Oil & Gas Bulletin

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'Overloaded' Bosphorus needs relief, gov't and oil companies agree

Hürriyet Daily News, *01.07.2010*

Government officials and representatives of major oil companies have agreed in principle that precautionary measures must be taken to protect Istanbul's heavily trafficked Bosphorus Strait from an environmentally disastrous oil spill.

"Oil-tanker transportation through the straits is not sustainable anymore," Environment Minister Veysel Eroglu said Thursday at a press conference following a summit between Turkish officials and representatives of some 20 energy companies.

Restrictions on the number of tankers passing through the Bosphorus and Dardanelles straits, and an eventual transition to transporting oil through land-based pipelines were among the suggested measures that Energy Minister Taner Yildiz said were welcomed by the multinational firms present, which included ExxonMobil, Shell, Chevron and BP.

Yildiz said at the post-meeting press conference that the government's aim is not to discourage the shipping of oil and gas, but rather to find alternative ways to relieve the overloaded straits, such as shifting to land-based bypass pipeline routes. "The Samsun-Ceyhan pipeline route has relieved the tanker traffic in the straits of 50 million tons of oil annually," the energy minister said, adding that if this route had not been built, there would be 24 or 25 tankers passing through the straits each day instead of 20.

Though pipeline transportation is generally more expensive than shipping, companies will have to make the change "sooner or later," said Laurent Ruseckas of Cambridge Energy Research Associates, adding that any restrictions "must make economic sense and be fairly posed to all the companies using the straits." The meeting, to which nongovernmental organizations focusing on the environment and maritime safety were also invited, was the first step in a larger process that will last three to four years, Yildiz said.

Other measures discussed including restricting the number of tankers passing through the straits or limiting the size of the loads the carry; limiting the number of old tankers; and sharing the cost of insurance with companies that use the straits.

EPDK cancels retail electricity price cuts due to high gas prices

Today's Zaman (Ismail Altunsoy), *02.07.2010*

The Energy Market Regulatory Agency (EPDK) has opted not to reduce retail electricity prices, citing the increasing cost of electricity generation, fueled for the most part by natural gas, as the main reason.

The decision was announced after an appeal by the Turkish Electricity Trading and Contracting Company (TETAS) to pass on the rising costs of electricity generation to retail prices. Current prices will be in effect for another three-month period. The EPDK had announced on June 23 that retail electricity prices would be reduced by 3.89 percent for industry and 3.65 percent for households, effective July 1.

Market analysts point to the high cost of natural gas as the main burden of electricity producers. The usage of hydroelectric power plants in electricity generation recently exceeded 32 percent, up from 16 percent, as their reservoirs are close to capacity due to heavy rain, reducing the cost of electricity generation. However, electricity producers are buying natural gas at increased cost from the state-owned Turkish Pipeline Corporation (BOTAS), cancelling out the benefits of electricity produced by hydroelectric power plants.

BOTAS has increased the price of natural gas it sells to electric power plants by 19 percent since the beginning of the year; prices have remained unchanged for households. An electricity producer currently pays TL 579 for 1,000 cubic meters of natural gas, up from TL 464 in December of last year. The impact of these price hikes is significant because natural gas is an important resource for electricity generation, as 52 percent of natural gas consumed in Turkey is used for the generation of electricity. The EPDK also declared a Kr 0.35 price increase per kilowatt hour (kWh) for wholesale electricity sold by TETAS to electricity distributors. The price hike went into effect yesterday.

Energy and Natural Resources Minister Taner Yildiz, speaking at a meeting of the Ankara Chamber of Commerce (ASO) on Wednesday, noted that the private sector would be allowed to import 6 bcm of natural gas. The government is not planning to renew a natural gas deal with Russia, which envisions 6 bcm of natural gas being imported by state organs, Yildiz said. Instead, this role will be transferred to the private sector, he noted.

Gazprom repurchases Shah Deniz from BP

ABC.az, *29.06.2010*

Alexey Miller, the Chairman of the Board of Gazprom, has stated in Moscow that the monopoly was interested in acquisition of BP's equity stake in Azerbaijani project of gas condensate field Shah Deniz in the Caspian Sea.

