

Turkey hopes to sign Azeri gas deal in Q2 2011

Reuters, 19.04.2011



Turkey hopes to sign a transit agreement with Azeri energy firm SOCAR for development of phase two of the giant Shah Deniz natural gas deposit in the second quarter of 2011, Turkish state gas company BOTAS said.

Azerbaijan is negotiating with Turkey to sell 6 bcm of gas per year from Shah Deniz II, and ship 10 bcm to European customers via Turkey. Talks include issues of transit fees, volumes of gas as well as transportation options, but do not specify which pipeline would carry the gas. Shah Deniz is estimated to contain 1.2 tcm of gas. Production began in 2006, and the second phase is expected to start by 2017.

“We will try to conclude talks in April-May in order to sign documents in the second quarter of this year,” Levent Oztgöl, a strategy and development manager at BOTAS, which is participating in talks from the Turkish side, told reporters. Azerbaijan has been in talks with more than 20 firms and consortiums looking to buy gas from Shah Deniz II and has said last year it will conclude negotiations by mid 2011. SOCAR President Rovnag Abdullayev said last month he hoped to sign the agreement before the end of 2011.

Azerbaijan is being courted by the West and Russia for its energy reserves in the Caspian Sea, and is a key potential gas supplier for the EU-backed Nabucco pipeline project, aimed at reducing the continent’s energy dependence on Russia.

The 7.9 billion euro Nabucco pipeline aims to bring up to 31 bcm of gas annually from the Caspian and Middle East to an Austrian hub via Turkey and the Balkans, cutting out Russia. But it faces competition for Azeri gas from Russia’s South Stream project to take the fuel under the Black Sea to Europe. Russian state energy giant Gazprom signed a deal with SOCAR in September 2010 to buy 2 bcm of gas in 2011 and even more from 2012.

“Nabucco will become an important project and will gain an economic importance, if it manages to get together gas from Iraq, Azerbaijan, Egypt and Turkmenistan and to sign all those contracts,” Oztgöl said. He estimated transport expenses for gas deliveries via Turkey by Nabucco at \$140-\$180 per 1,000 cubic metres. “If Nabucco starts operating, Azeri gas won’t be cheaper than gas of Gazprom,” he added.

Azerbaijan’s gas output rose by 11.2 percent in 2010 year-on-year to 26.2 bcm from 23.6 bcm in 2009. The oil-rich country plans to produce 28.0-29.0 bcm of gas this year. Gas output at Shah Deniz I rose to 6.9 bcm last year from 6.2 bcm in 2009. Azerbaijan’s total gas reserves are estimated at 3-5 trillion cubic metres. It sells gas to the domestic market, neighbouring Georgia and Turkey via the Baku-Tbilisi-Erzurum pipeline, as well as to Russia.

BP sues Transocean for \$40bn

BBC News, 21.04.2011



BP is suing Transocean, the owner of the oil rig that exploded in the Gulf of Mexico last year, for \$40bn (£24.37bn) in damages. BP said safety systems on Transocean's Deepwater Horizon rig had failed.

Separately, BP also sued the maker of the rig's blowout preventer, alleging the device failed to stop the huge oil spill that followed the explosion. Both lawsuits were filed on the first anniversary of the explosion, which killed 11 workers. Overnight on 20 April 2010, Transocean's Deepwater Horizon burst into flames while drilling a well for BP.

In the months that followed, more than 200 million gallons (780 million litres) of oil flowed in the Gulf of Mexico from the well, soiling hundreds of miles of coastline in the worst US oil spill in recent history. In federal court in New Orleans on Wednesday, BP said Swiss-based Transocean and Cameron International, the Houston company that supplied the blowout preventer (BOP), should help it pay for tens of billions of dollars in liabilities resulting from the spill, which include clean-up and compensation costs.

BP also wants the court to declare that Cameron caused or contributed to the disaster. "The Deepwater Horizon BOP was unreasonably dangerous, and has caused and continues to cause harm, loss, injuries, and damages to BP stemming from the blowout of Macondo well" and resulting spill, the BP lawsuit said. Cameron has filed counter-claims and defended the integrity of its products. Transocean did not immediately comment on the BP lawsuit but has also requested court judgements against BP, Cameron and others. BP has estimated its liability at \$40.9bn, but could face tens of billions more in fines and penalties.

Investigators hired by the US government said last month that the blowout preventer's design was flawed, and that a piece of drill pipe trapped in the well pipe under the rig kept the blowout preventer from shearing and pinching off the well after the explosion. In a statement supplied to the Associated Press, Cameron noted that Wednesday, the first anniversary of the disaster, was the deadline for companies to file claims against one another. The investigators hired by the US government also said Transocean workers' actions contributed to the blowout preventer's failure.

In addition, in January a commission convened by US President Barack Obama found that BP, Transocean and Halliburton - the US company that handled the well-sealing operation ahead of the disaster - made decisions aimed at cutting costs and saving time that ultimately added to the risk of an accident.

