

Turkish government plans to sell electricity production

Hürriyet Daily News, 26.12.2010



After generating billions of dollars by selling the rights to electricity grids across the country, the Turkish government is now preparing to go on a huge privatization campaign for power production.

Initially, four thermal power plants will be sold, in addition to a second wave of tenders for 18 coal or natural gas and 28 hydroelectric power plants, according to data gathered by the Anatolia news agency. The second wave will be realized in nine phases in accordance with the location of the plants, Anatolia said. The total potential of the plants to be privatized exceeds 16 GW.

The government also plans to sell the properties of the power plants, but intends to hold onto management rights for hydroelectric plants. State-owned Electricity Generation Co., or EUAS, produced 46 percent of the electricity consumed in Turkey in 2009. EUAS was the most profitable company in 2009, according to a July report by the Istanbul Chamber of Industry, or ISO. The company was ranked 500th in profitability in 2008, posting a loss of 652.4 million Turkish Liras.

Twelve of 28 hydroelectric plants on the privatization list have a capacity of more than 100 MW. The high-potential plants are mainly located in Turkey's central and eastern regions. One megawatt-hour is equal to turning on 10,000 100-watt light bulbs for an hour.

The 18 coal or natural gas plants are located in eastern Turkey. The four power plants to be sold initially are listed as Hamitabat, Kangal, Seyitömer and Soma A-B. Hamitabat is in the northwestern province of Kirklareli and burns natural gas, while Kangal in Sivas, Seyitömer in Kütahya, and Soma A-B in Manisa use lignite coal. The four plants make up nearly 29 percent of EUAS's total capacity. The coal-burning power plants in Soma, Tuncbilek, Seyitömer and Orhaneli have a potential to increase capacity as their basins offer an additional reserve of lignite to be used for at least 45 years.

Officials said the nine portfolios were organized according to geographic location and to meet the expectations of a broad range of investors, Anatolia reported. The hydroelectric plants were merged into portfolios according to river to avoid any future disputes among possible buyers. The capacity of each portfolio ranges from 356 MW to 2,795 MW. Anatolia mentioned no time schedule for the tenders.

Ankara Electricity Generation Co., or ADUAS, which has a total capacity of 141 MW from its 52 hydroelectric plants was sold to Zorlu Energy for \$510 million in 2008. The privatization of electricity grids, which ended earlier this month, was worth \$15.8 billion for the government.

Simsek: Government has no role in gasoline price hikes

Today's Zaman, 01.01.2011



Minister of Finance Mehmet Simsek has said the recent increases in the price of gasoline was not because of taxes but the global increase in the price of crude oil as well as the appreciation of the US dollar against the Turkish lira.

Speaking during a live program broadcast on CNN Türk on Friday, Simsek dismissed allegations the government is to blame for the hikes that brought the price of a liter of 95 octane unleaded gasoline to TL 3.91 and the price of a liter of 97 octane to TL 3.98. "We did not increase the tax even by one cent in 2010. We will have the same policy next year, too. If we can, we want to continue this trend," he said.

The finance minister, however, admitted that taxes on fuel are high and added that the Justice and Development Party (AK Party) government is currently working to lower the tax burden on its citizens.

"Currently taxes account for approximately 64.8 percent of fuel prices; however, they amounted to 70.3 percent of the total price in 2002 [before the AK Party came to power]. The price of a barrel of crude oil was, on the other hand, \$28 in 2002, and it is today over \$90. International oil prices are very important here, and the exchange rate is also important in that regard. Exporters are constantly cautioning against an appreciation in the value of the Turkish lira but as the lira depreciates fuel prices increase because the international price is denominated in US dollars," he said, noting that taxes in other oil importing countries are at 50-55 percent for diesel fuel and about 60 percent for gasoline.

In response to a question on how the government will manage to reduce fuel oil taxes in Turkey, he said they would eventually be lowered as the government successfully fights against tax evasion. He said his ministry found 540,000 new taxable individuals in the last few years who had enormous amounts of income from property rents but had not made any tax declarations, noting that they would step up efforts to fight tax evasion.

He pointed out how much the purchasing power of people in Turkey has increased since the AK Party took office in late 2002. "A civil servant with the lowest salary had to spend 21 percent of his monthly income to fill his vehicle's tank in 2002, but today he can buy the same amount of gasoline with 14.5 percent of his salary. Yes, the tax burden is high but the purchasing power of the lowest civil servant salary has also notably risen," he said.

M&As up fivefold, near \$29 billion in 2010

Today's Zaman, 07.01.2011



The value of all mergers and acquisitions (M&A) in Turkey in 2010 approached \$29 billion, five times more than in 2009, while the number of transaction doubled last year, international accounting and consulting firm Deloitte's Turkey branch said in a report on Thursday.

