



GAS

**Elektromed in talks with Gazprom over Ankara's gas network**

Date : 11.03.2009

Source : Today's Zaman

<http://www.todayszaman.com/tz-web/detaylar.do?load=detay&link=169269>

Elektromed, the second-highest bidder in the privatization tender for Ankara's natural gas network, Baskent Dogalgaz Dagitim, announced that it was conducting talks with Gazprom since it may undertake running Ankara's natural gas grid.

The winning bidder, the Global-Energaz consortium, seems to have failed to fulfill its responsibilities within the allotted time. Elektromed lost the tender after submitting a bid of \$1.55 billion on March 14, 2008, while Global-Energaz offered \$1.61 billion for one of the most valuable assets offered in the country's privatization program.

The gas network, which is still run by the Ankara Metropolitan Municipality, has assets valued at \$570 million and serves 1.1 million customers. It was widely seen as an attractive business opportunity as Ankara's annual natural gas consumption is over 3 bcm and is rising steadily. According to some estimates, Ankara's demand for natural gas will double over the next decade.

The operator of Ankara's gas grid will not only be responsible for distributing natural gas but can also determine where to import gas stocks from. The grid is being privatized as part of an International Monetary Fund (IMF)-backed privatization program that Turkey adopted after an economic crisis in 2001.

In a written note released yesterday, Elektromed said it had been working since Feb. 6 on fulfilling the requirements specified in the bid specifications. The initial stage of this work, the statement read, was conducting talks with potential partners. As part of these talks, Elektromed officials met with Gazprom Export Director-General and Gazprom Management Committee Deputy Chairman Alexander Ivanovich Medvedev in Moscow on March 5.

The company's officials presented information on the technical and financial details of the tender and exchanged views with Medvedev on a number of relevant issues, particularly regarding the natural gas business, the statement underlined. *"We are expecting that Gazprom, which has long been interested in natural gas distribution tenders in Turkey, will decide what to do after it assesses its own strategic targets,"* it said.

The Ankara Metropolitan Municipality had attempted to cash in the Global Energaz consortium's \$50 million deposit after the winning bidder failed to submit a surety bond on time. However, this move was blocked by the Commercial Court of First Instance in Istanbul, leaving the tender process in limbo.

GAS



EU foresees less funds for Nabucco

Date : 11.03.2009

Source : Hürriyet Daily News (EurActiv)

<http://arama.hurriyet.com.tr/arsivnews.aspx?id=11180718>

A European Commission plan to spend 5 billion euros on clean energy projects and a broadband internet-capable infrastructure has been redrafted. According to the new version, a number of countries will obtain more funding, at the expense of the Nabucco pipeline project.

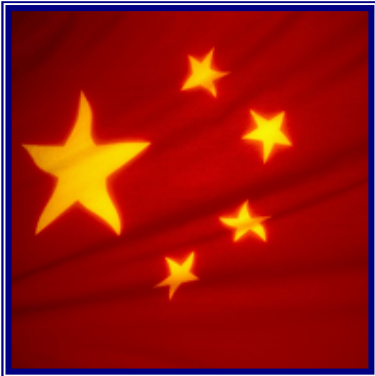
250 million euros had been earmarked for Nabucco in the initial proposal. That amount was not meant to fund the construction of the gas pipeline itself, but represented a risk-sharing facility to help secure loans from banks at better conditions than those offered on the market.

The sum allocated to Nabucco has now been downsized to 200 million euros, while several countries will receive more support than initially planned. Bulgaria and Greece will get 40 million euros instead of 20 million for the Haskovo-Komotini gas connection, while an expansion of gas storage capacity in the Czech Republic will get 35 million euros instead of 25 million.

According to the new draft, infrastructure to allow reverse gas flows in the event of disruptions in 12 EU countries will receive 75 million euros instead of 20. France will be given more money to reinforce its network as part of an Africa-Spain-France axis, and a France-Belgium connection will receive 200 million euros instead of the 100 million as initially planned.

The EU funding of Nabucco was previously put into question by German Chancellor Angela Merkel who strongly opposed subsidizing Nabucco with European public funds, and stressed that the problem was not financing, but finding the gas.

