan said he wants to pay an official visit to Iraq after Maliki's visit, traveling to both Baghdad and Arbil. Elaborating on the details of the Erdoğan-Barzani meeting, Today's Zaman's sources said there are still problems with the energy deal in terms of some technical details that need to be worked out, particularly concerning the sharing of revenue generated by the oil exports between the Kurdish authority and the Iraqi central government. Barzani, speaking to reporters at Ankara Esenboga Airport on Tuesday night, said oil exports to Turkey from northern Iraq may start as early as December but did not elaborate.

The new oil pipeline is expected to link up with an existing pipeline from Kirkuk to Turkey's Mediterranean port of Ceyhan. The new oil pipeline is expected to have an initial capacity of 400,000 barrels per day (bpd). This amount will rise to 1 million bpd in 2015 and 2 million bpd in 2019, in line with increases in production capacity. Baghdad's Kirkuk fields currently transport around 400,000 bpd through the existing Kirkuk-Ceyhan pipeline, far less than its capacity for 1.6 million bpd.

Turkey's endeavors to strengthen relations with Arbil are perceived as efforts to diversify its energy resources, but its rapprochement with Iraqi Kurds has infuriated Baghdad, which sees the KRG control over hydrocarbon resources as unconstitutional and doubts that its control over the oil and gas fields will pave the way for an independent Kurdish state. Iraq's constitution states that all oil export revenue belongs to the central government and the autonomous Kurdish region is entitled to 17 percent of that total.

Joining Washington in warning Turkey over its energy talks with the KRG, Baghdad has said the opening of a new oil pipeline from its autonomous Kurdish region would seriously harm relations with Turkey. "The Iraqi government informed the Turkish ambassador in Baghdad of its strong opposition to signing the pipeline deal with KRG," Maliki's spokesman, Ali Mussawi, told the AFP. The Iraqi government has threatened that "in case this signature happens, bilateral relations between Baghdad and Ankara will be damaged severely," Mussawi added.

Baghdad's warning comes at a time Baghdad and Ankara are attempting to thaw their frosty relations. In October, Iraqi Foreign Minister Hoshyar Zebari was in Turkey and had talks with President Abdullah Gül, Erdoğan and Davutoglu. "It is high time we turn a new page," he said after these talks. "Although we have differences of opinion on some issues, there aren't any problems between us that cannot be solved," Zebari said in a joint press conference with Davutoglu. According to observers, Ankara is trying to keep a foot in both camps by attempting to improve its relations with Baghdad while at the same time not turning its back on the KRG.

Turkey set to become major energy hub in 10 to 15 years

Hürriyet Daily News, *25.11.2013*

The Southern corridor is a historic project that will provide a fourth gas source to European markets, says a key executive of the Trans-Adriatic Pipeline, noting that Turkey is playing a key role in its realization. The pipeline has been chosen by the producers of Azeri gas to carry the resource to Europe.

Realization of the Southern corridor, which will carry Caspian gas to Europe, Michael Hoffmann, the external affairs director of the TAP, told the Hürriyet Daily News in a recent interview. TAP was chosen last June by the Shah Deniz II Consortium as the continuation of TANAP to carry Azeri gas from the Turkish border to Europe via Greece, Albania and Italy.

"One can see within 10 to 15 years Turkey really being a central energy hub in the region with all of these big flows coming through. From that point of view, making sure [that TAP and TANAP] is realized is critical," said Hoffmann.

Where do you place the Trans-Adriatic Pipeline (TAP) project in terms of world energy?

TAP is part of a very historic project. It is part of the whole concept of the southern gas corridor, which is a brand-new corridor bringing a new supply source from the Caspian, Azerbaijan, all the way to Europe. There is one supply source from Russia and one supply from the North Sea; another supply source comes from North Africa, so this is sometimes referred to as the fourth corridor. From a strategic point of view, it is critical. These are probably the biggest energy projects worldwide. [The project] expands from Baku all the way to Italy; it is probably going to cost between 40 billion and 50 billion dollars. The quantity of gas – the 10 billion cubic meters sold – would have a value in excess of of $100 billion over a lifetime of 25 years; it will create 30,000 jobs. When you think of all the countries involved, it is very strategic and huge. That's why you see a lot of emphasis on this corridor from the European Commission, from the United States; and obviously here in Turkey.

Why do you think TAP was chosen over the other two competing projects?

We have always remained very committed to emphasizing the commercial and technical value of the project. A project is made out of three criteria, the economics of it; the technical aspect – can you built the thing – and then the politics – do you have the support of the governments [involved in the] project? If you consider those three elements, our strategy from the beginning was to make sure that, technically, could we actually build the pipeline and, commercially, did it provide an attractive transit option? Could we offer an attractive tariff and transportation cost of the gas to market?

We spent a lot of time [ironing] out the technical details of the engineering of the project, so we were very strong on that, which in turn meant that we were able to offer very compelling commercial arguments. Plus, we were the shortest route. Also, if you look at the market, you can't build a pipeline unless you have demand on the other side, so in this case, Shah Deniz gas had a lot of demand in Italy, and the companies that wanted to buy gas were prepared to pay a good price for that gas.

What have you been doing since the decision was taken last June?

One month afterward, we secured four new shareholders. BP, SOCAR and TOTAL joined, and we also secured Belgium's Fluxys. Now we have a nice mix of upstream and midstream companies in the shareholder structure. What happened in September was another milestone as the Shah Deniz consortium selected the buyers. Some of the gas was bought by Greece and Bulgaria. This is also important in terms of the European objective of trying to ensure some of Southeastern Europe remains part of this grand project.

TAP initially goes until Italy; will it expand to other destinations?

We don't dictate where the gas goes. The question about where the gas ends up is who is prepared to buy it and what are they prepared to pay for it. TAP is a project that is fully flexible. It is expandable, it can go from 10 bcm to 20 bcm. If more gas is produced from Azerbaijan [it could be added to the pipeline, or] perhaps some gas will come from northern Iraq through Turkey into the system, which means countries along the route could take more gas. Also we have agreements with some of the other pipelines; the Ionian Adriatic pipeline which [is slated] to connect TAP in Albania. It goes from Albania through Montenegro to Bosnia-Herzegovina, Slovenia, Croatia and then you can enter Hungary. There are some missing links in the system in Southern Europe. What needs to happen now is for the European Commission and the energy community to try and make sure that there is good level of interconnection between the various different countries.

What's next?

Now, it is a matter of taking the final investment decision (FID) for Shah Deniz and TAP. All of our decisions are intertwined and interlinked with the Shah Deniz decision. We need to make sure Shah Deniz takes their decision by the end of this year. We are looking forward to that. Any agreements we have are very much conditioned on that. We will take our decision before they will take their decision, but we are dependent on their decision, of course.

How do you see Turkey's position in this whole endeavor?

Turkey is at a very strategic point; geographically and historically. There are so many opportunities; we have not only the Azerbaijani gas coming through, there is a lot of potential for northern Iraqi gas in KRG coming through. Then we have all of the eastern Mediterranean gas looking for potential ways of export. One can see within 10 to 15 years Turkey really being a central energy hub in the region with all of these big flows coming through. From that point of view, making sure [that TAP and TANAP] are realized is critical. It then allows Turkey to actually develop this very important role.

What do you expect of Turkey as of now?

Turkey is committed to TANAP; BOTAŞ will be a shareholder. They have already signed intergovernmental agreements, host government agreements. Turkey has fulfilled much of its mandate in this respect. Still, Turkey has a key role from now on in making sure that the projects continue, making sure that TANAP happens. Turkey has been a key actor. The Southern Gas Corridor will not be successful without Turkey's involvement.

Russia's South Stream project is going ahead as well, and it targets the same market as the Southern Corridor. Could that curb the Southern Corridor's potential of transporting more gas? South Stream is coming into Bulgaria, and then it flows north to Serbia. It does not go through many of the countries we are passing through. Also, there is nothing wrong with competition; European consumers want competition. What is important is buyers have a choice. They are not dependent on simply one supply.

So you believe there will be much more gas passing through TAP beyond the initial 10 bcm.?

We have been clear that we see TAP as the first phase, as merely being the start. We have to have the first piece of the Southern Corridor developed; once it is in place, you will get more and more passing through. We are fairly optimistic.

How will you ensure that the project is environmentally friendly?

We have gone beyond national legislation requirements in Greece and Albania. We have adhered to European Bank for Reconstruction and Development (EBRD) standards. That is our commitment to deliver the highest possible standards in terms of the environment and social impact assessments.

Turkey ‘key energy hub’ for OMV due to potential

Today’s Zaman, *19.11.2013*

Turkey remains a key market and hub for big energy firm OMV, which is now one of the biggest foreign investors in Turkey’s energy market after its acquisition of Petrol Ofisi, OMV’s chief says. Turkey is an important energy hub for Austrian energy giant OMV, and the country plays a crucial role in OMV’s plans thanks to its huge growth potential and domestic energy demand, OMV Chairman Gerhard Roiss said

“We plan to meet the energy demands of at least 200 million customers by 2021 and Turkey is the key to us here,” he said at the end of his presentation, while displaying a picture of Istanbul’s Bosphorus Bridge.