After a quiet period in 2009, privatizations of several state-owned energy companies and giant acquisitions in the finance sector boosted M&As in Turkey in 2010. According to the report, M&As concluded in 2010 are valued at around \$29 billion while transaction numbers and volume doubled and increased five times, respectively, compared to 2009.

A total of 203 M&As took place in 2010, but almost half of the \$29 billion, or \$14.6 billion, came from 35 large transactions. The privatization of 11 state-owned electric distribution companies and small hydroelectric plants throughout Turkey brought in \$12.3 billion while the privatization of Baskent Dogalgaz, Ankara's natural gas distribution company, resulted in an acquisition amount of \$1.2 billion.

Also, one of the most groundbreaking events in the M&A market in 2010 was Spanish bank Banco Bilbao Vizcaya Argentaria (BBVA) buying joint control of Turkish peer Garanti Bank in a \$5.8 billion deal for a 24.9 percent stake. Excluding the M&A transactions of the energy companies and Garanti Bank, the average amount per transaction came out to \$50 million, which shows that small and medium-sized enterprises (SME) were also involved in M&A deals in 2010.

The predictions of the international consultant show that interest, and with it the number of M&As in Turkey, is expected to rise in the near future. "Sectors like energy, health, medicine, retail, media, education and automobile will be the shining stars," the Deloitte report stated. Considering this year's privatizations of the Istanbul Ferry Lines (IDO), Istanbul's natural gas distribution company IGDAS, several bridges and highways, the Galataport in Istanbul's Karaköy district, Turkey's national lottery Milli Piyango and many others, Turkey is expected to witness another year full of M&As.

Deloitte Turkey corporate finance partner Basak Vardar said Turkey's image has changed from that of "a country where you can invest" to that of "a country where you must invest." She underlined that this is the first time the general elections to be held in mid 2011 are not being perceived as a danger and a risk for the country by both domestic and international investors. "As an outcome of this, we expect that this year will be a dynamic year in terms of M&As," Vardar said.

Greek Cyprus to license offshore oil and gas exploration

Today's Zaman, 05.01.2011



A top Greek Cypriot energy official has said the administration in the southern part of the island will go ahead with a second licensing round for oil and gas exploration off its southern coast later this year. Energy Service Director Solon Kassinis said that the licensing round “is anticipated to be announced within the second half of 2011.”

The island’s 51,000-square-kilometer exploration area is divided into 13 blocs. Kassinis said two blocs on the easternmost edge of the exploration area that were left out of the first licensing round in 2007 will be included in the second one.

Greek Cyprus has licensed US firm Noble Energy to explore an 800,000-acre (1,250 square miles) bloc bordering Israeli waters where massive gas fields have been found under the seabed. Greek Cyprus’ oil and gas exploration bid has raised tensions with neighboring Turkey, which says it also has legal rights and interests in the area. In 2008, Greek Cypriot officials 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. Last month, Turkey slammed a maritime border accord between Greek Cyprus and Israel, saying it was “null and void” because it disregards the rights and jurisdiction of Turkish Cypriots on the island.

The agreement, signed earlier in December, was aimed at facilitating the search for mineral deposits in the east Mediterranean, where huge natural gas reserves have been discovered by Noble Energy. The Foreign Ministry said at the time that it has no claims on the areas subject to the agreement, but “Turkish Cypriots have also rights and jurisdiction over the maritime areas of the island of Cyprus.” It said the Greek Cypriot government should not unilaterally sign international agreements without a solution to the division of the island.

Cyprus was split into a Greek Cypriot south and a Turkish Cypriot north in 1974 when Turkey sent troops to the island in response to a coup by supporters of a union with Greece. The island joined the European Union in 2004, but only the internationally recognized south enjoys membership benefits. Turkey only recognizes the Turkish Cypriot state in the north where it maintains 35,000 troops. Talks aimed at reunifying the island have produced only limited progress since they began more than two years ago.



Petkim clinches historically high production levels

Today's Zaman, 31.12.2010



Kenan Yavuz, CEO of SOCAR-Turcas Petrol, owners of Turkish petrochemicals producer Petkim, has said Petkim broke a production record in 2010. Yavuz said Petkim has managed to reach the highest production level in its 45-year history. "The company worked at a 98 percent capacity utilization rate throughout the year. We have surpassed our turnover and profitability projections for this year," he said.

He added that the strong Turkish oil market is one of the factors that affected the growth in Petkim's production, but Yavuz pointed out that efforts to improve technologies, production lines and employee effectiveness also played an important role in this success.

