

Iraqi Kurds launch 'historic' oil export via Turkey

Date : 02.06.2009

Source: Hürriyet Daily News

<http://arama.hurriyet.com.tr/arsivnews.aspx?id=11772741>

The Kurdish Administration in Northern Iraq and Turkish energy firm Genel Enerji took a historic step by launching oil exports from Taq Taq and Tawke fields in Northern Iraq to Turkey.

Nechirvan Barzani, Prime Minister of the Regional Kurdish Administration in Northern Iraq, said the launch of oil exports from Northern Iraq marked a 'dramatic departure' from Iraq's recent past. "Economic cooperation within Iraq and across its borders will lay the foundation for a brighter collective future," Barzani said. "Turkey is our economic partner. We are in a new era of friendship and cooperation, on the right path," Ashti Hawrami, Minister of Natural Resources in the Kurdish Administration said.

Genel Enerji, part of Turkey's Cukurova Group, is exporting oil from the Taq Taq oil field through the town of Kurmala on to Kirkuk-Ceyhan pipeline. The exporting activity will take place under the scope of Taq Taq Operating Company (TTOPCO) established as a joint operating company with Canadian-Swiss Addax Petroleum.

Together, the two firms have invested more than \$350 million in the exploration and development of oil in northern Iraq. From Tawke, oil exports will also be sent to Turkey through a tie-in pipeline connected to the Kirkuk-Ceyhan line some 50 kilometers from Tawke. Tawke oilfield, where Genel Enerji has a 25 percent stake, is operated by Norwegian petroleum firm DNO.

Exports from Taq Taq will stand at 40,000 barrels per day and from Tawke at 60,000 barrels per day, and bring a total revenue stream of \$5 million per day on the basis of per-barrel price of \$50. Within a year, oil exports from the two fields are expected to reach 250,000 barrels per day.

Although crude oil in the two fields has been ready for export for nearly two years, disagreement between the central government of Iraq and the Kurdish Administration delayed the actual beginning of exports. The disagreement focused mainly on the Kurdish administration's rights to decide on its oil exports independently of the central government.

Hawrami said Article 115 of the Constitution had empowered the Kurdish administration of northern Iraq to manage all new oil fields. “The exploration and production of oil and gas that has led to today’s export is within the terms of the Constitution,” he said.

Even with today’s low oil prices, the dispute caused delays for oil exports from Iraq costing over \$10 billion, Hawrami added. “This must not be repeated. What is needed is a rapid recovery plan based on market-driven policies, and decentralization. Iraq needs to boost exports to at least 5 million barrels per day by the time our region’s production target reaches 1 million barrels per day,” Hawrami said.

At today’s oil prices, the new operations will generate \$2 billion in revenue within a year, Hawrami noted. “This will increase to \$5 billion next year and to a staggering \$20 billion in just four years from now. We are a successful example for the rest of Iraq. Today, we show that market-driven policies can aid the country’s recovery.”

Iraq is currently producing only 1.8m barrels per day, far below potential and not enough to meet its reconstruction needs. With the exports from TaqTaq and Tawke oilfields Iraq’s monthly oil exports will increase by 100,000 barrels per day. Within a year, oil exports from the two fields alone will increase to 250,000 barrels per day. By the end of the next year, Iraq’s oil exports will increase to 450,000 barrels a day, and is likely to reach 1 million barrels a day within four years. As other fields in northern Iraq are discovered and developed, the target is to produce 450,000 barrels by 2011, reaching 1m by the end of 2012.



Turkey made to pay Iran \$704 million for unused natural gas

Date : 30.05.2009

Source: Today’s Zaman (Ismail Altunsoy)

<http://www.todayszaman.com/tz-web/detaylar.do?load=detay&link=176725>

Turkey has paid Iran some \$704 million for natural gas it failed to buy from the country in 2008, Today’s Zaman has learned from sources close to the Ministry of Energy and Natural Resources.

Having increased the price of natural gas by 73 percent in the first part of 2008, the Turkish government proceeded to increase prices by another 23 percent in November, a move seen as the straw that broke the camel’s back.

