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PETFORM

KRG's first oil exports via Turkey pipeline seen by end-January

Hürriyet Daily News, *09.01.2014*

The first crude has started to flow through the autonomous Kurdish Regional Governments' new pipeline across Turkey and the first independent exports are expected to begin at the end of this month, the Kurdish Regional Government (KRG) said on Jan. 8.

The first parcel of 2 million barrels of oil will be sold via a tender, KRG's Ministry of Natural Resources said on the government's web site. It invited bidders for the January tender. The monthly export parcels will then increase to 4 million barrels and 6 million barrels in February and March respectively, it said.

The monthly exports are estimated to reach 10-12 million barrels in December. Iraqi Kurds and the central government in Baghdad have been at loggerheads over the share of oil revenues. Baghdad, which claims the sole authority to manage Iraqi oil, was infuriated after Arbil signed a package of contracts with Turkey for oil and gas exports as well as for the construction of new pipelines. The Baghdad government says Kurdish efforts towards oil independence could lead to the break-up of Iraq. Turkey's courtship of the Iraqi 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. Ankara has been working to get Baghdad on board and proposed setting up an escrow account at a Turkish state bank for the oil revenues to be deposited. The Iraqi government has yet to agree on the Turkish proposals. KRG's new pipeline carries the Iraqi Kurdish oil to Turkey's Mediterranean export hub of Ceyhan. It is initially carrying heavy oil from Tawke fields and links up with the 40-inch-wide existing Kirkuk-Ceyhan pipeline to be exported to world markets.

"Crude oil from Taq Taq and other producing fields will soon be added to the export system, resulting in a blended medium crude oil..," the KRG statement said. Prospective buyers will be able to lift crude oil shipments in Ceyhan "under similar arrangements" as those used for Iraq's State Oil Marketing Organization (SOMO) for oil exports from Kirkuk. Details of each parcel will be announced by the Ministry of Natural Resources and independent observers as well as representatives from SOMO will be invited to monitor the process, KRG said.

Turkey’s Halkbank to keep processing energy payments from Iran

Today’s Zaman, *08.01.2014*

Turkey’s state-owned Halkbank, whose general manager has been detained as part of a corruption inquiry, will keep processing payments for Turkey’s oil and gas imports from Iran, Turkey’s Deputy Prime Minister Ali Babacan said.

“The state of Iran has accounts with Halkbank and we deposit payments for the oil and gas purchased to these accounts. ... Halkbank will continue to carry out this function,” Babacan told Bloomberg HT Television. Halkbank General Manager Süleyman Aslan was among dozens of prominent businesspeople questioned as part of a corruption inquiry swirling around Prime Minister Erdogan’s government.

Also questioned were the sons of three Cabinet ministers and state officials. Most have been released, but 24, including Aslan and two of the ministers’ sons, are still in custody, local media says. Halkbank has repeatedly said its dealings with Iran are entirely lawful, but its Iranian business ties had drawn Western criticism amid US-led efforts to curb Tehran’s disputed nuclear program. Turkey has bought natural gas and oil from Iran through an indirect system whereby Iranian exporters received payment in Halkbank Turkish lira accounts and used that money to buy gold. The bulk of that gold was then shipped from Turkey to Dubai, where Iran could import it or sell it for foreign currency.

Halkbank said last month that the gold sales had stopped on June 10, in line with a July ban. Since then, sources say, Iranians have bought mostly food and medicine with the funds. Babacan also said the government planned to authorize Halkbank for transactions needed to pay for newly launched crude exports from KRG. Mentioning the ongoing graft probe, which is feared, will increase risk premiums for investors in Turkey, Babacan said the government would not ignore any corruption or bribery allegations and that investors should know all claims will be pursued with care. “We call on investors in Turkey to maintain their confidence in the market; the judiciary will reach a final verdict in the ongoing graft probe and we respect this,” he said.

Underlining Turkey’s decade-old bid to join the European Union, Babacan said the government is committed to maintaining political and economic stability in Turkey. Babacan’s comments come amidst warnings from top international creditors over risks from the current corruption allegations to the economy. Moody’s credit rating agency, which raised Turkey’s sovereign credit rating to investment grade last May, said on Wednesday that domestic political risk was already embedded in the country's current rating. “We consider that domestic political risk represents a material risk in Turkey ... which is embedded in the current rating of Baa3/stable outlook,” it said in comments emailed to Reuters.

The comments come one day after a Fitch statement that warned the corruption scandal shaking the Turkish government has the capacity to weaken the country's creditworthiness, but said there was no impact on its “BBB-” sovereign rating for now. Observers have also warned a weak lira and political instability would push an increase in Turkish annualized inflation. Babacan declined to comment on inflation rates, noting volatility is currently too high in foreign exchange rates to make an early judgment.

Turkey reduces gas import and consumption

Trend.Az, *07.01.2014*

The Turkish state pipeline company Botas imported about 34.29 billion cubic meters of gas from a variety of sources in January-November 2013 compared to nearly 38.8 billion cubic meters in January-November 2012, according to a message posted on the official website of Botas.

Turkey also imports gas from Azerbaijan, which is supplied via the BTE gas pipeline. Additionally, Botas exported around 635 million cubic meters of gas in January-November compared to 555 million cubic meters in January-November 2012. Some 33.56 billion cubic meters of gas was sold in the domestic market of Turkey in January-November 2013.

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EPDK signals depreciating lira to reflect on energy costs

Today’s Zaman, *06.01.2014*

The lira losing value against the dollar will reflect on energy prices, Energy Market Regulatory Agency (EPDK) Chairman Hasan Koktas said on Monday, adding that it is unavoidable for consumers to remain unaffected by the changing rates.

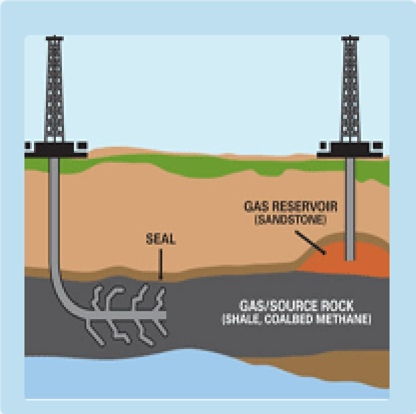
Koktas responded to questions about the lira’s high dollar exchange rate by explaining that there are many components contributing to the change in prices, whether it be decreasing or increasing. Pointing out that feasibility studies put great importance on exchange rates, which are used to calculate capital and loans, Koktas said there will be a cost analysis problem for future references.

“The exchange rate, which was determined to be between 1.85 TL to 1.90 TL per dollar during previous studies, went up to 2.17 TL, bringing difficulties to the implementation of projects due to higher costs. The rise in rates will have negative structural effects on energy sector investments and may result in prolonging the completion of projects, which will dissatisfy investors. Such issues will negatively impact us and (keep us from) reaching our annual target to add at least 3,500 megawatts of power to Turkey's energy production,” Koktas stated.

Mentioning the increasing privatization in the energy sector, he said the rise in exchange rates would also bring problems to the financing of privatization projects. Answering questions on a possible division of the EPDK based on energy products, Koktas said he would not involve himself in such discussions, adding that a possible change in EPDK structure should be based on global operations. “For example, there is no problem with the electricity sector in the country, but problems are arising due to natural gas shortages and their reflection on the electricity supply,” he said.

Concerns on shale gas and fracking technique: Turkey's case

Today's Zaman, *10.01.2014*



Turkey has been working to extract shale gas by hydraulic fracturing operations for just four years, while the United States has developed nearly all necessary techniques and capabilities for the operation of the method. As it has nearly finished all the steps that should be taken for its production by this new method, indeed, it is estimated that half or more of the US's natural gas supply will come from shale gas.

The thing making attractive shale gas and fracking method in the whole world recently is this US's success in increasingly becoming a country which exports shale gas from a country importing petrol from other countries.