“To address the basics of our growth strategy, I picked up this photo from Istanbul, as a sign of its being a connection between Asian and European markets and its huge growth potential,” he said. The company launched its new corporate strategy a couple years ago, shifting away from being only a downstream company toward being an integrated upstream company. This means that OMV, Austria’s biggest company and one of the biggest European energy companies with revenues of around 44 billion euros, has set a goal of becoming an integrated oil and gas exploration and drilling company that has very rich retail experience.

“This, however, doesn’t mean we have been quitting our downstream business. We have grown mainly on downstream, by establishing filling stations for around the last 25-30 years. Now it is time for us to integrate the two businesses successfully. Our aim is to use our equity gas, which is explored and drilled by us, as much as possible,” he said, adding that 2013 was a decisive year in taking important steps to reach this goal. OMV is using its rich retail experiences on the matter, he said. The company controls 97 percent of Turkey’s leading fuel products distribution and lubricants company, Petrol Ofisi, with over 2,300 filling stations, and over 1 million cubic meters of storage capacity. OMV also has a 51 percent share of Romania’s state energy producer, Petrom. “We plan to position our strong brands, like Petrol Ofisi and Petrom, as the regional powers,” Roiss said.

“Our business is highly risky, and we should consider political risks as much as possible when setting our strategies. These two core areas offer great potential for the oil and gas business, and they are much less risky than many others,” Roiss said. OMV said the production level in 2013 was now expected to be somewhat below the level of 2012 as interruptions in Libya and Yemen, an earlier-than-planned temporary shutdown of the Maari field in New Zealand, as well as a water influx in a key producing well in Austria, impacted production at the beginning of November. “Libya constitutes around 10 percent of our total production. And we hope for some recovery next year, then to reach some 100,000 barrels per day by 2016,” said the company CFO and deputy chairman of the board, David C. Davies.

He said OMV usually produces around 32,000 barrels of oil per day in Libya and that the firm was losing that much in production for each day production remains shut down for a couple of weeks. The company mainly focuses on two main areas in its upstream business, the North Sea and the Black Sea. OMV reached very rich hydrocarbon deposits off 320 kilometers north of Norway's coast last October while also announcing its biggest acquisition to date, a $2.65 billion deal to buy stakes in North Sea oilfields owned by Norway's Statoil. It is also searching for hydrocarbon sources in the deep waters off Romania in the Black Sea with Exxon Mobil and in northern Iraq with Genel Energy, among others.

Meanwhile, Roiss said "We are trying to enhance Europe's gas security. We would have liked to have done this via Turkey by the Nabucco project if we had been accepted." He added that Nabucco had never been a main strategy for the company to reach this goal. "We are not a pipeline company. Our aim is to find and develop our own gas, our equity gas and to meet Europe's gas demand," he said. OMV secures its gas supply mainly through long-term contracts with Statoil and Gazprom, but the share of its own sources have been rising. The company secured 5 bcm of its gas supply by its own sources in 2012 and 7 bcm via long-term contracts.

SOCAR makes top money transfer for FDI

Reuters, *28.11.2013*

Some $475 million has recently been transferred to Turkey from Azerbaijan to finance the forthcoming expenditures in the STAR Refinery in addition to some $350 million worth of previous money transfers, said head of SOCAR Turkey Kenan Yavuz, noting that this was the largest money transfer to have been spent as foreign direct investment in Turkey.

Socar Turkey and a consortium led by Tecnicas Reunidas signed an agreement in May to build STAR Refinery, worth $4.3 billion. Yavuz said the refinery project was the most important part of Refinery Petrochemistry-Energy-Logistic Integration investments worth $9 billion in Petkim Peninsula.

The money transfer of $475 million raised their refinery company's capital to $1.9 billion, he said. Yavuz stated that the total cost of the project would be $5.5 billion, of which $1.9 billion would be financed by equity capital. After using this capital, they planned to start using foreign resources provided by loans. Star Refinery is planned to have an annual capacity of 10 million tons to refine different crude oil types. The refinery is planned to produce annually 4,900,000 tons of ultra-low sulfur diesel, 1,300,000 tons of naphtha, 457,000 tons of mixed xylene, 1,630,000 tons of jet fuel, 260,000 tons of LPG, 525,000 tons of reformat, 692,000 tons of petroleum coke and 159,000 tons of sulfur. The refinery is slated to be completed by 2017, Yavuz said.

Turkey to hike Iran oil imports after nuke deal

Hürriyet Daily News, *26.11.2013*

Turkey expresses an interest in boosting its business with Iran after Western powers promised to ease sanctions over Tehran's nuclear program. Turkey could increase its oil imports from Iran to 130,000-140,000 barrels per day (bpd), from around 105,000 bpd in a gradual manner, if Western sanctions against Iran ease, Turkish Energy Minister Taner Yildiz said.

"We have already reduced our imports to around 105,000 [bpd] due to the sanctions. Once these sanctions are no longer in effect, I believe the amount we buy will hike," he said.

Turkey couldn't ignore Iran, which had one of the world's three largest oil reserves, and was Turkey's second biggest oil supplier after Russia. Turkey cut dramatically its oil imports from Iran from a previously contracted volume of 180,000 bpd last year after a European Union embargo against Iran came into full force on July 1, which also targeted marine insurance. Yildiz said Turkey has already rejected further reducing its oil imports from neighboring Iran. "Although it is not possible to match the previous levels of imports, I believe our purchases from Iran could go up to 130,000 bpd or to 140,000 bpd," he said, adding that Turkey bought natural gas from five countries and oil from 12 countries.

The Islamic Republic of Iran and six western powers reached a historic deal on Nov. 24 to curb Tehran's nuclear program in exchange for limited relief on sanctions. Iranian oil sales have fallen by more than half from 2011 levels to about 1 million barrels a day as a result of EU and U.S. sanctions on oil trade, shipping insurance and banking, according to Reuters data. "The relief in EU sanctions on oil shipping insurance is a big deal and creates the conditions to make it easier for Iran to get at least up to the sanctioned levels," Olivier Jakob from Petromatrix energy consultancy told Reuters yesterday.

Brent crude fell 1.6 percent yesterday just after the deal, but Yildiz called for patience. "It is of great importance to be patient and cautious in making any comment on whether the recent nuclear deal with Iran will have an effect on oil prices," he noted. Turkey is also importing 10 billion cubic meters (bcm) of gas a year from Iran but would buy more if it were available, Yildiz said in an October briefing during the World Energy Congress in South Korea. Turkey's energy demand has doubled in the last 10 years and would double again in the next decade, he said. Energy buying is the biggest contributor to Turkey's annual current account deficit of more than $50 billion.

Caglayan: Turkish banks to be able to make Iran transactions

Hürriyet Daily News, *28.11.2013*

All Turkish banks will be able to make Iranian transactions as sanctions on Iran are eased in the wake of a deal between Tehran and six world powers to curb Tehran's nuclear programme, Turkey's economy minister said on Thursday.

The agreement eased some sanctions on trade with Iran that have slashed the OPEC member's exports by more than half and cost it as much as $80 billion in lost oil sales since the beginning of 2012, according to White House estimates. Halkbank had continued to process transactions, remaining one of the few to do so in the face of U.S. sanctions targeting financial institutions that dealt with Iran's central bank.

"Because of the pressure exerted by the United States, private banks were unable to process (Iranian) transactions. Now that obstacle has been removed, not only Halkbank but other banks will be able to process payments," Economy Minister Zafer Caglayan told reporters in Istanbul. His comments are the first confirmation from Turkey about how it sees the deal affecting its banks. A U.S. fact sheet about Sunday's agreement said the six powers would provide "limited, temporary, targeted and reversible" sanctions relief in return for the nuclear curbs agreed by Iran.

But, it added, the bulk of sanctions would be maintained, including the oil, finance, and banking sanctions "architecture". Among transactions conducted by Halkbank are payments by Indian refiners to Iran. The refiners used this route until February and these payments could now resume. The United States tightened the noose on Iran's biggest revenue stream in February by asking its oil buyers to stop transferring payments to Tehran and instead keep the money in bank accounts in the currency of the importing country. India could step up crude imports from Iran next month and start transferring billions of dollars it owes for oil as early as next week.

US: Iran oil, energy investment sanctions still in force

Today's Zaman, *24.11.2013*

The nuclear deal signed on Sunday will not allow any more Iranian oil into the market, or let western energy investors into the country, but it does freeze US plans for deeper cuts to Iranian crude exports, Washington says. Iran and six world powers reached a breakthrough deal early on Sunday to curb Tehran's nuclear program in exchange for limited sanctions relief.

But US and EU sanctions on Iran's energy sector, which have prevented western energy companies from dealing with Tehran, and slashed its oil exports from 2.5 million barrels per day (bpd) to around 1 million bpd, remain firmly in place.

“In the next six months, Iran's crude oil sales cannot increase,” a fact sheet posted by the White House on the US State Department's website on Sunday said. “Under this first step, the EU crude oil ban will remain in effect and Iran will be held to approximately 1 million bpd in sales, resulting in continuing lost sales worth an additional $4 billion per month, every month, going forward.” Western pressure on Iran's mainly Asian oil customers to find other suppliers has supported global oil prices over the last two years, but rising US and Saudi production has helped dampen the impact of around 1.5 million bpd of Iranian oil being shut out. US lawmakers had planned further cuts in Iran's oil exports but Washington has pledged not to impose new nuclear-related sanctions over the next six months, so long as Iran sticks to its side of the deal.

