Oil & Gas Bulletin
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Crude test flows begin on KRG-Turkey pipeline

Today's Zaman, *15.12.2013*

Test flows in the KRG's new crude oil pipeline via Turkey started on Friday, but no exports have yet been scheduled, energy sources close to the matter said on Saturday.

Turkey and the KRG signed a multi-billion-dollar energy package in late November, infuriating Baghdad which claims sole authority over oil exports and is wary of any move that could extend political autonomy in the region. Turkey has lobbied hard to have Baghdad, which claims any oil deals the KRG has signed are illegal, on board but so far Baghdad has not shown any signs of stepping back. "These are the test flows in limited amounts," an industry source told Reuters.

"The volumes are not high enough yet to say exports have started," he said. He added that it showed both Turkey and the KRG were on track to implement the multi-billion dollar oil and gas deals they signed last month. "Turkey has repeatedly showed that it wants a comprehensive agreement that includes Baghdad as well, but it has also said it will stand by its agreement with the Kurds," the source said.

The Turkish-KRG deal has enormous significance for major oil companies as well as for the Kurds and Turkey, which can benefit in domestic supply and onward westward export through the Mediterranean port of Ceyhan. Baghdad says it has sole authority over Iraqi oil exports, while the KRG says it has the right to sell the oil independently and has recently built its own pipeline to export crude to Turkey. Turkey, which is heavily dependent on imports to satisfy its growing appetite for energy, wants KRG's oil to help diversify its energy supplies.

Kurdish oil exports ok with Baghdad's agreement

Today's Zaman, *17.12.2013*

Iraq is keen to see oil shipped via pipeline from the KRG but any exports must be approved by Baghdad, Deputy Prime Minister for energy Hussain al-Shahristani said, after flows on the pipeline started on Friday.

Baghdad is sticking to the idea of central control of all oil exports, after Turkey and the KRG signed a multibillion-dollar energy package in November. In a recent meeting with Turkish officials, "we agreed it is in everybody's interest to allow exports of crude oil from any part of Iraq, including the KRG region, to the world, but this has to be done with the approval of the Iraqi government," al-Shahristani said.

Turkey's energy deals with the KRG effectively bypass the central government in Baghdad, which says independent Kurdish oil exports would be illegal. Turkey is keen to move the process forward through a three-way mechanism including Baghdad, but the central government has for years resisted moves towards direct exports. Exports without the agreement of Baghdad would be "a violation of Iraqi sovereignty and obviously the Iraqi government will have to take necessary action to protect its wealth," al-Shahristani said. Test flows on the pipeline started on Friday, but no exports have yet been scheduled, energy sources close to the matter said on Saturday.

Yildiz heads to Baku

Today. Az, *16.12.2013*

Turkish Minister of Energy and Natural Resources Taner Yildiz is expected to visit Azerbaijan's capital Baku. The minister will visit the country to attend a ceremony on finalizing an investment decision on the second stage of development of Azerbaijan's giant Shah Deniz gas condensate field in the Caspian Sea.

The event is planned to be held on December 17. Oettinger will visit the country to attend a ceremony on finalizing an investment decision on the second stage of development of Azerbaijan's giant Shah Deniz gas condensate field in the Caspian Sea.

European Commissioner for Energy Gunther Oettinger and British Foreign Secretary William Hague will also pay a visit to Azerbaijan to attend the signing ceremony. Gas which will be produced within the second stage of Azerbaijan's Shah Deniz field development will be the main source for the Southern Gas Corridor, which envisages the transportation of Caspian gas to European markets. In late June, the Shah Deniz consortium announced the selection of TAP as the main route for transporting its gas to Europe. Another pipeline which was vying for Azerbaijani gas transportation to Europe was Nabucco West. The gas condensate reserves of the Shah Deniz field are estimated at 1.2 trillion cubic meters. According to forecasts, gas production can be brought up to 24 billion cubic meters per year as part of the second stage of the field development. The Azerbaijani gas will become an alternative supply source for Turkey and Europe, and will increase competition in regional and European markets.

Turkish Tekfen consortium, BP sign $975 mln deal in Shah Deniz II

Hürriyet Daily News, *18.12.2013*

Turkish construction firm Tekfen Construction signed a $975 mln deal with BP Exploration to build two offshore platforms in Azerbaijan's Shah Deniz project.

The consortium is composed of engineering and project management companies Azeri Azfen, AMEC and Tekfen, whose share in the project was worth $496 million, the company said in a statement to the KAP.The construction is expected to last 42 months, according to the statement. The Shah Deniz consortium on Dec. 17 announced the final investment decision for the Stage 2 development of the Shah Deniz gas field in the Caspian Sea, offshore Azerbaijan.

This decision triggers plans to expand the South Caucasus Pipeline through Azerbaijan and Georgia, to construct the Trans-Anatolian Gas Pipeline (TANAP) across Turkey and to construct the Trans-Adriatic Pipeline (TAP) across Greece, Albania and into Italy. Together, these projects, as well as gas transmission infrastructure to Bulgaria, will create a new Southern Gas Corridor to Europe. The Shah Deniz project entails several elements: offshore, it includes drilling and the completion of 26 subsea wells and the construction of two bridge-linked platforms; onshore, there will be new processing and compression facilities at Sangachal.

The total cost of the Shah Deniz Stage 2 and South Caucasus Pipeline (SCP) expansion projects will be around $28 billion. 16 billion cubic meters per year of gas produced from the giant Shah Deniz field will be carried some 3,500 kilometers to provide energy for millions of consumers in Georgia, Turkey, Greece, Bulgaria and Italy. The first delivery is targeted for late 2018, with sales to Georgia and Turkey, and then first deliveries to Europe will follow approximately a year later.