"We are going to build our relations with Azerbaijan on the basis of long-term prospect. If we manage to buy gas at storage, and precisely in such a way I understand a share in producing project, then I think it would be interesting for us. But we have not received any offers for stake sale and participation in the project. If we receive such a proposal we will certainly consider it," Miller said.

The Shah Deniz field's reserves are estimated in 1.2 tcm of gas that makes it along with Sakhalin and Shtokmanov field projects the largest offshore gas project in the region and in the world. BP with stake of 25.5% is technical operator of the project. A similar stake in the project belongs to Statoil. The State Oil Company of Azerbaijan (SOCAR), Lukoil, NICO, and Total have by 10%. Equity stake of TPAO is 9%.

Shah Deniz production is being carried out currently within Phase 1. Gas production within Phase 2 (investments in it will reach $20-22 bn) will be launched at the end of 2016. Presently SOCAR and BP are arguing over a scheme of development within Phase 2.

Tiway and TransAtlantic Petroleum discovered gas in Turkey

Oil&Gas Journal, *29.06.2010*

Tiway Turkey and TransAtlantic Petroleum discovered gas at the Bakuk-101 well on the 96,000-acre License 4069 in southeastern Turkey near the borders with Syria and Iraq.

The well, on the 30-km long Bakuk anticline, encountered gas at unspecified but clearly commercial rates from marly sandstone in the Cretaceous Germav formation at about 3,150 ft. The companies are evaluating options to further appraise the reservoir. As a result of drilling Bakuk-101, TransAtlantic will earn a 50% interest in License 4069 once certain logs have been obtained.

Hoffmann: Trans Adriatic Pipeline the cheapest

Hürriyet Daily News (Barcin Yinanc), *28.06.2010*

The Trans Adriatic Pipeline (TAP) project will be the cheapest and will have the fastest completion process compared to other projects for carrying Caspian and Middle Eastern gas to Europe, according to Michael Hoffmann, External Relations Director of the project.

The 520-kilometer-long pipeline will start in Greece, near Thessaloniki, cross Albania and the Adriatic Sea and come ashore in Italy, near Brindisi, allowing gas to flow directly from the Caspian basin and the Middle East into European markets, Hoffmann told.

A recent agreement signed between Turkey and Azerbaijan on the transit of Azerbaijani gas through Turkey is welcome news for all pipeline projects in the southern corridor, including TAP, said Hoffman. Approximately 10 bcm of Azerbaijani gas is expected to transit Turkey on its way to Europe. The planned Nabucco pipeline, as well as the Turkey-Greece-Italy, or ITGI, pipeline, are alternative infrastructure projects that are waiting for Ankara and Baku to finalize agreements.

The ITGI needs an additional 800 kilometers of new construction, whereas Nabucco is 3,300 kilometers long, noted Hoffman, saying that TAP has the shortest crossing. In addition, 115 kilometers of the pipeline that will be constructed offshore will pass through the shallowest part of the sea, he said. “The pipeline will carry around 10 bcm per year, yet its capacity can be doubled,” he said.

The project is both technically and commercially viable, according to Hoffman, who said financing will be provided by shareholder companies. “We rely on our own money,” he said. The shareholder structure of the TAP project comprises of Swiss EGL, which has a 42.5 percent share, Norway’s Statoil with a 42.5 percent share and Germany’s E.ON Ruhrgas with a 15 percent share. “We are committed to the standards of the European Bank of Reconstruction and Development (EBRD) for the implementation of the project,” he said, adding that the project is in the front-end engineering design phase.

Hurricane Alex new blow to US oil spill efforts

Today's Zaman (Reuters), *01.07.2010*

Rough weather whipped up by the season's first Atlantic hurricane is disrupting cleanup of the massive BP oil spill in the Gulf of Mexico, delaying plans to boost containment capacity a nd threatening to push more oily water onshore.

The Gulf oil spill disaster has reached day 72. Local residents are braced for heavy rains and flooding from Alex, which strengthened into a hurricane late on Tuesday. The storm was on track to make landfall near the Texas-Mexico border late on Wednesday. Obama administration officials continue to beat a path to the Gulf region, the latest is being Vice President Joe Biden. "We're not going to end this until everyone is made whole," Biden said in Pensacola, Florida.