Less crude from Iran would put more strain on regional rival Saudi Arabia to squeeze more out of oilfields that have already been pumping at record levels this year. Benchmark Brent crude hit a six-week high of $111.40 on Friday on early uncertainty over whether an agreement over Iran's nuclear program would be reached. Brent eased late on Friday on renewed hopes that the long-awaited deal would be struck, closing the week on $111.05 a barrel. Oil markets are closed on Sunday. The White House estimates that Iran has lost more than $80 billion since the beginning of 2012 because of the lost oil sales. It also estimates Tehran's earnings over the next six months will be $30 billion down compared with a six-month period of 2011, before sanctions were imposed.

US sanctions effectively bar Iran from repatriating earnings from oil exports, forcing customers to pay into a bank in their country. Washington estimates that Iran has around $100 billion in foreign exchange earnings trapped in such accounts. Under the terms of the deal, Iran will be allowed access to $4.2 billion of oil export revenues. But nearly $15 billion will still flow into accounts overseas over the next six months, according to the US government. “We expect the balance of Iran's money in restricted accounts overseas will actually increase, not decrease, under the terms of this deal,” the White House fact sheet said. The US government has also suspended some restrictions on gold and precious metals trade and lifted sanctions on Iran's petrochemical exports that were imposed earlier this year.

Iran is home to some of the world's largest oil and gas reserves but US energy firms have been barred by Washington from Iran for nearly two decades. Several European oil and gas companies had planned multi-billion dollar investments over the last decade to help develop Iranian reserves. However US pressure drove European energy companies away from Iran in the late 2000s, for fear of jeopardizing their interests in the US market if they stayed. Western companies, whose technology Tehran needs to fully exploit its oil and gas riches, are keen to go back into Iran when sanctions are lifted.

Despite the landmark deal struck on Sunday, US restrictions on trade, including those banning long-term investment or provision of technical services to Iran's energy sector, are still in place. Sanctions preventing the sale of petroleum products to Iran, which needs to import such fuels because it lacks refining capacity, also remain in effect. Potential buyers of Iranian crude have found it difficult to insure their multi-million dollar shipments, because of wide-ranging restrictions on providing financial services for Iranian trade. Those financial sector sanctions remain intact, as do sanctions on Iranian shipping companies, the White House say.

Iran deal includes relief on EU sanctions on oil shipping insurance

Reuters, *24.11.2013*

A senior western official said on Sunday that relief on EU sanctions on oil shipping insurance was included in a deal between Iran and six world powers over its disputed nuclear programme. "Insurance on oil shipments is included" in the agreement reached earlier on Sunday between the Islamic state and six world powers, including EU states Britain, Germany and France, the diplomat said.

Zanganeh talking with world players

Upstream Online, *25.11.2013*

Iran is once again talking with international players about the prospect of potential investment in the country's core oil industry amid a thawing of relations with world powers, according to a report. New Oil Minister Bijan Namdar Zanganeh has even held indirect talks with US companies in the days after an interim deal over Iran's perceived nuclear weapons programme was reached at a meeting in Switzerland, the Financial Times reported on Wednesday.

Iran agreed with the US, UK, France and others on Sunday to a deal that will see it curb its nuclear activities in return for a resumption of some international aid.

The oil price has slipped as a result, with industry players no doubt keen to see a return to contracts in Iran. However, US and European Union embargos remain in place. Zanganeh told the Financial Times that he has already met with European and, indirectly, US companies to pave a way for their return should sanctions be lifted. Among those Zanganeh is keen to entice back are France's Total, Anglo-Dutch supermajor Shell, Eni of Italy and Norwegian state player Statoil, according to the report. Zanganeh was Iran's oil minister eight years ago, and made a return in August under new President Hassan Rouhani.

As spelled out by him during the approval process in parliament for Rouhani's new Cabinet, Zanganeh wants to take crude production capacity to where it was in 2005 when he left the job after the arrival of Mahmoud Ahmadinejad as president and a succession of oil ministers. His publicly listed priorities also include enlisting foreign companies and technology, bringing back some of the hundreds of expert managers and technocrats who were purged for allegedly political reasons, encouraging higher quality domestic manufacture of oil equipment, and restoring Iran's voice within Opec. Zanganeh had led the country's crude capacity increase to almost 4.2 million barrels per day as of the late 1990s and kept it there until his departure. After he stepped down, capacity is believed to have crashed to somewhere between 3 million to 3.5 million bpd

Oil prices fall after Iran agrees nuclear deal

Upstream Online, *25.11.2013*

Iran Oil prices have fallen after Iran agreed a deal to curb some of its nuclear activities in return for an easing of international sanctions. Iran holds the world's fourth-largest oil reserves, but its exports have been hurt by the tough sanctions against it. Though Iran will not be allowed to increase its oil sales for six months, the deal has eased tensions in the Middle East - a key oil-producing area.

Brent crude was recently down 64 cents at $110.41 a barrel. It had fallen to as low as $108.05 earlier in the trading session. Meanwhile, US light sweet crude was down $1.01 to $93.83, having fallen as low as $93.08.

International Airlines Group, the owner of British Airways and Iberia, was up 2.87% in lunchtime trading, while Air France KLM rose 3.11%. Travel operator Thomas Cook lifted 3.68%. "There are a lot of sanctions that have been eased, which will allow Iran to slowly re-enter the global economy," Jonathan Barratt, chief economist at Barratt's Bulletin told the BBC. "And as for oil – it's a just a six-month waiting period. If they tick all the boxes during that time, they will be back in that sector as well." World powers suspect Iran's nuclear programme is secretly aimed at developing a nuclear bomb - a charge Iran has consistently denied. In an attempt to force Tehran to curb its programme, the US and other leading economies have imposed a series of tough sanctions aimed at Iran's oil exports - a key driver of its economy.

In November 2011, Washington threatened to shun foreign financial institutions that conducted oil transactions with Iran's central bank. That prompted several countries including China, Japan, India and South Korea - some of the biggest buyers of Iranian oil - to cut their imports. "Working with our international partners, we have cut Iran's oil sales from 2.5 million barrels per day (bpd) in early 2012 to 1 million bpd today," a fact sheet published by the White House said. While the deal has raised hopes of a long-term agreement that may allow Iran to increase its oil sales eventually, some analysts believe oil prices are unlikely to fall further. "This news is hot off the press, and so there is some knee-jerk reaction," said Ben le Brun, a market analyst at OptionsXpress in Sydney. "The market will probably want to see the nitty-gritty details of the agreement before we see any further significant declines in prices," he added.

PetroChina to join Exxon at giant Iraqi oilfield

Upstream Online (Reuters), *28.11.2013*

PetroChina will join Exxon Mobil in developing Iraq's giant West Qurna oilfield and is in talks with Russia's Lukoil to buy into a second project at the field, industry sources said.

China is already the top foreign player in Iraq's oilfields. A deal at West Qurna, which is around 50 km northwest of the southern oil hub of Basra, would boost its dominance and could make PetroChina the biggest single foreign investor in Iraqi oil. West Qurna is central to Iraq's oil expansion plans, with enough reserves to pump more than 5 million bpd, and it could rival the world's biggest producer, Saudi Arabia's Ghawar field, when its two phases are running fully.

"PetroChina will participate in developing the field," an industry source with direct knowledge of the deal with Exxon said on Friday. The agreement would be announced in weeks, the source said, but declined to give further details on how the world's two most valuable listed energy firms would work together in Iraq. Both PetroChina and Exxon declined to comment. PetroChina already partners BP at Rumaila, now Iraq's largest producer, and operates the Halfaya and al-Ahdab fields. The company was the first foreign firm to sign an oil service deal in Iraq after U.S.-led forces toppled Saddam Hussein. Baghdad signed a series of service contracts in 2009 that committed international oil companies to raising Iraq's oil output by 2017 beyond 12 million bpd - more than Saudi Arabia produces now.

Infrastructure and security problems have since forced the government to cut the target to 9 million bpd by 2020. The issues are so acute Iraq could report a year-on-year output fall for 2013, its first after two years of robust gains. Despite the frustrations, Exxon, which holds a 60 percent stake in West Qurna-1, has made steady progress with minority partner Royal Dutch Shell and the field, a $50 billion investment project, is pumping around 480,000 bpd. In March, PetroChina's ex-chairman Jiang Jiemin told Reuters the Chinese energy major was willing to team up with Exxon at West Qurna. PetroChina is also in talks with Lukoil for a stake in another development project at the field, West Qurna-2, a Lukoil source said. The source declined to reveal the size of the stake under discussion.

"Lukoil bosses have already said they would prefer an Asian partner, a Chinese partner, in the project to secure a guaranteed market for oil sales," the source said. Lukoil's Chief Executive Vagit Alekperov has said that the company wanted a Chinese firm to replace Norway's Statoil at the project. Statoil agreed last year to sell its 18.75 percent stake. China is the world's second-largest oil importer after the United States, and its growth in fuel consumption has driven global oil demand expansion for a decade. Faced with falling demand for imported oil in the United States and Europe, producers from the Middle East, Russia, Africa and Latin America are all competing for a bigger share of China's growing market.

