

## Turkey and Azerbaijan reach deal over gas transfer to Europe

Today's Zaman (Ercan Yavuz), 28.04.2010



Ankara and Baku have agreed on terms for the transit of gas through Turkey to Europe, Energy Minister Taner Yildiz told reporters in Ankara on Tuesday.

Yildiz said the state-owned Turkish Pipeline Corporation (BOTAS) reached an agreement with the State Oil Company of the Azerbaijan Republic (SOCAR) regarding the terms of the transit of natural gas to other countries through Turkey. He said a protocol would be signed between Turkey and Azerbaijan next month, an occasion which Azerbaijani President Ilham Aliyev will attend.

The minister said he and Revnag Abdullayev, an Azerbaijani deputy who is also the head of SOCAR, recently brought the issue to Prime Minister Recep Tayyip Erdogan's attention, requesting he reach a compromise on it. Yildiz said the government was eventually able to alleviate Azerbaijani concerns. Yildiz asserted that both sides had taken some steps to reach a compromise, emphasizing that these steps should not be viewed as concessions.

The Azerbaijani president had earlier claimed that Azerbaijan has been unable to export its natural gas to Europe for the past two years because transit issues between Azerbaijan and Turkey are still unresolved, signaling that they did not want to wrangle with Turkey over the issue any longer. Azerbaijan previously said it might explore alternative routes for the gas from its Shah Deniz gas field when the development of the second stage of the gas field starts unless a compromise is reached over the transit terms offered by Turkey, which Azerbaijan found to be 'unacceptable'.

The minister said the two sides agreed on some major terms. "Both sides have agreed they will contribute to the liberalization of the gas market following the beginning of the transfer and that transit terms will be defined in line with global price standards. Azerbaijan have also promised they will keep providing the necessary amount of gas for the project, a critical step to the benefit of Turkey as a globally important energy route," he explained.

Yildiz told reporters that the prolonged negotiations between the brother countries also resulted in an agreement on the price Turkey will pay for natural gas from Azerbaijan. He said they reached an agreement on the price and amount of natural gas Turkey will purchase from Azerbaijan as part of the Shah Deniz project. Commenting on Azerbaijani claims that Turkey was receiving 'cheap' gas from its near neighbor, Yildiz said the government is ready to compensate for any losses to the Azerbaijani side.



Prime Minister Recep Tayyip Erdogan's involvement led Turkish and Azerbaijani delegations to meet in Ankara on Monday, and they reached an agreement in principle, according to Yildiz. "He [Erdogan] highlighted the strategic dimension of the project and instructed not to get lost in the details. We solved disputes thanks to his arbitration role," Yildiz told reporters.

"We principally agreed on both the price and amount of the Shah Deniz 2 project, although I'm not able to give any more details." The official agreement will be signed next month in Baku in the presence of Azerbaijani President Ilham Aliyev. Rebuffing claims of "compromises", Yildiz said, "We cannot use the term of compromise, but mutual steps. Finalizing an agreement to complete a bigger picture is much more important than many details." It is very strategic to enable a number of other projects such as Nabucco, the minister added.

## TPAO's investments in Black Sea reach \$4 billion

Hürriyet Daily News, 22.04.2010



After investing \$4 billion in oil exploration in the Black Sea, TPAO has announced potentially significant stores of oil and natural gas that could meet Turkey's energy needs for decades. "We believe there are 10 billion barrels' worth of producible oil and 3 trillion cubic meters of producible natural gas in the Black Sea," general director Mehmet Uysal said.

If TPAO could find this much oil or natural gas in the Black Sea, Turkey's energy needs would be met for the next 40 years, Uysal said. The general director added that TPAO would invest \$50 billion to \$60 billion if oil production were to start in the Black Sea.

According to Uysal, TPAO believes there is a significant oil and natural gas potential in the Mediterranean as well. Founded in 1954, TPAO is involved in hydrocarbon exploration, drilling, production and refinery and marketing activities as Turkey's national oil company. As an integrated oil company, it was engaged in all fields of the oil industry from exploration to production, refining, marketing and transportation until 1983. Today, TPAO is primarily involved in exploration, drilling, well-completion and production.