Some 10 bcm per year of Shah Deniz gas are expected to be delivered for 25 years to customers in Italy, Greece and Bulgaria. In addition, some 6 bcma of Shah Deniz Stage 2 gas will be delivered to consumers in Turkey. All gas sales and transportation contracts will be managed by the Azerbaijan Gas Supply Company established by Shah Deniz co-ventures under the operatorship of SOCAR. The Shah Deniz field was discovered in 1999. Azerbaijan has been exporting gas to Georgia and Turkey since 2006 from the Shah Deniz stage 1 development.

Azerbaijan opens 'strategic door' to send gas to Europe

Hürriyet Daily News, *16.12.2013*

Backers of Azerbaijan's Shah Deniz II gas project signed a final investment decision today, scaling up its status as an alternative gas transit route to Europe as the continent tries to wean itself off Russian energy supplies.

Ilham Aliyev told a ceremony in the capital Baku that the project extension "will change the energy map of our region and help the historical development of our country". The European Commission said the decision to go ahead with enlargement of the scheme could see it supplying 20 percent of EU needs in the long term. Gas shipments via Ukraine have been a focus of EU and Russian anxiety for years.

Since then, Europe has sought new suppliers and to bring Ukraine into its orbit, while Russia has fought to retain its influence over Kiev and to build alternative supply routes to safeguard deliveries to its European customers. The documents signed in Baku include an investment decision on Shah Deniz II, as well as the Trans-Anatolian (TANAP) and Trans-Adriatic (TAP) gas pipeline projects. Combined, the projects will cost $35 billion, Aliyev said. Project partner Statoil of Norway accompanied its announcement on the go-ahead with news it would reduce its stake in the consortium to 15.5 percent from 25.5 percent. Statoil's move will increase the ownership proportions of the remaining players and fits a trend among top oil companies to rein in spending by focusing on fewer big projects.

Statoil will sell the 10 percent to operator BP and Azeri state energy firm SOCAR for $1.45 billion in cash. "It's a very good price ... The price is three times book value while Statoil shares are traded at 1.3 times book value," said John Olaisen, an analyst at brokerage ABG Sundal Collier in Oslo. Other analysts said investors would welcome the move. BP Azerbaijan and the consortium said SOCAR and its partners in Shah Deniz II had agreed to extend terms for the project by 12 years to 2048. From around 2019, Shah Deniz II is expected to supply 16 billion cubic meters (bcm) per year to Europe, including 6 bcm for Turkey. European buyers have struggled to find alternatives to Russian gas producer Gazprom, whose contracts link prices to oil, generally making it expensive compared to the spot market.

Gazprom covers a quarter of Europe's gas needs, with more than 150 bcm of exports a year. In response to Europe's quest for Caspian supply, Gazprom proposed its $39 billion South Stream project, which would pipe gas to northeast Italy through the Black Sea starting at the end of 2015. The European Commission has said it does not oppose Russia's plans to diversify supply routes, bypassing Ukraine, but says they have to conform with EU law and are far from doing so. "Shah Deniz II and the Southern Corridor pipelines will not only change the energy map, but will give customers in Europe direct access to the gas resources of Azerbaijan for the first time," Bob Dudley, BP's group chief executive, said at the signing ceremony today.

Earlier this year, SOCAR and partners including BP and Statoil selected the TAP for potential gas deliveries to Europe over its Austria-based rival Nabucco West. TANAP will be built from the Turkish-Georgian border to Turkey's border with Europe, with its preliminary total cost estimated at $20 billion. Buyers of Azeri gas from Shah Deniz II are Shell, Bulgargas, Gas Natural Fenosa, Greek DEPA, Germany's E.ON, France's GDF Suez, Italian regional utility Hera Trading, Switzerland's AXPO and Italy's Enel.

Iran may sell gas to Armenia

Natural Gas Asia, *18.12.2013*

Armenia is mulling buying natural gas from Iran and the topic is expected to come up during joint economic commission in early 2014, reports Press TV. Press TV says Armenia Minister of Energy and Natural Resources Armen Movsisyan told parliament on Tuesday that he had met with Iranian Ambassador to Yerevan Mohammad Raeisi over the purchase of natural gas from the gas rich nation.

The two sides agreed that Tehran and Yerevan hold talks on the price of Iran's natural gas during the bilateral commission on economic cooperation, which is expected to convene in January or February 2014.

According to the Armenian minister, Tehran is ready to sell natural gas to Yerevan at $400 per 1,000 cubic meters, adding that the two neighboring countries have failed to reach an agreement on Iranian gas price since 2010, reports Press TV. “Since we did not have other alternatives, we had to continue negotiations with the Russian side,” said the Armenian minister, stressing, “Armenia has neither legal nor political obligation to purchase gas only from [Russia's] Gazprom.” Iran has bartered more than 1.5 billion cubic meters of gas with Armenia's electricity over the past six years.

Prospects improve for pipeline natural gas exports by Iran,

Oil and Gas Journal, *16.12.2013*

A new petroleum minister and an easing of international sanctions raise prospects for new pipeline exports of natural gas by Iran, according to Facts Global Energy (FGE), London. Petroleum Minister Bijan Namdar Zanganeh has appointed experienced people to administrative positions and made completion of stalled phases of offshore South Pars gas field a priority, FGE says in a December report.

If controversy over the Iranian nuclear industry is settled, the Islamic Republic has the potential to export 3-4 bscfd of gas by pipeline to neighbors such as Oman, the United Arab Emirates, Kuwait, Pakistan, and Iraq, the report concludes.

Supergiant South Pars field now can produce about 9 bscfd of gas from 10 phases and has 14 phases under development. All but five nonproducing phases are in early stages and unlikely to be on stream before 2020, FGE reports. Likely to come onto production in the next 3-4 years are Phases 12 and 15-18. They would boost production by 7 bscfd and 280,000 b/d of condensate. Phase 12, development of which is the most advanced of the five, ultimately will be 3 bscfd of gas and 120,000 b/d of condensate. The first of six sweetening trains for Phase 12 will start up by mid-2014, FGE says, allowing production of 500 MMscfd. Other trains will be on stream by 2015.