Following the hefty price hikes, the state-owned Turkish Pipeline Corporation (BOTAS) saw a noticeable decline in natural gas revenue as consumers, both household and industrial, cut natural gas expenses and switched to alternative energy sources such as coal. The steep decline in natural gas consumption led to a decline in Turkey's gas imports.

Turkey meets a considerable deal of its natural gas needs from Iran. As sought in the natural gas purchase contract between the two countries in July 2003, BOTAS has to buy at least 6.8 bcm of gas from Iran annually, meaning Turkey has to pay Iran a specified amount of money whether or not it buys the natural gas.

However, in 2008 Turkey bought 2.6 bcm less of natural gas than the contract stipulates. The National Iranian Oil Company (NIOC) had originally asked BOTAS to pay for the gas Turkey failed to buy in 2008, some \$848 million, by March 2009. BOTAS won a case at the International Chamber of Commerce (ICC) Commission on Arbitration which ruled that Iran must pay \$750 million in compensation to Turkey for turning down Turkey's demand to cut prices as sought in the natural gas purchase contract between the two countries in July 2003.

The commission's verdict, released on Feb. 17, said Turkey was within its rights to ask Iran for a price revision. Turkey asked Iran to reduce gas prices on grounds that Iran had failed to abide by the contract when it sent less natural gas than agreed upon, interrupted gas flow frequently and sent lower quality gas than what was sought in the agreement. Meanwhile, Iranian authorities recently said the case was not yet finalized and that the court's final verdict has yet to come, a claim the Energy Ministry has rejected.

After assessing new natural gas prices in the global market, Turkey paid Iran some \$704 million. An Energy Ministry official, who asked to remain anonymous, told Today's Zaman that Turkey might have to pay Iran another \$1 billion without buying any gas this year unless prices go down and gas consumption rises.

Natural gas prices in Turkey are defined each month in line with developments in global markets and oil prices. The Supreme Planning Board (YPK) implemented an automatic pricing system that went into effect in July 2008 to adjust prices in accordance with inflation and changes in oil prices, the stock exchange and interest rates. The decision to implement automatic price adjustment, made in June 2008, resulted in large increases in natural gas prices for household and industrial use.



US Noble Energy to search for oil and gas off Cyprus

Date : 01.06.2009

Source: Today's Zaman (AP)

<http://www.todayszaman.com/tz-web/detaylar.do?load=detay&link=176909>

Greek Cyprus has authorized US firm Noble Energy to start searching for oil and gas deposits off the island's southern coast by the end of the year, a top energy official has said, in a move that could stoke tensions with Turkey.

Energy Service chief Solon Kassinis said on Friday the government granted a license to the Houston, Texas-based company last year to explore one of 11 blocks inside the island's exclusive economic zone. He did not explain the delay in the announcement. The block is close to a large undersea gas deposit that Noble located off Israel, which according to the company's website is estimated at 5 trillion cubic feet. Kassinis said the discovery raises optimism about the potential of gas being found inside Cyprus' zone, which covers 51,000 square kilometers (17,000 square miles) of seabed.

Greek Cyprus launched an initial licensing round in 2007. Kassinis said a second licensing round will be launched, but no specific date has been set. Cyprus' oil and gas exploration bid has raised tensions with neighboring Turkey, which says it also has legal rights and interests in the area.

"Turkey has some fundamental rights and interests acknowledged by the United Nations in [those] marine areas. Turkey will naturally protect its rights," Foreign Ministry spokesman Burak Ozügergin said in a statement on Friday.

Under international law, the sea boundaries between the countries and the limits of the continental shelf of each country need to be delineated via a consensus among all coastal and neighboring countries when the issue is a semi-closed sea like the eastern Mediterranean. Since 2003, Greek Cyprus has sought to sign agreements with other coastal states to delineate the island's continental shelf in the Mediterranean, angering Turkey.