IEA chief: High oil prices hit China, US demand

Today's Zaman, 21.04.2011



Rocketing oil prices have hit demand in the world's top energy consumers, and OPEC needs to raise output around June to douse further price rises, Nobuo Tanaka, Executive Director of the International Energy Agency, said.

The price of crude, if sustained at \$100 a barrel or more for the rest of 2011, would cause similar demand destruction as the world experienced in 2008 that led to the global economic crisis, Tanaka said. "We have already observed slower oil demand growth rates in China, where import growth fell from a 16 percent increase in December to just 9.6 percent in February. Clearly, the speed of growth is declining," he told.

"Part of it would be monetary tightening but high oil prices also play a big role. The government has been deregulating the gasoline prices each month and certainly, that has eaten up some parts of the demand growth." Warnings of a demand destruction has grown after world oil prices rocketed up to 2-1/2-year highs of \$127 a barrel earlier this month amid worries of unrest in the Middle East and North Africa. OPEC ministers on Monday warned that costly oil could place a major strain on consumer countries with fragile economies, in their clearest statements yet that they believe fuel demand has shrunk.

With global oil demand expected to increase in around June or July as European refineries come back online and as Japan begins reconstruction activities, Tanaka called on Saudi Arabia to pull its weight to prevent a surge in prices. "As Minister Al-Naimi has always said Saudi will fill the gap. So please, OPEC countries will need to make sure this will happen when the demand is coming back," he said, adding that Saudi Arabia may have about 4 million barrels per day of spare capacity. Japan's nuclear crisis would also lead to higher gas demand in the coming years, a trend which would help absorb the current global gas glut, Tanaka said. "We previously forecast the glut to stay until the end of the decade but now we think it will be shorter," he said.

Gazprom to produce 200 bcm of gas a year under new offshore program to 2030

RiaNovosti, 19.04.2011



Gazprom will produce 200 billion cubic meters of gas and 10 million metric tons of oil in a new hydrocarbon development program for the Russian continental shelf to 2030 approved by the energy giant's board of directors, Gazprom said.

The adjusted program adopted by the Gazprom management committee in early March, projects an increase in Gazprom's offshore deposit reserves by over 11 billion metric tons of fuel equivalent to 2030 and also excludes the energy giant's gas output under the Sakhalin-II oil and gas project off Russia's Pacific Coast.

Total hydrocarbon reserves on Russia's continental shelf are estimated at about 100 billion metric tons of fuel equivalent, of which gas accounts for about 80 percent. The larger part of hydrocarbon reserves (over 80 percent) are concentrated in the Barents, Pechora, Kara and Okhotsk Seas. Offshore deposits in the Barents and Kara Seas abound in gas and gas condensate while the Pechora Sea largely contains oil and the Okhotsk Sea has oil and gas reserves.

The company's plan for the Barents Sea includes development of the infrastructure of the giant Shtokman gas condensate deposit and its satellites. The firm also plans efforts to develop the Prirazlomnoye and Dolginskoye oil fields in the Pechora Sea. Operations in the Severo-Kamennomysskoye and Kamennomysskoye Sea fields offshore the Ob and Taz Bays will lay the foundation for developing a field cluster. The Sakhalin shelf will see comprehensive development of fields located within Gazprom's licensed areas (Sakhalin III project), the energy giant said.

Rosneft and Lukoil agree to joint offshore exploration deal

Rigzone (Dow Jones), 21.04.2011



Rosneft and the country's biggest private oil producer, Lukoil, signed a long-term cooperation deal that includes offshore exploration in Russian Arctic waters. The two companies agreed to work together on 'geological exploration in the license areas of Rosneft on Russia's shelf and development of fields already discovered,' Lukoil and Rosneft said in a joint statement.

OPEC says no shortage of oil, price has premium of \$15-\$20

Bloomberg, 18.04.2011



Crude prices currently include a premium of \$15 to \$20 a barrel, OPEC's Secretary General said, commenting on the commodity's 19 percent gain this year, driven by rising unrest in the Middle East. Oil officials from Kuwait, the United Arab Emirates, Iran joined Saudi Arabia in saying there is no shortage of fuel in the market.

"I can't say the market is oversupplied, but the market is adequately supplied and our production in March is almost the same as our production in December, even though one of our member countries is out of production," Abdalla el-Badri told in Kuwait. "Yes, the price is a concern."

Additional shipments to make up for halts in Libyan output has been met by a lack of buyers, el-Badri said, when asked if the Organization of Petroleum Exporting Countries will decide to raise production when it meets in June. Crude fell as much as 1.1 percent in New York to \$108.47 a barrel today after Saudi Oil Minister Ali al-Naimi said yesterday that the global "market is oversupplied" with crude. "The market is well-balanced and there is no shortage of supply," Kuwait's oil minister Sheikh Ahmad al-Sabah said in a speech. "The shortfall from Libya has been largely compensated as OPEC moved quickly to ensure adequate supplies to the market."