National Iranian Oil Co. has installed the first production platform in Phase 12 and drilled six wells. Phases 15 and 16, under development for 74 months, probably will require 2 more years of work before production can start, FGE says. They're expected to produce 2 bscfd of gas and 80,000 b/d of condensate. Phases 17 and 18 have a total of 11 wells out of 44 wells planned. Remaining drilling will take at least years, FGE says. One gas sweetening train for these phases might be complete next year, but construction of others will require 2-3 years. The phases are expected to produce 2 bscfd of gas and 80,000 b/d of condensate.

Under a memorandum of understand recently signed with Oman, Iran is to start exporting within 2 years as much as 1 bscfd of gas by pipeline to the sultanate, which will use 70% of it domestically and the rest for liquefaction at an underutilized plant at Sur. FGE believes Iran will be unable to complete infrastructure required to support the Omani exports before 2018-19 at the earliest. It says the countries haven't yet agreed on the gas price, which Iran wants to be $11-14/MMbtu while Oman seeks $6-7/MMbtu. With Iraq, Iran has a contract to deliver by pipeline 850 MMscfd of gas and is negotiating a second contract that would push export rates to 1.6 bscfd by next year. It's building a 227-km, 48-in. pipeline between Ilam and Khosravi near the border. Iraq is building a 220-km, 42-in. pipeline to deliver gas to power plants near Baghdad, but completion has been delayed by security problems.

Iran also is negotiating for construction of a pipeline connecting Khoramshahr, Iran, with Basrah, in southern Iraq, for delivery of 700 MMscfd. The price of Iranian gas sold in Iraq remains contentious. FGE notes a decline in growth of Iranian gas consumption, partly because of price reform begun in December 2010 and partly because of economic problems. Sanctions by the US and European Union caused the Iranian economy to contract by an estimated 1.9% in 2012 and an expected 1.5% this year. FGE says Iranian industry is operating at 40-50% of capacity. The Petroleum Ministry nevertheless projects a 1 bscfd gas shortage this winter.

Recent agreements increase Iran’s export commitments to more than 2.7 bscfd in 2014-15. “Considering more delays in South Pars development projects,” FGE says, “it is unlikely that Iran will achieve this targeted export level in the short term.” LNG export plans have fallen victim to sanctions and withdrawals by international partners and technology providers. FGE doesn’t expect Iran to export LNG but says the lifting of all sanctions might enable the government to reorganize a project called Iran LNG, which envisioned two liquefaction trains with total production capacity of 10.8 million tons/year.

Iran increases oil production in Persian Gulf region

Trend.Az, *18.12.2013*

Iran has carried out two projects to optimize and develop energy consumption in the Reshadat and Resalat oilfields in the Persian Gulf region, Mehr News Agency reported on December 17.

Implementing the projects has reduced the platforms’ energy consumption and increased the country’s oil production by six million barrels per day. The country plans to increase its oil production capacity up to four million barrels per day. The IRNA news Agency reported on December 3 that the country’s current production capacity stands at 3.5 million barrels per day.

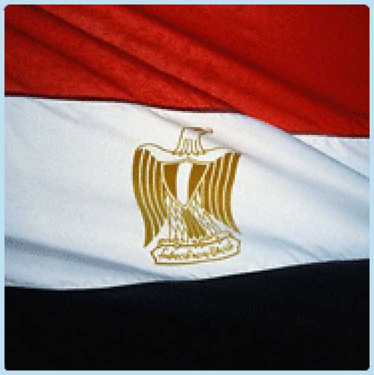
Iran’s Oil Minister Bijan Namdar Zanganeh said in his first days in office that the ministry’s priority is to return Iran’s oil capacity to that of the calendar year of 1384 (2005) which was around four million barrels per day. The country's oil output capacity was 3.1 million barrels on the day the current administration started its work. National Iranian Oil Company’s managing director, Roknoddin Javadi, previously said that the process of increasing Iran’s oil output capacity to four million barrels per day takes one year to complete. However, he mentioned that the oil minister has not accepted the deadline yet. Iran’s crude oil exports have decreased from 2.2 million barrels per day (mbpd) in 2011 to less than one mbpd currently. Iran’s Oil Minister Bijan Namdar Zanganeh said on October 27 that the country’s crude oil income would reach $54.5 billion annually if the US-led sanctions over Iran's oil export were removed.

The International Energy Agency said on December 11 that Iran which was once OPEC's second-largest oil producer, will be unable to sustain an increase in crude exports that support its economy when some measures to curb such shipments are eased, Bloomberg reported. The European Union said last month that it intends to suspend a ban on insuring tankers carrying the Iranian oil from December or January. The U.S. said it will stop forcing buyers to cut purchases, even if they still aren't allowed to increase them. Iran's oil shipments to other nations rose by 89,000 barrels a day to 850,000 barrels in November, the IEA said, including both crude and condensates. The country cut the amount of oil stored in tankers to 22 million barrels by the end of the month from 37 million.

Iran produced 3.5 million barrels of crude a day at the start of 2012, before EU sanctions took effect ranking it second among members of the Organization of Petroleum Exporting Countries, behind Saudi Arabia, according to data compiled by Bloomberg. The IEA estimated Iran's daily crude production at 2.71 million barrels in November, up 30,000 barrels from October and ranking it sixth within OPEC, after Saudi Arabia, Iraq, the United Arab Emirates, Kuwait and Venezuela. Iran sold $84.38 billion of crude oil in 2011, according to data from ITC TradeMap, a venture between the World Trade Organization and the United Nations. Its total exports of goods fetched $130.5 billion in the same year, the data shows.