China 'stocking up' on world oil



Date : 10.03.2009

Source : Oil & Gas Journal (Eric Watkins)

http://www.ogj.com/display_article/355788/120/ARTCL/none/GenIn/1/China-'stocking-up'-on-world-oil,-analysts-say/

China is taking advantage of the worldwide recession to stock up on foreign oil, last month offering \$43 billion in loans to foreign oil companies in Brazil, Venezuela, and Russia to secure future oil supplies.

The flurry of deals comes despite the global recession and a worldwide decline in oil demand, according to a report by Radio Free Asia, which said that China views those conditions as 'an opportunity' rather than a reason to cut back on its investment plans. Philip Andrews-Speed, an energy expert at Scotland's University of Dundee, said China is still not putting its trust in the market, but that its latest overseas deals suggest a new approach.

"The balance between the government and the companies has changed, so the government now is in the lead, providing these loans in return for oil," Andrews-Speed said. "It's the same set of objectives but with a different set of cards in the hand." Andrews-Speed sees China's new strategy as more beneficial for oil development because the state-owned oil companies of Russia, Brazil, and Venezuela all face funding problems in a declining market.

"These are state companies that don't have enough money to develop new reserves as fast as they want to. Thus the Chinese loans will allow them to move ahead faster and produce additional oil earlier than we would have expected," he said.

Experts told RFA that China's oil loans are a sign of both opportunism and confidence that its economy will recover from the worldwide recession soon. In January, China's oil imports fell 8% to their lowest level in 14 months, the General Administration of Customs reported. But the government appears to be investing for the longer term.

"Putting aside the current economic crisis, we're looking for China's oil imports to double in only a very few years," said Andrews-Speed. "So, if you don't trust the market, you'll be doing more of these deals, and now is a very good time to be doing these deals." Robert Ebel, senior adviser to the energy and national security program at the Washington-based Center for Strategic and International Studies, agreed that the government is betting it will need more imported oil to fuel the economic recovery. "They want to lock in some long-term deliveries because they know they're going to need it" said Ebel.



Putin: Moscow will not push Kiev into abyss

Date : 12.03.2009

Source : Upstream Online

<http://www.upstreamonline.com/live/article173857.ece>

Russian Prime Minister Vladimir Putin today claimed Ukraine was on the verge of bankruptcy but vowed Moscow would not push its ex-Soviet neighbour over the edge with high gas bills, according to reports.

The global crisis has battered Ukraine's economy, with industrial output down more than 30% year-on-year, gross domestic product seen shrinking 6% this year and its currency losing 50% of its value against the dollar at one point last year.

"They (Ukraine) are on the verge of bankruptcy and as you well know you should not finish off your partners," Putin said, state news agency RIA Novosti reported. *"Ukraine is not taking the contracted volumes (of gas) and should pay fines. We will forgive these fines because we recognize the reality - they have nothing to pay with,"* he said.



Russia and Hungary plan South Stream JV

Date : 10.03.2009

Source : Rigzone (AFX News Limited)

http://www.rigzone.com/news/article.asp?a_id=73806

Russia and Hungary plan to create a joint venture to work on the Hungarian section of the South Stream natural gas pipeline, Russian Prime Minister Vladimir Putin said. *"An agreement between Gazprom and the Hungarian Development Bank is ready for signing,"* he told reporters.

"Hungary is not interested in there being one gas pipeline or one oil pipeline," Hungarian Prime Minister Ferenc Gyurcsany said. *"Hungary is interested in having as many pipelines as possible."* Putin said Gazprom and Hungarian oil and gas firm MOL also planned to build an underground gas storage facility in Hungary. Gyurcsany said the new facility would allow Hungary to increase its gas storage to the point where it could supply half of its annual demand. Existing storage facilities had softened the blow to Hungary from the dispute between Russia and Ukraine this year, he said.

OIL



TOTAL sees oil price rising to \$60 next year

Date : 11.03.2009

Source : Rigzone (AFX News Limited)

http://www.rigzone.com/news/article.asp?a_id=73861

TOTAL expects oil prices to average at \$40-\$45 a barrel this year and rise to an average \$60 next year, Jean-Jacques Mosconi, Vice President of Strategy and Planning said. The company expected oil prices would rise further to \$80 in 2011, he told.