# Iran offers to improve energy ties with Turkey in South Pars

Today's Zaman, 27.04.2010



Iran has offered to allocate two new natural gas fields in the country's South Pars region to the Turkish Petroleum Corporation (TPAO) as part of efforts to strengthen ties with Turkey amid threatened UN and US sanctions over nuclear work, the Anatolia news agency quoted a TPAO official as saying Monday.

The TPAO official, who requested to remain anonymous, said the corporation was in close cooperation with the Iranian side and that TPAO is committed to making the best of the opportunities offered by Turkey's southern neighbor.

Iran had previously offered Turkey the opportunity to explore for natural gas in three locations on the border of the South Pars region that was not expected to hold significant amounts of gas in their reserves. However, drilling in the newly allocated locations is guaranteed to yield acceptable amounts of natural gas.

Underlining that Iran needs "serious investments for better exploitation of its gas sources," the TPAO official said officials from both countries have met periodically to discuss how to improve energy relations. Mentioning sanctions, the official said: "The specter of new sanctions has discouraged foreign entrepreneurs in Iran. Almost all foreign firms have ceased operations in Pars due to US sanctions." Noting that technical negotiations are ongoing on joint projects in Pars, the official reiterated Turkey would not renege on a joint project with its energy ally.

During Prime Minister Recep Tayyip Erdogan's visit to Tehran with Energy Minister Taner Yildiz last October, the two neighbors signed a number of deals to facilitate the efficient flow of gas through Turkey to Europe, including accords on allocating three of Iran's South Pars gas fields to TPAO, allowing Iranian gas to be transported via Turkey and allowing Turkmenistan's natural gas to be pumped to Turkey via Iran, a \$3.5 billion joint development project. Turkey expects Iranian gas can help the planned Nabucco pipeline supply Europe and lessen the continent's dependence on Russian resources.

During the October visit Yildiz and his Iranian counterpart also discussed the establishment of a joint working group to study the possibilities of substituting the three less-productive fields in the South Pars region with the new ones, as confirmed by the TPAO official's remarks on Monday. Yildiz had previously said the project has political support in Ankara. Meanwhile, Total CEO Christophe de Margerie said on Monday the European oil giant will cease gasoline sales to Iran if the US passes legislation to penalize fuel suppliers exporting to Tehran.

## Ankara gas grid sell-off process likely to begin shortly

Today's Zaman, 28.04.2010



Privatization process of Turkish capital's natural gas grid would begin in a couple of weeks, Ibrahim Halil Kirsan, Director-General of Baskent Dogalgaz, said on Wednesday.

"We are fully prepared for the privatization. We will launch a tender in a couple of weeks," Kirsan said. In an earlier tender in March 2008, a consortium led by Turkey's Global Yatırım Holding bid \$1.61 billion for the Turkish capital's gas distribution grid. Six consortiums and companies competed in the auction held by Ankara Municipality. Akfen Holding, Calik Enerji, Gaznaturel-Nural, Limak and Elektromed were the other bidders in the auction.

The second highest bidder, Elektromed's offer was \$1.55 billion. Turkey's Competition Board approved the privatization of the company in July 2008. After some legal problems occurred during block sale of Baskent Dogalgaz to Global Yatırım Holding, the auction was awarded to the runner-up Elektromed, however, Ankara Municipality cancelled the tender. With 1.2 million subscribers and an 8,250-kilometer network, Baskent Dogalgaz is the second biggest natural gas distribution company in Turkey.

## Iraq oil exports via Turkey resume after sabotage

Today's Zaman (AP), 26.04.2010



Iraq's Oil Ministry says it has resumed crude exports through the Turkish port of Ceyhan after repairing a key northern pipeline sabotaged last week. Monday's statement by spokesman Assem Jihad says the damage was repaired in record time and that oil would be pumped at full pressure to make up for the four day interruption in service.

The pipeline to Turkey carried an average of 423,000 barrels per day last month, nearly a quarter of the country's daily oil exports. Militants blew the pipeline up in the early hours on Thursday morning in a deserted region 400 kilometers from Baghdad.



