

2011 to see nearly TL 7 bln investment in energy market

Today's Zaman, 11.01.2011



EPDK President Hasan Köktas has said a total of TL 6.8 billion will be invested in Turkey's electricity and natural gas sector this year. Köktas said TL 5.8 billion of that amount would be funded by private interests, with the other TL 1 billion to be floated by the government.

“In no other country would the private sector make this level of investment without being provided with a certain set of guarantees. Here, I would like to invite your attention to the fact that the private sector will be investing TL 5.8 billion without any guarantees, bearing the risk on their own,” he said, stressing the profitability of the Turkish energy market.

Köktas said that for the first time in Turkey's history, over half the share of energy investments will go toward renewable energy generation. He added that 2011 -- as was the case in 2010 -- will be a year of mergers and acquisitions in the energy sector. Last year Turkey privatized 11 public electricity distribution companies, generating total revenue for the government of TL 12.3 billion as a result of the deals. In line with its re-energized privatization campaign, Ankara's natural gas distribution company Baskent Dogalgaz was also sold separately for almost TL 2 billion in 2010.

Köktas added that the focus on privatization in the electricity production market will continue. “I want to point out that the energy sector will be one of the most important channels through which foreign direct investment will flow into Turkey,” he noted, remarking that the growth of Turkey's energy sector has been 8.4 percent annually for the past 40 years, while gross domestic product (GDP), on the other hand, grew by 4.1 percent over the same period. “In 2010, investments in the private energy sector exceeded TL 5 billion, and these investments facilitated the production of around 21 billion kilowatts of electricity,” he said.

When it comes to electricity theft and losses, Köktas said his agency expects the rate of such losses will be around 15 percent this year. He said their objective is to reduce this to 10 percent by 2015. He noted that Turkey will save TL 3.3 billion annually when the 2015 target is met.

Gov't plans to leave General Staff out of oil exploration

Radikal (Songül Selvi), 10.01.2011



The government is preparing a law that will leave the General Staff out of future oil exploration or pipe-laying activities to be conducted in military-controlled areas.

The Turkish Petroleum Law is currently being amended, with part of the provisioned modifications including abolishing current requisite military consent for oil-related activities to be carried out in areas under military control or ownership. The government is currently planning to change a clause in the law that states "the General Staff's consent is required," to "the related institution's consent is required."

According to experts, the amendment will require TPAO and BOTAS to ask for consent only from "related-institutions" such as the General Directorate of Petroleum Affairs (GDPA), for any oil-related activities they plan to undertake. Accordingly, consultation with the General Staff will no longer be required when determining the routes for transit pipeline projects or when facilitating the passage of oil-carrying tankers and pipelines through critical naval positions. The same draft also provisions a bonus of around 200 percent to engineers working on strategic energy projects in order to prevent them from being poached by other firms. The draft says that the terms and conditions of the way civil servants and contract employees working at bodies such as the GDPA will receive the bonuses will be determined by the ministry under which the particular directorate operates.

Calik Energy signs Iraq deal worth \$445 mln

Turkish Press, 14.01.2011



Turkey's Calik Energy on Thursday signed a deal with the Iraqi government to build a power plant for a cost of \$445.5 million. The deal between Calik Energy and the Iraqi Electricity Ministry for the construction of the 1,250 megawatt al-Hayrat plant in Karbala.

Calik Holding CEO Ahmet Calik and Iraq's Deputy Electricity Minister Salam Kazzaz penned the agreement in a ceremony in Baghdad with the participation of Iraqi Deputy Premier for Energy Hussain al-Shahristani and Turkey's Ambassador to Iraq Murat Ozcelik.



TransAtlantic briefs ops in Turkey

Rigzone, 11.01.2011



Production from TransAtlantic's Selmo oil field in Turkey for the first week of January was approximately 2,400 barrels of oil per day, which was slightly lower than the year-end exit rate the Company anticipated in November.

"We expected to complete two additional wells before year end, but we were unable to do so. We did, however, successfully fracture stimulate the S-57 well this past week," said Gary Mize, the Company's President. Before fracture stimulation, the S-57 was capable of producing at a rate of about 10 barrels of oil per day, though it was not producing.

During swabbing operations after fracture stimulation, the well was swabbed at a rate of approximately 300 barrels of fluid per day, with about a 50% oil cut. Production equipment is now being installed, and the well will be turned to production this week. "We will closely watch the S-57 well and may fracture stimulate another Selmo well after we fracture stimulate the Dadas shale in the Goksu-1 well on License 4174, before returning the equipment to the Thrace Basin," said Malone Mitchell, the Company's Chairman.