Egypt to repay part of debt to oil companies in Egyptian pounds

Today's Zaman, *15.12.2013*



Egypt will pay $300 million of the money it owes to foreign oil companies in Egyptian pounds, a Finance Ministry statement said, as part of a $1.5-billion repayment scheme designed to revive confidence in its economy battered by years of turmoil.

Egypt has announced it would repay a further $3 billion of the $6.3 billion it says it owes to foreign oil companies operating in the country in monthly installments until 2017, hoping this will encourage investment in the energy sector. Egypt's foreign currency reserves have been under pressure ever since and fell to $17.8 billion in November from $18.6 billion in October.

Repayment will occur "in phases", starting on December 1, a statement on the Finance Ministry website said. Prime Minister Hazem el-Beblawi said on December 4 the repayment of $1.5 billion had been approved. This amount will be paid in three tranches, according to the Finance Ministry. It added the agreement between the Finance and Oil Ministries had been reached with the "full coordination and cooperation" of the Central Bank which helped provide the foreign currency needed for the payments. The first tranche of $1 billion will be provided by the Central Bank which will deduct the amount in Egyptian pounds from its Finance Ministry accounts, according to the statement.

Israel begins fuel transfer for Gaza power plant

Hürriyet Daily News, *15.12.2013*

Israel began transferring fuel to the Gaza Strip's sole power plant Sunday, a Palestinian official said, as the Hamas-ruled enclave struggled to deal with massive flooding caused by winter downpours.

Raed Fatuh, a Palestinian Authority official in charge of the transfer of goods between Gaza and Israel, said Israel would be transferring 450,000 litres of fuel to the plant, which has been shut down for some 50 days. The PA does not hold sway over the Gaza Strip but does coordinate the transfer of goods from the territory with Israel, which Hamas does not recognize.

Israel sold the fuel to the PA, which paid with funds supplied by gas-rich Gulf state Qatar. The Palestinian Energy authority said it hoped the power plant would be operational again later Sunday. Torrential rains that began on Thursday caused heavy flooding in the enclave, with thousands of residents evacuated from their homes to schools. An AFP correspondent said on Sunday the water level was dropping, but that many residents were still stranded. Following a request from the United States, Israel on Friday allowed the transfer of gas for domestic heating and provided four water pumps.

In addition to the fuel for the power plant, Israel was also allowing in "800,000 litres of diesel fuel for transportation... and another 200 tonnes of household gas," the army said in a statement. Fatuh said the transfer of the fuel and gas would continue on Monday and Tuesday. Israel and the Palestinian territories were hard hit by the Middle East's heaviest storm in decades. Snowfall severed access to hilltop towns and villages in the Jewish state and hundreds of thousands of people spent days without electricity.

Almost 95 percent of Azerbaijan's export consists of oil and oil production

Today.Az, *16.12.2013*

Azerbaijan exported around $21.5 billion worth of oil and oil products in Jan.-Sep. 2013, according to the balance of payments published by the country's Central Bank.

Oil and gas products accounted for 94.7 percent of exported goods. Around $1.2 billion of the total volume of exported oil products was oil processing products. The country exported about $20.3 billion worth of oil. AIOC produced around $19.1 billion worth of the total volume of the exported oil. Other entrepreneurs exported around $1.2 billion worth of oil and some $120.8 million fell to the condensate from the Shah Deniz field and over $1.01 million came from SOCAR.

The total cost of the exported products from the oil sector increased by 13.1 percent in a year and amounted to over $1.26 billion. In total, the export from Azerbaijan during the reported period amounted to over $23.8 billion compared to $24.6 billion in Jan.-Sep. 2012.

Start of TAP pipeline construction due in 2015

Today.Az, *18.12.2013*

TAP project to bring gas from the Caspian region via Turkey into Europe is gearing up to tender in 2014 ahead of its planned construction start a year later, said TAP communications head Lisa Givert.

"We plan to send invitations to tender during 2014 for pre-qualified engineering and pipeline contract packages, possibly in the first half." TAP would mean €1.5 billion in investment for Greece and €1 billion worth for Albania, boosting local employment. TAP is the pivotal link in the Southern Corridor, a route to ship gas from central Asia, the Middle East and the Eastern Mediterranean to the EU.

TAP will cross Greece and Albania before reaching Italy and is to be built by a consortium led by BP, Norway's Statoil and Azerbaijan's SOCAR. They plan to deliver 10 billion cubic metres of gas per year to Europe, and possibly double that in the long-term future.

Ukraine boosted by Russia oil supply deal, seeks loans

Today's Zaman, *17.12.2013*

Russia has agreed to resume oil supplies to a refinery in Ukraine, traders said, in a sign Moscow is ready to reward the country's president for spurning a trade deal with Europe in favour of ties with its former Soviet master.

The resumption next year of oil flows to the Odessa refinery after a three-year break was a boost for President Viktor Yanukovich's hopes of securing new Russian loans at talks which began in the Kremlin on Tuesday. Yanukovich was also seeking a reduction in the price of vital Russian gas supplies to Ukraine to help stave off an economic crisis, even though it could fuel new anti-government protests in Kiev.

Putin look confident and relaxed before the talks, slouching in his chair in a gilded Kremlin hall, while Yanukovich sat stiffly and upright beside him in front of the Ukrainian and Russian flags. In brief comments, Yanukovich said he hoped for an agreement on a gas price dispute that was "beneficial to both sides". Ukraine is in the grip of a financial crisis that could hit fuel supplies this winter, caught between Western powers, keen to anchor the nation in a friendly embrace on the EU's borders, and Moscow, which accuses the West of turning its former Soviet territories against it.

