PETFORM OIL & GAS BULLETIN
05.12.2008

GAS

Deadline fast approaching for BOTAS divestiture

Date : 05.12.2008
Source : Today's Zaman (Ismail Altunsoy)
http://www.todayszaman.com/tz-web/detaylar.do?load=detay&link=160683

The state-owned Turkish Pipeline Corporation (BOTAS), which controls 90 percent of the gas import market, has until the end of the year to comply with a law that requires it to divest another 10 percent of the market.

BOTAS has expressed its intention of relinquishing its near-monopolistic control of the market but has been widely criticized for not taking steps accordingly. According to the Natural Gas Market Law, which came into force in 2001, BOTAS is obliged to reduce its market share in the sector by 20 percent by the beginning of 2009. The law was brought in with the intent of safeguarding deliveries to the natural gas market through a diversification of suppliers.

With the law, the government aimed to avoid a total collapse of supply should BOTAS have problems and fall into trouble. However, BOTAS has been unwilling to comply with the law, only opening up 10 percent of its market share in the past seven years, which means BOTAS has just 25 days left to unlock the other 10 percent of the market to private companies.

Another reason for handing 20 percent of the market to the private sector is because Turkey's natural gas agreements with Russia and Algeria will expire within the next six years. It is thought that there will be a shortfall in the provision of natural gas and the government is looking to the private sector to increase and diversify supply. The government is aiming to encourage private companies to import natural gas; however, the Energy Ministry is reluctant to fully privatize BOTAS.

Today natural gas has become widespread in Turkey, with many provinces using natural gas as an important source of heat and for electricity generation. According to future supply and demand scenarios, Turkey is likely to face difficulty in meeting domestic demand for gas by 2011. A gas deal with Russia, guaranteeing 6 bcm of gas transferred from Russia to Turkey, ends in 2011, while another agreement with Algeria for the delivery of 4 bcm of gas is due to expire in 2014.

GAS

Government plans tax cuts on industrial natural gas prices

Date : 29.11.2008
Source : Hürriyet Daily News
http://arama.hurriyet.com.tr/arsivnews.aspx?id=10470554

Turkish government is planning to reduce the tax rates on the natural gas prices for industries by 15 percent, Referans reported on Saturday. The report said the final decision would be made during the talks with the International Monetary Fund.

The government had increased the natural gas prices for industries by 75 percent during 2008. Turkey imposes two different types of taxes on energy prices. Special Consumption Tax (SCT) is implemented as a stable rate, while the Value Added Tax (VAT) is calculated on the price including the SCT.

The government could either decide to cut the SCT by 15 percent eventually causing a fall in VAT collection or could directly reduce the VAT rate. According to the International Energy Agency data, Turkey has one of the highest tax rates on energy consumption with 19 percent, while this rate is 3.1 percent in France and 4.3 percent in Switzerland.

GAS

Güler: Natural gas prices will decrease in January

Date : 04.12.2008
Source : Today's Zaman
http://www.todayszaman.com/tz-web/detaylar.do?load=detay&link=160576

Speaking at the National Energy Productivity meeting in Ankara, Energy and Natural Resources Minister Hilmi Güler said the government expects to lower natural gas prices since oil prices in global markets have declined.

Regarding criticism that the government will not make any change in natural gas prices until March 2009, Güler stressed such claims were not true. "*We will decrease natural gas prices in January,*" he noted. Russian natural gas dealer Gazprom announced on Nov. 12 that it would decrease the price of natural gas supplied to Turkey in 2009 as oil prices had fallen.

OIL

Toreador expects to close Turkish asset sale by yearend

Date : 03.12.2008
Source : Rigzone
http://www.rigzone.com/news/article.asp?a_id=70253

In late November and early December Toreador met with the Turkish Petroleum Authority and the Minister of Energy to discuss the status of the Turkish government approvals required for the sale of its 26.75% interest in its South Akcakoca Sub-Basin (SASB) to Petrol Ofisi.

Toreador, based on prior discussions with these authorities, believed that the requisite approvals would be obtained and that the closing of the sale would take place in late November. During the course of the latest discussions, Toreador learned that the approvals are still in process and should be forthcoming prior to the end of the year. Consequently, Toreador management currently believes that the sale transaction should close around year-end.

Following mediation in London, Toreador and its partners in the SASB have arrived at a full settlement of all claims related to an incident which occurred during the Phase I development of the SASB in October, 2005. The settlement's net proceeds to Toreador of $4.3 million have been added to cash.

OIL

Second Iraq oil licensing round to offer 14 Fields

Date : 01.12.2008
Source : Rigzone (Dow Jones Newswires)
http://www.rigzone.com/news/article.asp?a_id=70146

Iraq will offer 14 oilfields in a second licensing round expected to be announced by the end of this year or in early 2009. Abdullah al-Amir, Oil Advisor to PM Nouri al-Maliki, didn't name which fields nor provide details on what sort of terms might be on offer to foreign companies.

"The second licensing round will offer 14 oilfields," al-Amir told an Iraq petroleum conference here. Iraq is in the process of offering six oilfields and two natural gas fields to foreign companies in the country's first ever oil-licensing round.

The country hopes the licensing round will lead to signed contracts by June 2009, though there are barriers that could delay or even derail the round. These include provincial elections at the end of January in most of the country’s 18 provinces and countless details about the terms of the service-based deals on offer the Iraq oil ministry needs to clarify with foreign companies.