The company is awaiting the availability of coiled tubing units to clean out and install tubing in the Kepirtepe-1 and Habiller-2R wells in the Thrace Basin, which were fractured stimulated in the Mezardere and Hamitabat formations in the fourth quarter of 2010. "Once we clean out the wells and install tubing, we should be in a position to flow the wells for an extended period. We were pleased with how the jobs were pumped and expect to move towards multi-stage fracture stimulation jobs and commercial production this year," said Mr. Mitchell.

Azerbaijan signs gas contract with Iran

Hürriyet Daily News (Bloomberg), 13.01.2011



Azerbaijan agreed to export at least 1 bcm of gas a year to Iran in a deal reached one day before meetings with the EU on a new fuel transit corridor.

The gas will start to run Feb. 1 as part of the five-year contract, while the export volumes could be increased in the future, said Rovnag Abdullayev, the head of SOCAR. Iranian Oil Minister Masoud Mir-Kazemi met with his Azeri counterpart Natig Aliyev and discussed setting up a joint bank to fund the two countries' energy projects.

Gazprom agreed to double purchases of the fuel from Azerbaijan to 2 bcm in 2011. Azerbaijan has sufficient gas reserves to export to Iran as well as Russia, Georgia and Turkey, the Azeri news agency APA reported, citing Abdullayev. Exports to Iran may double to 2 bcm next year, APA said, citing Mir-Kazemi. Abdullayev did not give the value of the contract with Iran, saying Azerbaijan was committed to selling its gas at a high price.

The former Soviet Union republic ships about 1.2 million cubic meters of gas a day to Iran through swap deals, Eldar Shiryev, deputy head of the oil and gas department at Azerbaijan's energy ministry, said in a Sept. 15 interview.

Russia presents new draft of Samsun - Ceyhan agreement to Turkey

Ria Novosti, 13.01.2011



Russia handed a new draft of the Samsun-Ceyhan pipeline agreement to the Turkish government in December, Russian oil pipeline monopoly Transneft's President Nikolai Tokarev said on Thursday.

"The Russian side presented our draft of the cooperation agreement when we were in Istanbul in late December, so we can see that cooperation on the project is tangible. The emphasis is on development of a normal economic model," Tokarev said. Some difficulties remain, but the participants are working hard to overcome them, Tokarev said.

"The participants, as part of the working group, are meeting almost every month, attracting experts and consultants. This is already not just a conversation, as it was last year. Today we have already made all the calculations," Tokarev said. The Turkish side has proposed another meeting again in Istanbul in late January, Tokarev said but declined to comment on likely topics for discussion.

In September, Tokarev complained that Turkey was offering Russia unfavorable terms for the project. Moscow then presented Turkey with a draft agreement offering oil supplies of 25 million tons per year, well below the initially agreed volume of 60-70 million tons.

Russian Deputy Prime Minister Igor Sechin said in December that Russia and Turkey hoped to agree on investment in the Samsun-Ceyhan oil pipeline project before the middle of March. The Samsun-Ceyhan pipeline is designed to carry 60-70 million tons of oil per year from the Turkish port of Samsun on the Black Sea to a Mediterranean terminal in Ceyhan to ease tanker traffic burden in the Bosphorus and the Dardanelles straits.

Gasoline prices up again as crude oil nears 2-year high

Today's Zaman (AP), 14.01.2011



Gasoline prices continued to cause consumers distress when yet another price hike went into effect on Thursday as oil prices in Asia hovered just below the two-year-high of \$92 a barrel.

With the latest increase of between Kr 2.5-3, the price of 95 octane unleaded gasoline reached TL 3.92 per liter -- about \$9.50 per gallon -- while, on the other hand, a liter of 97 octane unleaded gasoline started to be sold for TL 4.1, which is the equivalent of \$9.93 per gallon. The price of diesel was not subject to the last increase, widening its present comparative advantage vis-à-vis gasoline for consumers.

Though the price of gasoline in Turkey has increased by 48 percent while the price of diesel fuel saw a total hike of some 60 percent in the last five years, using diesel fuel is still less costly than gasoline. Currently a vehicle tank that has a volume of 45 liters can be filled for about TL 175 with 95 octane unleaded, while on the other hand a driver pays TL 150 to fill it with diesel in urban areas. The same vehicle with an engine size of between 1300-1400 cc can travel for up to 620 kilometers and 920 kilometers with gasoline and diesel, respectively.