Yanukovich is seeking the best possible deal for his country of 46 million but faces calls to resign. "There's nothing for Yanukovich to do in Moscow. We didn't ask him to go there and sell Ukraine," said Maria Sirenko, a 40-year-old housewife, one of about 2,000 demonstrators already gathered in central Kiev before a planned new protest. Several hundred protesters also lined the main road to the airport, with one banner saying: "Yanukovich, turn the plane around to Europe." Putin was expected to agree on a loan deal, and Ukraine's energy minister said it was probable that Russia would offer Ukraine a discount on its natural gas supplies. Ukraine's dollar bond prices rallied and debt insurance costs fell on Monday as concerns receded that Kiev would become unable to pay its creditors.

Russia, Serbia and South Stream

Natural Gas Europe, *17.12.2013*

Russia has as of late increased its PR campaign in south-east Europe, filling a void of visibility that the USA has left behind with its growing lack of enthusiasm. Focusing on bigger issues, its own problems at home and the war on terror, the USA is showing signs of weariness with the region, best illustrated by the fact that it has left the Kosovo negotiations in the hands of the EU.

Russia is doing what any aspiring reborn major power would do and it is now doing it with a cause – not just to protect its growing interests and influence but now also its investment, one of the biggest in Europe ever, the South Stream gas-line.

The gas-line is also important for securing Serbia's future – with the first weld of the pipeline having just been made, Serbia is being placed for the first time in its history as a vital spot of Europe's energy map, with serious geopolitical and security ramifications. The economic benefits include the creation of thousands of new jobs, massive mobilization of the construction industry, transit fee revenues, and lower gas prices. The €1.9b investment is anticipated to account for at least a 5% increase in GDP. It will increase Serbia's energy security and consolidate its energy policy, hitherto prone to erratic changes by each government. It will also contribute to Serbia politically by increasing its regional negotiating power. Despite some views to the contrary, the gas pipeline serves Serbia as a bridge between East and West.

Russian diplomacy, no longer satisfied with standing in the shadow, has gone on the offensive recently, placing itself in the spotlight by diverting a potential disaster in Syria. It won a lot of fans in the international arena by its adamant non-intervention policy, but also thanks to inexplicable mistakes by the US administration which permitted itself a non-affordable luxury of an Iraqi déjà vu. Just 20 years ago, a pseudo liberal Russia was in ruins. But it survived a serious financial crash in 1998 and has recovered and grown ever since. Twenty years ago, the chief concern of the world was whether its nuclear stockpiles could or would fall into the wrong hands.

Today, the questions about Russia are completely different – development of democracy, the rule of law and civil society; heavy economic dependence on energy exports and other raw or semi-processed materials; the odds against reliance on very large conglomerates and state-owned companies. These are now routine questions asked about a major power with a rapidly growing economy and influence, also proven by the fact that Russia has joined the ranks of its former Soviet-era foes. It has become a full-fledged member of the Group of Eight. It chaired the Group Summit in 2006. It recently hosted a G8 summit in Saint Petersburg. It is currently chairing the G20. It closely cooperates with the Trilateral Commission. It is a member of the WTO and a candidate country for OECD.

To the point, Russia is a much more stable and prosperous country, and indeed will become even more so as the BRICS group takes its rightful place on the world scene. And it seems to know precisely what it wants and how to get it. While Western powers are undecided and delay over alternative projects like Nabucco to counter South Stream, thereby diminishing the likelihood of them ever materializing, Russia is firmly and consistently consolidating its energy umbilical cord to Europe and its main allies in its venture today are its historically traditional foes – Great Britain and Germany.

While perhaps content to see Russia grow as a counter-balance to China, the US are by no means happy about Europe's increasing dependence on Russian gas supplies since it erodes its strategic influence on the continent, nor about the fact that South Stream erodes Ukraine's leverage over gas flows as the valve keeper to Europe. On the other hand, Europe's options for energy supply are limited each day with the growing instability of the Middle East in the aftermath of the Arab Spring, once applauded but now dubbed as a Siberian Winter.

Whether Russia's apparent PR offensive over recent weeks can serve as a wake-up call to Washington to reactivate its role in the Balkans – especially Serbia, where it seems to be losing interest – remains to be seen. It is still torn by a desire to play a more active role in Belgrade, but that is at odds with its support to Pristina. With the Brussels agreement nearing implementation and the resolution underway, it might be possible to reconcile this dilemma, but there are several other non-political, institutional issues that need to be cleared in Serbia internally for the big US investors to come.

Neither can D.C. be happy with the fact that a South Stream line goes through Republika Srpska on its way to the Federation of Bosnia and Herzegovina. Nonetheless, the line will help stabilize the security situation since there is a large imbalance of Western support in favour of Sarajevo. Parts of the international community have become by large a part of the problem and not the solution, and by indiscriminately favouring one side it is risking to undo all the accomplishments of Dayton and the early OHRs. The South Stream arm through the the RS will compensate this imbalance and Western diplomats should not be surprised that Banja Luka is embracing a friendly hand for the lack of another from the West, nor should they fault Moscow for grasping an opportunity presented on a platter by their rivals.

That said, friendship has never been or ever will be a defining factor in international relations – there are no emotions, only sheer political, economic and security interests that guide the foreign policies of countries. This has been lost on Serbia much to its detriment on numerous occasions. US-led NATO forces bombed Serbia in 1999, but Russia did not veto the action in UN Security Council. It was Russian forces that took control of the Pristina airfield and could have prevented NATO forces from landing in Kosovo that summer but pulled back. Another myth was dispelled several months ago when Serbs ranked only 14th among Russians polled about who their friends were. Germans and Ukrainians topped the poll. On the other hand, the USA and EU has since 2000 sent massive aid to Serbia worth billions of euros and Russia practically nothing.