The government hopes the first licensing round will increase the country’s oil pumping capacity by 1.5 million barrels a day to a total of around 4.0–4.1 million barrels a day by 2012 from around 2.5 million barrels a day currently

OIL

EPDK fines fuel distribution companies YTL 28.2 million

Date : 29.11.2008
Source : Today’s Zaman (Ismail Altunsoy)
http://www.todayszaman.com/tz-web/detaylar.do?load=detay&link=160134

The Energy Market Regulatory Agency (EPDK) levied fines totaling YTL 28.2 million on fuel distribution companies on Friday because they failed to fulfill the national stock requirement, with each of 47 companies required to pay YTL 600,000.

The companies will have the option to pay the fines in installments. If they opt to clear their debts, they will receive a 25 percent discount. According to the Petroleum Market Law, distribution companies and refineries must keep enough oil products in their stocks for 20 days of consumption.

The law also requires companies to pay the state every month for the operation of the National Oil Stock Commission, which is assigned to keep track of the companies' stocks. The law holds the Undersecretary of the Ministry of Energy and Natural Resources responsible for the coordination of national stocks.

The International Energy Agency, of which Turkey is also a member, requires its members to have enough oil in their stocks to suffice for at least 90 days in times of force majeure situations that halt the energy flow abroad. The European Union suggests the same amount. If the companies resist paying the fines, fail to pay on time or insist on not keeping the necessary stocks in their depots or warehouses, the EPDK may cancel their licenses.

OIL

Syria discusses E&P deal with Cyprus

Date : 04.12.2008
Source : Today's Zaman
http://www.todayszaman.com/tz-web/detaylar.do?load=detay&link=160614

Syria promised to cooperate with Cyprus in offshore oil and gas exploration. *"The area is promising,"* Syria's Oil Minister, Sufian Al-Alao, said after talks with Cypriot officials. "*We hope to find good reserves in the Mediterranean.*"

Cypriot Commerce Minister Antonis Paschalides said the island nation will soon sign an agreement with Syria to mark the undersea oil exploration boundaries. Cyprus has signed similar deals with Lebanon and Egypt. Turkey objects to Cyprus' offshore oil search. It argues it has rights in the area and says the island's breakaway Turkish Cypriots should also have a say.

GAS

Italian pipeline developers undeterred by credit crunch

Date : 01.12.2008
Source : Oil & Gas Journal (Uchenna Izundu)
http://www.ogj.com/display_article/346665/120/ARTCL/none/GenIn/1/Italian-pipeline-developers-undeterred-by-credit-crunch/

The Galsi and Interconnector-Greece-Italy (IGI) pipeline partners do not expect the credit crisis to negatively impact their plans, as they have very strong balance sheets, according to a senior company official.

However Elio Ruggeri, project leader at the department of hydrocarbons at Edison SpA, told that securing gas supplies from Shah Deniz for the IGI line was difficult due to limited available volumes and intense competition from different markets. *"Russia and Turkey will also have a share of this gas,"* he said. No contracts have been signed to fill the IGI pipeline.

Edison is a partner in both projects, which are expected to enhance Italy's gas supply security. Gas demand in Italy should grow to 96–104 bcma in 2015 from 85 bcma in 2007, according to Ruggeri. Gas imports are expected to increase to 26 bcma by 2015, up from 18, and the incremental need for import capacity is expected to rise to 41 bcma by 2015, up from 32. Ruggeri said Italy could become a gas transit country for France and Germany provided the pipeline system becomes integrated in Europe.

Currently, the Italian gas market is tight. But demand destruction in natural gas has already begun, warned Davide Cornaggia, supply and sales director at mid-size operator Gas Plus Italiana SpA. *"Customers are consuming less, and gas use for power generation has decreased in the last 2 months by a substantial amount. I understand that this has also happened elsewhere."*

The Galsi partners (Sonatrach, Enel SpA, Sfirs and Hera SpA) plan to make a final investment decision next year. The front end engineering design (FEED) work is to be finished by yearend 2008. Sonatrach is leading the proposed 840–km Galsi pipeline, which will have a capacity of 8 bcma and in 2,800 m of water will be one of the world's deepest offshore pipeline ever laid. It will deliver Algerian gas via Sardinia into Italy starting in 2012. The definition of the transportation contracts between Galsi and its shippers are being drawn up.

This pipeline would connect Sardinia for the first time to Italy's national grid and improve its environmental footprint. According to a memorandum of understanding signed in September by Galsi and Snam Rete Gas (SRG), Galsi will be responsible for the FEED and securing permits with SRG's help during the development phase. Galsi will build, own, and operate the international section while SRG will concentrate on the national section.

The IGI line is an 800-km pipeline that would deliver 9 bcma of gas from the Caspian to Italy and western Europe via Turkey and Greece in 2012. However, to meet this deadline, gas supply agreements and gas transit agreements must be finalized within the next year to make the final investment decisions in 2009.

Edison will take 6.4 bcma, and its Greek partner Depa will have 1.6 bcm of capacity in IGI, which has been exempted from third party access under EU rules. Ruggeri said 1 bcma of gas has been set aside for third parties and there has been 17 nonbinding expressions of interest (EOI) from Italian and other companies under the open season held in June.

"We don't know how much capacity had been applied for as we didn't ask for this figure under the EOI," Ruggeri said. *"There were two lots of 100 million cu m each that were offered, and I suspect that people would have bid for the entire capacity."* During the next phase, the IGI consortium will ask interested shippers to submit binding offers to reserve transportation capacity, which will be followed by an allocation stage.

❖ Perspectives on Caspian Oil and Gas Development

Source : International Energy Agency
Weblink : http://www.iea.org/Textbase/Papers/2008/Caspian_perspectives.pdf