Greek Cypriot government spokesman Stefanos Stefanou said the island adheres to international law and would defend its rights "calmly, but with much determination and vigor," claiming "it's others who are violating the law." Greek Cypriot officials last year accused Turkish navy ships of interfering with an offshore oil and gas survey off Cyprus' south coast. Ankara also insists that Turkish Cypriots, who run their own state in the north of the island, should have a say in the island's oil and gas rights.



SOCAR Vice President urges unity of Western energy firms

Date : 03.06.2009

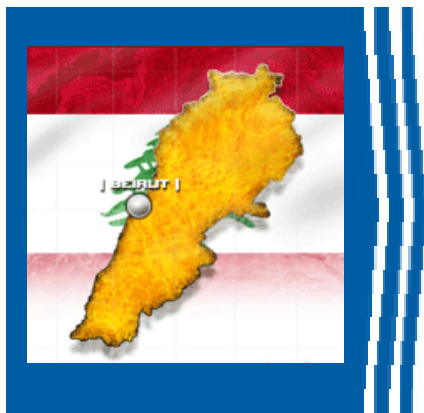
Source: Hürriyet Daily News (Bloomberg)

<http://arama.hurriyet.com.tr/arsivnews.aspx?id=11781360>

Issuing a warning to Western energy companies, Elhad Nassirov, Vice President of SOCAR, says European firms should set aside rivalries and unite if they wish to prevent Gazprom from buying up excess gas volumes from western Caspian.

Three European pipeline projects vying for Caspian Sea gas should first agree on transit via Turkey to give Azerbaijan an alternative offer to the Russian gas exporter's, Elshad Nassirov said Tuesday in Baku. Gazprom is seeking all the fuel produced in the second phase of Azerbaijan's Shah Deniz development in an effort to remove the supply base for one of the projects, OMV's Nabucco link.

"The three projects should join us and Turkey in uniting efforts to make a transparent, reliable transit regime, which could be competitive to the Russian proposals," Nassirov said. Nabucco would link Turkey to Austria via the Balkans. The Trans-Adriatic-Pipeline, backed by Swiss power company Elektrizitaets-Gesellschaft Laufenburg and Norway's StatoilHydro, would run from Greece to Italy via Albania, while Italian power company Edison and state-owned Greek gas company Depa plan an alternative subsea link connecting the two countries.



Lebanon to start receiving gas from Egypt

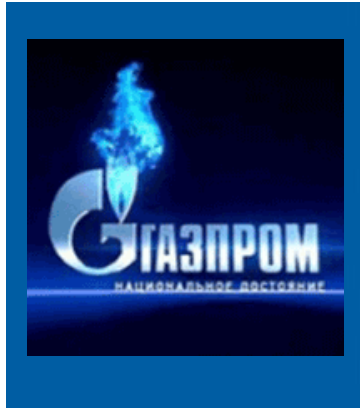
Date : 01.06.2009

Source: Hürriyet Daily News (Bloomberg)

<http://arama.hurriyet.com.tr/arsivnews.aspx?id=11764818>

Lebanon will become the first country to receive gas from the Arab Gas Pipeline when 30 million cubic feet a day of the fuel flow through it starting in August, Egyptian Oil Minister Sameh Fahmy said.

The pipeline, which originates in Egypt and runs to Jordan, Lebanon and Syria, will reach Turkey by December 2010, Fahmy told reporters in Cairo Saturday. "Expanding the pipeline to go to Iraq from Syria is a possibility," Fahmy said.



Gazprom escalates Turkmen gas price dispute

Date : 02.06.2009

Source: Financial Times (Isabel Gorst)

<http://www.ft.com/cms/s/0/81e86c80-4f0b-11de-8c10-00144feabdc0.html>

Gazprom has told Turkmenistan to reduce its gas export price after saying it did not need central Asian gas. The statement marks an escalation in a dispute that has prompted Turkmenistan to intensify its efforts to find other export routes.