## Russia and Ukraine reach accord on gas price

Oil & Gas Journal, 22.04.2010



Russia and Ukraine have resolved a longstanding dispute over natural gas prices with a deal extending Russian military presence in its former satellite by 25 years. Under the former, 10-year deal negotiated by the former Ukrainian government of western-leaning Viktor Yushchenko, Ukraine has been paying more than \$300/1,000 cu m for Russian gas.

The new deal, negotiated by a government friendlier to Russia headed by new President Viktor Yanukovich, provides a discount of \$100/1,000 cu m when the price is higher than \$330/1,000 cu m and of 30% when the price is less.

According to the Russian newspaper RIA Novosti, the discount applies to 30 bcm of Russian gas supplied to Ukraine and to 40 bcm/year in 2011-12. Ukraine had been trying to lower contract volumes from 42 bcm in 2009. Novosti said the earlier contract volume for this year was 36.5 bcm.

## EDF to gain 20 percent stake in South Stream

Hürriyet Daily News (Bloomberg), 27.04.2010



Electricite de France will take a 20 percent stake in the South Stream project, as Russian Prime Minister Vladimir Putin adds partners to the planned gas pipeline to Europe, designed to bypass Ukraine.

EDF will sign for the stake in St. Petersburg this June, Putin said after meeting with Italian Premier Silvio Berlusconi near Milan on Monday. Gazprom, Russia's gas export monopoly, and Eni hold equal 50 percent stakes in South Stream. Putin also said a gas agreement hammered out with Ukraine's new government last week guarantees the transit of Russian gas to Europe for 10 years.

The deal, which extends Russia's rights to a naval base in Ukraine in exchange for a discounted gas price, does not eliminate the need for South Stream, he said.

# Russia and Norway strike agreement over Arctic territory

Hürriyet Daily News (Moscow Times), 28.04.2010



Russia and Norway reached an agreement on a long-running border dispute, Norwegian Prime Minister Jens Stoltenberg said Tuesday, in a deal that will provide a framework for how the two countries divide up the vast energy reserves on the Arctic shelf, The Moscow Times reported Wednesday.

“The decision [we have reached] provides that the disputed territory in the Barents Sea and the Arctic Ocean are divided into two equivalent parts,” he said Tuesday at a joint news conference with President Dmitry Medvedev. “The way in which the border line will be drawn satisfies both states.”

The agreement will regulate both fishing and drilling on 173,000 square kilometers of the Arctic shelf, which will be divided into two approximately equal parts. Details of the agreement were not disclosed as documents are still being prepared for the final deal. The scuffles over the countries’ Arctic border area have been a sore point in relations for some time. The Norwegian coast guard has detained a number of Russian fishing vessels over the years for various violations. In 2006, Russia temporarily banned the imports of fish from four Norwegian enterprises in what was largely seen as a political move.

Rights to develop the Arctic’s vast energy resources have been another sticking point, but in a sign that the two sides may be warming to a more cooperative approach, Medvedev on Monday invited Norway’s Statoil to explore the giant Prirazlomnoye oil field in the Barents Sea. On Tuesday, he suggested that the two countries set up joint enterprises to explore oil fields and gas depots that will lie on the border that is yet to be drawn. “In order to explore these or other gas and oil depots, we will require joint participation,” Medvedev said. “This is the practical implementation of the agreements [we’ve reached].”

The agreement is a sign that Russia has given up on its Soviet-era aspirations to dominate the entire Arctic shelf, said Alexander Pikayev, a political scientist at the Institute of World Economy and International Relations. “The Soviet Union set the limits of its economic zone on the shelf far beyond its borders, which contradicted international law,” he said. “Now it looks like part of this previously desired territory was exchanged for easing Norway’s fishing rules for Russian vessels and will bring joint oil and gas contracts to both countries.”

Even recently, government officials have made no secret of their ambitions for the territory. In 2007, State Duma deputy Artur Chilingarov led an expedition in a self-propelled deep-sea submersible and planted a Russian flag on the Arctic seabed near the North Pole. He later denied that the planting of the flag was an attempt to demonstrate Russia’s rights to the region.

# Oil rig sinks in Gulf of Mexico after explosion

BBC, 22.04.2010



An oil rig in the Gulf of Mexico that caught fire after an explosion on Tuesday night has now sunk, the US Coast Guard has said. A search is continuing for 11 missing workers after the blast at the Deepwater Horizon rig. The other workers on the rig, off Louisiana, were evacuated to the US. Concerns are rising over a potential for a major spill, with the coast guard saying the rig may be leaking 8,000 barrels of oil per day.