Justice and Development Party (AK Party) government officials referred to the depreciation of the Turkish lira against the US dollar as well as rising crude oil prices for the year's first increase, though only the latest in a series of hikes in the past couple of months. Although taxes account for 65 percent of the price of fuel in Turkey, the government -- while acknowledging the high gas taxes -- dismisses allegations of their increasing taxes as the cause of the recent price hikes. Instead, the AK Party points to the fact that the share of taxes was some 70 percent before they came to power in late 2002.

While the widening crisis in the eurozone area is generally blamed for the Turkish lira's loss of value vis-à-vis the US dollar, the increase in the price of crude oil lastly came following signs of improving US demand. Benchmark oil for February delivery fell 2 cents to \$91.84 a barrel midday Singapore time in electronic trading on the New York Mercantile Exchange. Crude gained 75 cents to settle at \$91.86 on Wednesday, the highest settlement price since October 2008.

The US Energy Department said the country's commercial crude supplies fell by 2.2 million barrels to 333.1 million barrels last week, while analysts surveyed by Platts, the energy information arm of McGraw-Hill Cos., expected a decline of only 300,000 barrels. Crude inventories have fallen six straight weeks, suggesting US consumption is strengthening.

Barroso tops Azeri gas deal with visa facilitation

EurActiv, 14.01.2011



On a visit to Azerbaijan on January 13, European Commission President José Manuel Barroso signed a deal expected to bring ten billion cubic metres of gas each year to Europe, promising in return ‘visa facilitation’ for Azeri nationals.

Barroso and his host, Azerbaijan’s President Ilham Aliyev, signed a Joint Declaration on gas delivery for Europe in Baku. Barroso hailed the agreement as “a major breakthrough,” while Energy Commissioner Günther Oettinger, who accompanied him, said the deal was strategic, as Europe needed new gas supplies for the decades to come.

Barroso also said he was pleased to announce that Brussels and Baku would open negotiations on a Visa Facilitation Agreement in the near future. “This will make it easier for the Azerbaijani people to travel to the EU,” he explained. In recent years, visa facilitation agreements have opened the doors to the EU’s Schengen border-free area to citizens of all Western Balkan countries except Kosovo. A similar process is now being applied to Russia and Ukraine.

Aliyev was quoted by local media as saying that Azerbaijan’s proven gas reserves totalled 2.2 trillion cubic metres. Projected reserves were “quite [a lot] higher,” he added, saying that his country wanted to sell gas to Europe as a means of diversifying its list of clients. On Wednesday, Azerbaijan agreed to export at least a billion cubic metres of natural gas per year to Iran. The country also sells gas to Russia. Barroso noted that Europe had the same interest: diversifying its sources of supply.

Azerbaijan is currently in negotiations with several Western companies to grant access to 10 billion cubic metres (bcm) of Azeri gas in the Shah Deniz II field. The Nabucco consortium is one of the bidders, alongside other projects such as ITGI and TAP. 10 bcm of gas may not seem enough to fill the Nabucco pipe, which has a planned capacity of 38 bcm upon completion. ITGI and TAP have a planned capacity precisely of 10 bcm, and White Stream, a project to transport Caspian gas across Georgia to Supsa on which little information is publicly available, has a planned capacity of 8 bcm.

No volumes were mentioned in the official texts released, but the Commission took care to mention the four planned pipelines as potential clients. It is understood that whichever pipeline project gets Azeri gas after the tendering process will become the backbone of the Southern Gas Corridor. But Azerbaijan may choose to award the gas to several clients, Elshad Nasirov, the country’s top negotiator, recently hinted, saying that Baku did not want to put all its eggs in one basket.

“The Southern Corridor entails the construction of several pipelines, such as Nabucco, ITGI, White Stream and TAP, aiming to bring gas from the Caspian Sea to Europe. Nabucco aims to bring gas to the border of Europe with a brand new pipeline, whereas TAP [Tran-Adriatic pipeline] and ITGI [Interconnector Turkey-Greece-Italy] requires the strengthening of existing infrastructure in non-EU countries,” the Commission stated. “In the next months, Azerbaijan will make a further decision on which of these pipelines to prioritise,” the EU executive added. From Azerbaijan, Barroso and Oettinger are heading to Turkmenistan, the country on the other side of the Caspian Sea, where “huge gas reserves” were uncovered recently.