Ignoring the rapidly changing political dynamics, Serbia is still not accepting the outstretched hand of friendship by NATO, memories still fresh from the 1999 bombing. However, it justifiably relies on Germany, its biggest foe in two world wars, for political backing on its road to EU membership. Today, Serbia owes a huge debt to Germany for accepting its hundreds of thousands of migrant workers, who send home billions of euros each year and thus play a huge role in sustaining Serbia's economy. As alliances rapidly shift, in historical terms, to suit the big powers, Serbia should stay neutral in the influence power struggle, at least until it fully recovers, but should never play a hostile role. It should be close enough to the fire to stay warm but not too close to get burnt. Serbia must never be fully dependent on any one side in any respect, but instead maintain mutual, cordial relationships with both sides and seek ways to profit most from these partnerships.

It has firmly set its sights on the EU, as it should, but it must also turn to distant and non-traditional potential economic and political partners. For example, like it found a partner in the United Arab Emirates a year ago. It should welcome India's newly-underscored readiness to comprehensively invest in Serbia and New Delhi's offer to transfer its vast and indispensable know-how. Globalization has made every country and continent in the world an accessible neighbour, and the fact that Serbia is now a border state to the EU makes it particularly attractive as a hub for EU-destined exports by third countries. For this it needs proactive, well-trained, smart, versatile and agile diplomacy and trade representatives.

A school of thought says that South Stream was a bad deal for Serbia. There is no public explanation from the previous government why the deal was struck as it was, but it claims to have been the best under the circumstances. Serbia probably could have negotiated a better deal if it had been at the time a more powerful country, unburdened by the Kosovo issue, with clearly defined goals and lines in the sand it would not cross. But all this is water under the bridge and a state, if it aspires to be a solid one with all the attributes which define statehood dating all the way back to Plato, must respect inter-state and all other agreements previous governments have signed, otherwise it sends a dismal message both to political stakeholders and to future investors.

On the whole, it is excellent opportunity for Serbia to have South Stream and the gas depository on its territory; it plays in its favour for a myriad aforesaid political, security, diplomatic and economic reasons. However, to avoid bad deals in the future and to shore-up its negotiating position, Serbia must first clean up its house. It has to revitalize and develop itself to become the major player it deserves to be and regain friends and allies wherever possible. Serbia must rebuild itself both as a society and state from the ruins caused by wars, sanctions and rampant corruption. It must consolidate its democracy, clean-up state institutions and restore popular faith in them.

Ruling parties must stop their tradition of treating ministries and government positions as spoils of war to reward the unfortunately often incompetent party faithful. It must mainstream its economic structure, rebuild the system of values and civil society, reform its judicial system, eliminate corruption and extremism, promote tolerance and accomplish numerous other equally difficult and important tasks. Of paramount importance is the articulation of medium- and long-term national goals to which all parties wishing their homeland well must strive to achieve regardless of their political differences. Administration must serve the people and help articulate and administer to their needs and not vice versa. The good news is that all major powers, including USA and Russia, agree Serbia should be in the EU.

If membership in the EU is a Holy Grail for Serbia, then the Quest for the grail is equally, if not even more, important, because of the often difficult and painful time-consuming reforms it would be forced to make along that path. The European community must help Serbia to navigate these turbulent waters because it is in its own paramount interest. These reforms, once implemented, will make Serbia a modern European country with a respectable political, legal, financial and economic system which will be able attract big potential investors and banks – all to its benefit and economic and political security. At the end, this will be good for the whole Balkans and thereby Europe. In this context, it must be noted that despite occasional ups and downs which are not always Belgrade's fault, Serbia has come a long way in building good-neighbourly relations and promoting mutual confidence and trust in ex-Yugoslavia.

Much of the above coincides with the praise-worthy stated goals by the new government which, to give further credit where its due, has launched a valiant struggle to finally extricate Serbia of the Kosovo issue's political and economic stranglehold, and thereby to enable the Serbs there to live normal lives. This government is the first to courageously recognize the limitations in the "Art of the Possible" in international negotiations theory and bravely face the dissatisfaction by a part of its citizens. In a country where many quote history but very few have learned any lessons from it, this administration boldly told its citizens that the Brussels Agreement is the best deal they could possibly get and reminded them of the fate of Croatian Serbs as a consequence of the Z4 Plan refusal.

If the all the aforementioned tasks are to be achieved, the Serbian government should be supported and left in peace to focus on accomplishing the above Herculean duty and not be continually targeted by various political factions, both at home and abroad, which themselves are want for a better solution, or by petty inter-party squabbles for short term political gain but long-term loss. Repeated calls for fresh elections divert focus and sap the much-needed energy required to achieve the above if Serbia and its generations to come are to have a bright, prosperous and secure future. In this context, public dispute over which government official or what company is to blame for the bad gas deal or gas sales is like hanging out dirty laundry for everyone to see – it is not just poor form but a highly-detrimental message to world stakeholders, not to mention potential investors.

This serious issue, like many others, should be settled professionally and certainly not out of the public focus but without the unwelcome populist and base publicity it has so far generated. Finally, if there are open issues in the gas deal, then they can be dealt with among "friendly" Russian and Serbian counterparts to find the best solution for all. South Stream is here to stay for a long time and partners do need to stay happy. But in business, somewhat like in marriage, it is seldom that both sides are equally happy – it all boils down to the power of the initial negotiating position and who brings what to the marriage table. So we are back to back to square one – but this time the odds are in favour of Serbia – judging by the statements and actions of the current government and president, it now finally seems to know what needs to be done and appears committed to doing it to finally come out as a historical winner.

Europe to press US for cheap energy

Hürriyet Daily News, *16.12.2013*

EU, hoping to cut fuel bills, will press their U.S. counterparts in Washington this week on including energy exports in a transatlantic trade pact that aims to integrate two markets accounting for half the world's economy.

Bringing politically sensitive energy into the debate stands to complicate talks spanning agriculture to finance, but the rewards could be big for the EU, where natural gas prices are around three times those in the U.S. The U.S. has benefited from a shale gas revolution and for EU, U.S. imports are likely to be a faster way to lower prices than geological barriers to developing the continent's own reserves.

