

Egypt's gas production and LNG traffic not yet threatened by civil unrest

Rigzone, 02.02.2011



The Suez Canal, which serves as a conduit for LNG shipments out of the Gulf of Suez into the Atlantic Basin, does not appear to be under immediate threat from political unrest in Egypt, and the nation's gas production, liquefaction facilities, and pipeline operations have not been compromised so far, according to analysts at Barclays Capital Research and IHS CERA.

While the industrial city of Suez has experienced some of the worst violence in the past week, there have been no reported attempts to target ships.

“Even if Western companies were to become a major target of protesters, we believe that shipping traffic through the Canal is unlikely to be seriously imperiled, through some individual ships docked in port might be at risk of attack if the situation deteriorates further,” Barclays said in a note this week, adding that protestors do not yet appear to be poised to carry out organized attacks on tankers as in the case of the USS Cole in 2000. Though unlikely, the canal's closure would impact an estimated 4.2 billion cubic meters and 5.0 Bcf/d of LNG trade flows; however, the canal's closure would not mean any significant loss of production volumes. Middle Eastern cargoes would have to take longer routes to reach the Atlantic Basin, resulting in fewer cargoes per ship-month and likely, higher costs.

In 2009, Egypt produced 6.1 Bcf/d of gas, of which 2.0 Bcf/d was exported and the rest consumed domestically. The majority of Egypt's gas exports leave the country as LNG, with about 1.3 Bcf/d of LNG exported in 2009 and 1 Bcf/d in 2010, or 3.2 percent of global LNG supply for the year, Barclays said. Spain, the U.S. and South Korea are the three main markets for LNG exports from Egypt. However, Spain's LNG needs have dropped significantly over the past two years due to the global economic slowdown, and a drop in Egyptian LNG receipts could be partially offset by higher purchases from other existing suppliers before Spain would need to buy cargoes on the spot market. The global LNG market is well supplied with output growth being paced by demand increases in 2010. This trend is expected to continue into 2011, with ample production capacity available to meet any potential Egyptian LNG shortfall. Additionally, Egypt represents a small portion of supply for both the U.S. and South Korea.

Although the 14 percent of the global LNG trade that passes through the canal each day is of notable significance to the LNG markets, the canal's importance may even be greater for Egyptian revenues. Receipts from the canal amounted to just under \$5 billion. “Given that any government that emerges from the crisis will likely need to maintain or even increase costly subsidies to preserve social order, it would probably be reluctant to part with such a vital source of revenue,” Barclays noted.

IHS CERA also noted this week that deterioration in Egypt's security situation could have a negative impact on gas exports and international shipping, which includes significant volumes of oil and LNG that pass through the Suez Canal. Crude oil flows through the Suez-Mediterranean (Sumed) pipeline from the Red Sea to the Mediterranean could also be at risk. However, IHS CERA Senior Director Bhushan Bahree notes that world gas supplies are plentiful, though regional or local distribution issues may arise from any interruption in Egyptian supplies. "Similarly, there is no shortage of oil in the marketplace, and OPEC's spared capacity of some 5 million b/d is considerable. Saudi Arabia alone has spare oil production capacity of about 4 million b/d, which is more than recent flows of oil through the Suez Canal and the Sumed pipeline combined."

Iraq readies restart of Kurdish flows

Upstream Online, 02.02.2011



Iraq is very close to resuming crude oil exports from Northern Iraq with the initial flow expected at 10,000 barrels per day from the Tawke field, government and regional officials said.

Iraqi Deputy Prime Minister Hussain al-Shahristani told that oil exports had begun to flow at 10,000 barrels per day, but regional oil officials said so far they were still in the final stages of preparing to start exports. "Oil should have started pumping on 1 February. There was a one day delay. They started it today," Shahristani, Iraq's former oil minister, said in an interview at an energy conference in Istanbul.

"They are increasing it gradually. I think they started this morning at about 10,000 barrels and they are going to increase." A source close to Norway's DNO, one of the operators of the Tawke field, said so far oil had only been pumped into a pipeline in preparation for resuming exports and two officials with Iraq's North Oil Company said no oil had been exported yet. "The companies are now working on the necessary preparations to be ready to start exports very shortly," KRG Prime Minister, Barham Salih, said separately.