West Qurna-2 is expected to start up this year, produce 500,000 bpd in 2014, and need total investment of $30 billion. Lukoil plans to invest $5 billion in the project in 2013 alone. Last year, Exxon offered to sell its West Qurna-1 stake after a dispute with Baghdad over contracts it signed with autonomous KRG in the north, deals the central government rejects as illegal. A source familiar with PetroChina's operations in Iraq said in March the two companies were discussing a deal that would enable Exxon to retain operator status at the oilfield, where Royal Dutch Shell is minority partner with 15 percent. Some industry sources said it was unlikely that PetroChina would buy stakes in both projects, due to their sheer size.

But Iraq's oilfields are the largest in the Middle East open to foreign investment, making them hard to resist as China's dependency on imports rises. "PetroChina is under big pressure to add output and reserves for its size," said a second industry official, who has direct knowledge of PetroChina's investment strategy abroad. "Iraq, given its attractive contract terms, was among the brightest spots for PetroChina's international operations over the past three years, working shoulder by shoulder with global oil majors." In a separate deal, Exxon and PetroChina agreed in late July to jointly study the 3,830 square-km Changdong block in northern China's Ordos basin, the companies said, which industry officials described as containing gas that is hard to access.

Pipeline leak halts Bai Hassan output

Upstream Online (Reuters), *25.11.2013*

A pipeline leak halted oil production from a major oilfield near Iraq's northern city of Kirkuk on Saturday, but exports to Turkey were not affected, officials said. According to officials at the state-run North Oil Company (NOC), the leak occurred in an ageing section of pipeline carrying crude from the Bai Hassan oilfield to the main crude processing facility.

However, the output halt did not affect exports via the Kirkuk-Ceyhan line, which flows crude oil from Iraq to Turkey. "We are working to replace the damaged section of the pipeline and expect to resume production from Bai Hassan within 48 hours," Reuters quoted on oil official as saying.

The Bai Hassan oilfield produces about 150,000 barrels of oil per day. About a quarter of Iraq's oil exports are pumped through the Kirkuk pipeline to Ceyhan in Turkey. Crude oil flows on the pipeline have been repeatedly disrupted this year due to militant attacks.

Al-Qaeda affiliate militants report capture of largest Syrian oil field

Today's Zaman, *24.11.2013*

Islamist rebels led by al Qaeda-linked fighters seized Syria's largest oil field on Saturday, cutting Assad's access to almost all local crude reserves. There was no immediate comment from the government and it was not immediately possible to verify the reports of the capture independently.

But the loss of the al-Omar oil field in Deir al-Zor province, if confirmed, could leave Assad's forces almost completely reliant on imported oil in their highly mechanized military campaign to put down a 2-1/2-year uprising. "Now, nearly all of Syria's usable oil reserves are in the hands of the Nusra Front and other Islamist units ...

The regime's neck is now in Nusra's hands," said Rami Abdelrahman, head of the pro-opposition Syrian Observatory for Human Rights. Assad's forces have gained momentum against the rebels in recent months, partially due to support from the Lebanese Shi'ite militia Hezbollah and its regional ally Iran. In the northern province of Aleppo on Saturday, army air strikes killed at least 40 people and wounded dozens, most of them civilians, the Observatory said. But opposition fighters, particularly powerful Islamist factions, still hold large swathes of territory in northern and eastern Syria. Foreign powers are trying to bring together the warring parties at an international peace conference, dubbed 'Geneva 2', and planned for mid-December. Both the Syrians and their international partners are at odds over terms for the talks.

Syria's peace envoy Lakhdar Brahimi discussed the conference on Saturday with Russian Foreign Minister Sergei Lavrov in Geneva. He is expected to meet U.S. Secretary of State John Kerry later. The civil war in Syria has killed more than 100,000 people, according to the United Nation and it is destabilizing its neighbors, due to sectarian and ethnic tensions that transcend borders. The uprising has fuelled Sunni-Shi'ite tensions in particular. The rebels are led by the Sunni Muslim majority in Syria and have drawn support from radical Sunni groups such as al Qaeda and other foreign militants. Shi'ite countries and militias have thrown their weight behind Assad, who is from Syria's minority Alawite sect, an offshoot of Shi'ite Islam.

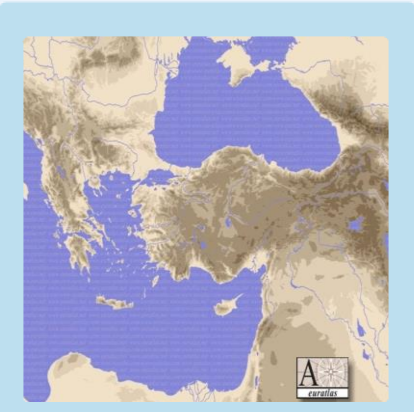
Until the reported insurgent capture of the field, a pipeline transporting the crude to central Syria for refinement had still been working despite the civil war. Most oil reserves are now in the hands of rebels, local tribes or Kurdish militias, some of whom may be willing to sell oil Assad. Assad is also believed to be getting fuel from Shi'ite Muslim giant Iran, his main regional ally. Tehran has been bankrolling the Syrian government's fight against the rebels and offering military support. A video posted on the internet showed rebels in camouflage and black scarves driving a tank under a sign that read "Euphrates Oil Company - al-Omar field". The speaker in the video said the field was overrun at dawn on Saturday, but the authenticity of the footage could not be independently verified.

Syria is not a significant oil producer and has not exported any oil since late 2011, when international sanctions took effect to raise pressure on Assad. Prior to the sanctions, the country exported 370,000 barrels per day, mainly to Europe. The conflict began in March 2011 as peaceful protests against four decades of Assad family rule but has degenerated into a civil war were more than 100 people are killed each day. Despite international efforts to launch peace talks, neither the rebels nor Assad's forces appear ready to lay down arms. Activists near Damascus said a heavy battle was raging in the eastern suburbs outside the capital between the army and pro-government militias and rebel units, including the Islamic State of Iraq and the Levant (ISIL), an al Qaeda affiliate.

Rebels are trying to retake the town of Oteiba in order to break a heavy blockade on the opposition-held suburbs in the east that ring the capital. For months Assad's forces have choked off the areas from food, supplies and weapons. The fighting caused dozens of deaths on both sides, a fighter in the area said. In Switzerland, diplomatic wrangling continued as the international supporters of different sides of the conflict discussed a framework for talks. Moscow, Assad's main arms supplier, wants Iran to participate in the peace conference, which is opposed by both the United States and Saudi Arabia, a regional rival of Tehran and major backer of the rebels. Brahimi is to hold "trilateral" talks with Russian deputy foreign ministers Mikhail Bogdanov and Gennady Gatilov, as well as U.S. Under Secretary Wendy Sherman, in Geneva on Monday.

Turkey loses ground in the Middle East and East Mediterranean

Hürriyet Daily News, *26.11.2013*



Turkey's National Security Board (MGK) has not only discussed Syria and Iraq and the Kurdish issue during its Oct. 28 bi-monthly meeting, as it was said in the press release afterwards. According to high rank sources talking to HDN, one of the main issues discussed was Turkey's national interests in the light of new energy sources, mainly natural gas found in the East Mediterranean.

With projections showing liquefied natural gas (LNG) terminals and transportation would become more expensive with respect to pipeline transportation, following the new shale gas production technology promoted by the U.S.

Turkish officials point out that the cheapest and safest way to transport East Mediterranean gas to European markets would be pipelines through Turkey. One ranking source described the analysis as follows: "Imagine, the island of Cyprus divides the map of East Med into Northern and Southern halves. The northern part is under our maritime influence and the south is Egypt's. We have to find a way to work this out." Without mentioning country names, Gül was criticizing the Europe Union for not opening the energy chapter of membership negotiations because of the Greek Cypriot embargo.

He said that in addition to new pipelines planned from Azerbaijan and Iraq, including the Kurdish region, Turkey was ready to facilitate pipelines carrying East Mediterranean pipelines to Europe. There is nothing wrong so far, but the problem starts exactly at this point. The new gas fields in East Mediterranean are under control of Egypt, Israel and Greek Cyprus. The Turkish government has serious political problems with all Greek Cypriot, Israeli and now Egyptian governments – perhaps no need to mention absent diplomatic relations with another East Mediterranean government, Syria. It is obvious that Ankara has to enhance its relations with other capitals in the Middle East and East Mediterranean for its national interests; especially for economic and strategic reasons.

In a new atmosphere where Iran, as one of the main oil and gas players in the region and the main pole of Shiite, rather non-Sunni Islamic politics has come to an agreement with P5+1 countries over its nuclear program, better political relations between its region and Europe becomes more vital for Turkey. But Cyprus is not the only problem and the other three arose in the last three years of Tayyip Erdogan's Justice and Development (AK Parti) government. Despite the quick rise and fall of the Arab Spring, Erdoğan wants to address the Arab street directly, ignoring their governments in parallel with his "policy of principles," or ideology-based diplomacy, which could only find a limited echo in the pious Sunni street. That caused a reaction among the governments in the region as the recent move of Egypt by downgrading relations and expelling the Turkish ambassador showed.

It would not be correct to put the responsibility on Foreign Minister Ahmet Davutoglu's shoulders only; not only because the Turkish Foreign Ministry and Presidency are apparently trying their best to normalize the atmosphere, but also because the Prime Minister's close aides and he are playing a greater role in Turkey's foreign policy. Gül is right when pointing out that the forming of a transportation axis between the Middle East and East Mediterranean to Europe via pipelines through Turkey is in both Turkish national interests and would help European energy security. It should be noted on the other hand that the Turkish government better shift back from its diplomacy with an ideological focus for its national interests.