There is "plenty of supply on the market," UAE Oil Minister Mohammed al-Hamli said. There is no shortage, Iranian OPEC Governor Mohammad Ali Khatibi said. Saudi Arabia, OPEC's biggest member, has said it would make up for any production lost as a result of the Libyan conflict, which erupted in mid-February and cut output to about 300,000 barrels a day, or a sixth of its capacity. The kingdom pumped 9.02 million barrels of crude a day in February, up 5.9 percent from the previous month, according to official data posted yesterday on the government's Joint Organization Data Initiative website. The country cut production to 8.3 million barrels a day in March, and April output will be "a little higher," al-Naimi said.

The increase of 506,000 barrels a day over January raised Saudi monthly production to its highest level since October 2008, when the country produced 9.52 million barrels a day, the data showed. The March decline in Saudi output coincided with closures of refineries for maintenance and the earthquake in Japan, the world's third-largest crude user. The March 11 quake shuttered 29 percent of the Asian nation's refinery capacity.



Saudi Arabia sold 2 million barrels of new blends of crude it developed to help replace Libyan barrels withheld from the market “and there is plenty left,” al-Naimi said. “I am surprised nobody is buying the new Saudi special blend,” el-Badri said. “The market doesn’t want to exchange the Libyan crude. They still wait for the Libyan crude. Maybe it will come, at one point in time.”

OPEC needs to produce as much as 29.4 million barrels a day, with or without Libyan production, el-Badri said. Demand for the group’s crude will rise to 29.8 million barrels a day at the end of the year, he said. The group’s total production fell to 29.31 barrels a day in March from 29.94 million barrels a day the previous month, according to OPEC’s monthly report published last week. Oil for May delivery on the New York Mercantile Exchange dropped \$1.08 to \$108.44. Futures reached \$112.79 a barrel on April 8, the highest settlement since Sept. 22, 2008.

Transneft may sue CNPC

Upstream Online (Reuters), 20.04.2011



Russian oil pipeline monopoly Transneft said that it may file a lawsuit against China’s CNPC in a London court over what it said were underpayments for oil supplies. The dispute, which escalated last month when news of the alleged underpayments first emerged, may undermine Russian attempts to secure a fresh landmark deal with China on natural gas supplies.

“We may sue CNPC in the London arbitration court over underpayment, but before that we will hold talks in May,” Transneft spokesman Igor Dyomin told.

He added that Transneft values its monthly losses from the alleged underpayments at just over \$20 million. Industry sources said the dispute centres around the pricing formula. China says Russia should give it a discount because it is cheaper to send crude to China than to the Pacific port of Kozmino, while Moscow insists it applies similar tariffs to both routes. “We are fulfilling our obligations (according to the 20-year contract) and supplying oil in full contracted volumes,” Dyomin said.

Transneft and Russia’s top crude producer, Rosneft, borrowed an unprecedented \$25 billion from China in 2009 to finish building Russia’s first pipeline link to China as part of a broader deal to supply Beijing with 300 million tonnes of crude over 30 years. Transneft started oil supplies to China via the first stage of the pipeline in January. Russia’s top gas producer, Gazprom, is looking to clinch a pricing agreement with China this summer to supply gas from 2015.

Putin to save Russian oil cash

Upstream Online, 20.04.2011



Russia is to use its position as the world's largest oil producer to double its Reserve Fund this year, Prime Minister Vladimir Putin has vowed.

Oil companies in the country are also to invest a combined total of \$300 billion over the next three years, reports suggest, as Putin made his annual address to parliament. Putin said that Russia is now the world's largest producer of oil with 3.76 billion barrels per year. "The increase in production came from new oilfields in East Siberia, as well as the Caspian Sea," Putin told parliament.

Putin plans to double Russia's Reserve Fund this year to 1.43 trillion roubles (\$50.94 billion) on the back of a spike in oil prices caused largely by unrest in the Middle East and North Africa. "The current beneficial environment in raw materials and hydrocarbons should not make us relax. The oil boom we are witnessing only underlines the need to move quickly to a new model of economic development. We estimate that growth in energy prices will bring additional 1.14 trillion roubles to the Russian budget. I think it is unwise just to eat that money, using it for current needs," he said.

Despite Putin claiming Russian oil companies are gearing up for 8.5 trillion roubles of investments over the next three years, he also pointed to a need for focus away from the core energy industry. "We have to bet on the domestic market, on dynamic development of the non-oil and gas sector."

Gazprom and Eni to conclude Elephant stake buy after Libyan unrest

Rigzone, 20.04.2011



Gazprom plans to acquire a 33% stake in Eni's Elephant field in Libya has been delayed, and will be finalized when the situation stabilizes in the North African country, Gazprom said Wednesday in a press release.

The announcement came following a meeting in Moscow between Gazprom Chief Executive Alexei Miller and Eni CEO Paolo Scaroni. The two also discussed France's Electricite de France and Germany's Wintershall joining the South Stream project.



Announcements & Reports

► *The Outlook for the Energy: A View to 2030*

Source : ExxonMobil

Weblink : http://www.exxonmobil.com/corporate/files/news_pub_eo_2010.pdf

Upcoming Events

► *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/>