Yavuz noted Petkim has one of the highest capacity utilization ratios in Europe and that Europe is losing its competitiveness. "Middle and Far Eastern countries will be the competition for the Turkish petrochemicals industry in the near future," he said. Moreover, the head of SOCAR-Turcas Petrol stated that they will be investing \$5 billion in the company, such as constructing a new refinery on Petkim Peninsula, and added that they have acquired a license to start refinery construction in the first half of 2011. "We would like to complete the plant by mid-2014," Yavuz noted.

Besides investments in the field of refinery and port management, SOCAR-Turcas Petrol is also interested in the energy sector. "Our license application to produce 25 megawatts of wind energy per year has been approved. It is not definite yet, but we plan to tender the investment in March 2011 and aim to complete construction of the wind energy plant one year after the tender," said Yavuz.

Gama and GE awarded Akenerji contract

Hürriyet Daily News, 03.01.2011



Akenerji has awarded the contract to build a natural gas combined-cycle power plant in the district of Erzin, in Turkey's Mediterranean province of Hatay, to the General Electric and Gama consortium.

The power plant in Erzin is planned to generate 900 MW of energy. On average, 1 MW of energy can supply electricity to as many as 300 households per year, the consortium said in a recent press release. The partnership offered a fixed-price and time-bound energy performance certificate and the power plant is expected to be active in 2014.

The General Electric and Gama consortium has taken part in the construction of a number of power plants, all of which are 'Build EPC' and represent an energy generation capacity totaling 2000 MW. General Electric will undertake supply of the main energy generation equipment such as gas and steam turbines and boilers, while Gama will be responsible for engineering services, construction and electro-mechanical installations, as well as the supply of all the other related equipment and systems. The consortium recently completed construction on two giant combined-cycle plants in Ireland and Russia.

SOCAR authorized to arrange wholesale of gas in Turkey

Contact.az, 06.01.2011



SOCAR-Turcas has received a right to arrange wholesale of gas in the Turkish internal market. The company received the 30-year license (up to 2041) from the Turkish Energy Market Regulatory Authority

SOCAR stated before that it would sell 1.2 billion m³ of gas in Turkey in 2011. Most of the gas will be supplied to Petkim Holding (the main chemical enterprise of Turkey with most of the shares belonging to SOCAR), and the rest will be supplied to thermoelectric power stations. The agreement on SOCAR's access to Turkey's gas market was achieved during President Ilham Aliyev's working visit to Istanbul on June 7, 2010.

Turkish Renewable Energy Law may spur wind investments of \$30 billion

Businessweek, 30.12.2010



Turkish legislation guaranteeing prices and incentives for energy from renewable resources may pave the way for \$30 billion in wind power investments as the country seeks to meet rising electricity demand.

Lawmakers ratified the law yesterday, deputy parliament speaker Nevzat Pakdil said in Ankara. The law also included 'surprise' incentives for locally made equipment, Zeki Eris, board member at the Wind Power Plants Investors Association, said in a telephone interview.

"As much as \$30 billion worth of investment will come in to build 20,000 megawatts of wind power capacity," Energy Minister Taner Yildiz said in Ankara, compared with the current capacity of about 1,000 megawatts. "We expect this capacity to be built in four to five years." Turkey wants to encourage hydroelectric, wind and solar generation to cut dependence on gas from Iran and Russia and meet power demand that's growing about 7 percent annually.

The law sets guaranteed prices of 7.3 U.S. cents per kilowatt-hour for wind and hydroelectric energy from licensed plants, 13.3 cents for solar and biomass and 10.5 cents for geothermal. Additional incentives for using local equipment may add 0.4 cents to 2.4 cents to the price for five years. "Profitability of these investments will continue to depend on fixed costs such as turbines versus spot market power prices for the longer term," HSBC Bank said today in a note to clients.

Additional incentives for locally made equipment means a guaranteed price for wind of about 9 cents a kilowatt-hour on average, the same as Turkey's average wholesale price in 2010, said Eris, who's also chief executive officer of Polat Enerji, half-owned by France's EDF Energies Nouvelles SA. "The addition of further incentives to the law text is a great success by the government," he said. "This will cause a boom in all planned investments, especially in wind. The government can easily reach its 2020 targets in wind power."