However, besides addressing its advantages providing crucial economic benefits and power on energy issues, it is also possible to raise many concerns about it. Particularly for Turkey, they should be discussed in more details by the authorities before going ahead in hydraulic fracturing operations to extract shale gas, not to have a crash in the middle of the road, and also not to have troubles not estimated at the end of the road. Before focusing on these concerns on shale gas and fracking method, here, it should be firstly clarified what the shale gas is and how fracking method operates. Shale gas is an important source of natural gas found trapped within shale formations, and fracking is a method providing its production through fracturing shale by a pressurized liquid.

It is a very new technique has been commenced to be used very recently, for more than just sixty years, but also very common in wells for shale gas worldwide in last decades. The process of fracking can be found as too complicated at first glance, but in simple words, it can be summarized in three main stages. In the process of fracking, in the first stage, the fluids mixed with sand and chemicals are pumped at sufficiently high pressure into a wellbore until the pressure overcomes the weight of the earth above the formation and the strength of the shale formation. This creates new fractures or opens the existing ones in the shale formation. In the second stage, hydraulic pressure is removed or reduced to allow the flow of the gas in the shale through these newly-formed fractures and back into the well.

The weight of the earth above can result in closing up of the fractures. So, the "proppants" (sand or ceramic spheres) are used to enable the fractures to stay open, thus, gas can continue its flowing through the fracture. The last stage involves the disposal of flowback fracking fluids containing residual chemicals. With respect to Turkey's current situation on shale gas and fracking method, it should be firstly stressed that, very recently, in its 2013 report, covering the most prospective shale formations in a group of 41 countries, the US Energy Information Administration (EIA) ranked Turkey one of these 41 countries in the world with its shale gas reserves. There are two shale basins in Turkey, the Southeast Anatolia Basin and the Thrace Basin.

It has been also estimated that Turkey may also have shale gas resources in the Sivas and Salt Lake basins, but there are only limited reservoir data for these basins. To the EIA's report (chapter XXVI), it is estimated that the Dadas Shale in the Southeast Anatolian Basin and the Hamitabat Shale in the Thrace Basin contain 163 trillion cubic feet (tcf) of risked shale gas in-place, with 24 Tcf as the risked, technically recoverable shale gas resource. In addition, these two shale basins also contain 94 billion barrels of risked shale oil in-place, with 4.7 billion barrels as the risked, technically recoverable shale oil resource. The TPAO, Turkey's state-run energy company, and Shell have started hydraulic fracturing operations to extract shale gas from Dadas Shale in the Saribugday-#1 natural gas field, in September 2012.

Under the terms of the TPAO-Shell agreement, Shell is expected to drill five wells into the Dadas Shale. Anatolia Energy also drilled their first Dadas Shale evaluation well, Caliktepe-#2, on their Bismil lease area in early January, 2012. TransAtlantic Petroleum reported flowing gas and light oil from their two Dadas Shale test wells, Goksu-#1 and Bahir-#1 as well. In the Thrace Basin, much of the activity is conducted particularly by TPAO and TransAtlantic Petroleum, but there is no information released on shale well tests or performance by the companies so far. While all these activities are going on in Turkey, there are serious concerns raised about extracting shale gas and the fracking technique which have been used for it, such as lack of reliable data on resources, lack of technical information and staff on fracking technique, uncertainty on possible profitability of

Turkey's shale gas, increasing public concerns on environmental risks of the fracking process and lack of legal framework.When it comes to forecasts of Turkey's shale gas potential, the only reliable source appears as the EIA's 2013 report, the other sources rests on divergent information involving estimations by Turkish authorities and the media. As there is no technology developed for the fracking method in Turkey, there is no adequate technical information and staff on it as well. So, there is an obvious need to make cooperation with the countries which have them, particularly with USA, and need to import their staff, information and technology to Turkey. It is also uncertain whether the exploitation of shale gas can be profitable, how the regional gas prices, production costs, and other related conditions can affect its profitability.

On the one side, there are some arguing that shale gas development can help reduce greenhouse gas emissions displacing coal burning, on the other side, many others indicate to the potential environmental negative effects of fracking technique used for shale gas extraction, like depletion of water, releases of gases and fracking chemicals to the surface, contamination in groundwater and also in drinking aquifers and residential water wells, noise pollution…etc. These environmental concerns form the most important barriers to hydraulic fracturing (fracking) technique resulting in suspensions or bans of its application in some countries, such as France, Bulgaria, Romania..etc.

However, it is also a crucial question which should be discussed comprehensively whether hydraulic fracturing for shale gas requires new regulations, or it is already covered by Turkey's existing legislation. The discussion should involve mainly the following questions among others: whether Turkey's existing legislation, particularly in gas extraction, can work as well as it should when applied to fracking, whether it is well-equipped to cope with the challenges that fracking can pose, or it involves a number of regulatory gaps on this issue, if it does, how those gaps are investigated and closed, whether there is need to adopt a new regulation specifically dealing with hydraulic fracturing operations.

Gazprom Neft completes Badra appraisal well in Iraq

Oil&Gas Journal, *09.01.2014*

JSC Gazprom Neft reports completion of well testing at its BD4 appraisal well in the Badra field in eastern Iraq, recording a natural flow rate of 7,000 b/d. Sequential testing of six strata was followed by concurrent testing of all pay horizons. Testing continues at two other wells.

Infrastructure to bring the field into commercial production is nearing completion, Gazprom Neft said. Work continues on construction of a 170,000-b/d central gathering facility. Gazprom Neft also plans on a 1.5 million cu m/year gas conversion plant. Badra development plans include 17 total production wells and 5 injection wells.

"With well testing completed, we are one step closer to beginning commercial production at the Badra field," said Vadim Yakovlev, Gazprom Neft first deputy chief executive officer. "Since beginning development—practically from scratch—just 3 years ago, a Gazprom Neft-led consortium has completed a major project in establishing all the facilities necessary for large-scale production at Badra, and this will begin as early as this year." Gazprom Neft has 30% interest in the Badra project in Wasit Province. Partners include Iraqi Oil Exploration Co. 25%, South Korea's Kogas 22.5%, Malaysia's Petronas 15%, and Turkey's TPAO 7.5%.

Iraq seals deal for Karbala refinery

Oil&Gas Journal, *09.01.2014*

The Iraqi government has let a contract to a consortium of South Korean firms for the construction of a refinery in southern Karbala Province, Iraq, 100 km south of Baghdad. The Iraqi council of ministers approved the contract award between the oil ministry's state company for oil projects and a four-company consortium led by Hyundai Engineering & Construction on Jan. 7, a cabinet statement said.

The 54-month engineering, procurement, and construction (EPC) contract is valued at $6.04 billion. The planned 140,000-b/d Karbala refinery will serve growing domestic Iraqi demand, Iraq's Minister of Oil Abdulkareem said on Jan 9.

Drilling operations at Iran's South Pars gas field phases 17 & 18 nearly complete

Trend.Az, *07.01.2014*

Drilling operations at Iran's South Pars gas field phases 17 and 18 have progressed by 99 percent and are nearly complete, IRNA quoted National Iranian Drilling Company's deputy director Mohammadreza Takaidi as saying on Jan. 7.

Drilling operations are now complete by 99.2 percent, he said, adding that the drilled wells will be handed over to the employer in the next 45 days. The wells are 4,900 meters deep on average, he noted. South Pars is a joint gas field of Iran and Qatar. The field on the Iranian side holds 14 trillion cubic meters of gas and has been divided into 29 phases. Phases 1 to 8 have been developed completely.

Phases 9 and 10 have been operated, but not to full capacity and Phases 11 to 29 are under construction. Iranian Oil Minister, Bijan Namdar Zanganeh has announced that the Ministry has a special focus on completing and inaugurating the South Pars' gas field phases 12, 15, 16, 17, and 18.Iran holds around 33 trillion cubic meters of gas reserves, but it doesn't have the capacity to produce natural gas in excess of domestic need for export.