Gazprom offered last year to pay central Asian gas suppliers high prices to outbid rival buyers in China and Europe. But Valery Golubev, deputy chairman of Gazprom, has now said it would be unprofitable to sell highly priced Turkmen gas in Europe and Ukraine where energy demand has fallen as the economic recession has taken hold. "Today there is nowhere to sell your gas at your price. Either review the price or the volume," he said.

Relations between Gazprom and Turkmenistan soured in April after an explosion on a pipeline – carrying central Asian gas to Russia. Turkmenistan accused Gazprom of triggering the blast by reducing its intake of gas without warning and threatened to sue the group for damages. Gazprom has cut gas production by more than 20 per cent this year as demand slumped in Europe and Ukraine. It is determined that central Asian producers should share the pain of lost revenues.

Tachberdy Tagiev, the deputy prime minister of Turkmenistan, is in Beijing this week to discuss possible Chinese financing for developing the huge South Iolotan gas field that could feed a new pipeline to China. Gazprom has urged Turkmenistan to dedicate South Iolotan gas to a planned pipeline running across Kazakhstan to Russia.

The European Union, meanwhile, has offered to finance construction of a gas export pipeline from Turkmenistan across the Caspian Sea in exchange for access to South Iolotan. Turkmenistan invited RWE, the German energy company, last month to develop gas reserves in the Caspian Sea and seek new ways to deliver gas to Europe.



Russia – Ukraine ‘summer gas crisis’ looming

Date : 04.06.2009

Source: EurActiv (Reuters)

<http://www.euractiv.com/en/energy/russia-ukraine-summer-gas-crisis-looming/article-182841>

Russia said that it may cut gas supplies to Ukraine if the country does not pay for gas to be pumped into underground storage. Analysts said they interpreted this new crisis as pressure to speed up work on the Nord Stream pipeline project.

“Gazprom will only supply the gas which has been prepaid. Without the gas pumped into storage, Ukraine will simply not survive and will be forced to take gas destined for transit,” Russian Prime Minister Vladimir Putin told a news conference in Helsinki. “This may lead to a stoppage of gas transit to Europe in the end of June or start of July,” Putin said.

Russia rejected a Ukrainian proposal to defer payment on up to \$5 billion in gas storage fees. Moscow has urged the European Union to help Kiev pay the bills, but the EU’s response has been cool.

Buy-back no longer profitable

Under the terms of the supply deal clinched in January, Ukraine is to complete payment for monthly imports by the seventh day of the following month. No disruption in the payment timetable has so far been recorded, and Ukrainian state energy firm Naftogaz said on Monday it would pay for May’s imports in full and on time. Earlier, the chief of Russian gas giant Gazprom voiced concern about Ukraine’s ability to pay.

Gazprom needs to store gas in Ukraine because the capacity of the transit system does not allow it to serve Europe’s needs in full during a cold winter without additional gas use from Ukraine’s underground storage. Gas needs to be pumped into storage during the summer when demand in Europe is low, but Gazprom says it cannot simply store it in Ukraine because it is afraid Kiev will misappropriate it.

Gazprom has therefore been selling it to Kiev in recent years and buying it back in winter - a scheme which works well when gas prices are on the rise but which would trigger heavy losses at Naftogaz this year because gas prices are set to fall.

Pressure on Finland

Putin also said he saw no reason why Finland should not authorise the alternative Nord Stream Baltic Sea gas pipeline which will go through Finland's territorial waters and pump 55 billion cubic metres of Russian gas annually to Europe. "The project does not undermine Finland's interests at all," Putin said. Finnish Prime Minister Matti Vanhanen said three permissions were still needed, with the government's decision expected in September-October.

Permits to build and operate the pipeline are needed from Russia, Finland, Sweden, Denmark and Germany, whose territory it would traverse. Estonia, Latvia, Lithuania and Poland are considered 'affected countries' and must be kept informed. Putin responded by saying that Russia and Finland will discuss a rise in export duties for Russian timber - a sensitive issue in Finland whose wood processing industry depends on Russian timber - also in September.

