

Yildiz says no to TPAO's strange bid

Hürriyet Daily News (AA), 14.07.2011



Turkey's Energy Minister Taner Yıldız has strongly criticized a request by the Turkish Petroleum Corporation, or TPAO, a state run firm, to enter a tender for BaskentGaz, the natural gas distributor in Ankara.

"We do not look favorably upon a public enterprise entering the tender for another public enterprise," Yıldız told journalists Thursday during a press meeting to discuss energy issues. The minister said they were carefully examining and keeping track of the bids by the private sector and added there was no ministry policy to transfer BaskentGaz to another public enterprise.

MMEKA, a joint venture between Mehmet Emin Karamehmet and Mehmet Kazanci, failed to pay the \$1.2 billion for the privatization of 80 percent of BaskentGaz in May even though the company had received two deadline extensions. TPAO said recently it was ready to take over BaskentGaz if the private sector does not present the required demand for the company. "We want the industry run by the private sector," said the minister.

Hayward's Vallares in talks to buy Genel Enerji

Bloomberg, 10.07.2011



Vallares Plc, the investment vehicle led by BP Plc's former Chief Executive Officer Tony Hayward, is in talks to buy Genel Enerji, the Sunday Times reported.

Talks with Genel, a Turkish oil-exploration business with assets in Northern Iraq, are at an early stage, the newspaper reported, without saying where it got the information. Vallares declined to comment on the report. Officials at Turkey's Cukurova Holding, which owns Genel, couldn't be reached for comment today when Bloomberg News telephoned the parent's headquarters in Istanbul.

Iraq signs \$12 billion gas agreement with Shell and Mitsubishi

Oil & Gas Journal (Eric Watkins), 12.07.2011



Iraq has signed an agreement valued at \$12 billion with Royal Dutch Shell and Mitsubishi to capture natural gas currently being flared in oil fields in the country's southern region.

Hans Nijkamp, Shell's chairman for Iraq, said the agreement means that Iraq will probably within the year become a net exporter of liquid petroleum gas but that exports of LNG will happen "only when the domestic market is satisfied." Ali Al-Khudhier, head of Iraq's state-owned South Gas Co., said, "Execution of the deal will open the competition door for Iraq to export [LNG] to the international market."

Iraq currently produces 1.5 bcf/d of gas, about half of which is flared due to the lack of the systems to produce and market the gas. Iraq will use the gas produced under the agreement with Shell and Mitsubishi to help meet rapidly rising demand for electricity. That, in turn, will release more oil for export.

Any gas surplus to domestic needs could be exported, according to Iraqi officials who said the initial plan for the 25-year development joint venture includes establishing an LNG project aimed at exporting any excess gas with a maximum capacity of 600 MMcf/d of gas. As it stands, the 25-year agreement will help Iraq capture more than 700 MMcf/d of gas that is currently being burnt off at three southern oil fields: Rumaila, Zubair, and West Qurna Phase 1.

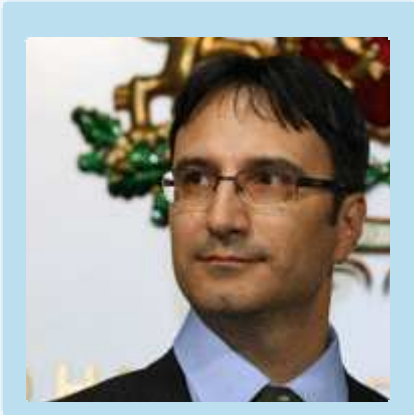
In a slightly optimistic remark, Iraq's Deputy Oil Minister Ahmed al-Shammaa said the agreement would help to increase Iraq's gas production to more than 2.5 bcf/d. An Iraqi oil official said the renegotiation of gas pricing and other legal issues had delayed finalizing the agreement, which has been under negotiation since the issue was first addressed in 2008.

"The Oil Ministry wanted the gas prices to be subsidized, while Shell and Mitsubishi were asking for global market prices," the official said. "Iraq eventually agreed to increase prices for the gas that would be purchased from Basra Gas Co."

Samuel Ciszuk of IHS Energy agreed on the impasse between the two sides, saying, "The tough thing was to get Shell to definitely agree to the terms, and as this was done and it was initialed, then the Cabinet will pass it." According to Thamir Ghadhban, energy adviser to Iraqi Prime Minister Nuri Al-Maliki, the Cabinet's approval for the draft agreement is likely to occur "within a week or two." The Iraqi government will hold 51% of Basrah Gas, while Shell will hold 44% and Mitsubishi 5%.