Russia ready to invest in Iran's oil and gas sphere under favorable conditions

Trend.Az, *04.01.2014*

If Iran can offer favorable conditions, Russia is ready to invest in the country's oil and gas sector, Russia's ambassador to Iran, Levan Jagarian said, ISNA reported on Jan. 4. The ambassador noted that good conditions in Iran's oil and gas sphere may allow more Russian companies to participate in various projects there.

The development of Iran's oil and gas sector has been slow due to imposed international sanctions on Iran, for its disputed nuclear program. The companies previously working in Iran, expressed interest in returning to Iranian market, if the sanctions are lifted.

Israel rumored to be planning pipeline to Jordan

Natural Gas Europe, *08.01.2014*

Israel is rumored to be planning the building of a pipeline that would connect it to Jordan through the Dead Sea. The 15 kilometer pipeline is expected to be completed by 2016 according to Bloomberg. The project confirms Noble Energy's CEO November statement that Israel will start by exporting its natural gas to immediate neighbors before considering reaching further markets such as Europe and East-Asia.

The decision to sell natural gas to regional customers is motivated by the fact such deals require simpler and lower cost infrastructure.

Pipelines that would connect Israel to its immediate neighbors would be relatively cheap to construct and Israel could also make use of existing infrastructures. In October 2013, the Israeli High Court of Justice ratified a decision made by the Benjamin Netanyahu led government back in June 2013 to export approximately 40% of the natural gas found offshore Israel. The decision came as a relief to investors involved in exploration activities in Israel's exclusive economic zone and to partisans of the theory that Israel should monetize its riches and bring in billions of Shekels that would revive the economy and allow further drilling in the country's waters.

Israel's abundant recent natural gas finds, with the 10 tcf Tamar field that came online in March 2013 and the 19 tcf Leviathan field expected to start supplying natural gas in 2017, will allow the country to achieve a long awaited energy independence and would end its history of natural gas dependency. Producing its own natural gas will also enable Israel to increase the share of natural gas in its energy portfolio mix. Selling the natural gas has tremendous economic benefits. The discoveries were very opportune given Jordan, Egypt and the Palestinian Authority's urgent needs for natural gas. Egypt's own production should have been sufficient to supply the country with the needed amounts of natural gas.

However, export obligations, halted exploration activities and an increased demand are forcing the country to import natural gas. Egypt was Israel's main natural gas supplier for years until the flow of natural gas between the two countries was disrupted as a result of several attacks to the pipeline in the aftermath of Mubarak's toppling. Israel and Egypt are reportedly discussing a new gas deal that would this time allow Israel to sell gas to Egypt. Another agreement was inked last week between the Leviathan partners and the Palestine Power Generation for the export of 4.75 bcm of gas over 20 years. The deal is the first of its kind to allow the sales of the Leviathan natural gas to an immediate neighbor.

The pipeline project to Jordan completes Israel's strategy of exploring the regional market before adventuring itself in further seas. Jordan's long reliance on imported Egyptian natural natural has put the kingdom in a vulnerable situation that caused a severe energy crisis. An energy deal with Israel could be a solution for the Kingdom. Israeli natural gas would be a cheaper alternative for Jordan that has recently been forced to import expensive fuel products to make up for its shortfall of natural gas while Jordan develops its indigenous projects to develop its own energy resources. Such an agreement remains however politically sensitive.

Palestinians to be first buyers of Israeli natural gas

Natural Gas Europe, *06.01.2014*

The first buyer of natural gas from Israel's largest gas field will be the Palestine Power Generation Company, which will purchase some $1.2 billion-worth of gas over 20 years, one of the major partners in the field announced on Sunday.

The Leviathan group will sell the PPGC, which supplies power to Palestinian areas in the West Bank, as much as 4.75 billion cubic meters of gas when the Leviathan reserve begins to yield in 2016 or 2017, the Delek Group said in a statement. The Delek conglomerate owns 45.34 percent of the field, followed by the US-based Noble Energy with 39.66% and Ratio Oil Exploration's 15%.

Leviathan's estimated reserves – 537 billion cubic meters – make it the largest offshore gas discovery in a decade. He added that in conjunction with the gas price rise already announced for 2014, when the company will be receiving a price of approximately $9.00/Mcf, the higher production figures should translate into improved sales revenues in 2014. "We remain very active in the field having tied 15 wells into the gathering and sales system in the last 14 days, with another seven wells scheduled to be tied in over the next 10 days," he concluded. The Palestinian company aims to build a $300 million power plant in the West Bank city of Jenin to produce electricity from the gas, Reuters reported.

Greek Cyprus' strategic advantages as an energy hub

Natural Gas Europe, *06.01.2014*

Greek Cyprus' LNG terminal in Vasiliko remains the island's strategic national project. Building an onshore LNG facility in the Vasiliko area between Larnaca and Limassol would not only allow the island to reach international markets, but could also potentially turn the cash-strapped Greek Cyprus into a regional energy hub. Mediterranean neighbors could use Greek Cyprus' facility to process and export their own gas.

A discovery made by Noble Energy in late 2011 promised to financially justify the multi-billion dollar project. At least 5 to 8 Tcf of natural gas were to be found under Greek Cyprus' seabed, in Block 12 of its exclusive economic zone.

The Aphrodite field carried dangerous hopes that the island could turn around its economy and honor its debts by monetizing its offshore riches. Only in October 2013, Noble Energy downsized its estimates for the Aphrodite field to a range of 3.6 to 6 Tcf. Despite the disappointing results of the appraisal drillings in the Aphrodite field, Noble Energy believes that Block 12 holds additional amounts of recoverable gas and will be undertaking further exploratory drilling in the year to come. Greek Cyprus was not only counting on its own riches to afford its expensive project. It was hoping that Israel could join in and pool costs. Israel and Greek Cyprus maintain friendly relations. They have reached a maritime border agreement and often discuss energy matters in sight of future energy collaborations.

Greek Cyprus repeatedly invited Israel on board of the project. Israel never said no. But Israel never said yes either. The thing is, for Israel, the new gas discoveries mean just as much. For a very long period of time, the state of Israel was reliant on imported energy to satisfy its domestic needs. And being surrounded by Arab neighbors made the situation very vulnerable. Egypt supplied Israel with 40% of its natural gas needs. Despite the peace treaty between Egypt and Israel signed under Mubarak, the turmoil caused by the Arab Spring in 2011 put an end to the natural gas trade between the two countries. Several disruptions in the flow of gas from Egypt to Israel caused a jump in Israel's energy bill and a severe increase in electricity prices.

Luckily for Israel, the natural gas in its waters turned out to be abundant. The Tamar field alone contains up to 10 Tcf of natural gas. The Leviathan, a lot more: 19 Tcf. Israel's long history of dependence on imported energy commended the country to be cautious. The new riches will not be wasted and the priority for Israel is to achieve energy security and energy independence. Selling the natural gas to thirsty customers has its benefits too as it would generate billions of Shekels that would fill the state's coffers. To achieve equilibrium between those two important goals, Israel formed a committee and engaged the whole country in a lengthy debate until it reached the decision that approximately 40% of the gas discovered so far will be allocated for exports, and the rest kept at home to satisfy the country's domestic demand for decades to come.

Greek Cyprus was hoping that Israel's exports would transit via the island's Vasiliko LNG. Israel has not yet decided how it will choose to proceed, whether through the Greek Cyprus' LNG, a Turkish pipeline or its own (floating) LNG, but it recently expressed its intention to start by exporting to immediate neighbors: an Egypt suffering from domestic natural gas shortfalls due to a growing population and export commitments; a Jordan that has suffered too from disruptions in the flow of Egyptian natural gas; a Palestinian authority in need of natural gas supplies. Greek Cyprus will however not halt its LNG plan if Israel chooses not to cooperate. Lebanon could be a potential partner, but Greek Cyprus realizes that its Lebanese neighbors needs time to join the energy game, delayed by domestic political rivalries.