The government's price should decline as dependence on gas for electricity wanes and the share of wind power increases in national power mix, he said. The law will also rekindle plans to manufacture wind turbines and its components including nacelle casings, Eris said. General Electric may revive a plan developed before the 2008 credit crisis to build turbines in Turkey, head of the company's local energy unit, Mete Maltepe, said on Nov. 10. "Turkey will be able to become a hub for wind power equipment producers which can export products to North Africa, Middle East and Balkans," Eris said. The law applies for 10 years to power generators completed in 2005 to 2015. Renewable producers will also benefit from an 85 percent discount on transmission costs for 10 years. The law limits solar investment to 600 megawatts until the end of 2013.

Iraqi Kurds push for recognition of international oil deals

Today's Zaman, 29.12.2010



Northern Iraq pushed the central government to recognize oil contracts they signed with international companies by insisting the self-ruled region will not resume exports until Baghdad recognizes the deals.

The insistence from the Regional Government could foil Iraq's ambitious plans to raise daily oil exports to 2.25 million barrels in 2011 from the current 1.9 million. Oil revenues account for nearly 95 percent of Iraq's budget as the energy-rich nation tries to rebuild the country after decades of wars and international sanctions.

The Regional Government has sought greater control over oil in their crude-rich region while Baghdad has argued that oil is a national resource, under the central government's control. Ali Hussein Balo, an adviser to the Regional Government Ministry of Natural Resources said the crude-rich region can export 150,000 barrels a day. In an interview with The Associated Press, Balo said the Northern Iraq will only start exporting if all "our deals are recognized officially in a signed paper by Baghdad."

Northern Iraq have signed more than two dozens production sharing agreements with international companies that are deemed illegal by Baghdad. "Baghdad wants everything free of charge," Balo said by phone from Irbil, the capital of autonomous region in northern Iraq. "We can't do that since we are committed to the companies to have a share in the produced oil," he said.

Exports from the north were halted a few months after they started in June 2009 amid a disagreement over payments. Iraq's new oil minister, Abdul-Karim Elaibi, last week declared the dispute over how private companies accounted for equipment costs and other expenses for reimbursement has been settled, clearing the way for the exports to resume soon. Elaibi said Baghdad would receive all the oil produced for export and would pay only the costs incurred by the developers.

Oil to end the year up 12 pct, averages near \$80

Reuters (Randy Fabi), 31.12.2010



Oil was set to close the year up more than 12 percent and average nearly \$80 a barrel -the second highest on record-driven by resurgence in global demand, an unusually cold winter and falling inventories.

After rallying to a 26-month high of \$91.88 on Monday, U.S. crude edged lower on Friday, with the February contract down 14 cents at \$89.70. Brent crude fell 10 cents to \$92.99. Oil prices were set to average \$79.60 this year, second only to 2008's record average of \$99.75. U.S. crude stocks fell for the fourth straight week last week, but the drawdown was less than expected and put pressure on prices.

Crude stocks in the world's largest economy fell 1.26 million barrels to 339.43 million barrels in the week to Dec. 24, the Energy Information Agency (EIA) said. Gasoline supplies fell by 2.32 million barrels, almost a million barrels more than expected. Some of that may have been due to companies running down stocks ahead of the year-end, but some analysts saw the fall as indicative of rising consumption as the world's largest economy continues to recover from recession.

"The latest U.S. weekly data release show a continuation of the recent strength in oil demand," said analysts at Barclays Capital in a research note. "December is set to be the strongest month of the year in demand terms, with particularly strong indications of gasoline demand."

Even with crude stocks slipping four straight weeks and prices peaking to a 26-month high of \$91.88 a barrel earlier this week, OPEC output has risen only slightly in December as Nigerian supply increased, a Reuters survey found. Supply from the 11 OPEC members with output targets has averaged 26.75 million barrels per day (bpd) this month, up from 26.70 million bpd in November, the survey of oil companies, OPEC officials and analysts showed.

Core OPEC ministers have indicated they would not provide more oil supplies to arrest oil's rally, saying \$100 crude was a fair price. Oil found support from a weaker dollar and positive U.S. economic data. The dollar languished against the Swiss franc, hitting an all-time low, and fell to a seven-week trough against the yen. The dollar index was down 0.14 percent at 79.408.

The greenback declined despite supportive jobless claims and factory data that bolstered views the U.S. economy had gained momentum at year-end and was set for a stronger performance in 2011. The positive data could cause the U.S. Federal Reserve to curb its recent initiatives to spur economic recovery, which could strengthen the dollar and limit price boosts for dollar-denominated commodities.

'Milestone' pipeline starts delivering Russian crude to China

EurActiv, 03.01.2011



Russia, the world's biggest producer and exporter of oil, began delivering crude oil to China on 1 January via a newly-built pipeline hailed as a 'milestone'. Until now, Russia had only delivered oil to China by rail.