Iraq prepares to open bidding of oil licenses to 45 companies

Rigzone, 13.01.2011



Iraq’s oil ministry said it is preparing to open up a fourth round of bidding to 45 companies to invest in Iraq’s gas and crude oil reserves. Abdul-Karim Eleibi told that 12 areas for exploration will be discussed in the coming weeks.

“The fourth round will be dedicated to the exploration of Iraq’s oil reserves and to increasing gas production rates,” he said. He also said that Iraq is working to export more than 4.5 million bpd. Just a day earlier, the ministry announced that the oil-rich nation will boost its production of crude oil to 3 million bpd before the end of 2011, up from the current rate of 2.1 million bpd.

In the last round of contracts awarded in September, a number of foreign investors secured deals in Iraq worth billions of dollars in both the infrastructure and energy sectors. Iraq announced last year that it has around 143 billion barrels of crude oil reserves, about 24 per cent more than previous estimates. Iraq has the world’s fourth largest crude oil reserves, behind Saudi Arabia, Venezuela, and Canada.

Russian oil to Belarus may resume by Tuesday

Reuters (Jessica Bachman), 13.01.2011



Russia is likely to resume oil deliveries to Belarus by Tuesday, but has alternate supply routes available in case the dispute continues, the head of Russian oil pipeline monopoly Transneft said on Thursday.

“I think that by the end of the week the talks will be completed, prices agreed, and by Monday or Tuesday oil shipments to Belarus will take place,” Nikolai Tokarev told reporters. Separately, Russia’s Energy Minister Sergei Shmatko told reporters on Thursday that Russia could resume oil supplies to its ex-Soviet neighbour and customs union partner within a week.

Russian oil flows to Belarus refineries, which have a daily capacity of 360,000 barrels, have been halted since Jan 1 while price talks continue with Russian oil companies, but oil flows to Europe remain unimpeded. Tokarev said that in the event Russian producers and Belarus are unable to strike a compromise, Moscow has considered other back up options for its Belarus crude shipments, including via ports Primorsk and Novorossiisk and the Polish port of Gdansk. With both sides now in a customs union together with Kazakhstan, Belarus, of Jan 1, no longer has to pay Russia’s oil export tariff, but traders say Russian companies have halted supplies in attempt to get Belarus to pay a higher oil prices. Around 40 million tonnes (about 800,000 barrels per day) of Russian oil is pumped annually to Europe via Belarus.

Poland and Slovakia make gas pipe pact

Upstream Online, 14.01.2011



Poland’s Gaz-System and Slovakia’s Eustream have signed a letter of intent to work together to develop a gas pipeline. The decision on whether to go forward with the project will take place in 2012.

“This solution would consist of enabling Central European customers’ access to the Swinoujscie LNG terminal through the Polish transmission infrastructure”, Jan Chadam, president of the Gaz-System, said. He added his company plans to build more than 1000 kilometre of new pipelines by 2014.

CNPC domestic flows slow growth

Upstream Online, 14.01.2011



Domestic gas production by China National Petroleum Corporation (CNPC) grew in 2010 at the slowest pace in at least eight years, although its overseas output growth accelerated, company data showed today.

The state-owned oil and gas player produced 72.5 billion cubic metres of natural gas in domestic fields last year, Reuters quoted the China Petroleum Daily, a company newspaper, as reporting. The output was only 6.1% higher than the 68.3 Bcm it produced in 2009, the first time in eight years that domestic production growth fell below 10%, according to earlier company data.

CNPC's gas production in overseas fields it operated jumped 67% in 2010 from a year earlier to 13.7 Bcm after gaining 22% in 2009. The company owns part of foreign production in accordance with product sharing contracts. It did not provide any explanation for the growth changes.

CNPC added 286,000 barrels per day, of crude oil refining capacity in 2010, and domestic sales of refined oil products topped 790 million barrels (100 million tonnes) for the first time ever, the company newspaper reported, citing comments by Zhou Jiping, vice general manager of CNPC and president of listed PetroChina. Most of CNPC's domestic businesses and some of its overseas operations are run by PetroChina.

Announcements & Reports

► *New Version of the Petroleum Market License Regulation*

Source : Energy Market Regulatory Authority
Weblink : www.epdk.gov.tr/web/petrol-piyasasi-dairesi/13



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/>