The country has postponed the start of its bidding round on several occasions and is suffering from major security concerns due to the civil war next-door in Syria. Cypriot officials believe that Greek Cyprus has a lot to offer nevertheless and that focusing on the island's strategic advantages will attract investors and develop the country's offshore resources. Greek Cyprus' first asset is the interest of major oil and gas companies such as Texas-based Noble Energy, Israel's Delek and Avner, France's Total and the Italian-South Korean consortium ENI/Kogas. While Total and Noble/Delek/Avner have signed MOUs to participate in the LNG project, ENI also revealed its interest in joining in the project should the company encounters recoverable gas during gas explorations in the island's EEZ/.

Greek Cyprus has a well-functioning common law legal system based on principles established through historical links with the United Kingdom. The familiarity of the legal and commercial systems assists international business people in working within the Greek Cypriot commercial environment. Common law is usually the system of choice when it comes to international commercial transaction which puts Greek Cyprus in an advantageous position. Greek Cyprus also has all the tax attributes expected from an international financial center: its tax legislation is predictable and straightforward. Relations between the business community and the tax authorities are excellent and efficient. The transparency of the tax system enhances Greek Cyprus' competitiveness and contributes in making Greek Cyprus a jurisdiction of choice for international operations.

Greek Cyprus has a corporate income tax rate of 12.5%. which is the lowest corporate tax rate in the European Union. Greek Cyprus joined the European Union in 2004, resulting in an economy offering a great number of advantages within a common European market, further confirming the country's macroeconomic stability and its commitment to low inflation, low interest rates and high growth. Greek Cyprus was severely hit by the Eurozone crisis and its banking sector was seriously impacted by the outcome of the Troika deal and the winding down of Laiki Bank. Greek Cyprus is currently undergoing a restructuring process launched in March 2013. Cypriots are however confident that the outcome will only benefit Greek Cyprus and will result in a stronger banking sector that will serve the interests of businesses and individuals with interests in Greek Cyprus.

Greek Cyprus' ancillary industries create the ideal environment for the development of the energy industry. Greek Cyprus has an excellent multi-lingual workforce that will no doubt contribute in ensuring the natural gas industry operates at a high level of excellence and professionalism. There is however no doubt that the island will overcome the various obstacles encountered and use its hydrocarbon blessing not only to the benefit of its economy and its people but also to restore peace and stability in the region and create an atmosphere of positivity and cooperation that will boost the whole Eastern Mediterranean region and resolve current geopolitical deadlocks.

Geopolitics of the energy resource potential of the Eastern Mediterranean

Natural Gas Europe, *08.01.2014*

The geostrategic significance of Eastern Mediterranean energy resources seems obvious if one considers that the EU is currently importing some 83% of its needs in oil and 57% in natural gas, and that estimates show that Israel, Greek Cyprus and Greece's deposits suffice for the exclusive feeding of the 27 member states for around twenty years.

Equally important is that the natural gas consumption in the EU reached 471Gm3 in 2007 and is increasing in a 3% pace every year, as well as the fact that the European Commission aims to reduce carbon dioxide air contamination by 2020 in order that Europe abandons coal burning.

Adding the extremely sensitive political and geostrategic transition occurring in Egypt, Libya, Tunisia, Algeria and of course in Iran, the proxy civil war in Syria not withstanding - and the highly competitive nature of relations between the Russian Federation and the Washington-London axis, one recons the importance of the 'game'. This analysis, based on the neo-realist school of thought in geopolitics, aspires to shed light on the geopolitical game being played astride the media coverage of the Syrian civil war and Eastern Mediterranean gas deposit potential. The increasingly tense relationship between Israel and Turkey has in recent years become one of Washington's most delicate and unwelcome foreign policy challenges.

It is thus possible that the US will try to ensure that the energy rivalry does not spark a crisis between the two countries, and that the Greek Cyprus conflict does not become interlinked with it as this would make both even more difficult to resolve. Speaking of an Israeli-Turkish gas pipeline, broadly discussed in recent months, Israel's recent experience with Egypt, where half of its natural gas supply was permanently severed following the collapse of the Mubarak regime, suggests that Tel Aviv will view with apprehension any scheme to anchor its critical infrastructure in countries beyond its borders, such as Turkey. For Israel, it would make more sense that ultimately the gas will be liquefied on Israeli territory and exported directly via sea to the consuming market.

Ankara is trying to persuade Tel Aviv to build an export pipeline from the Leviathan field to its Minor Asia coast, provided that Israel ended energy cooperation with Greek Cyprus. Turkey has even suspended some of its projects with Eni, the Italian oil and natural gas giant, including the 550-kilometer long Samsun-Ceyhan crude oil pipeline project, because of Eni's plans to explore offshore of Greek Cyprus claiming that they are in violation of international law. Given that Eni is working with Russian firm Gazprom to build the South Stream pipeline scheduled to carry Russian gas through Turkey to Central Europe, Eni's suspension targets equally Moscow.

However, the biggest threat to the realization of an Israel-Turkey gas pipeline, except to Ankara's seeking to rehabilitate its bygone Ottoman glory, are the following: Tel Aviv would be exposed to Turkish blackmail. The pipeline itself would suffer vulnerability to Ankara orchestrated sabotage, and above all. Moscow would be utterly displeased since Israeli gas possesses a competitive pressure on Russia's supply to Turkish and European markets. Russia sees itself threatened by the rise of a resurgent Ottoman Sunni empire to its south and is seeking to make Ankara's ambitions down to size. As David Wumster quotes, "it would be a risky endeavor to be on the wrong side of Russia and Iran on the issue of a facility in Turkey which cannot be effectively protected from terror".

Further on, Israel's experience with Egypt and the Palestinians suggest that anchoring the Hebrew state's gas export system to Turkey is out of question. All evidence shows that Turkey, under the guidance of Tayyip Erdogan and AKP and despite people outcry, has abandoned 'Kemalism' as founding ideology and the principles of the secular state. Without doubt, it remains an utterly intolerant state that has univocally embraced 'New-Ottoman' ideology in order to pursue a pro-Arab and against Israel policy in the Middle East. And not with a minor reason. As the French intervention in Mali highlighted, the rising tide of Islamist sentiments in North Africa and the Saharan regions threaten the stability of North African states.

Centrifugal tendencies have arisen from the breakdown of central authorities in many Arab states and have reinforced the importance of tribe, sect, and families. At the same time, the devastation left in the aftermath of the collapse of the reigning pan-Arab nationalist ideology, has driven many to seek the authenticity of Islam. Even without the overlay of ideology, the breakdown of the central state leans tribes and other local leaders to seek new arrangements with the residual central authority or neighboring tribes or leaders. The presence of an oil or gas pipeline or installation within reach of the tribe –with a choice of either sabotage or protection offered- lends tremendous negotiating leverage.

It is in this middle- eastern context that Ankara is trying imposing its 'New-Ottoman' ideology using the common Muslim faith as a tool to achieve hegemony. Unfortunately for the Republic of Greek Cyprus, after Mohamed Morsi was elected president of Egypt, Nicosia strategic challenges have grown as Egypt's upper house approved a draft law (March 2013) canceling the agreement on maritime borders between the two countries and calling for the creation of new borders surrounding the economic zone in the presence of Turkey as a third party. The proposed law claimed that the agreement signed by Greek Cyprus and Israel in 2012 invalidated the Egyptian-Cypriot deal of 2013, since Egypt had the right to be present at the signing.