Russia said it had begun delivering crude at 21.30 GMT on 31 December through the Eastern Siberia-Pacific Ocean Pipeline (ESPO). The planned volume of supplies for the year 2011 stands at 15 million tonnes. The cost of the pipeline, which links the Siberian city of Skovorodino to the Chinese city of Daqing, is 25 billion dollars (18.7 billion euros) and has been largely supported by Beijing, the Russian press writes.

Russia and China have built independently their sections of the pipeline and they connect in the middle of the Amur River, which forms the border between the Russian Far East and North Eastern China. Some 2,700 kilometres of pipeline have been built so far. When the second stage of the 4,070 km pipeline is completed in 2013, the pipe will be the world's longest.

"The operation of the China-Russia crude oil pipeline is the start of a new phase in China-Russia energy cooperation," Yao Wei, general manager of the Pipeline Branch of Petro China (PBPC) said at the launch ceremony, quoted by Xinhua. PBPC operates the Chinese section of the pipeline. Yao noted that the pipeline would improve the nation's energy import structure and promote economic development.

Sergey Tsyplakov, Russia's trade representative in China, said the completion of the pipeline project was a 'milestone' in the development of both countries. The annual amount of oil shipped through the pipeline could increase, depending on the drilling capacity in Russia, said Tsyplakov.

Zhang Shibin, deputy manager of PBPC's Daqing branch, was quoted as saying that although the operation had worked well during a trial period, measures would need to be undertaken to prevent pipes from cracking in spring. "The pipe will face an important test in May as snow and ice will melt at that time. We will try to ensure its smooth operation," Zhang said.

US oil spill probe blames bad management

Yahoo News (AFP), 06.01.2011



A US panel has blamed oil giants Halliburton and Transocean as well as BP for the Gulf oil spill, saying management failures were to blame and warning that without reform such a disaster could happen again.

Releasing a key chapter of its final report, the panel Wednesday also took aim at US government officials, sharply criticizing them for lax oversight of both the operation in the Gulf of Mexico and the industry. The root causes of the blowout were “systemic and, absent significant reform in both industry practices and government policies, might well recur,” the report said.

Despite the “inherent risks” of deepwater drilling, “the accident of April 20 was avoidable,” it said, listing nine key decisions which were made to save time or money even though a safer alternative was available. The explosion on the Deepwater Horizon rig off the Louisiana coast “resulted from clear mistakes made in the first instance by BP, Halliburton, and Transocean, and by government officials who, relying too much on industry’s assertions of the safety of their operations, failed to create and apply a program of regulatory oversight that would have properly minimized the risks of deepwater drilling.”

BP welcomed the assessment, which analysts said would likely see the British company paying less compensation costs than expected -- it is selling 30 billion dollars worth of assets to cover its part of the bill. The company’s shares rallied on Thursday after the panel said the British energy company was not solely to blame for the fatal Gulf of Mexico spill. “Sharing the blame is helping BP shares to recover. When the disaster struck the only company blamed was BP, now it appears that others are responsible too,” said Tamas Varga, an analyst at brokers PVM Oil Associates.

The presidential commission’s assessment was part of its final report, to be released next week, on the deadly April blowout of BP’s Macondo well. Eleven workers were killed on the exploratory platform, which then sank, leaving the damaged drill to spew some 4.9 million barrels of oil into the Gulf over three months.

The blowout “was the product of several individual missteps and oversights by BP, Halliburton and Transocean, which government regulators lacked the authority, the necessary resources and the technical expertise to prevent,” the report said. Transocean owned the BP-leased Deepwater Horizon platform. And in October, Halliburton admitted skipping a key cement test before the blowout, but blamed BP for not testing the integrity of the job. “Whether purposeful or not, many of the decisions that BP, Halliburton and Transocean made that increased the risk of the Macondo blowout clearly saved those companies significant time (and money).”

Saying it supported the presidential commission's probe into the incident, BP stressed that preliminary findings concluded that "the accident was the result of multiple causes, involving multiple companies." The beleaguered firm said it was working with regulators and the industry "to ensure that the lessons learned from Macondo lead to improvements in operations and contractor services in deepwater drilling."

The findings "only compound our sense of tragedy because we know now that the blowout of the Macondo well was avoidable," said former Florida senator Bob Graham, the commission's co-chair. "This disaster likely would not have happened had the companies involved been guided by an unrelenting commitment to safety first. And it likely would not have happened if the responsible governmental regulators had the capacity and will to demand world class safety standards."