Natural gas a likely incentive for Cyprus solution

Anadolu Agency, *21.11.2013*

While Greek Cyprus seeks to rebuild its troubled economy, hoping to use newly discovered natural gas reserves for this purpose, Turkish Cypriots hope that these natural gas reserves will be an incentive to find a solution to division of the island of Cyprus into a Turkish north and Greek south.

The volume of gas reserves was estimated at 5 trillion to 8 trillion cubic feet after Noble Energy, based in Houston, found a large gas field named "Aphrodite" in deep water off the coast of Greek Cyprus in 2011. When further testing was conducted by Noble Energy, the estimate was lowered to 3.6 trillion to 6 trillion cubic feet.

Still, the amount of gas would be enough to meet Greek Cyprus's natural gas demand for the next 20 years, according to estimates. The Greek Cypriots announced an agreement with French oil company Total this month to develop a natural gas liquefaction plant. The intention is to convert the gas into liquefied natural gas (LNG), a shippable export product, as part of efforts to pull the economy out of crisis following last year's financial problems. However, the Turkish Cypriots have an alternate idea. Instead of liquefying natural gas and shipping it to European markets, which requires the construction of an LNG facility, the Turkish Cypriots propose transferring the gas to Europe via Turkey.

"This is the most economic method," Turkish Cypriot President Dervis Eroglu said to a group of foreign journalists last week. The liquefaction and shipping of this natural gas would require 10 billion euros from the Greek Cypriots. But Eroglu said that if it were transported via Turkey through a pipeline, the cost would be only 2-3 billion euros. Eroglu also said the Greek Cypriot side would be able to profit from the natural gas by as soon as 2020. Cyprus was divided into a Turkish speaking north and an internationally recognized, Greek speaking south in 1974 when Turkey militarily intervened after a coup by Greek Cypriot supporters of union of the island with Greece. Turkish Cypriots declared their own state, the Turkish Republic of Northern Cyprus (KKTC), in 1983, but it is only Turkey recognized by Turkey.

Repeated UN-led efforts over the past decades have not led to a negotiated settlement to reunite Cyprus in a bi-zonal, bi-communal federation. The Greek and Turkish Cypriots were close to a settlement in 2004, under a plan prepared by then-UN Secretary-General Kofi Annan. But the plan was rejected in a referendum by the Greek Cypriots. The two communities have started to talk again in recent months for possible negotiations, and Turkish and Greek Cypriots are working on a joint statement before their start. Currently, the Cyprus issue seems to have stalled over a precondition brought by Greek Cypriot President Nicos Anastasiades, who said that a joint statement or communiqué was a must before negotiations can begin.

Eroglu rejects this idea, saying that the two leaders should start negotiations without any preconditions, and then they can discuss all matters at the negotiating table. When answering journalists' questions, Eroglu said he accepted the idea of preconditions for the sake of starting negotiations but that there are still some disagreements over the language of the joint statement. A Turkish Cypriot diplomatic source who asked to remain anonymous told Today's Zaman last week that the Turkish Cypriots think the problems with the joint statement can be overcome. "This is what diplomacy is about. Both sides will use diplomacy, and I believe we can overcome this joint statement issue in a matter of weeks," he said. Once the joint statement issue is cleared, negotiations can start.

The Turkish Cypriots hope that natural gas will be an incentive to find a solution to the Cyprus problem. Speaking to journalists, Turkish Cypriot Foreign Minister Ozdil Nami said Cypriot natural gas has increased the interest of foreign countries, including the US and Russia. "Countries such as the US and Russia are more interested in forming a link between Israel, Turkey and the European Union. If we use these avenues, if we have enough political will, we can make the most out of the natural gas find," said Nami. Noble Energy, which has Israeli partners, also found a very large oil field named "Leviathan" in Israeli waters, not far from the boundary with Cyprus.

There have been hopes that Israeli gas from Leviathan might enter a Cypriot plant, if one is built. But talks on the subject have yet to produce an agreement, and Israel has many options, including building its own LNG facilities or sending gas by pipeline to its neighbors. Greek Cyprus needs Israeli gas because the gas resources in its own waters do not justify the cost of building a small LNG plant with two production lines. The cost of building such a plant could be as much as $6 billion, Greek Cypriot Energy Minister Yiorgos Lakkotrypis told The New York Times. Then there would be the cost of shipping the liquefied gas to European markets. Greek Cypriots believe that converting natural gas into liquefied form makes it possible to ship, avoiding the need to construct new pipelines. However, Turkish Cypriots propose that transporting the natural gas via Turkey through a pipeline would not be difficult, as there is already a pipeline for water, thus the natural gas line could be attached to the existing pipeline.

Eroglu complained that there is no real incentive for Greek Cypriots to start negotiations. After the UN-backed Annan plan for Cyprus failed, the Greek Cypriots were accepted into the European Union. The Annan plan was based on a bi-zonal, bi-communal federation on the island. While Turkish Cypriots approved it, the Greek Cypriot community rejected the Annan plan in a referendum in 2004. Turkish and Greek Cypriot leaders were due to meet this month on the island and representatives from each side were then to visit Athens and Ankara. But Eroglu said that Greek Prime Minister Antonis Samaras is not ready to host a Turkish Cypriot representative.

Davutoglu met with Greek Foreign Minister Evangelos Venizelos in New York in September, and Venizelos said a special representative from the Greek Cypriots would like to visit Ankara. Davutoglu then said that Turkey could accept such a representative from Greek Cyprus, but only if Athens were to treat a visit from a special representative of Eroglu equally. No date has been set yet for the cross visits. Davutoglu said some weeks ago that Turkey sees a “window of opportunity” to end the Cyprus problem and expects peace talks between Greek and Turkish Cypriots to resume this month. “No problem can remain unresolved forever. Therefore, I would like to start the negotiations as soon as possible and find a formula at the negotiations table,” Eroglu concluded.

Experts debate the viability of a LNG plant

Reuters, *25.11.2013*

US Energy firm Noble Energy reiterated on Monday that it remains committed to an onshore LNG project in Greek Cyprus despite the discovery of less-than-anticipated gas reserves at the Aphrodite-2 well. “LNG commercialization is the preferred path,” said Gregory Beard, Noble’s commercial manager for LNG, referring to the company’s plans for gas development in Cypriot waters.

Speaking at a conference in Nicosia organized by the Economist, the exec said Noble and the Greek Cyprus government are in talks aimed at hammering out a commercial framework agreement for the LNG project.

Following such an agreement – which other speakers tentatively placed at early 2014 – the Houston-based company would take its final investment decision (possibly in 2016). After the final investment decision, the start of gas production would take at least 38 months, Beard said. Noble has been advised by engineers that it possible to have an LNG plant built within 48 months at the latest. Other speakers at the event were less convinced of the LNG option. Fiona Mullen, director of Sapienta Economics, said their own research, based on similar facilities elsewhere, indicated it can take up to 10 years to have a LNG plant in operation, including the time needed to raise finance and for actual construction.

Sapienta calculated the threshold of gas reserves that would justify financing each of the export options open to Greek Cyprus. The compressed natural gas (CNG) method would require 1.5 trillion cubic feet (tcf) of gas, a pipeline to Turkey 5 tcf, LNG to Asia (at current prices) 6 tcf, LNG to Europe 9 tcf, and a pipeline to Greece 10 tcf. The Asia exports option delivers the highest returns, but actual revenues from sales would take several years. The 'quick buck', option, as Mullen put it, would be a pipeline to Turkey, which also requires the least amount of gas (bar CNG) to draw investment. But LNG, and more so the Turkish pipeline, are dependent on the solution of the Cyprus problem. By contrast, Mullen said, their findings pointed to CNG as the 'middle ground' alternative – immediately financeable, less gas required, and less contingent on politics.

Julian Lee, a senior energy analyst for Centre for Global Energy Studies (UK), observed that history has shown that hydrocarbons very rarely resolve crises between nations. "You shouldn't pin your hopes on hydrocarbons precipitating a [Cyprus] solution," he said. Given the island currently does not have enough proven gas reserves to warrant the construction of a single-train (production line) LNG terminal, debate in recent months has shifted to how a plant here can become commercially viable? Nicosia wants to pool Israeli gas from the Leviathan field with its own reserves to secure sufficient quantities. But according to Lee, that would be a hard sell to Israel, because there "has not been a single case where one country liquefies its gas in another country". Still, the analyst did not rule out the possibility of Israeli gas being exported via an LNG hub at Vasilikos, adding that it could be one of several complementary methods by which Israel could market its gas – another way being through a undersea pipeline from Israel to Turkey.

Constantinos Filis, research director at the Institute of International Relations, Panteion University, described the dilemma of Greek Cyprus-Turkey energy cooperation via a pipeline as the "chicken and egg problem" – does one resolve political disputes first and then work together in developing hydrocarbons, or vice versa? Filis hastened to add, however, that political reconciliation first-cooperation later is a false dilemma; one cannot indefinitely put on hold energy projects in the hope those nations – in this case Greek Cyprus and Turkey – resolve their differences.