Russian pipeline breaks free from EU rules

EurActiv, 14.07.2011



Both the Nabucco and South Stream will “most probably” get a derogation from the Third Energy Package, the EU’s legislative framework that provides competitors with free access to pipeline networks, Bulgarian Energy Minister Traycho Traykov announced today.

He stressed that for the time being not a single gas pipeline project could work according to the rules of the fully-liberalised market. It is therefore necessary for new projects to postpone compliance with a requirement to offer competitors access to their planned pipeline networks, he explained.

Should Traykov’s statements prove to be true, then the EU is effectively axing its rules on the liberalisation of gas markets, negotiated in 2007-2008. Asked to comment, Energy Commissioner Günther Oettinger’s spokesperson Marlene Holzner evasively said that “exemption requests must be assessed on a case-by-case basis”. “The [European] Commission cannot predict the outcome of the assessment by national energy regulatory authorities, neither its own assessment,” she said.

Dnevnik quoted Russian Energy Minister Sergei Shmatko as saying that the EU should consider South Stream as a continuation of the Russian pipeline network, and that it should forbid the access of third parties to it. In fact, Energy Commissioner Günther Oettinger hinted that the European Commission was heading in this direction, ever since he cited the legitimisation of a EU-Russian gas treaty last November as “a step in the right direction”.

Oettinger also referred to a more recent request by the Commission for Bulgaria to change a 2008 bilateral agreement with Russia on building the Bulgarian section of South Stream as an example of the policy the EU executive was determined to follow. “New pipelines are welcome. We are ready to combine our different interests – the investment decision for pipelines with the Third Energy Package of the internal market, meaning competition and unbundling,” Oettinger said.

Asked about the Nabucco pipeline project’s future, Traykov argued that its construction would not cost more than initially estimated. Officially, the pipeline is to cost 7.9 billion euro, although specialists said that if built, its price would be much higher, up to 12-15 billion euro.

Recently, the Commission asked Bulgaria to change a 2008 bilateral agreement with Russia, providing for full and unrestricted transit of Russian gas across the EU newcomer’s territory. The draft initially said South Stream shareholders would enjoy exclusive gas transportation, while a new sentence has since made that possibility conditional upon the Commission’s approval.

Libya closes door on Eni

Upstream Online, 15.07.2011



Libya looks to have brought the curtain down on a 61-year relationship with Italian oil giant Eni as it called a 'total halt' to dealings with the company. The embattled regime of Muammar Gaddafi is curiously, however, still willing to consider oil deals with US and French companies, despite their heavy involvement in NATO bombing of the country.

China, Russia and Latin America are at the front of the queue when it comes to future oil deals with the current Libyan administration but Italy is completely out of the picture.

Libyan Prime Minister, Baghdadi Mahmudi, said yesterday: "Italian warplanes have been killing our children, destroying our houses and our country's infrastructure." Mahmudi accused Italy of violating a non-aggression pact with Libya penned three years ago and called an end to any future oil deals with Eni which has been involved in the North African country's petroleum industry since 1950.

Libya has been reported recently to be in the hunt for replacements for Eni which was the largest Western oil firm operating in the country before the Arab Spring swept through Libya beginning in February. This led Eni to withdraw from the country.

An unidentified Libyan official was recently quoted as saying: "This withdrawal happened without warning and the Libyan state has started negotiating with big Russian and Chinese oil companies to enter into a partnership in these investments."

Italy's Economic Development Minister, Paolo Romani, batted away the latest threat to Eni, telling reporters yesterday: "I have the impression that Gaddafi's government is not representative of the real situation in Libya anymore nor of the will of the Libyan people. It is Italy that does not want and cannot sign any agreement with Tripoli's government because there's an embargo."

Eni had said in mid June that the company could be back in Libya within a year. Libya used to be Italy's top crude oil supplier but has been replaced by Azerbaijan with Russia in second place. Shares in Eni were down less than a half of 1% on the Italian Stock Exchange today.

Petrobras: Brazil reserves size of North Sea's

Upstream Online, 14.07.2011



Brazil's oil reserves, including recent discoveries in deep waters of the Atlantic Ocean, are of a similar size to those found in the North Sea, a Petrobras official said. The UK and Norway held about 62 billion barrels of reserves in the North Sea before the deposits were developed, Francisco Nepomuceno Filho, Petrobras's London head of exploration and production, told Bloomberg in an interview in London.

"Brazil as a whole could have a potential of the same size of the North Sea, including Norway and the UK," Nepomuceno said. "Those two countries grew a lot and had huge development."