In fact, Turkey has been leaning on both Lebanon and Egypt to reject the EEZ agreements signed with Greek Cyprus. This trend seems to have been reversed after a military coup in Cairo ousted President Morsi (August 2013) following massive demonstrations against Islamist policies. Furthermore, in a meeting the Greek and Egyptian foreign ministers (September 2013), agreed to discuss the two countries respective EEZ with the inclusion of Greek Cyprus, which may end likely in the Greek EEZ reaching as far as the joint borders of those of Greek Cyprus-Egypt. In short, anchoring more than a sixth of Europe's entire gas supply to an area being torn by collapsing states and tempted by Islamic ideology could represent a unique window of opportunity for Israel to nail down long-term agreements and align export policy with a broader effort to reset Israeli-European relations.

TAP and interconnector Greece-Bulgaria sign MoU on technical cooperation

Natural Gas Europe, *06.01.2014*

The Trans Adriatic Pipeline AG (TAP) and Interconnector Greece-Bulgaria (ICGB) signed a Memorandum of Understanding and Cooperation (MOUC) to establish technical cooperation in order to further develop strategic infrastructure in the region.

ICGB is a joint company between Bulgarian Energy Holding EAD and IGI Poseidon and is in charge of the development, financing and construction the Interconnector Greece-Bulgaria. The MOUC will allow for cooperation between the two companies who will work together on realising a possible interconnection point in the vicinity of Komotini, Greece.

OPEC oil production to go on reduction

Today.Az, *08.01.2014*

OPEC crude oil production will continue to decline by 0.5 million barrels per day (mbd) in 2014, as some OPEC countries, led by Saudi Arabia, reduce production to accommodate the non-OPEC supply growth in 2014, the U.S. Energy Information Administration's (EIA) Short-Term Energy Outlook said.

EIA predicts OPEC oil production at 29.49 mbd in 2014 compared to 29.96 mbd in 2013. In 2015 EIA expects OPEC oil production to slightly increase to 29.51 mbd. Overall OPEC production in 2015 is forecast to remain close to its 2014 level.

Some key member countries continue to reduce their output to accommodate assumed recovery from production outages in Libya and growing production from other OPEC member countries, notably Iraq and Angola, EIA said in its report. Unplanned crude oil supply disruptions among OPEC producers averaged 1.8 mbd in 2013, nearly double the amount from the previous year, the report said. OPEC disruptions increased in the second half of 2013, reaching 2.5 mbd by the end of the year due to increased outages in Libya. At the beginning of January 2014, EIA estimates that OPEC outages are still at elevated levels, contributing to considerable uncertainty over the forecast period.

Nabucco: From Verdi Opera to Soap Opera

Natural Gas Europe, *09.01.2014*

South Stream: The Evolution of a Pipeline in Budapest, Hungary was an event about the prospects for building the South Stream natural gas pipeline, but Hungarian State Secretary for Energy Affairs, Pál Kovács, recalled a melody waning in the background: Nabucco.

In June 2013, he recalled, the Shah Deniz consortium chose Trans Adriatic Pipeline over the Nabucco West pipeline for numerous reasons. Of Nabucco, Minister Kovacs commented: "First of all, the international company didn't do everything it could have toward the success of this ground breaking project.

Let us just consider that 10 years was not enough for them to put together a realistic and competitive concept:In that time they just tired everyone out, collected top fees and salaries, but in 10 years we saw things clearly. "Children grow up in 10 years, so it's too long a time for making a project successful." He noted that TAP had achieved its objective in 1 year, and recalled the "SEEP" project, which would have relied upon existing infrastructure, adding bits and pieces when necessary from the Bulgarian-Turkish border to the Austrian hub.

"Calculations indicated that compared to the costs for Nabucco, a 10-15% cheaper offer could have been made, had the will been there and had they not insisted on constructing new pipelines everywhere," he stated. While EU support was apparent in the beginning, he said that the Commission had become very reserved in the last 2 years. Why? "Have you considered how it is possible that in the case of a project that serves diversification and security of supply in Europe, then the consortium made agreements with nine companies which didn't have any significant presence in this region. We are very sorry that something that started as a Verdi opera ended up as a soap opera."

He said it remained to be see what the next steps would be. The SEEP project showed how efficient it could be to create a virtual corridor to get existing resources to the locations of use. "These corridors require the clear identification of existing parts of the corridor and the identification of the places where they need to be supplemented." The EU, he said, had recently accepted a strategy for projects to be supported, which included five Hungarian gas projects. The role of Greece was also set to increase, and Turkey had won itself a position as a transit power. He added: "Hungary, because of its existing pipelines and geographical position, is a very important hub because we play a part in transiting existing resources."

Then, Minister Kovács recalled the countries that were left in the lurch by the Nabucco loss. "The Visegrad 4 has similar positions in this respect: we have east-west supply routes, there's a lot of fossil fuel used and these are very fragmented and small markets." In a Visegrad 4 ministers meeting, he said, one of the key issues was security of supply. "We established the regional gas forum as well; the first meeting was held in October, with gas exchanges participating."

According to him, the vision for the Visegrad 4 region was the so-called “Gas Target Model” and its adaptation for the Central European markets. Minister Kovács explained: “We have to find ways to come up with uniform systems and procedures. We’d like to see “one-stop shop” arrangements, for example, someone wanting to purchase gas from the Caspian sea and transferring it to domestic markets, just like buying a single train ticket when you want to travel somewhere. “Our key priority now is to clarify Europe’s priorities, both internally and in terms of its external relations. The last 1,000 years of our histories have caused major divides in Europe and the resolution of this fragmentation cannot be expected from the market. It is only as Europe that we can strike good deals with Azeri, Russian or Chinese partners – it is our concept to let projects compete freely with each other,” he said.

Consortium completes Iasi-Ungheni Pipeline

Natural Gas Europe, *08.01.2014*

The consortium constructing the Iasi-Ungheni gas pipeline between Romania and Moldavia is completing building activities as scheduled. As reported by Romania’s National Agency for Mineral Resources in a note released Wednesday, ‘the consortium has concluded the main work in Romania.’

EU Commissioner for Energy Oettinger hailed the pipeline as a major project. Construction works commenced August 2013. ‘The Commission has already approved a €7 million grant in the framework of the EU European Neighbourhood Policy Instrument (ENPI) Cross-border Cooperation (CBC) Programme Romania-Ukraine-Moldova 2007-2013.

The Romanian Government has also committed to assist Moldova with €9 million. Total construction costs amount to €28 million,’ reads a note released after the launch of the works. The National Agency for Mineral Resources added that the consortium would soon proceed with checks and security tests.

Romania: fight against shale gas continues

Natural Gas Europe, *04.01.2014*

A public debate over plans to build a shale gas exploration bore took place in Puieşti recently. This is the second village in Vaslui County where Chevron wishes to explore. 250 people participated in the debate, which is necessary for obtaining an environmental permit in the area.

A representative from Romania's National Agency for Environment Protection, Ciprian Soava, explained that only exploration works will be done "and for this we are here today to talk about this project…. This is not a political move, only technical debate." Locals and environmental activists alike showed their disagreement by shouting slogans.

Despite the assurances given by environmental representatives that the National Environment Guard will monitor activities at the bore, the debate ended after two hours without reaching a conclusion. Puieşti village council unanimously decided that on February 9th 2014 a referendum would take place regarding shale gas exploration by Chevron. In response to local opposition, Puieşti Mayor Costel Moraru said: "From the point of view of the local council I have their entire support and the majority agrees to forbid shale gas exploration and exploitation in Puieşti area. We are talking about water, environment, land, plants and pregnant women. There are problems. From my point of view I do not agree with the exploration or exploitation." Moraru has asked for better debate regarding the effects that exploitation might have on the environment and is not content with what has happened thus far.