Exports from Northern Iraq have been halted by a simmering dispute between the regional government and the Arab-led government in Baghdad over the legality of the contracts the Kurds have signed with foreign oil companies. Exports flowed briefly in 2009, but were then stopped again when Baghdad refused to pay the companies. Earlier this month, both sides said they had agreed to resume shipments on 1 February after reaching a deal. The deal involves the Iraqi government paying the companies their exploration and development costs but not their profits.

Azerbaijan and Ukraine sign agreement on oil and gas deliveries

Trend.az, 28.01.2011



The Ukrainian Cabinet of Ministers and the Azerbaijani government have signed a memorandum on cooperation in organizing the LNG supplies to Ukraine. The document was signed following the meeting of Azerbaijani President Ilham Aliyev and his Ukrainian Counterpart Viktor Yanukovich.

The two governments also signed an agreement on measures to promote cooperation in the field of oil transportation through the territory of Ukraine. Ukrainian Energy Minister Yuriy Boyko said that the contract envisages delivery of 2 billion cubic meters of liquefied gas in 2014, and 5 billion cubic meters of liquefied natural gas from Azerbaijan in 2015.

According to the minister, the second contract provides for delivery of Azerbaijani oil via Odessa-Brody pipeline in the direct mode. "This year it is planned to pump from 8 to 12 million tons," he said. Delivery of liquefied Azerbaijani gas to Ukraine is possible within the project Azerbaijan-Georgia-Romanian Interconnector (AGRI), which involves the supply of liquefied gas from Azerbaijan via Georgia and the Black Sea to Romania.

The capacity of the AGRI Project is considered in three variants - two billion cubic meters of gas per year, five billion cubic meters and eight billion cubic meters. According to preliminary data, depending on the capacity of the project, the cost varies from 1.2 billion to 4.5 billion euros. The project involves transporting Azerbaijani natural gas through pipelines to the Black Sea coast of Georgia, where the gas will be liquefied at a special terminal, and then will be shipped by tanker through the Black Sea. Currently, Ukraine is working on creating a terminal to receive liquefied natural gas to Ukraine, which is among the priority national projects.

Signing contracts to supply LNG to the Ukrainian terminal is planned for the last three quarters of 2012 and first quarter of 2013. Construction work in the first phase of establishing terminal is planned to be completed by the end of 2015, starting from the second quarter of 2013. Transportation of Azerbaijani oil through the territory of Ukraine can be carried out via Odessa-Brody oil pipeline. The Odessa-Brody oil transportation project sought to diversify oil supplies to Ukrainian refineries and develop the country's transit potential. The pipeline's construction was completed in May 2002. Its trunk has a length of 674 kilometers, with a pipe diameter of 1,020 millimeters. The capacity of the pipeline and the terminal provided 9-14 million tons per year during the first stage.

Over the two years since the pipeline's construction, Ukraine unsuccessfully negotiated the transportation of Caspian oil in forward direction. As the country was unable to receive any concrete proposals from companies, the Ukrainian government authorized the use of pipeline for transporting Russian oil in reverse direction in late June 2004.

Currently, a draft is developed to extend the transport corridor up to Poland. Sarmatia Joint Venture was established as part of constructing Odessa-Brody-Plock-Gdansk pipeline. Sarmatia was created under an oil transportation project via the Odessa-Brody-Gdansk-Plotsk route. Sarmatia's participants include SOCAR, the Georgian Oil and Gas Corporation Ltd. (GOGC), Ukrainian Ukrtransnafta, Polish Przedsiębiorstwo Eksploatacji Rurociągów Naftowych Przyjazn SA and Lithuanian AB Klaipėdos Nafta.

Aliyev says feels no Russian pressure over Nabucco

Today's Zaman, 29.01.2011



Azerbaijan's President Ilham Aliyev said that he is under no pressure from Russia to shun the Nabucco gas pipeline. Addressing a panel at the World Economic Forum, Aliyev said he was giving equal priority to the Nabucco pipeline as to other projects involving his Caucasian country's neighbors.

EU diplomats have said Moscow and gas monopoly Gazprom have spared no effort to try to undermine the Nabucco project, notably by forging ahead with a \$25 billion alternative pipeline plan known as South Stream to deliver gas to southern Europe through a pipeline on the Black Sea bed.

"Frankly speaking, I do not feel any special attention from Russia to this project," he said. "Maybe you in Europe feel it more. In our relations with Russia, there is full understanding that both countries should be fully independent in their energy policy," Aliyev said. "We strongly support the Southern Corridor," the president said, referring to the project to build more pipelines connecting the Caspian Sea with European customers.