According to the report, the Macondo well blew out when a series of "separate risk factors, oversights and outright mistakes combined to overwhelm the safeguards" designed to prevent such an event. "But most of the mistakes and oversights at Macondo can be traced back to a single overarching failure -- a failure of management," it added. "Better management by BP, Halliburton and Transocean would almost certainly have prevented the blowout." The seven-member panel was set up by US President Barack Obama and tasked with finding out what caused the accident, which sullied miles (kilometers) of coastline along the five Gulf states stretching from Texas to Florida.

Barroso to discuss Nabucco project in Azerbaijan and Turkmenistan

Ria Novosti, 05.01.2011



European Commission President Jose Manuel Barroso will visit Azerbaijan and Turkmenistan where he will discuss Nabucco gas pipeline project, the European top official said Wednesday.

"I will be travelling next week together with Energy Commissioner (Guenther) Oettinger to Azerbaijan and Turkmenistan to push for the Southern Corridor initiative," Barroso said. "Certainly, our goal is to have the clear commitments of those countries regarding the Southern Corridor and including, of course, Nabucco," he said.

Barroso will visit Azerbaijan and Turkmenistan on January 13-15. The Nabucco project, supposed to pump gas from the Caspian region to European countries via Azerbaijan, Georgia, Turkey, Bulgaria, Hungary, Romania and Austria, is a key element of the western strategy to cut Europe's dependence on Russian energy supplies. The \$11-billion pipeline is expected to have an annual capacity of 31 billion cubic meters of gas, or no more than 5% of Europe's gas consumption in 2020.



Largest natural gas reserve discovered in Israel worth approximately \$95 billion

The Marker, 29.12.2010



More than 16 trillion cubic feet of natural gas discovered off Haifa shore in joint U.S.-Israeli drilling operation. The largest reserve of natural gas, over 16 trillion cubic feet, has been discovered off the coast of Israel, and is estimated to be worth more than \$95 billion, U.S. company Noble Energy Inc. announced on Wednesday.

Noble Energy owns 39.66% of the prospective discovery, alongside Israeli partners Delek Group Ltd. units Avner Oil and Gas LP and Delek Drilling LP (22.67% each), and Ratio Oil Exploration (1992) LP with 15%.

The reserve, Leviathan, is the largest amount of natural gas discovered in the world in the last decade and is located in approximately 5,400 feet (1,645 meters) of water, about 130 kilometers offshore of Haifa and 29 miles (47 kilometers) southwest of the Tamar discovery. Last year, Israeli company Isramco announced that reserves of natural gas have been discovered at its Tamar 1 offshore drill site 90 kilometers west of Haifa, making it the largest ever discovered in Israel until now - three times bigger than that of the 'Yam Thetis' consortium and worth \$15 billion.

Noble Energy CEO Charles Davidson said, "Leviathan is the latest major discovery for Noble Energy and is easily the largest exploration discovery in our history." CEO of Delek Group Yoram Turbowitz said "it is a sense of success mixed with worry and concern, that we will not be able to utilize the huge discovery in our hands to its limits. He added: "I hope that the strategic advantage and the enormous accomplishment that we have made here due to large financial and professional knowledge invested will be utilized to its fullest."

"Obviously we need to produce something from the Leviathon reserve, but it will demand enormous investments in infrastructure," he said, adding that "the state will need to assist with regulations, planning and accompanying what will become the largest infrastructure project in the country."

Noble Energy president and COO David L. Stover said, "This discovery has the potential to position Israel as a natural gas exporting nation. For nearly a year now, we have had a team evaluating market possibilities, which includes various pipeline and LNG options. It's our belief that the natural gas resources at Leviathan are sufficient to support one or more of the options being studied. We are excited to be leading the exploration and development in this new basin and look forward to determining the best development option."

Gazprom: Natural gas prices to reach \$327 next year

Today's Zaman (Faruk Akkan), 31.12.2010



According to a statement from Gazprom, gas prices are likely to increase to \$327 because of oil prices hovering around \$90 per barrel. If this is the case, Europe and Turkey will be affected by this development. The price of 1,000 cubic meters of natural gas was \$308 in the first quarter of this year.

Gazprom board spokesperson Sergei Kupriyanov noted they expect a rise in natural gas demand next year and that natural gas prices are calculated according to oil prices in the international market. "In line with recent developments in oil prices, I expect that natural gas prices will be relatively higher in comparison to this year," said Kupriyanov.

Gazprom has produced about 515 bcm of natural gas in 2010 and expects to increase production to 570-580 bcm in five years' time. Russian Prime Minister Vladimir Putin downplayed prospects for a New Year's energy dispute with neighboring states, saying Ukraine and Belarus are fulfilling existing contracts. Putin also said he still supports a previously mooted merger between Russia's Gazprom and state-owned Ukrainian gas company Naftogaz. "I do not think this proposal is worthless. Naftogaz will become a minority shareholder, but it will become a minority shareholder of a large global company and as such will have its own voice," Putin said. Ukraine rejected the proposal earlier this year.