Charles Ellinas, executive chairman of the Greek Cyprus National Hydrocarbons Company, said speed is of the essence in pushing the LNG project. Citing research, Ellinas spoke of a projected spike in LNG supply around 2020, which could drive prices down by 10 per cent. Cyprus therefore must move quickly if it wants to export its gas at premium prices, particularly to Asian markets. He, too, noted that Greek Cyprus should not expect "significant revenues" from gas earlier than 10 years from today.

US urges talks for energy in Eastern Mediterranean

Hürriyet Daily News, *24.11.2013*

The United States has called for continued dialogue between Turkey and the relevant parties in exploring energy resources both in the Eastern Mediterranean as well as in Iraq. Carlos Pascual, the U.S. special envoy, called for dialog among parties on the potential resources that are yet to be explored in the Eastern Mediterranean, at the Atlantic Council Summit in Istanbul.

Discoveries of significant amounts of gas around Cyprus have brought with them political problems, as Turkey raised objections about exploration and ownership rights before a political settlement was reached on the divided island.

Strains in Israeli–Turkish relations further complicated the transport of gas to a European market via Turkey, which experts agree will be the most commercial way. It is too early to predict how Eastern Mediterranean gas will reach international markets according to Pascual, who said conversations between countries and companies would be critical to find the most commercially viable and politically acceptable solution. Meanwhile Leonardo Bellodi, senior vice-president for public Affairs of ENİ said "things looked improved compared to a year ago," when asked by the Hürriyet Daily News. Turkey had warned companies last year not to go ahead with exploration works in the Mediterranean or face consequences.

Also, Pascual used a softer tone compared to previous statements coming from US officials on the prospect of exporting oil from the Kurdish Regional Government (KRG) to Turkey. "We encourage dialog between Iraq and Turkey on developing export strategies that maximize the amount of [Iraqi] oil reaching the world market," said Pascual, emphasizing the importance of oil production in the "KRG of Iraq." The US has been very critical about a possible deal between Turkey and KRG in the absence of consent from the central government in Iraq.

While Pascual mentioned the pipeline that has been constructed to carry KRG oil to Turkey, he said the region was at a sensitive point in time as talks among parties could prove to be an opportunity to come up with a deal that "will support the unity of Iraq and secure having more Iraqi oil reach international market." Pascual praised the role played by Turkey in the positive political environment that came about following the exchanges of contacts between the energy ministers of Turkey and Iraq. "The U.S. supports the positive environment and Turkey has been central for it to occur," Pascual said.

Noble CEO confirms Leviathan delay

Globes, *25.11.2013*

Development of the Leviathan natural gas field will be delayed by at least one year, said Noble Energy Inc. CEO Charles Davidson told the Bank of America Merrill Lynch 2013 Global Energy Conference on Thursday. His remarks confirm reports by "Globes" over the past few weeks announced.

He also disclosed that the deepwater drillship built to drill to Leviathan's oil-bearing strata will be sent to another company site elsewhere in the world, which will delay the well indefinitely. Davidson leveled implied criticism at the Israeli government conduct on the matter.

"After an unbelievably long period, we received the OK of the Israeli government for exports. I couldn't believe that it took so long," he said, adding that multiple meetings were needed with Prime Minister Benjamin Netanyahu to explain the significance of the delays in granting the necessary permits. "I was impressed that the Supreme Court made a decision the day after hearing the parties, but the delay did push back Leviathan about a year." Development of Leviathan is critical for the Israeli economy, because without the hookup of a second natural gas field to the shore, Israel will face a gas shortage by next summer. Electricity consumers are still paying the price for the more than NIS 20 billion in damage caused by gas shortage that resulted by the cutoff of Egyptian gas.

However, to begin Leviathan's development, Noble Energy and its Israeli partners, Delek Group Ltd. and Ratio Oil Exploration, need to obtain a license for the field from the Ministry of National Infrastructures and know where the onshore terminal will be built. The Ministry of the Interior believes that the final decision on the terminal's location will be made in the summer of 2014, a year behind Netanyahu's target date. Meanwhile, Leviathan's partners cannot begin negotiations on gas sales to Israeli customers because Antitrust Authority director general David Gilo has not yet decided whether the Leviathan and Tamar gas fields, which are both owned by Noble Energy and Delek, constitute a cartel.

Hundreds of millions of barrels of oil may be found beneath Leviathan gas-bearing strata. Last week, "Globes" reported that the drillship, which was scheduled to arrive at the field in the first quarter of 2014, has been indefinitely delayed. The drillship is still at the South Korean shipyard. "You may have heard the media reports that we have postponed the arrival of the drillship which is intended to reach the deep strata," said Davidson, explaining that the drillship's delay was directly linked to the delay in the development of the gas field. "Guess what - we won't bring a drillship to drill a $250 million well when we won't have a complete drill plan for it. We've started the preparations to send the platform to another site in our program."

As for gas exports, Davidson said that Egypt's natural gas shortage, which has caused a shortage in Jordan, has fundamentally changed gas export plans for Leviathan. "We used to think that that we'd export it all as LNG, [but] we've seen radical changes in Egypt, which have created for us an opportunity to sell gas regionally. There are two LNG facilities in Egypt which are suffering severely and are seeking gas suppliers. In Jordan, we're in contact with industrial customers. I'm excited that Noble Energy can supply more gas at lower costs. Gas flow via pipeline requires a smaller capital investment, and it's a simpler system. We'll also have an LNG component, whether at an onshore plant in island of Cyprus or a floating plant, but it will have few trains than we originally planned."

Noble Energy prefers selling Leviathan gas regionally

Globes, *24.11.2013*

Noble Energy Inc. CEO Charles Davidson said on Saturday that the company preferred selling natural gas from the Leviathan field to Israel's neighboring countries, such as Egypt and Jordan, and he deemphasized construction of a LNG facility for the sale of gas to the Far East.

The reason is that a gas pipeline infrastructure in the region already exists, which makes regional sales cheaper than building an LNG plant and selling the gas to the Far East. On Saturday, "The Australian" reported that Noble Energy was asking a higher price from Woodside for the acquisition of 30% of Leviathan.

"Globes" earlier reported that the Leviathan partners want a higher price for the gas field. Davidson said that Leviathan's value had increased. "We will be able to market more gas regionally at lower capital cost because all of these regional markets are basically using pipes, and in some instances they're connecting the pipes that already exist," said Davidson. He did not rule out an LNG plant, saying, "We still believe we'll have a component of LNG in there, but it will probably not be as many trains. It could be floating LNG, or it could be LNG over in island of Cyprus."

Israel: More gas likely to be found near the Tamar field

Natural Gas Europe, *28.11.2013*

Delek, Avner and Noble, the partners in Israel's 10 tcf Tamar field, announced Tuesday that more gas is likely to be found in a nearby field. Previous estimates indicated that as much as 0.7 tcf could be found in the new Tamar Southwest field.

Noble said that the development of the giant 18 tcf Leviathan field had been pushed back a year due to the lengthy process of formulating an export policy. Gas was expected to flow from the Leviathan to supply Israel by 2016 with exports possible as early as 2018. Only last month did Israel's High Court of Justice reject the appeal against gas exports confirming that Israel will be exporting 40% of its gas.

While the uncertainty over the export quota was cleared after months of speculation, it remained uncertain where the gas will be going to. Israel might have shifted export strategies. Talks about building a pipeline to Europe via Turkey, opting for a local LNG or using the Greek Cyprus' LNG facility currently underway were originally on the table. Today, what we are sure of is that Israel is eyeing its immediate neighbors before considering possible routes to further markets, in Europe or in Asia. The shift has been mostly instigated by the realization of the local needs of the region. Noble's CEO Charles Davidson has mentioned Egypt and Jordan as potential customers highlighting the two countries' need of energy and their quest to source natural gas at lower prices.

The existing pipeline infrastructure facilitates such a trade and contains the costs involved. Jordan's energy crisis began when the disruptions in the flow of natural gas from Egypt to Jordan started in the aftermath of the 2011 Arab Spring. Davidson added that a floating LNG or the uses of an LNG in Greek Cyprus are still possible even though less trains will be involved. The neighboring Cypriot island has the ambition of becoming a regional energy hub. Earlier this week, the chairman of the Greek Cyprus National Hydrocarbons company Charles Ellinas pointed out that Greek Cyprus had to act quickly and without delay to ensure its entry to the energy markets before an eventual drop in natural gas prices by 2020.

Greek Cyprus is considering both Asian and European markets. Ellinas added that Greek Cyprus could constitute an additional source of natural gas to a Europe dominated by Russian supply and looking to diversify its sources. Greek Cyprus' Aphrodite field in Block 12 could contain between 3.6 and 6 tcf according to the preliminary results of Noble's appraisal well. Although such quantities alone do not commercially justify the multi-billion LNG project, Noble considered them as encouraging further explorations. ENI, Kogas and Total will also be commencing exploration activities off Greek Cyprus' shores in the coming year and have expressed interest in joining the project should they encounter additional quantities of natural gas.

Greece, Greek Cyprus push for East Mediterranean Pipeline amidst difficulties

Natural Gas Europe, *25.11.2013*

The European Commission's recent approval of the East Med Pipeline as a Project of Common Interest (PCI) has lifted hopes both in Athens and Nicosia that the plan may eventually go ahead in coming years. More specifically, according to the Greek Ministry of Energy, the prospective project includes separate alternatives in order to cover all possibilities and interested parties.

The basic plan will see the pipeline stretch from the Leviathan field offshore Israel on to Greek Cyprus ending in eastern part of the Island of Crete in Greece. Three alternate routes were discussed.