Unrest in Egypt puts Europe's natural gas supply at risk

Hürriyet Daily News (Bloomberg), 02.02.2011



The unrest in Egypt that forced BG Group and Statoil to stop drilling threatens a region that represents more than 15 percent of Europe's natural gas supply and 4 percent of the world's crude oil. No disruptions to gas pipeline shipments under the Mediterranean Sea or to oil tankers through the Suez Canal have been reported so far in North Africa after popular unrest erupted last month.

Concern pushed Brent crude oil on Jan. 31 to more than \$100 a barrel. Algeria, the third-largest gas supplier to Europe, last month suffered riots over food prices similar to those that kicked off a broader protest in Tunisia and toppled President Zine El Abidine Ben Ali on Jan. 14.

"It's especially southern Europe that's exposed to a supply halt from Algeria and Libya," said Thina Saltvedt, an analyst at Nordea Markets in Oslo. "As Europe's third-largest gas supplier, unrest in Algeria would especially put southern Europe's security of supply to the test." Algeria and Libya combined export about 70 bcm of gas, or about 15 percent of the EU's annual consumption. The two members of OPEC also pump a combined 2.8 million barrels a day of crude. Egypt pumped 742,000 barrels of crude a day and 62.7 bcm of gas in 2009, according to BP data. Egypt's Suez Canal is the main artery for shipping more than 2.2 million barrels of oil a day headed for Europe and North America. Last year 368 liquid-natural gas vessels also went through the Suez to the Mediterranean carrying 30.3 million tons of the fuel, according to PanEurasian Enterprises.

Egypt produces about 3 percent of the world's LNG from two export plants at Gas Natural SDG's Damietta and BG's Idku LNG facilities, according to Goldman Sachs and Energy Intelligence Group's World LNG Review. "Any supply disruption will certainly impact the balance of the European gas market, potentially putting upward pressure on natural gas prices," Bank of America Merrill Lynch analysts including Alejandro Demichelis said in a report this week.

Brent oil for March settlement traded at \$101.68 a barrel on the ICE Futures Europe exchange in London Wednesday morning. It gained 0.7 percent to \$101.74 Tuesday, the highest settlement since Sept. 26, 2008. The month-ahead gas for delivery at the Dutch Title Transfer Facility has slipped 14 percent this year to about 21.15 euros a megawatt-hour. The TTF is the most liquid mainland European gas hub. The equivalent U.K. gas contract, the most traded market in Europe, has fallen 14 percent this year.

So far, there has been little disruption in supplies to Italy from Algeria via the Transmed pipeline from Tunisia. The link flowed at a rate of about 87 million cubic meters a day on Jan. 31, according to Snam Rete Gas, Italy's pipeline operator. Algeria also ships through the Maghreb Europe pipeline to Spain, while Libya sends fuel through a link to Sicily. Algeria may also open the Medgaz pipeline to Spain this month.

"It's important to emphasize that even if the problems spread to one of these countries it is not necessarily the case that energy supplies would be disrupted," Goldman analysts led by Jeffrey Currie in London said in a report Jan. 31. "History has shown that energy can still flow even under very adverse political conditions." Austria's OMV, Repsol YPF, and Eni, have the largest exposure to "political risk" in North Africa. OMV and Repsol have about 20 percent of their reserves in North Africa and Yemen, while Eni has 17 percent, according to Bank of America-Merrill Lynch.

In Egypt, BG and Statoil halted drilling as a sixth day of protests began to take a toll on the industry. Apache, which got about a third of its production revenue from Egypt in 2009, said it shut its Cairo offices. Royal Dutch Shell and Transocean also closed offices. BP, the largest foreign investor in Egypt, made plans to evacuate the families of expatriate workers.

Greece secures Azeri gas

Upstream Online, 02.02.2011



Azerbaijan plans to sell 0.7 billion cubic metres of gas per year directly to Greece, bypassing Turkish intermediaries, the country's Energy Minister Natiq Aliyev said. "We agreed with Turkey and Greece that gas from Azerbaijan will be sold to Greece without Turkey's participation," Reuters quoted Aliyev as telling reporters after talks. "Legal issues are under discussion right now. Volumes will be the same, 700 million cubic metres, but may rise in the future."