TOTAL's price estimate for this year is slightly lower than analysts' forecasts. In the latest poll in February, analysts' consensus on oil prices was an average around \$55 for this year. International oil prices averaged around \$95 a barrel last year and they peaked above \$147 that summer. But the recession in much of the world has slashed oil demand, pushing prices down by more than \$100 since then. Oil prices have been around \$45 this week.

OIL



BP reports 121% reserves replacement ratio in 2008

Date : 10.03.2009

Source : Oil & Gas Journal (Uchenna Izundu)

http://www.ogj.com/display_article/355716/120/ARTCL/none/GenIn/1/BP-reports-121-reserves-replacement-ratio-in-2008/

BP achieved a reserves replacement ratio of 121% in 2008, excluding acquisitions and divestments, with yearend reserves of 18.2 billion bbl and a resource base of 43.4 billion bbl.

This was driven by an increase of 1.7 billion bbl of new oil and gas to its reserves base. Its short-term oil and gas production growth previously had been forecast at 3%, but, due to the economic downturn and low crude prices, it was revised to 1–2%/year to 2012 from existing projects. The company is confident it can maintain an average annual production growth rate of 1–2% to 2020 without any further discoveries. Its forecast for hydrocarbons production in 2012 is 150,000–300,000 boe/d lower than last year's targets in the strategy update.

Analysts, however, are concerned about BP's long-term production outlook, which they think is weaker than its competitors. Chief executive Tony Hayward conceded during a strategy presentation that 2009 would be a 'tough year', but added that BP

had the strong financial and operational momentum to address it. *"We are delivering upstream growth and making good progress turning around our downstream business. The future has not been cancelled. Our view is that the right current balance is both to continue paying the dividend and to maintain investment to grow the firm—and to use the capacity of our balance sheet while the industry cost structure adjusts."*

Hayward said that cost discipline was a major issue, and that costs had remained flat in 2008 as oil prices soared. BP expects to save \$2 billion in costs this year from deflation and job reductions. As the global recession tightens its grip and the financial crisis continues, operators have re-evaluated their projects and asked contractors to submit new bids because the demand for raw commodities and materials has dropped.

The company expects to spend \$20–21 billion this year, which is broadly in line with 2008 expenditures, because it expects to see an improvement in the economic situation. However, BP will cut spending in refining and marketing by \$700 million and in alternative energy by \$400 million.

Investment in exploration and production will be maintained at \$15–16 billion this year. Exploration success in 2008 included Tin Zaouatene–1 in Algeria, which flowed 9.5 MMscfd on a 32/64-in. choke, the Kinnoull oil discovery in the UK, and the HP-HT Satis discovery in the Nile Delta.

Technology such as gas injection and waterflood technologies, advanced seismic imaging, and subsea well intervention will be critical in increasing production and reserves. In drilling performance, it reduced its E&P days per 10,000 ft by 15% in 2008 compared with the year before. Hayward said the downstream business had boosted its underlying profitability by \$2 billion in 2008, although this strong progress had been masked by the biggest decline in US refining margins in more than 20 years relative to the rest of the world.

However, BP will no longer continue with exploration on Sakhalin–4 off the far eastern coast of Russia after finding dry holes, a company spokesman told. *"The license came up for renewal last November and we said 'no.'"* The company had formed a joint venture with Rosneft in 2003, Elvary Neftegaz, to explore the West Schmidt block. Sakhalin–5 contains 3 blocks, of which BP holds Kaigansky and Vasukansky. *"We have made two discoveries there and are evaluating opportunities,"* he said.

The initial public offering of up to 20% of TNK-BP could happen in late 2010 or 2011, Hayward said, but this would depend on normality returning to financial markets. BP and its joint Russian shareholder, AAR, agreed to launch an initial public offering as one of the conditions of its truce following public arguments over TNK-BP's direction and staff.

❖ **Board Resolution on Free Consumers in Natural Gas Market**

Source : EMRA

Weblink : <http://www.epdk.org.tr/mevzuat/kurul/dogalgaz/2002/2002.doc>

❖ **OPEC Bulletin (Feb 2009)**

Source : OPEC

Weblink : <http://www.opec.org/library/OPEC%20Bulletin/2009/pdf/OB022009.pdf>

❖ **OPEC Monthly Oil Market Report (Mar 2009)**

Source : OPEC

Weblink : <http://www.opec.org/home/Monthly%20Oil%20Market%20Reports/2009/pdf/MR032009.pdf>