The rig was carrying out exploratory drilling 84km south-east of the Louisiana port of Venice. The rig had been burning for 36 hours when it sank despite efforts to control the flames.

On Wednesday it had been reportedly tilting about 70 degrees and threatening to topple over. There has been no sign of the 11 missing workers, despite rescue efforts by patrol boats through the night and an aerial search that resumed on Thursday. Adrian Rose from Transocean, who own the rig, said those unaccounted for may have been close to the blast and unable to escape.

The coastguard resumed an air search at dawn, with rescue teams hoping the workers had reached lifeboats. Rescue crews had covered the expanse of the rig 12 times by air and five times by boat before it sunk. Seventeen of the 126 workers were evacuated by air and sea for treatment on Wednesday. Another 100 were later taken by boat to Port Fourchon where they were checked by doctors.

Meanwhile, there are worries that the now submerged rig is leaking large volumes of oil into the Gulf. Coastguard Petty Officer Katherine McNamara told Associated Press the submerged well could potentially be releasing 8,000 barrels of crude oil per day. Rear Adm Mary Landry said crews saw an area measuring one mile by five miles (1.5km by 8km) of what appeared to be oil on the surface of the water. The environmental damage would be worst if a spill were to reach the Louisiana shore, 50 miles away.

Deepwater Horizon was drilling for BP on part of the Mississippi Canyon Block 252 known as the Macondo prospect, in 1,500m of water. Built in 2001 by South Korea's Hyundai, the semi-submersible rig is 120m long and 78m wide, according to Transocean, its operators.

Transocean said there had been no signs of trouble before the explosion and crews had been doing routine work. The dangers of working on an oil rig have declined in recent decades, but the job remains risky. Since 2001, there have been 858 fires and explosions in the Gulf, according to the federal Minerals Management Service.



# OMV and Gazprom ink deal on Austrian section of South Stream

Rigzone, 26.04.2010



OMV and Gazprom are looking to work together to construct the Austrian section of the South Stream gas pipeline between the Austrian-Hungarian border and Baumgarten. Feasibility study scheduled to be completed by the end of 2010. South Stream together with Nabucco will further strengthen Baumgarten's position as a natural gas turntable and increase the security of Europe's supply.

OMV and Gazprom today signed a Cooperation Agreement to construct the Austrian section of the South Stream gas pipeline between the Austrian-Hungarian border and the Baumgarten natural gas distribution node.

At the same time, the Austrian Federal Minister Reinhold Mitterlehner and the Minister of Energy of the Russian Federation Sergey Shamtko signed an agreement on cooperation between the two nations in the construction and operation of this gas pipeline on Austrian territory. The South Stream gas pipeline is to run from the eastern Black Sea coast in Russia across the Black Sea to Bulgaria. From there one route option is assumed to pass through Serbia and Hungary to Austria, where it will flow into the Baumgarten natural gas distribution node. Other route options are to run from Hungary to Slovenia and on to Italy, and from Bulgaria through Greece and also on to Italy.

The feasibility study for the Austrian subsection of South Stream is scheduled to be completed by the end of 2010. The precise route will be determined and the costs of the project evaluated. The final investment decision is set to be taken within 18 months, with the pipeline currently due to become operational at the end of 2015.

"The planned South Stream and Nabucco gas pipelines will further increase the significance of OMV's Baumgarten distribution node as a key European natural gas turntable and boost the security of Europe's supply. As for the Central European Gas Hub, already one of the most important gas trading platforms in continental Europe, this additional liquidity at its main trading point will also provide strong momentum and clear support as it seeks to become the leading gas hub in continental Europe," said Werner Auli, Member of OMV's Executive Board responsible for Gas & Power.

Alongside the agreement between OMV Gas & Power and Gazprom, the Austrian Federal Minister Reinhold Mitterlehner and Minister of Energy of the Russian Federation Sergey Shamtko today signed an agreement on cooperation between Austria and Russia in the construction and operation of the Austrian section of South Stream. This agreement gives the project the necessary political backing and the required legal certainty, thereby making it easier to obtain financing for the project from the private sector.