Brazilian reserves that sit miles below the floor of the Atlantic Ocean trapped under layers of rock and salt hold an estimated 50 billion barrels of oil, according to the country's oil regulator. Lula, the largest discovery in the Americas in over three decades, had the country's most productive well in May, yielding 36,322 barrels per day of oil and natural gas.

Petrobras, based in Rio de Janeiro, is also preparing to test a recent discovery well in the offshore Sergipe basin in north-eastern Brazil, an area that may be a "new oil province", Nepomuceno said. Petrobras will reach its target of 2.1 million bpd of average oil production in Brazil for this year, he said. The North Sea reached peak production of 6 million bpd in 1999, Nepomuceno said. Petrobras plans to triple production to 6 million bpd by 2020, including output from deep-water reserves where Petrobras bought production rights from the government last year.

Petrobras is revising its \$224 billion, five-year investment plan and the company's board may approve it on 22 July, Nepomuceno said, without providing details of the plan. Rising output rates in the pre-salt area are reducing costs because the company can supply each production platform with fewer wells, Nepomuceno told Bloomberg. Each pre-salt well costs about \$100 million dollars to drill in Brazil. Improved productivity will help compensate for the larger exploration area Petrobras needs to tackle under its new plan, he said. "It's possible for investments to remain similar," he said.

Petrobras' government-controlled board has rejected two proposals for the 2011-2015 business plan. Finance Minister Guido Mantega, who represents the government on the board, said 20 June that Petrobras needed to "cut costs" from the proposed plan. It will be "extremely difficult" for Petrobras to raise the funds to meet its investment goals, Simon Nocera, co-founder of San Francisco-based hedge fund Lumen Advisors and a former economist at the International Monetary Fund, said at the Bloomberg Brazil Conference today in New York. Petrobras is seeking to borrow about \$47 billion by 2014 to finance investments and refinance existing debt, chief financial officer Almir Barbassa said 27 June.

Gazprom and RWE agree on joint venture

Hürriyet Daily News, 14.07.2011



Gazprom and RWE reached a strategic partnership agreement on jointly producing electricity in Europe. Gazprom Chairman Alexey Miller and RWE Chief Executive Juergen Grossmann signed the contract in Rome. The partnership covers the foundation of a joint company to operate existing new natural gas and coal-burning power stations in Germany, the UK and the Benelux countries.

“Electricity production is one of Gazprom’s priorities in Europe,” Miller said at the signature ceremony, noting that his company saw big opportunities in Germany in modern natural gas-burning stations in accordance with the German government’s decision to gradually shut down nuclear plants.

Grossmann said the deal would secure a safe and competitive natural gas supply for RWE. The deal will help both companies expand their businesses, he said.

Announcements & Reports

► *EMRA Petroleum Market Report (May 2011)*

Source : Energy Market Regulatory Authority

Weblink : <http://www.epdk.org.tr/documents/10157/b0faa89e-9677-4e62-8b6a-2994e006c643>

► *IEA Monthly Oil Survey*

Source : International Energy Agency

Weblink : <http://www.iea.org/stats/surveys/OILSURV.PDF>

► *IEA Monthly Natural Gas Survey*

Source : International Energy Agency

Weblink : <http://www.iea.org/stats/surveys/NATGAS.PDF>

► *Energy Policies of IEA Countries - Hungary*

Source : International Energy Agency

Weblink : <http://www.iea.org/w/bookshop/add.aspx?id=409>



Upcoming Events

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

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

► *GeoPower Turkey* *(in Turkey)*

Date : 20 – 21 September 2011
Place : Istanbul – Turkey
Website : <http://www.greenpowerconferences.com/geopowerturkey>

► *Iraq Future Energy 2011* *(in Turkey)*

Date : 26 – 29 September 2011
Place : Istanbul – Turkey
Website : <http://www.theenergyexchange.co.uk/3/13/articles/255.php?>

► *MPGC 2011*

19th Middle East Petroleum & Gas Conference

Date : 2 – 4 October 2011
Place : Dubai – UAE
Website : <http://www.cconnection.org/conference/MPGC/2011/MPGCHome.html>

► *KIOGE 2011*

Kazakhstan International Oil & Gas Exhibition & Conference

Date : 5 – 8 October 2011
Place : Almaty – Kazakhstan
Website : <http://www.kioge.com/2011/>

► *Iraq Mega Projects* *(in Turkey)*

Date : 18 – 20 October 2011
Place : Istanbul – Turkey
Website : <http://www.cwcimp.com/>

► *20th World Petroleum Congress*

Date : 4 – 8 December 2011
Place : Doha – Qatar
Website : <http://www.20wpc.com/>