To the Peloponnesus Peninsula joint via spur with the Trans-Adriatic Pipeline (TAP). From Crete to northern Greece where it would join the Interconnector Greece-Bulgaria (IGB) From Crete to the Revythousa LNG terminal close to Athens. The terminal would be significantly upgraded to accommodate large amounts of gas exports thereafter The inclusion of the proposed pipeline as a PCI enables an easier future financing of the plan by international investing houses, as well as direct funding from the EU. A crucial step would be the final acceptance as a PCI by the EU Council, which will likely take place during Greece's EU Presidency after January 1st 2014. Moreover it should be noted that the East Med Pipeline submitted proposal encompasses a past Cypriot plan of the so-called 'Trans Med Pipeline' which has been effectively merged with the aforementioned Greek plan.

Thus, both countries are joined together in order to proceed with their project. The capacity of the pipeline is scheduled at 8-10 bcm per annum, while equivalent quantities could be available for the proposed LNG terminal in Greek Cyprus. According to the authorities of these countries, both projects could function in parallel. On the other hand, a set of technical, financial and even geopolitical factors prohibits an easy construction of such a pipeline. The sea depths in the eastern Mediterranean basin and the Aegean Sea could prove to be a great challenge, which will also make the whole endeavor one of the most expensive in the world. The most important variable though is Israel and what direction it will follow for its exports, since a large part of the designated gas quantities are scheduled to originate from Israeli offshore locations.

For the moment Tel Aviv's position is for an export of at least 40% of its proven reserves after a relevant decision of its High Court. On a political level though there are various levels of interactions between Israeli and Turkish companies that call for the construction of a pipeline into Turkey that will eventually connect with the TANAP system. The security and defense establishment of Israel is for the moment adamant on not accepting such a solution due to the deteriorating relations with Ankara on a number of bilateral issues.

The US is examining the situation very carefully, but from a neutral standpoint as a set of political difficulties prohibits a final solution of an Eastern Mediterranean gas export route, in any direction. Italy's Eni, which has a stake in Cypriot territory, assessed in a report that the East Med Pipeline may cost up to $20 billion and is not a feasible project. Moreover, the Italian corporation clearly favors the establishment of a Cypriot -based LNG terminal, while similar views are said to be expressed by the French Total as well. The role of the Russian Gazprom is still unclear, which looks further to the East and in particular, Lebanon, where significant reserves are said also to be found. The resolution of the Syrian crisis will play a determining role into examining Moscow's stance in the above developments.

Regarding the EU decision, it seems that Brussels is content on having a positive outlook of a new supply route from the Mediterranean, but on the other hand it is unlikely that it could play any strong role into any direction. Moreover, since the Southern Corridor route has been selected via the TAP, whilst South Stream is progressing steadily in the Northern Balkans, it seems likely that any plans to deliver Mediterranean gas straight into EU markets will take a while, taking into consideration that the stagnated European gas consumer markets do not need excessive amounts of the commodity for the coming years. Lastly, Israel is assessing very carefully, and has been for a number of years, the potential to export its gas directly to lucrative Asia-Pacific markets through the proposed Eilat LNG terminal. If this is the case, the East Med Pipeline project would be effectively terminated.

France mulls clean alternative to fracking

Natural Gas Europe, *25.11.2013*

France's Parliament came out with a report on "Alternative techniques to hydraulic fracturing for E&P of unconventional hydrocarbons" after one year of investigation.

The report released on Wednesday was welcomed by ecorpStim, a subsidiary of the Australia-based eCORP group created in 2012 with the objective to propose to European countries alternative technologies to hydraulic fracturing. The authors of the Parliamentary report noted that "alternative technologies are more developed than currently believed in France" starting with propane stimulation, qualified as an "operational and promising alternative technique".

According to ecorpStim, pure propane stimulation (PPS) is currently the only operational technique for extracting unconventional hydrocarbons without any water or chemical additives. 'The environmental impact of the extraction process is thereby profoundly reduced,' reads a note released by ecorpStim, which developed the technique. In the while, France rejected a request by Hess Corp to explore for shale oil and gas near Paris.

South Stream comes to Serbia

Gazprom, *24.11.2013*

Serbia hosted today the ceremony of welding the first joint of the Serbian section of the South Stream gas pipeline.

The ceremony took place in the vicinity of Sajkas village, South Backa District. Taking part in the event via video link from the Palace of Serbia in Belgrade were Alexey Miller Chairman of the Gazprom Management Committee, Tomislav Nikolic, President of the Republic of Serbia, Ivica Dacic, Prime Minister of the Republic of Serbia, Alexander Novak, Russian Minister of Energy and Dusan Bajatovic, Director General of Srbijagas. "Right after Bulgaria we started building South Stream in Serbia.

The project is strategically important for the entire Europe. The new trans-European gas transmission system will eliminate the pressing problem of transit risks and secure uninterrupted Russian gas supplies to dozens of thousands of European consumers. South Stream will adjust the European energy map for the better, becoming an integral part of the EU's energy security system. The gas pipeline construction in Serbia will add considerable momentum to the development of the whole gas transmission system, turning the country into a large gas transit and storage center of the European significance. South Stream will boost integration and economic processes in the region, attracting over EUR 1.5 billion of direct investments to Serbia and creating more than 2.5 thousand jobs for the construction period.

Hungary is next in turn for the South Stream construction to begin," said Alexey Miller. The presence of Tomislav Nikolic and Alexander Novak, Alexey Miller and Dusan Bajatovic signed the Agreement for gas transportation via the South Stream gas pipeline across Serbia. In full conformity with the European legal requirements as well as the Russian-Serbian Intergovernmental Agreement of 2008, the parties also signed the Agreement on the public service obligations of the project company in Serbia. The Palace of Serbia hosted today a working meeting between Alexey Miller and Milorad Dodik, President of the Republika Srpska entity of Bosnia and Herzegovina. The parties discussed the progress with the preparation of an intergovernmental agreement between the Russian Federation and Bosnia and Herzegovina regarding cooperation in the natural gas and power generation sectors.

Mild start to winter boosts European natural gas storage

Platts, *26.11.2013*

Current mild winter has helped put gas storage levels in the UK and Germany back on track, but Europe is likely to face strong competition for global LNG supplies again this year.

Last winter ended with a bite, as a prolonged burst of cold weather kept heating demand at high levels into early April. That left storage facilities heavily depleted at the start of summer, with the UK's main facility at Rough technically at negative stock levels for a few days that month. There was a need for steady injections across the summer, and even at the start of October, the beginning of the gas market's "winter" contract period, stocks were below last year's levels.

However, comfortable supply/demand balances in October allowed injections to continue across that month. The key storage region of Germany saw net injections of around 1.4 billion cubic meters across October 2013, compared with stable stock levels in October 2012, according to Gas Storage Europe data, while the UK's Rough facility also continued to build inventory. By mid-November 2013 both Germany and Rough were looking in line with last year. While gas users may welcome the continued stock build, Europe is likely to face continued competition this winter from other buyers in the global LNG market. That could divert gas away to richer locales.

The Platts Japan Korea Marker, showing the value of spot LNG delivered to Asia, was assessed November 25 at $18.850/MMBtu for January delivery. That equals around 117 pence/therm, compared with a UK NBP January price the same day of around 71 p/th. A Middle East producer of LNG could deliver to Europe or Asia with similar shipping costs, meaning that a sale to Japan would be considerably more attractive. Even an Atlantic based producer of LNG, with a shorter shipping distance to Europe, could find the higher sales price available in Asia outweighed the extra freight cost to ship a cargo east, with interest even seen in reloading cargoes for export from Europe in recent weeks.

Northwest Europe has continued to see regular deliveries of LNG in the early weeks of this winter, in particular from its key supplier of Qatar. But the high prices in Asia are likely to leave domestic production, pipeline imports and storage as key sources of European supply this winter. Recent years have seen the gas industry facing reduced demand levels. Industry association Eurogas estimates that European gas consumption fell around 10% in 2011, followed by a 2.2% drop in 2012, with 2013 expected to see only around a 1% recovery. This means that overall demand levels across the season may be unlikely to be as high as in some past years. However, the key challenge operators will still need to face is that of peak days, and having the flexibility available to get all the gas needed to the exact right parts of the network on an individual extremely cold day.

Statoil exploration to focus on Africa, Norway, Mexico

Reuters, *25.11.2013*

Statoil expects to keep exploration spending close to this year's record level in 2014, even as some peers rein in investment to save cash for dividends and to combat rising costs. Statoil will focus exploration on Norway, the Gulf of Mexico, Angola and Tanzania also move deeper into the Arctic with wells in the Faroe Islands.

"Next year you can expect about the same level of activity we had this year and the same amount spent, more or less," Dodson said on the sidelines of a conference. "Maybe not quite as many wells, but because of Angola, there will be a few more expensive wells next year."

State-controlled Statoil plans to spend about $3.75 billion on exploration this year, a record amount for the firm, and above the $3.5 billion it targeted at the start of the year. The firm has been one of the most successful offshore explorers in recent year with big finds in Norway, Brazil, Canada and Tanzania, and this year it has discovered more resources than any other offshore energy firm. "There will be a big tick up in (exploration in) Angola next year, continued drilling in Tanzania, ... one or two wells in the Gulf of Mexico, two wells the Faroes and one well in the UK probably," Dodson said. In Tanzania, exploration will continue and about half of its wells there will be exploration and half appraisal, Dodson noted.