CNPC sets a new record

Upstream Online, 06.01.2011



Production from China National Petroleum Corporation's (CNPC) wells in Kazakhstan reached a record 600,000 barrels per day last year, the state-owned company said.

Reuters reported the company, the parent of PetroChina, did not say how much it was entitled to from the output. The news comes two weeks after the company started work on a 1475 kilometre pipeline spur from southern Kazakhstan that will connect to the Central Asia-China Gas Pipeline at Shymkent.

Fuel consumption falls in Iran after subsidy cut

Yahoo News, 29.12.2010



Fuel consumption has fallen by a fifth since the government began slashing energy and food subsidies earlier this month, a top government official said Wednesday, claiming an early sign of success in the controversial program.

Gasoline prices quadrupled and bread prices tripled after the cuts came into effect Dec. 19, part of a government effort to boost Iran's ailing economy by reducing the massive drain on the state budget from the subsidies. The economic shock has brought heavy criticism from reformists and even from some hard-liners the political base of President Mahmoud Ahmadinejad who says the price hikes are too fast and steep.

There have been fears of unrest among a population already struggling economically, though so far there has been no serious outbreak of protests or violence. Ahmadinejad has called the subsidy cut plan the "biggest surgery" in Iran's economy in half a century and vowed to fully cut all subsidies by the end of his term in 2013. The government says it is paying some \$100 billion in subsidies annually, although experts believe the real amount is about \$30 billion.

Under the subsidy-cut plan, the government says part of the budget savings will be returned to the people through cash payments. Every family member has already received the equivalent of about \$80 for two months. Another goal of the cuts is to reduce Iran's high fuel consumption, which has forced the country to import about half its fuel needs. One of the world's biggest crude oil producers, Iran lacks refining capacity, meaning it has to look abroad for gasoline, though it has been rushing to increase refining.

Vice President Mohammad Royanian said on state TV Wednesday that "overall, there has been a 20 percent fall in fuel consumption" since the cuts were enacted. Gasoline consumption now stands at 50 million liters (13 million gallons) a day and diesel consumption at 42 million liters (11 million gallons) a day, he said. He also praised a rationing program that has been in place since 2007, saying that without it consumption would have passed 105 million liters of gasoline a day (27 million gallons) "given an increase of new cars and motorcycles by 6 million during this period."

Farid Ameri, a senior oil ministry official said the hike in fuel prices also reduced smuggling in Iran's border regions to neighboring countries, but he didn't provide details. Before the cuts, subsidies ensured Iranians some of the cheapest gasoline in the world, at about 10 cents a liter (38 cents a gallon). But under the reduced subsidies and the rationing system, each person can buy up to 60 liters (15 gallons) a month of gasoline at the equivalent of 40 U.S. cents a liter (\$1.50 a gallon), and for any amount above that the price is about 70 cents a liter (\$2.70 a gallon). Bread that used to sell at the equivalent of 3 cents a loaf now run at 10 cents.

BP considers commissioning new production wells in Caspian Sea

Rigzone, 28.12.2010



BP, the technical operator of the project on the development of the Shah Deniz gas field in the Azerbaijani sector of the Caspian Sea, may commission a new, fifth well in the area under the contract in January February 2011, a source in the oil and gas market said on Tuesday.

The work is currently underway on the development of the wells, reaching depths up to 6,959 meters, the source said. "The new production well could go into operation in late January early February next year," the source indicated. Currently, gas production from the field comes from four wells.

The daily production of gas from the Shah Deniz platform at this stage runs at 20-23 million cubic meters. With the new wells operating, production can reach 25-26 million cubic meters per day. Forecasts indicate that at its peak production could deliver over 8.6-9 bcm. Gas production may be brought up to 25 bcm per year under the second phase of development.

South Korea to spend \$7 bln on natural gas by 2024

Reuters, 31.12.2010

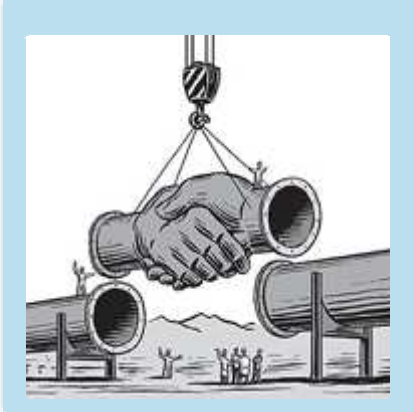


South Korea said that it plans to invest about 8 trillion won (\$7.05 billion) in natural gas production plants and supply lines by 2024. Total natural gas consumption is estimated to grow 1.8 percent per year on average until 2024 to 34 million tonnes, the Ministry of Knowledge Economy said.