UK asks EU to avoid new shale gas legislation

Natural Gas Europe, *17.12.2013*

The United Kingdom released the Regulatory Roadmap for Onshore Oil & Gas exploration on Tuesday, paving the way for an onshore licensing round in early summer. At the same time, Prime Minister David Cameron wrote a letter to European Commission President Jose Manuel Barroso, asking Brussels to avoid new legislation.

"I am not in favour of new legislation where the lengthy timeframes and significant uncertainty involved are major causes for concern. The industry in the UK has told us that new EU legislation would immediately delay imminent investment," Cameron wrote to Barroso.

Also on Tuesday, Energy Minister Michael Fallon published for consultation an Environmental Report on their proposals for further onshore oil and gas licensing of Great Britain. "We could be doubling the amount of onshore licenses in this round," Energy Minister said on Tuesday, confirming that the government expects to issue 50-150 licenses. Fallon said that responsible production is key to decrease country's dependence on imports. "Today marks the next step in unlocking the potential of shale gas in our energy mix," he stated.

East Libyan autonomy group will not reopen oil ports, challenges Tripoli

Reuters, *15.12.2013*

A movement pushing for greater autonomy in eastern Libya said on Sunday it would not end the blockade of several oil-exporting ports, dashing hopes of a resolution to a three-month standoff with the Tripoli government.

The announcement was a blow to Prime Minister Ali Zeidan who had said he expected the blockage to end on Sunday after almost two weeks of negotiations with eastern tribal leaders to free up the vital trade. Western powers worry Libya will slide into chaos as the Tripoli government struggles to rein in militias and tribesmen who helped topple Muammar Gaddafi in 2011.

The port blockages, along with strikes by oil workers, civil servants, tribesmen and other protesters at oilfields across the desert country, have cut vital oil exports to 110,000 barrels per day from more than 1 million in July. On Tuesday, the eastern autonomy group said it would release three ports - which had previously handled 600,000 barrels of oil exports a day - if Tripoli let it take a share of oil sales and investigated reports of corruption in the industry. “We have failed to reach a deal on these conditions with this (Tripoli) government,” autonomy leader Ibrahim Jathran told reporters at his group’s home base in Ajdabiya, west of Benghazi. “I therefore confirm that we will not reopen the ports for this corrupt government,” he said in brief statement. He said Zeidan’s government had let down Libyans after the revolt that ended four decades of Gaddafi rule. “We want a decent life, rights, security, an army, police and security forces which protect citizens,” said Jathran, who was a rebel commander during the NATO-backed uprising.

Jathran used to head a force protecting oil installations until he defected with his heavily armed men in the summer and seized the Ras Lanuf, Es-Sider and Zueitina ports to boost his campaign for more regional autonomy and a greater share of oil sales. The oil blockages have dried up the main source for the dollars needed to import wheat and other basic foodstuffs. The government has warned it will not be able to pay public sector workers if oil strikes continue. Oil officials said on Sunday Libya was increasing fuel imports to ease shortages at petrol stations. There was no immediate comment from Tripoli on Jathran’s statement. Deputy Oil Minister Omar Shakmak declined to comment when asked by reporters at a news conference on fuel imports.

Officials have refused to recognise the self-declared eastern government and warned that Tripoli would attack any tanker trying to load oil at seized ports. Zeidan and other officials had expressed confidence that Jathran would be persuaded to lift the port blockages, which raised hopes on international markets that three months of oil strikes would end. Jathran, who is in his early 30s, is popular among many in the east demanding a political system to share power and the oil wealth equally between the eastern Cyrenaica, the west and the southern Fezzan, as was the case in the pre-Gaddafi era.

Many also agree with him that the central government has failed to provide security. In Benghazi, the east's main city, gunmen killed an army officer on Sunday, a security source said, and the latest in a series of assassinations. Three soldiers were also wounded by a bomb, the source added. Tribal leaders have put pressure on Jathran to end his port action because many ordinary Libyans are tired of power cuts and fuel shortages. Richard Mallinson, geopolitical analyst at Energy Aspects consultancy in London, said Jathran felt confident enough to rely on his forces' strength but he risked splitting the tribesmen and militias in the east. “Struggles within power bases in the east could become significant,” he said.

Jathran did not repeat an earlier threat to start selling crude, bypassing Tripoli. When asked later by Reuters whether he would go ahead exporting oil from seized ports, he said this was up to his self-declared government. “We gave them (the government) all powers to do its job,” he said, without elaborating. Zeidan has been trying to get the ports reopened but has been weakened by political conflicts with parliament and Islamist opponents. The government also has to deal with a mix of different protesters. A separate set of tribal leaders has blocked Hariga port in the far east. Members of the Amazigh and Tibu, two minority groups, have also blocked gas or oil supplies in the past.

Kyrgyzstan, China sign agreement on gas pipeline from Turkmenistan

Trend.Az, *18.12.2013*

Kyrgyzstan and China have signed an agreement on construction of a gas pipeline crossing from Turkmenistan via Kyrgyzstan to China, the regional media reported on Dec.18 citing a statement by President of the Kyrgyz Republic Almazbek Atambayev. “An agreement was signed with China on the gas pipeline construction worth two billion dollars,” CA-NEWS Agency reported citing the Kyrgyz head of state.

In September 2013 it was reported that President of Turkmenistan Gurbanguly Berdimuhamedov and Chinese President Xi Jinping, who was in Ashgabat on a state visit, came to an agreement.

In 2009 Turkmenistan - China gas pipeline was commissioned and upon completion will increase the amount of Turkmen gas delivered to China up to 40 billion cubic meters in a year. Ashgabat and Beijing have recently agreed on supplies of an additional 25 billion cubic meters of Turkmen gas per year, which would bring the total volume up to 65 billion cubic meters. Last year Turkmenistan produced 64.4 billion cubic meters of gas compared to 59.5 billion cubic meters of gas in 2011, the BP report on World Energy 2013 said.