Although Alex will not make a direct hit on oil platforms in the Gulf, the storm is potent enough that several companies have evacuated rigs. About one-quarter of oil production and 9.4 percent of natural gas output in the Gulf of Mexico have been shut. Work continued for the time being at the BP oil spill site, about 50 miles 80 kilometers off the Louisiana coast. US government officials estimate 35,000 to 60,000 barrels are gushing from the blown-out well each day. The current containment system can handle up to 28,000 barrels daily. The planned addition could raise that to 53,000 barrels.

EU tightens oil spill rules

Upstream Online, *02.07.2010*

Energy Commissioner Gunther Oettinger plans to issue a list of further requirements for operators of oil platforms in European waters, he said today, as the bloc shores up its contingency plans for tackling oil spills. Oettinger said the new rules would be made public by the third quarter.

The requirements would include recommendations for prevention and compensation to help the EU manage oil spill risks. "Every oil exploring company operating here must have the necessary credit rating and capital strength to pay for all damage caused by it to humans and nature in a worst case scenario," he said.

Gazprom Neft eyes Cuba and Iran plays

Upstream Online, *29.06.2010*

Gazprom Neft, the oil arm of Russian energy company Gazprom, is looking to expand its foreign operations into oil-rich Cuba and Iran, which are both hindered by trade sanctions.

The company is actively seeking to increase its resource base to meet an ambitious oil output goal of 100,000 million tonnes a year by 2020, up from around 60,000 million. "Gazprom Neft wants to join Petronas' project in Cuba," Gazprom Neft head Alexander Dyukov said during the company's annual shareholders' meeting.

His deputy, Boris Zilbermints, said the company aimed to clinch a deal in July. Zilbermints also said the company was keen to conclude preliminary talks to develop the Anran oilfield in Iran by the end of the summer but implementing the deal would depend on the UN changing its trade sanctions on the country.

Last November, Gazprom Neft, Russia's fifth-largest oil producer, signed a memorandum of understanding with the National Iranian Oil Company (NIOC) to study the development of another two Iranian oilfields, Azar and Shangule. Cuba estimates it has 20 billion barrels of oil-abundant in its section of the Gulf of Mexico that abuts the oil-rich US and Mexican zones of the gulf.

Cuba's portion of the Gulf of Mexico has been divided into 59 blocks, of which 17 have been contracted out to companies including Spanish oil giant Repsol and its partners, Malaysia's Petronas, Brazil's Petrobras, Venezuela's PDVSA and PetroVietnam. Cuba also presents some difficulties for the development of hydrocarbon reserves as the country falls under a US-imposed trade embargo.

The 48-year-old embargo limits the amount of US technoloby that can be used in oil developments in Cuba. Gazprom Neft also owns a 20% state in a consortium with other Russian producers to develop hydrocarbon deposits in Venezuela. On Friday, the company signed a production sharing agreement (PSA) for two oil offshore blocks in Equatorial Guinea, the latest country into which the firm has expanded its activity, pledging $3 billion in investments.

KNOC in bid for Dana Petroleum

Upstream Online, *02.07.2010*

State-run Korea National Oil Corporation (KNOC) has made a preliminary bid for Britain's Dana Petroleum, a source at the South Korean outfit said.

Dana Petroleum said it had received a takeover bid amid a media report that the South Korean national oil company was exploring a £1.5 billion pound ($2.28 billion) takeover of the British oil and gas exploration company. "We had approached Dana but no concrete progress has been made," said the KNOC source, who did not want to be identified due to the sensitivity of the issue. KNOC spokesman declined to comment.

South Korea, the world's number five oil and number two liquefied natural gas importer, said in January it planned a record of over $12 billion in overseas energy and resources deals this year, led by KNOC with spending of more than $6.5 billion to add between 50,000 and 100,000 barrels of oil production per day.

KNOC, which lost to China's largest oil refiner Sinopec in a $7.24 billion deal for Swiss oil explorer Addax Petroleum, has made no deals so far this year. It agreed last year to buy Canada's Harvest Energy Trust for $1.7 billion, in the country's biggest energy investment.

Announcements & Reports

► *TETAS Wholesale Electricity Tariffs*

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