"I would like to remind that at Finland's request a planned hike in export duties for raw timber had been frozen [...] We hope it will be a two-way street," Putin said. Russia says it hikes the duties to develop its own wood processing industry. The dispute over the timber duties, set to rise to a prohibitive level next year, is one of the few remaining issues in Russia's 15-year bid to join the World Trade Organisation, which, Putin said, remains Russia's goal.



Iran and China ink deal on Phase 11 for South Pars gas project

Date : 03.06.2009

Source: Rigzone (BBC Monitoring)

http://www.rigzone.com/news/article.asp?a_id=76828

According to the correspondent of Mehr News Agency, aiming to produce 50 million cubic meters of natural gas per day, Iran and China signed the \$5 billion deal on the development of South Pars Phase 11.

Following the French company TOTAL's nine-year delay to implement the development project, this contract was signed by the managing director of the National Iranian Oil Company Seyfollah Jashnsaz, and the managing director of China's oil company CNPC



France discusses TransMed pipeline extension

Date : 01.06.2009

Source: Oil & Gas Journal (Uchenna Izundu)

<http://www.ogj.com/index/article-display/363788/s-articles/s-oil-gas-journal/s-transportation/s-france-discusses-transmed-pipeline-extension.html>

France expressed interest in receiving gas from the Galsi pipeline, which will import 8 bcm/year of Algerian gas to Italy. Chakib Khelil, Algeria's Energy Minister, said France wants to add a branch to the proposed 850-km line.

He told reporters construction of the pipeline would begin next year. "All of the studies concerning the pipeline have been completed, and the two partners in the project, Algeria and Italy, have decided to begin investment in 2010," he said. Khelil met with Italian Economic Development Minister Claudio Scajola over the weekend. With Europe keen to lessen its dependence on Russian imports, Scajola described Transmed as a 'strategic project for the energy security of Europe'.

Galsi is an 840-km pipeline and in 2,800 m of water will be one of the deepest offshore pipeline ever laid. It will deliver Algerian gas into Italy starting in 2013, a year later than originally scheduled due to technical difficulties. The final investment decision will be made June 30, 2010.

"We will try to accelerate things on the Galsi project," Khelil said. Sonatrach is leading the project along with Snam Rete Gas SPA, Edison SPA, Enel SPA, and the Hera Group. The ministers agreed to increase capacity of the TransMed pipeline by 7 bcm by the end of this year. Its current capacity is 27 bcm/year of gas. It delivers gas from Algeria via Tunisia to Sicily.

Once the Galsi and upgrades to the TransMed pipeline are completed, Algeria's export capacity to Italy will rise to nearly 40 bcm/year. But some industry experts have expressed concerns whether Algeria can boost production to fill these pipelines as Algeria's recent gas finds have been relatively small, and there was little interest from foreign energy majors to develop Algeria's fields under the last licensing round. Algerian officials attributed the lack of interest in its energy sector to the global economic slowdown.



IEA warns oil gains not in line with market

Date : 05.06.2009

Source: Upstream Online

<http://www.upstreamonline.com/live/article180218.ece>

International Energy Agency (IEA) Executive Director Nobuo Tanaka said oil price gains do not match market fundamentals. “We haven’t seen much of a recovery in demand, so expectation of economic recovery is very high but fundamentals haven’t improved so much,” Tanaka told Reuters in an interview.

“If the economy is not recovering but the price is going up, it makes for a very bad, negative implication”, he added.



❖ EMRA Annual Report – 2008

Source : Energy Market Regulatory Authority

Weblink : http://www.epdk.org.tr/yayin_rapor/yillik/2008/2008.pdf

❖ EMRA LPG Market Report (Jan – Mar 2009)

Source : Energy Market Regulatory Authority

Weblink : http://www.epdk.org.tr/yayin_rapor/lpg/2009ocak_mart/2009ocak_mart.doc

❖ Board Resolution on Petroleum Market Price Implementations

Source : Energy Market Regulatory Authority

Weblink : <http://www.epdk.org.tr/mevzuat/kurul/petrol/2111/2111.html>