George Epurescu of Romania without Them explains the importance of a referendum in Puieşti: "The referendum would mean legal coverage in order to finally forbid hydraulic fracking and shale gas exploitation. It will be a battle with the Prefecture in order to have the referendum and the situation will be tense. Romanian peasants know when they are lied to and for them there is no way back." "We have decided to commence a hunger strike to show disapproval of Chevron's activities. We are determined to continue until the company closes exploration activity in the area. Furthermore, we protest against the measure of the Police to restrict traffic on the Vaslui-Garceni county road, in Pungesti and Silistea villages", said Alexandru Lupe. After a few days the number of protesters decreased to 13, but all are determined to continue their protest.

They have erected a new resistance camp after the authorities demolished the first one. Constantin Paslaru, leader of the Resistance Movement in Pungesti, explained the wishes of the protesters: "We want the riot police to withdraw, to lift the security area and any activity of Chevron in this area to be stopped as long as there is no court decision regarding the land. We want to observe the referendum and the request of the citizens who have twice the necessary number of signatures in order to have a referendum to remove the Mayor." Protesters soon were exhausted due to their age (between fifty and sixty) and weather conditions. The strike will be continued only by a small group of people, activists and a few villagers that can endure the rough weather conditions.

The hunger strike will be resumed after the holiday is over, said the Pungesti Resistance Movement in a press release issued on Friday. Remus Cernea, independent Deputy, said in a press release: “For the health and life of those people on the hunger strike, the responsibility falls on the government who treated them abusively, ignoring the democratic procedures for information and dialog with the local communities mentioned in the law in cases of industrial exploitation with significant effect on the environment.” Epurescu said: “The desperation forced people to an extreme form of protest, the hunger strike. The law and constitution were suspended and the riot police defend governmental crimes and thievery. A community condemned by the authorities but who wants to endure the hardest conditions.

Their message is clear; they will not give in without a fight and are not afraid of anything.” To show support for the people of Pungesti, Alexandru Popescu began a hunger strike in Bucharest in University square. He has been in Bucharest since December 21st protesting against shale gas exploration and exploitation and against the abuses of the riot police. The organization Green Romania has published the Declaration from Bucharest who requests in the last 3 points: “To forbid cyanide based mining in Romania and to include Rosia Montana on the UNESCO patrimony.

To cancel the leases and permits for shale gas exploration and exploitation.” Simona Niculescu, human rights activist and expert in European law is continuing legal proceedings to cancel the ‘special security zone’ in Pungesti, so far without success. An unexpected effect of the security zone was that Christmas and New Year traditions were restricted. “The children could not have celebrations at the end of the year in Silistea. Winter traditions, important in Moldova, were forbidden. Each person is trying to keep them and to pass them to their children and these were forbidden because are considered public gatherings.

Sound Oil continues exploration in Northern Italy

Natural Gas Europe, *08.01.2014*

Sound Oil continues betting on Nervesa discovery in Northern Italy. The UK-based company has agreed a rig deal for the second appraisal well after ‘last year’s appraisal success.’

“This second appraisal well is a relatively shallow well with a minimal deviation, addressing the southern area of the discovery and targeting a bottom hole location up-dip from the original ENI well,” said chief executive James Parsons. Sound Oil signed a letter of intent with Hydro Drilling International, setting the cost of the well at approximately €5 million.

The company said it intends to drill a third well at Nervesa or alternatively one elsewhere within the Carita permit. Last July, it announced a gas discovery at Nervesa in Po Valley.

Petromanas announces discovery onshore Albania

Natural Gas Europe, *09.01.2014*

Canada-based Petromanas announced a discovery on Blocks 2-3 onshore Albania. The company is the operator with a 25% working interest. Shell holds the remaining 75% interest.

"We remain pleased with the initial performance of this well and are eager to begin moving ahead with the design of an appraisal program while drilling of the Molisht-1 well continues," Glenn McNamara, CEO of Petromanas, commented in a note released on Thursday. Petromanas must notify the government within 60 days whether it considers the discovery to be worthy of appraisal as a potential commercial discovery.

Statoil scraps KGEP pipeline in Norwegian Sea on costs

Natural Gas Europe, *09.01.2014*

Statoil, Petoro and GdFS decided to terminate the Kristin gas export project (KGEP) in the Norwegian Sea, in light of unsustainable economics due to increased investments costs and increased risk to volume availability.

"It is a necessary decision that has been taken by the KGEP partners. With the deteriorating project economics, we did not see grounds to continue the KGEP development," Polarled development project director Hakon Ivarjord said in a note released on Thursday. The $324 million KGEP project is a 30-kilometre pipeline connecting the Kristin field to Polarled.

According to Norway's Statoil, KGEP represented less than 5% of the Polarled volumes and the termination does not influence the Polarled project execution. The partners clarified that they would reassess the decision in the future, as 'necessary connection points continue to be part of the project.' Statoil holds a 53.4% working interest, Petoro 35.6% and GdFS 11%.

Ukraine, Russia formalize cheaper gas deal

Reuters, *09.01.2014*

Ukraine's state energy firm Naftogas and Russia's Gazprom have signed a formal amendment to a gas contract cutting the price of Russian gas by a third for the first quarter of 2014, Interfax news agency said on Thursday.

In December, Russia agreed to slash the price of gas for Ukraine to $268.50 per 1,000 cubic metres after Kiev walked away from a free trade pact with the European Union. According to the agreement, the new price level must be confirmed every quarter, an arrangement that creates financial leverage for Moscow to prevent Kiev from seeking to revive ties with the EU.

Ukraine had been paying around $400 per tcm to import an estimated 26-27 billion cubic metre from Russia, its main supplier, in 2013. In 2014, Ukraine plans to import 30 to 33 bcm of gas mostly from Russia. The former Soviet republic had also imported gas from EU members Hungary and Poland - most of which was supplied to them by Russia - but Ukraine suspended imports in January due to its high price.

Kazakhstan discusses scenarios for safe start up of Kashagan oil production

Trend.Az, *08.01.2014*

North Caspian project operator - North Caspian PSA Consortium has begun early consideration of technological scenarios for a safe start up, the consortium said today.

"The scenarios would highly depend on the results of data interpretation as well as many other factors. However, in Operator's view, the dates that have recently been circulated in the media are mere speculations and do not reflect plans and intentions of the Consortium," according to the report. As stated in the previous communication, the immediate cause for the leaks, being sulfide stress cracking, has been established.

Currently there is an ongoing investigation to establish the cause for the sulfide stress cracking in progress. In response to some views expressed in mass media, Operator states that under no circumstances gas hydrates formation could cause sulfide stress cracking. The hydrates formation occurs when natural gas components combine with water to solidify at temperatures higher than the freezing point of water and may cause partial or complete plugging of gas transportation lines. Sulfide stress cracking cannot be connected to or may be caused by hydrates formation, according to the report. Moreover, Operator also states that to date Kashagan production facilities have not experienced hydrate formation.

Verification of each instance of suspicion of a leak / defect by means of excavations and removal, if necessary, of sections of pipeline is in progress, according to the report. Previous media reports of number of the defects are pure speculations. The inspection by the so called Intelligent PIG (Pipeline Inspection Gauge) is in progress and goes according to the plan. This process has been completed for the sour gas line; the raw data are under review and interpretation. As stated earlier, the results of data interpretation are expected to be available in early 2014. These results will be a part of a report, which will be submitted to ROK authorities as appropriate, according to the report.

Preparations to implement the inspection of the oil line are currently in process, according to the report. Laboratory analysis and simulations of the operational environment with samples from the pipeline have reached a conclusion that the specifications for the pipeline material were appropriate for the conditions of Kashagan field. The specifications fully meet requirements of the NACE standards (National Association of Corrosion Engineers), respective ISO standards, and best practices in international oil and gas field development. As was previously communicated, the sour gas line was designed to withstand the expected H_2S content and the presence of water, according to the report.