Berdimuhamedov: Effective work on implementation of TAPI

Trend.Az, *16.12.2013*

Currently an effective work is being carried out for realization of the TAPI gas pipeline, Turkmen President Berdimuhamedov said on the occasion of the Oil and Gas Industry Workers, Energy Engineers and Geologists Day.

“Turkmenistan, which has huge reserves of oil and gas, is known as the world's largest energy resources producer,” the head of Turkmen state underscored. Turkmenistan is aimed at enhancing international cooperation, increasing the volume of hydrocarbon production and creation of a multi-vector system for delivery of energy to global markets, according to Turkmen president's message.

President Gurbanguly Berdimuhamedov also said that Turkmenistan has implemented several major projects jointly with foreign partners. These projects also include Turkmenistan-China and Turkmenistan-Iran gas pipelines. “In the context of ever-increasing energy demands in global markets it would be appropriate to highlight the great economic and political importance of the Galkynysh gas field, thanks to which Turkmenistan ranks fourth in the world for natural gas reserves,” Turkmen leader underscored.

Ashgabat interstate agreement of the member states on commencement of the practical implementation of the TAPI project signed in 2010, serves as the basic document for promotion of this project. The Turkmen government signed an agreement for the sale and purchase of natural gas with India's GAIL Ltd. and State Gas Systems of Pakistan in May 2012. A corresponding agreement was signed with Afghanistan in July 2013.

The design capacity of TAPI is 33 billion cubic meters of natural gas per year. The estimated length reaches 1,735 kilometres. It is expected that the pipeline will extend from the largest gas field in Turkmenistan ‘Galkhynysh’ through the Afghan cities of Herat and Kandagar to the Fazilka settlement on the Pakistani-Indian border. At present, Turkmenistan exports this kind of fuel to the markets in China, the CIS and Iran. Besides South Asia's markets, it is considering the variants of laying a gas pipeline from Turkmenistan to Europe via the Caspian Sea, Azerbaijan and Turkey. Turkmenistan's largest deposits are concentrated in the Mary oblast (province) in the east of the country. The total resources of Galkynysh with the nearby fields were estimated by local geologists and British GCA Company within 26.2 trillion cubic meters. The ongoing exploration work at Turkmenistan's largest oil field - Galkynysh testifies to more gas reserves there, Turkmen Minister of Oil and Gas Industry and Mineral Resources, Muhametnur Halylov said at the oil and gas conference in Ashgabat in November 2013

Canadian regulator approves LNG exports from four projects

Reuters, *16.12.2013*

Canada's National Energy Board on Monday granted liquefied natural gas export permits to four planned projects on the country's Pacific coast. The regulator gave permits to Petronas' Pacific Northwest LNG project, along with a BG Group Plc's Prince Rupert LNG project.

The WCC LNG project backed by Exxon Mobil Corp and Imperial Oil Ltd also received a 25-year license to export the fuel along with a project proposed by the privately held Woodfibre Natural Gas Ltd. The approvals are the latest for the nascent industry, following applications from other would-be projects such as the Kitimat LNG plant.

The projects are looking to take gas from Western Canada's massive shale fields to high-paying Asian markets, though none have yet been approved by their backers. The regulator's decision is subject to the approval of the Canadian government. Joe Oliver, Canada's natural resources minister, said in a statement the Conservative government's cabinet will now review the board approvals. "The ... government supports energy projects that will create jobs and generate economic growth in Canada for future generations¸" the minister said. "Our government will only allow energy projects to proceed if they are found to be safe for Canadians after an independent, science-based environmental and regulatory review." With the new approvals, a total of seven planned projects have been granted export licenses while three others are still under review. The board has yet to deny an application for an export permit.

Petronas reports gas find in Malaysia, oil appraisal in Indonesia

Oil and Gas Journal, *17.12.2013*

Malaysia's Petronas reported a natural gas discovery in Malaysia and an oil strike in an appraisal well in Indonesia. In Malaysia, gas was discovered in the Sintok-1 well on offshore Block SK320, about 240 km northwest of Bintulu, Sarawak.

Block operator Mubadala Petroleum drilled to 2,775 m. Well data indicates a 292-m gas column. It's the third gas discovery on the block since Petronas awarded it in February 2010.In Indonesia, a Petronas subsidiary drilled the Bukit Tua South-2 appraisal well to assess the Bukit Tua South-1 oil discovery in 2012. The appraisal well penetrated the CD and Kujung carbonate reservoirs and reached 2,176 m.

A drillstem test for the CD interval recorded a flow rate of 1,656 b/d through a 2-in. choke. Another DST will be carried out for the shallower Kujung reservoir. Production from the Bukit Tua oil field is expected to begin by late 2014.

Announcements & Reports

► *Annual Energy Outlook 2014 (Early Release)*

Source : Energy Information Administration
Weblink : http://www.eia.gov/forecasts/aeo/er/pdf/0383er(2014).pdf

► *Annual Coal Distribution Report - 2012*

Source : Energy Information Administration
Weblink : http://www.eia.gov/coal/distribution/annual/pdf/acdr_fullreport2012.pdf

► *Energy Efficiency in Tajikistan*

Source : Energy Information Administration
Weblink : http://www.encharter.org/fileadmin/user_upload/Publications/Tajikistan_EE_2013_ENG.pdf

► *Petroleum Market Report (Oct. 2013 – in Turkish)*

Source : Energy Information Administration
Weblink : http://epdk.gov.tr/documents/petrol/rapor_yayin/Ppd_Yayin_Rapor_ekim2013.pdf

Upcoming Events

► *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/

► *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