He did not specify when Azerbaijan could start direct supplies. Greece has been buying 0.7 bcm of Azeri gas per year from Turkey from the end of 2008 as a part of re-export scheme.

EU to fund Ukrainian gas infrastructure after treaty accession

Platts (Rachel Morison), 01.02.2011



The European Union will help to provide finance to modernize Ukraine's gas infrastructure after the Ukraine's accession to the European Energy community Tuesday.

"Being an important gas transit country, the accession of Ukraine will have a positive impact on the European security of energy supply, which is a win-win situation for all participants in the process," said Slavtcho Neykov, director of the Energy Community Secretariat. Now that Ukraine is part of the Energy Community, it is part of Europe's internal market for gas and electricity and has to comply with EU legislation.

"The gas infrastructure needs modernization because gas from Russia has to flow through Ukraine which is why we have been in contact with different financing institutions," European Commission energy spokeswoman Marlene Holzner said. She said that the EC is considering how the EU can help finance the gas infrastructure modernizations. "We are in contact with the International Monetary Fund and other international financing organizations who have pledged to invest in the system if Ukraine complies with certain criteria," she said.

The EC said that Ukraine has already met one such criteria through the adoption of a new gas law in September. "One criteria has been fulfilled a new law concerning gas and the structure of natural gas this law has been implemented and this was the last step before coming a member of energy community," Holzner said. The Energy Community is an EU-sponsored initiative to extend the EU's energy market to neighboring countries.

Ukraine joins neighboring Moldova as well as seven western Balkan countries and the EU in formally ratifying the treaty. Norway, Georgia and Turkey are also observers of the treaty and Switzerland has said it is looking to join the Energy Community.

Prime ministers to seal North – South gas corridor

EurActiv, 01.02.2011



On the eve of the 4 February EU energy summit, several prime ministers will gather in Brussels to mark their agreement for the North-South gas corridor, a project aimed at removing internal bottlenecks for gas transport. The announcement was made by Commission President José Manuel Barroso.

Speaking to the press alongside visiting Polish Prime Minister Donald Tusk, Barroso said he was looking forward to welcoming back his guest and “a number of other prime ministers in order to agree on the creation of a North-South energy corridor”.

“This is the latest practical example of Europe’s value added to its citizens,” said Barroso. The EU summit on Friday will touch upon two main issues, energy and innovation. Before that, Barroso will meet with the prime ministers of Bulgaria, the Czech Republic, Hungary, Poland and Slovakia, as well as the president of Romania, to discuss North-South energy interconnections. The strategic concept behind the North-South natural gas interconnection is to link the Baltic Sea area (including Poland) to the Adriatic and Aegean Seas and further to the Black Sea, covering Poland, the Czech Republic, Slovakia, Hungary and Romania, as well as possibly Austria and EU hopeful Croatia.

In the longer term, the Commission foresees an extension of this integration process to non-EU signatories in the Energy Community Treaty (Albania, Bosnia and Herzegovina, Croatia, Macedonia, Moldova, Montenegro, Serbia and Kosovo). Thanks to the North-South corridor, the Commission expects the region of Central and Eastern Europe to become less vulnerable to a supply cut through the Russia/Ukraine/Belarus route.

The North-South corridor is also part of a wider plan to boost the attractiveness of South Eastern Europe for investors or producers, as well to reduce energy poverty. Before reaching the EU level, preparatory work has been carried out in the Visegrad format, which gathers the four countries of the Visegrad group (Poland, Czech Republic, Slovakia, Hungary) as well as EU members Austria, Bulgaria, Romania and, Slovenia and EU hopefuls Serbia, Croatia and Bosnia and Herzegovina.

A declaration signed in February 2010 expresses those countries’ joint support for North-South interconnections. Among the projects mentioned are planned Croatian and Polish LNG terminals, the Constanta LNG terminal in Romania and other LNG and CNG projects in the wider Black Sea region. Other projects cited are plans to further promote Nabucco and NETS, a Hungarian project to unite Central and South Eastern Europe’s natural gas transmission networks by creating a common gas transmission system operator (TSO). On 28 January the prime ministers of Hungary, Viktor Orbán, and Slovakia, Iveta Radičová, signed an agreement for a section of the North-South gas pipeline that crosses their countries.



Announcements & Reports

► *Facts on Egypt: Oil and Gas*

Source : International Energy Agency
Weblink : http://www.iea.org/files/facts_egypt.pdf

Upcoming Events

► *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/>