Following the start of production from the Kashagan field on 11 September 2013, the operations had to be stopped on 24 September, due to a gas leak in the onshore section of the gas pipeline running from D Island to the onshore processing facility “Bolashak”. The Department of Emergency Situations and the relevant authorities were immediately informed in accordance with the regulations. The access to the line was secured and the respective joint replaced. Production was resumed, but had to be stopped again on October 9th after a detection of a gas leak. Following repair of the affected joint, pressure tests were performed in a fully controlled environment revealing some other potential gas leaks. A thorough investigation was launched at that time.

ONGC plans to invest $9 billion to boost KG basin output

Natural Gas Asia, *05.01.2014*

India's Oil and Natural Gas Corp (ONGC) plans an investment of $9 billion to boost oil and gas output in Krishna Godavari basin off the eastern coast of the country by 2017-18, reports Press Trust of India.

ONGC has made 11 oil and gas discoveries in the Block KG-DWN-98/2, which sits next to Reliance Industries' KG-D6 Block and Gujarat State Petroleum Corp's Deendayal gas field. The block is divided into a Northern Discovery Area (NDA) and Southern Discovery Area (SDA). ONGC plans to invest $9 billion in producing from discoveries in NDA, says Press Trust.

"We are looking at producing 2.5-3 million tons of oil (per annum) and 9-10 million standard cubic meters per day of gas from the Northern Development Area of Block KG-DWN-98/2," ONGC director (Exploration) N K Verma told Press Trust in New Delhi.NDA holds an estimated 92.30 million tons of oil reserves and 97.568 billion cubic meters of inplace gas reserves spread over seven fields.

Indonesia to start 13 oil, gas projects in 2014

Natural Gas Asia, *05.01.2014*

Indonesia is expected to witness a total of 13 oil and gas projects beginning production in 2014, according to country's oil and gas regulator SKK Migas. In a statement published on its website, the regular said that combined production capacity of the 13 projects was 954 million metric standard cubic feet per day,121 barrels of oil per day.

Some of the projects are Sisi Nubi 2B, Mahakam Block with Total E&P Indonesie and Senoro gas development with JOB Pertamina-Medco Tomori Sulawesi as the operator which is planned to commence its production at 8 mmscfd and 250 barrels of oil per day in the third quarter, the regulator said.

India to offer 56 oil and gas blocks in next licensing round

Natural Gas Asia, *06.01.2014*

India is mulling offering at least 56 oil and gas exploration blocks in the new licensing round, based on new gas-pricing and revenue-sharing rules, news agency Reuters quotes oil secretary Vivek Rae as saying. "Gas pricing is the single most important decision that will encourage and invite more companies to invest in India," said Rae, reports Reuters.

Early last year, India hiked price of all domestically produced natural gas to $8.4/mmBtu from $4.2/mmBtu. Higher prices would come into effect from April 1.In the previous rounds foreign firms showed lukewarm response because of a lack of transparency, regulatory hurdles and bureaucratic delays.

According to Rae, bids would be invited in February. The ministry has already circulated a draft note in the cabinet for comments from the planning commission and finance and law ministries among other agencies, says Reuters. The next round is likely to see contractors sharing revenue with the government, unlike current regime under which companies recover their costs and then share profits with the government. Analysts are sceptical about the success of India's next auction of oil and gas blocks, says Reuters.

India reiterates idea of Asian LNG buyers group

Natural Gas Asia, *04.01.2014*

Asian LNG buyers should come together to demand fair price for LNG imported from outside Asia, Indian Prime Minister Manmohan Singh said during a function to dedicate to the nation Petronet's LNG terminal at Kochi.

The five-million-tonne capacity LNG terminal has been operational since last four months. India should contribute towards an effort to form a buyers group, as Asia has been the driver of global LNG demand in recent times, Business Line newspaper quoted Singh as saying. In September last year, India and Japan signed a joint statement to study LNG pricing in the Asia Pacific region.

Pakistan may pay $17/mmbtu for Qatari LNG

Natural Gas Asia, *06.01.2014*

Pakistan is likely to pay up to $17/Mmbtu for the LNG it plans to import from Qatar, country's Minister for Petroleum and Natural Resources Shahid Khaqan Abbasi said Monday, reports local newspaper The Nation.

The minister said that impact of higher prices would be passed on to all categories of consumers except domestic. However, he pointed negotiation with Qatar are on and no final decision on price has been taken yet. He also said that the government would work on getting LNG from Qatar at a cheaper rate. Qatar has agreed to supply Pakistan 400 million cubic feet gas per day (mmcfd) LNG by October 2014.

On the issue of Iran-Pakistan (IP) gas pipeline, Abbasi reiterated that the government is committed to the project and it would not let such a situation arise that Iran could impose penalty on Pakistan in case of failure to start work on IP project, the newspaper reports. The work on project has not progressed due to sanctions imposed by European Union and United States.

Pakistan to import LNG from Yemen

Natural Gas Asia, *08.01.2014*

Pakistan is likely to enter an agreement to buy LNG from Yemen. According to Pakistani daily The Nation, the deal is expected to be signed during a proposed visit of Yemeni Minister for Oil and Minerals to Pakistan this month.

The decision to import LNG from Yemen was made during the 7th Session of the Pakistan-Yemen Joint Ministerial Commission held in Islamabad from January 7-8, 2014, said The Nation. Pakistan is facing severe energy shortage and is looking to augment supplies of natural gas from all sources. In November, Pakistan agreed to import 400 million cubic feet gas per day (mmcfd) LNG from Qatar by October 2014.

Discussions are also on with India for supply of LNG through a 110-km pipeline. India wants sovereign payment guarantees from Pakistan before it signs a gas export contract. GAIL India is slated to supply gas at 5 million standard cubic metres per day to Pakistan through the proposed pipeline.

Petronet expects to receive Gorgon LNG by 2015-2016

Natural Gas Asia, *09.01.2014*

India's Petronet LNG expects to receive first supplies from Gorgon, Australia to its Kochi terminal by 2015-16, reports Business Standard. In 2009, Petronet signed a deal to buy approximately 1.5 mtpa of ExxonMobil's share of LNG from the Gorgon LNG Project over a 20-year term.

"We were given an update by the Exxon Mobil team (on the Gorgon project). We are about 65 per cent through. Tentative timeline is that around November-December 2014, they may be in a position to start the operations there. We can expect 2015-16 for first supplies to come to Kochi from Gorgon," said AK Balyan.

The company inaugurated the Kochi terminal in August and this month it was dedicated to the nation by India's Prime Minister Manmohan Singh.

CNOOC planning another LNG terminal in Fujian province

Natural Gas Asia, *09.01.2014*

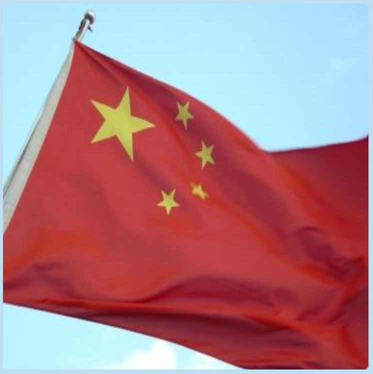
China National Offshore Oil Corp (CNOOC) is planning another LNG receiving terminal in the southeastern province of Fujian, a company official told news agency Reuters. As per Reuters, the project will have an annual capacity of 3 million tons in its first phase and will be based in Zhangzhou city. The cost is expected to be 6.7 billion yuan.

"The project has finished the preliminary work and is now waiting for the final approval from Beijing to start construction," the news agency quoted the official as saying. The company operates six receiving terminals along the east coast.

In November, CNOOC announced that its newest Tianjin floating LNG terminal received its first cargo. Country's first FLNG project officially started trial with arrival of 59,000 mt LNG cargo, CNOOC said.

China's 2013 shale gas output stood at 200 mcm, CBM at 3 bcm

Natural Gas Asia, *08.01.2014*



China's shale gas output in 2013 stood at 200 million cubic meters, while coal bed methane production was 3 billion cubic meters, country's Ministry of Land and Resources (MLR) said in a statement Wednesday.