Earlier, the country sketched out long-term plans to raise production of oil, gas and six strategic minerals and new strategic minerals including lithium and rare earths as it aims to boost self-sufficiency. The government wants energy companies to supply 30 percent of the country's combined oil and gas imports from projects almost all overseas by 2019, up from 9 percent in 2009.

Jordan and Iraq strike pipeline deal

Hürriyet Daily News, 02.01.2011



Jordan and Iraq have agreed in principle to extend a pipeline to convey crude Iraqi oil to Jordan. Jordanian Prime Minister Samir Rifai met his Iraqi counterpart Nouri al-Maliki and also discussed the possibility that a future expansion of the project could include Iraqi gas.

During the Baghdad talks, the Jordanian side made a request to extend a contract under which the Kingdom of Jordan receives Iraqi oil and to gradually increase the quantities of supply from 10,000 barrels per day to 30,000. The Iraqi side promised to study the request.

Iraq currently transports crude oil to Jordan by truck. Rifai and al-Maliki discussed means of exchanging information regarding gas and oil exploration, including tasking joint committees to come up with an energy action plan. They agreed to continue talks through ministerial meetings to look into the steps needed to continue cooperation.

Amman and Cairo signed an agreement in 2003 to build a 360-kilometre pipeline from Arish through the Sinai to Aqaba and northwards to the Syrian border, to convey Egyptian gas to Jordan and further to Syria, Lebanon and Turkey.

Announcements & Reports

► *License Fees for 2011 in Natural Gas Market*

Source : Energy Market Regulatory Authority

Weblink : www.epdk.gov.tr/mevzuat/kurul/dogalgaz/2945/2945.doc

Upcoming Events

► *CEVI Energy School (in Turkey)*

Date : 7 – 11 February 2011

Place : Istanbul – Turkey

Website : <http://www.centerforenergyandvalue.org/>



► **TUROGE 2011** *(in Turkey)*

10th Turkish International Oil & Gas Conference & Showcase

Date : 16 – 17 March 2011
Place : Ankara – Turkey
Website : <http://www.turoge.com/>

► **International Oil & Gas Law** *(in Turkey)*

Date : 21 – 25 March 2011
Place : Istanbul – Turkey
Website : www.rmmlf.org

► **GIOGIE 2011**

10th Georgian International Oil, Gas, Energy and Infrastructure Conference

Date : 29 – 30 March 2011
Place : Tblisi – Georgia
Website : <http://www.giogie.com/2011/>

► **Atyrau Oil & Gas 2011**

10th North Caspian Regional Atyrau Oil, Gas and Infrastructure Exhibition

Date : 5 – 7 April 2011
Place : Atyrau – Kazakhstan
Website : <http://www.atyrauoilgas.com/2011/>

► **TGC 2011**

2nd Turkmenistan Gas Congress

Date : 13 – 14 April 2011
Place : Avaza – Turkmenistan
Website : <http://www.summittradeevents.com/ourevents.php>

► **Oil & Gas Siberia 2011**

7th International Specialized Exhibition of Equipment & Technologies for Extraction, Processing and Transportation of Energy Resources

Date : 27 – 29 April 2011
Place : Novosibirsk – Russia
Website : <http://petroleum.sibfair.ru/eng/>



► **OGU 2011**

15th Uzbekistan International Oil & Gas Exhibition & Conference

Date : 17 – 19 May 2011
Place : Tashkent – Uzbekistan
Website : <http://www.oguzbekistan.com/2011/>

► **SEA 5 2011**

Algerian Energy Week

Date : 21 – 25 May 2011
Place : Oran – Algeria
Website : <http://www.sea5-algeria.com/>

► **Caspian Oil & Gas 2011**

18th Caspian International Oil & Gas Exhibition & Conference Incorporating Refining & Petrochemicals

Date : 7 – 10 June 2011
Place : Baku – Azerbaijan
Website : <http://www.caspianoil-gas.com/2011/>

► **MIOGE 2011**

11th Moscow International Oil & Gas Exhibition

Date : 21 – 24 June 2011
Place : Moscow – Russia
Website : <http://www.mioge.com/2011/>

► **International Electricity Summit** *(in Turkey)*

Date : 14 – 16 September 2011
Place : Ankara – Turkey
Website : <http://www.energy-congress.com/>