# Capital increase blamed for Turcas profit drop

Hürriyet Daily News, 27.04.2010



Turcas Petrol, Turkey's leading energy, petrochemical, petroleum, electricity and natural gas company, posted a net profit of 27.6 million Turkish Liras in 2009.

“[However,] the net profit of the company declined 39 percent compared to the same period last year,” Erdal Aksoy, chairman of the board of directors of Turcas Petrol, said during a press conference held Monday in Istanbul. Aksoy blamed Turcas' capital increase in SOCAR & Turcas Energy, (STEAS) for the company's losses worth 37.5 million liras. Turcas increased its capital in STEAS from 50 million to 200 million liras last year.

At the same time, the net cash amount in Turcas' balance sheet declined to 62.6 million liras over the same period due to the capital increase, Aksoy said. Meanwhile, the negative impact of the ceiling price implementation enforced by the Energy Market Regulatory Authority (EMRA) was lifted in September, helping the profitability of Shell & Turcas Petrol (STAS), a joint venture that was launched in July 2006. The global economy ended last year with a contraction of 5 percent, said Aksoy.

In line with that contraction, total fuel-oil consumption in Turkey also declined 8 percent to 17.7 million cubic meters, he said. “Turcas' performance was quite good last year,” said Aksoy, adding that STAS was continuing to maintain its leadership in the market. STAS has a 29 percent market share in gasoline sales, 27 percent share in diesel sales and 27 percent share in lubricant oil sales. Speaking about the company's future plans, Aksoy said, “Turcas also aims to launch its refinery project at the Petkim Aliaga Complex located in Izmir by 2014.”

The refinery project, which was originally scheduled for development in Adana's Ceyhan district, was later moved to Turkish petrochemical company Petkim's Aliaga Complex, according to Aksoy. The location was chosen due to its accessibility and its pre-existing infrastructure. The facility will meet the raw material needs of the company, Aksoy said, adding that due to the elimination of transportation fees, the materials will cost much less.

Turcas Wind, an affiliate of Turcas, filed a request with EMRA to obtain a license for six different projects. “We anticipate that the licensing for these projects will be completed within this year. We aim to launch our related investments in 2011,” Aksoy said. Turcas Gas, a fully-owned subsidiary of Turcas, recorded 100 million meter cubes of sales in 2009. “We expect the permission to be given to all companies and the liberalization of pipelines delivering LNG to foster a more competitive environment,” said Aksoy. The company also anticipates a legislation change this year since such a change would help Turcas Gas increase its market share accordingly, he said.



# Announcements & Reports

## ► *BOTAS Sector Report (2009)*

**Source** : Turkish Petroleum Pipeline Corporation (BOTAS)

**Weblink** : [http://www.enerji.gov.tr/yayinlar\\_raporlar/Sektor\\_Raporu\\_BOTAS\\_2009.pdf](http://www.enerji.gov.tr/yayinlar_raporlar/Sektor_Raporu_BOTAS_2009.pdf)

## ► *Oil & Natural Gas Sector Report (2009)*

**Source** : Turkish Petroleum Corporation (TPAO)

**Weblink** : [http://www.tpao.gov.tr/v1.4/condocs/pla/sector\\_rapor2009.pdf](http://www.tpao.gov.tr/v1.4/condocs/pla/sector_rapor2009.pdf)

## ► *GDPA Annual Administrative Report (2009)*

**Source** : General Directorate of Petroleum Affairs

**Weblink** : [http://www.pigm.gov.tr/duyurular/pigm\\_2009\\_yili\\_faaliyet\\_raporu.pdf](http://www.pigm.gov.tr/duyurular/pigm_2009_yili_faaliyet_raporu.pdf)

## ► *RE-thinking 2050 – A 100% Renewable Energy Vision for the European Union*

**Source** : European Renewable Energy Council

**Weblink** : [http://www.erec.org/fileadmin/erec\\_docs/Documents/Publications/ReThinking2050\\_full%20version\\_final.pdf](http://www.erec.org/fileadmin/erec_docs/Documents/Publications/ReThinking2050_full%20version_final.pdf)