Country's total natural gas output was 120.9 billion cubic meters. Conventional natural gas production stood at 117.7 billion cubic meters, the ministry said. In a separate statement released Tuesday, National Energy Administration (NEA) said that country is pumping more than 2 million cubic meters a day of shale gas. Sinopec plans to produce 3.2 billion cubic meters from Fuling block in 2015, NEA said.

Mexican energy reform aims to increase oil, gas production

E&P, *07.01.2014*

The country's widespread reform act will include more transparency and better data. Every industry has its list of developments or changes that are always close to being undertaken, but somehow never seem to come to fruition.

In the energy industry, these include the development of Alaska's North Slope, the conversion of America's service trucks from gasoline to electric or natural gas, and, of course, the Mexican government ending the state-owned oil monopoly. The North Slope is still some ways off of development and the conversion of light- and heavy-duty trucks to compressed natural gas or LNG is in its infancy.

But 2013 was the year that the Mexico actually did end Pemex's stranglehold on the domestic oil industry. Pemex will continue to be a large player in the country's energy industry, but the doors will now be open for other public and private investors through service contracts, profit-sharing contracts, production-sharing contracts, and licenses in the E&P, refining, petrochemical, and midstream sectors. The most impressive aspect of Mexico's energy reforms was the speed with which they occurred. Indeed, as late as this fall there was still widespread skepticism that President Enrique Pena Nieto's government would not be able to follow through with its goal.

Although Mexico has one of the largest reserves of crude oil, the country has experienced a decline in production for the past eight years, and it is hoped that the large foreign E&P companies can help turn around this decline. “We have put money into the oil fields, but have come up short with production. This decline has been offset by price increases, but remains a huge concern,” Enrique Ochoa Reza, undersecretary of hydrocarbons, Mexican Ministry of Energy, said at a recent program hosted by the Atlantic Council in Washington, D.C. “Gas production is not much better. In the last 15 years, we have gone from a situation where domestic production matched demand, to a situation where we are now importing a third of our gas supplies, largely from the US, to meet demand despite having a large reserve base,” he continued.

Additionally, the country is also importing approximately 50% of its gasoline despite a strong refining capacity and 65% of its petrochemicals. “These numbers don’t seem to tell the story of a strong hydrocarbons-producing country. So we needed reform.” Pemex will have 90 days after President Nieto has signed the reform legislation into law to present to the Ministry of Energy areas in which it wishes to continue working. The Ministry of Energy and the Hydrocarbons National Commission will then have 180 days to review these plans and decide in which areas Pemex will continue working and which areas will be open for new investors. “Pemex will maintain exploration entitlement in those areas where it has made some commercial discoveries or exploration investments, and we will allow them a period between three and five years to do so,” Reza said.

The company will also retain entitlements in fields in which they are currently producing oil and gas. The Hydrocarbons National Commission will provide technical assistance to the Ministry of Energy to determine what blocks will be open for investment. Mexico will own the natural resources under the subsoil but will allow ownership of volumes extracted from the subsoil to be owned by the private sector. The Ministry of Finance will design the fiscal terms of these contracts, and the National Hydrocarbons Commission will select and oversee the implementation of the winning bids.The funds from these bids will be overseen by the Mexican Petroleum Fund, a committee overseen by the Minister of Finance that will also include the Minister of Energy and the Central Bank governor along with four independent members nominated by the president.

This fund will pay the contractors with income above 4.7% of total GDP going into a savings fund operated by the Central Bank to support the bank as well as the country’s universal pension fund, scholarships, connective enhancement projects and regional industry development. “The idea of this fund is that the money that comes through the Mexican oil and gas reform goes mostly to long-term projects,” Reza said. The bidding itself is designed to improve transparency with the bidding rounds being public and contracts including transparency clauses along with full disclosure of all payments associated with these contracts. This directive will also extend to the operation of the Mexican Petroleum Fund with payments being public with external audits to supervise cost recovery

The Mexican Congress will also have the authority to establish special anti-corruption legislation. Perhaps nothing truly exemplifies the country’s goal of openness and transparency better than its directive to make Pemex’s closely guarded geological data available to the public through its bidding process when areas the company has operated in are selected for auction. Not only will this provide more accurate information on the country’s reserves, but it will also help increase interest and investments. “We are also giving the Hydrocarbons Commission responsibility to contract the private sector and universities to perform seismic studies for blocks that only have two-dimensional studies.

Union says it warned Petrobras about refinery months before fire

Reuters, *06.01.2014*

Workers at a Petrobras refinery near Rio de Janeiro warned the state-owned oil company in October that a key unit, now shut after a Saturday fire, was “dangerously” above capacity, union officials told Reuters.

Since August, Petrobras has been using the coking unit at its REDUC Refinery in suburban Rio to process about 6,000 cubic meters (37,740 barrels) a day of thick, vacuum-unit residue - 20 percent more than its design capacity of 5,000 cubic meters a day, the union said. “Petrobras is operating at the limits, and we've warned them repeatedly that there was an imminent danger of an accident,” said Simao Zanardi.

“This has been a very bad end of the year for our members at REDUC and other Petrobras refineries.” Petrobras officials did not respond to telephone and e-mail requests for comment on the union's safety and operations criticisms on Sunday or Monday, nor on how output at REDUC has been affected by a fire on Saturday, the latest in a string of accidents at REDUC and other refineries. The REDUC refinery’s coking unit processes the residue into diesel, gasoline and cooking gas. Other refining units at REDUC also produce those products, the union said. According to documents sent to government ministries and labor-law prosecutors, dated Oct. 2, the strain on capacity put the 242,000-barrel-a-day refinery in “grave and imminent risk ... of an industrial disaster.”

The union provided copies of the documents to Reuters on Monday. The strain, according to union officials, is the result of Petrobras running its 13 Brazilian refineries at 95 percent of capacity or more. The company is pushing its refineries to the limit, they argue, because Petrobras can’t keep up with domestic fuel demand, forcing it to import. The urgency has been heightened by government pricing policies that force Petrobras to sell imported fuel at a loss. Those policies have resulted in more than 30 billion reais ($12.7 billion) of refining-and-supply-unit losses at Petrobras in the last two years. U.S. refineries operate at about 87 percent capacity according to the U.S. Energy Information Administration.

The union also blames a lack of appropriate maintenance for the Saturday blaze, which forced the processing unit that caught fire to be shut down. The incident follows a November fire that put Petrobras’ 200,000-barrel-a-day REPAR Refinery near Curitiba, Brazil out of service for nearly a month and forced the company to hire a fleet of tankers to import emergency fuel supplies from as far away as India. On Nov 24, a worker was injured at REDUC’s lubricants unit when a compressor blew apart and another compressor exploded seven days later, but with no injuries, Zanardi said. The refinery also suffered a fire in its lab in December, he added.

In December, Brazil’s petroleum regulator ANP confirmed a 151,500-real fine on Petrobras for operating its 365,000-barrel-a-day REPLAN Refinery in Sao Paulo state at above its licensed capacity. The Saturday fire knocked out six pumps leading REDUC’s coking unit, said Zanardi, who toured the damaged unit on Sunday. As the unit is near the end of the refining train, its outage does not halt all output at the plant, but its loss has caused the refinery to lose “a significant amount” of diesel output, Zanardi said. Zanardi said “an army of workers” is working around the clock to fix the pumps and that Petrobras hopes to have the coking unit running again within a week.

Announcements & Reports

► *Medium Term Coal Market Report 2013*

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► *Natural Gas Monthly – Dec. 2013*

Source : Energy Information Agency
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Weblink : http://onlinelibrary.wiley.com/doi/10.1111/opec.2013.37.issue-4/issuetoc

► *OPEC Bulletin – Nov. & Dec. 2013*

Source : Organization of the Petroleum Exporting Countries
Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/OB122013.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