Oil companies organic growth

Platts, *24.11.2013*

International Oil Companies have cashed in on high oil prices through the divestment of non-core assets rather than increased output. They now hope to return to organic growth. However, rising costs and a flat oil price suggest that the high margin production base which the IOCs wish to create may not prove as profitable as they wish. Cost control must become their mantra.

High oil prices continue to pour billions of dollars into the coffers of International and National Oil Companies alike. As measured by international crude marker Brent, the year-to-date average oil price by mid-October was $108.50/barrel.

This is below 2012’s record of $111.67/b, which followed $111.25/b in 2011, but is still the third highest average level ever by some margin. This sustained period of high oil prices has been a bonanza for oil companies; they have been able to increase both investment levels and share dividends, while company boards have been able to indulge in share buy-back schemes, boosting prices for the remaining stock holders. However, IOCs’ financial performance does not show a simple linear improvement alongside these record high oil prices. Share buy-back schemes and higher dividends have in effect been a means of compensating shareholders for IOCs’ lack of growth, during a prolonged period of asset rationalization and divestment.

In production terms, two trends are evident. First is the failure to increase production over the last six years. ExxonMobil saw a record 4.506 million barrels of oil equivalent a day output in 2011, but this slipped to 4.239 boed in 2012, only marginally above production levels in 2006. Chevron, Total and BP all saw lower output in 2012 than in recent years. BP’s was, in 2012, almost 700,000 boe/d down on 2004 at 3.331 million boe/d. Shell was a rarity amongst the majors in 2012 in that its combined production of gas and liquids rose, from 3.164 million in 2011 to 3.208 million boe/d. However, this still represents a substantial decline from the 3.470 boe/d of 2005. Overall, IOCs’ output has fallen during a long period of rising oil prices.

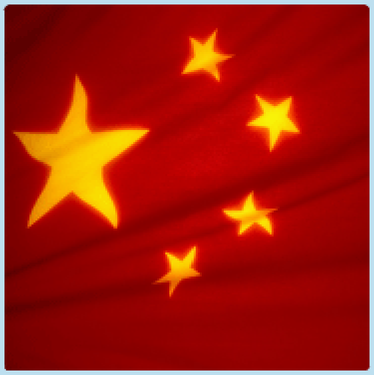
The second trend is the rising proportion of gas as opposed to liquids. Shell’s production split in 2012 was for the first time exactly 50:50. Both ExxonMobil and Total are close to this point, up from about a third gas ten years ago. ExxonMobil’s reserve base is now more than 50% natural gas. BP’s proportion of gas production inched up to 38.3% in 2012, while Chevron has kept its gas share broadly stable at about a third of output. A rising share of gas and a decline in overall output in terms of boe/d means that the real decline has been focused on liquids. ExxonMobil’s liquids output dropped from 2.682 million b/d in 2006 to 2.185 million b/d in 2012; Shell’s from over 2 million b/d to 1.633 million; Total from 1.506 million b/d to 1.220 million b/d; and BP from 2.475 million b/d to 2.055 million b/d. Chevron alone of the five has kept liquids output broadly stable over the last six years.

Combined, the big five’s liquids output declined by 1.567 million b/d between 2006 and 2012, the equivalent of about 1.75% of today’s crude market. Over the same period, global demand for crude oil rose from just over 85 million b/d to almost 90 million b/d, equivalent to growth of 5.4%. Combined gas output rose 650,000 boe/d. Global gas consumption rose from 2,839 bcm to 3,314 bcm, equivalent to 16.7%, over the 2006-2012 period. ExxonMobil (32%) and Total (27%) have successfully outstripped this pace of growth by a wide margin, while Shell achieved growth in gas output of about 12%. Chevron and BP’s gas output is lower now than it was in 2006.

The shift to gas and decline in liquids output explains why profits, while huge, have not been quite as buoyant as might have been expected by the increase in average oil prices. Gas is worth less than liquids, particularly in the US market, although as Shell CEO Peter Voser pointed out at the Oil & Money conference in London in October, Shell’s ratio of gas to liquids output may be 50:50, but its exposure to the oil price is between 70-80% of all output because of oil-linked gas contracts. Nevertheless, IOC output has fallen in the last six years, while the gas to liquids mix has lessened the value of that output. In short, the IOCs have been losing ground in the oil market, not just to National Oil Companies, but to independents, a situation that has been masked to some extent by record high oil prices.

Death toll in deadly China oil pipeline blasts rises to 52

AP, *22.11.2013*



China's president on Sunday visited hospitalized victims of deadly explosions that ripped through residential and commercial roads from a ruptured pipeline owned by the country's largest oil refiner. The official death toll from the blasts rose to 52 earlier in the day after rescuers found more bodies in the aftermath of industrial accident in China.

Eleven people were still missing, according to the information office of the government of the port city of Qingdao. Rescue efforts were continuing, the information office said. It said earlier that 136 people had been injured, 10 of whom were in critical condition.

The accident was the deadliest involving state-owned company Sinopec. State broadcaster CCTV showed President Xi Jinping visiting a hospital in Qingdao. He spoke with and held the hand of an elderly patient, and talked and patted the arm of another. He also told a group of doctors and nurses to put all their efforts into helping the injured. The pipeline ruptured and leaked for about 15 minutes onto a street and into the sea before it was shut off. Hours later, as workers cleaned up the spill, the oil caught fire and exploded in two locations, the city government said.

Sinopec's expansion of petrochemical projects has met with resistance from members of the public, and Friday's blasts will likely add to growing concern about safety and environmental risks. Sinopec apologized Saturday for the explosions, which ripped slabs of pavement and overturned vehicles. It said it would investigate and "give timely reports." About 18,000 residents were evacuated following the explosions, according to the official Xinhua News Agency.

Announcements & Reports

► *Petroleum Supply Monthly*

Source : Energy Information Administration
Weblink : http://www.eia.gov/petroleum/supply/monthly/

► *Electricity Wholesale Market Data*

Source : Energy Information Administration
Weblink : http://www.eia.gov/electricity/wholesale/

► *Russia Country Analysis Brief*

Source : Energy Information Administration
Weblink : http://www.eia.gov/countries/cab.cfm?fips=RS

► *Monthly Energy Review (Nov. 2013)*

Source : Energy Information Administration
Weblink : http://www.eia.gov/totalenergy/data/monthly/pdf/mer.pdf

► *Energy Efficiency in Ukraine*

Source : Energy Charter
Weblink : http://www.encharter.org/fileadmin/user_upload/Publications/Ukraine_EE_2013_ENG.pdf

► *OPEC Monthly Oil Market Report (Nov. 2013)*

Source : Organization of the Petroleum Exporting Countries
Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMR_November_2013.pdf

Upcoming Events

► *MENA Shale 2013 Unconventional Gas Strategy for the New Era*

Date : 10 – 11 December 2013
Place : Abu Dhabi – UAE
Website : http://www.europetro.com/en/menashale2013

► *Basra Oil and Gas International Conference & Exhibition*

Date : 5 – 8 December 2013
Place : Basra – Iraq
Website : http://www.basraoilgas.com/

► *International Petroleum Technology Conference*

Date : 19 – 22 January 2014
Place : Doha – Qatar
Website : http://www.iptcnet.org/2014/doha/index.php

► *European Unconventional Gas Summit 2014*

Date : 28 – 30 January 2014
Place : Vienna – Austria
Website : http://www.theenergyexchange.co.uk/event/european-unconventional-gas-summit-2014#tab-country1

► *CIPPE 2014*

Date : 19 – 21 March 2014
Place : Beijing – China
Website : http://www.cippe.com.cn/2014/en/

► *Unconventional Gas Aberdeen 2014*

Date : 25 – 26 March 2014
Place : Aberdeen – UK
Website : http://www.unconventionalgasaberdeen.com/

► *8th Atyrau Regional Petroleum Technology Conference*

Date : 1 – 2 April 2014
Place : Atyrau – Kazakhstan
Website : http://www.oiltech-atyrau.com/

PETFORM

► *TUROGE 2014*

Date : 9 – 10 April 2014
Place : Ankara – Turkey
Website : http://www.turoge.com/

► *13th Uzbekistan International Oil & Gas Exhibition*

Date : 13 – 15 May 2014
Place : Tashkent – Uzbekistan
Website : http://www.oguzbekistan.com/

► *5th Turkmenistan Gas Conference*

Date : 21 – 22 May 2014
Place : Ashgabat – Turkmenistan
Website : http://www.turkmenistangascongress.com/

► *21st Caspian International Oil & Gas Exhibition*

Date : 3 – 6 June 2014
Place : Baku – Azerbaijan
Website : http://www.caspianoil-gas.com/

► *4th Erbil Oil & Gas International Exhibition*

Date : 1 – 4 September 2014
Place : Erbil – Iraq
Website : http://www.erbiloilgas.com/

► *South Russia Oil & Gas Exhibition*

Date : 2 – 4 September 2014
Place : Krasnodar – Russia
Website : http://oilgas-expo.su/

► *2nd East Mediterranean Oil & Gas Conference*

Date : 9 – 10 September 2014
Place : Paphos – Greek Cyprus
Website : http://www.eastmed-og.com/Home.aspx