Oil & Gas Bulletin

► *16.12.2011*

Major oil firms seek partnership with Turkey in Mediterranean

Today's Zaman, *14.12.2011*

The state-owned Turkish Petroleum Corporation's (TPAO) invitation to major oil companies offering partnerships to search for oil and natural gas in the Mediterranean has received a positive response from companies such as ExxonMobil, Total, Petrobras and Chevron.

Turkey signed a deal with Royal Dutch Shell in late November to start drilling, seen as a step forward for protection of the country's sovereignty rights in the Mediterranean. Following the signing, TPAO sent invitations to 23 major oil companies worldwide to partner with Turkey to start drilling that will focus on the gulfs of Mersin, İskenderun and Antalya.

On the same day, American companies ExxonMobil and Chevron, French company Total and Brazilian company Petrobras sent their responses to begin negotiations. TPAO plans to share seismic data of the region with candidates who have shown interest in a partnership. The cost of searching for oil in the region would be covered by the oil companies. TPAO generally receives at least 50 percent of the shares of joint business deals in such agreements.

A top official from TPAO said that following negotiations, new agreements are expected to be signed by mid-2012 to search for oil in the Mediterranean. The same source indicated that the Gulf of Mersin holds a Pre-Salt layer reserve that is similar to findings in Brazil's Tupi oilfield. The Tupi oilfield is the largest oil discovery in the western hemisphere in the last 30 years.

Sources close to the Energy and Natural Resources Ministry say the presence of a pre-salt layer is the main reason foreign oil companies are interested in investing in Turkey since it is seen as clear indication of oil reserves in the region.

Exploration activities have long been conducted in the region. American company Esso, now known as Exxon, came to Iskenderun in 1985 and discovered 10 million barrels of petroleum in the Gülcihan-I well but decided to discontinue operations because the price per barrel then was $10, which was not economical. The well was closed, but TPAO plans to open the same well in 2013 in accordance with its new strategy for the energy industry.

EMRA rejects Russian gas imports

Natural Gas Europe, *08.12.2011*

Turkish energy regulator EMRA has reportedly rejected bids from all 26 of the firms that applied for licenses to import 4 bcm of Russian gas.

The regulator made the determination citing the fact none of them have a final export deal in place with Gazprom. Bids were called for on 4 bcm in 2012-14, 5 bcm in 2015 and 6 bcm in 2016, after state-controlled Turkish pipeline operator BOTAS opted not to renew a contract with Gazprom that expires on 31 December. Gazprom had refused to cut its price for BOTAS, which says it could sue the Russian firm if it offers the independent firms a lower price.

Gazprom signed initial deals with distributor BosphorusGaz, in which it holds a 71 percent interest and engineering firm Akfel late last month, with a view to signing final deals once these firms secured import licenses. Applicants hoped to receive gas from the western corridor route that feeds the Marmara industrial region, which includes Istanbul and several big power plants. BosphorusGaz, which has been buying 750mn m³ of Russian gas since 2009 and wants to up supplies to at least 2 bcm as soon as possible. Akfel has a gas trading joint venture with trading giant Gunvor. Gazprom also sells 2.5 bcm to Enerco Enerji, Turkey's second-largest gas importer and wholesaler under a deal that expires in 2022. Shell Energy and AvrasyaGaz jointly buy 750 mn m³ direct from Gazprom.

Abdullayev: Shah Deniz consortium to decide gas route by April

Natural Gas Europe, *12.12.2011*

A route to transport gas from the giant Shah Deniz field will be decided in April next year, the president of the State Oil Company of Azerbaijan Republic (SOCAR) has said.

Rovnag Abdullayev told that the decision of how and through which route the gas would be supplied would be made in the second quarter of next year. "At present, the proposals submitted by the pipeline consortia are still being carefully studied," "There was never the goal of deciding on a route by the end of the year. This process will probably continue until the first quarter of 2012."

Abdullayev said that technical considerations on the project were taking place at present and would be completed in the first quarter of next year. “Currently, the main commercial and technical proposals submitted by operator companies are being studied. This process will be finished in Q1, 2012.” The SOCAR president also said that he did not know where rumors of the cessation of the Nabucco pipeline had come from but that it was not out of the running for Shah Deniz gas. “I do not know on what basis they forecast it,” he said. “The Nabucco project is on the stage of consideration together with TAP (Trans Adriatic Pipeline) and ITGI (Interconnector Turkey-Greece-Italy pipeline) projects.”

Turkish nuclear plants to reduce Russia dependence, cut gas cost

Bloomberg, *15.12.2011*

Turkey will reduce its dependence on natural gas imports from Russia, its biggest fuel provider, and cut energy costs with the construction of two nuclear plants, Energy Minister Taner Yildiz said.

Three to four years of gas imports totaling as much as $7 billion annually to power electricity plants will cover the cost of the two facilities, to be built on Turkey’s Mediterranean and Black Sea coasts, Yildiz said at a conference in Ankara. “We’re reducing our dependence on foreign providers by establishing nuclear power plants with this money,” he said.

He also added that the Russian firms that will build the Akkuyu facility in the southern province of Mersin are investing $700 million in the first phase of the $20 billion project. Turkey is seeking to diversify its energy sources, as oil and gas imports make up about half of the country’s $90 billion trade deficit through October. Rosatom and Atomstroyexport were picked by the Turkish government to build the country’s first nuclear power plant.

Q3 economic growth at 8.2 pct as CAD dips to $4.2 bln in October

Today's Zaman, *12.12.2011*

According to the Turkish Statistics Institute (TurkStat), Turkey's gross domestic product expanded by 8.2% in the July-September period, marking the eighth quarter in a row the country's economy has grown. The third quarter growth rate was way beyond the market expectation of 6.3%.

"That much expansion made us the second-fastest growing economy worldwide, after China, in the third quarter. We expect our economy to grow no less than 4 percent next year," said Industry, Science and Technology Minister Nihat Ergün, speaking on a program broadcast by a private TV station shortly after the announcement was made.

With this latest announcement, the country's economic growth rate for the first three quarters of this year was ascertained at 9.6 percent. The minister also said all outside observers may have to revise their economic growth forecasts for Turkey for 2012 as the country's GDP continues to exhibit a speedy growth performance, with most experts downplaying the possibility of a hard landing. The International Monetary Fund estimates that the Turkish economy will grow by 2 percent next year.

"We, on the other hand, project a 4 percent economic growth rate in our Medium-term Economic Program [OVP]. This is, I must say, a very prudential estimate, but there are dynamics within the Turkish economy that refute simple math, such as two times two equals four. This is what leads the Turkish economy to grow at levels beyond expectations," Ergün noted. According to the OVP, the economic expansion in Turkey is expected to be sustainable at a rate of 5 percent from 2013 onwards.

In line with the country's continuous economic growth, the government expects unemployment to remain below 10 percent until 2015, the period covered in the OVP. Two years ago, unemployment hit a staggering 15 percent level because of the global financial crisis triggered by the credit crunch in the United States. Thanks to the government's emphasis on creating more jobs for Turkey's young population through incentives given to private enterprises as well as the country's swift recovery from that turmoil, the unemployment rate dropped to as low as 9.2 percent in May according to the latest official data.

In a written statement following the announcement, Economy Minister Zafer Caglayan also joined Ergün to hail Turkey's achievements in the field of economic growth. "Turkey, which has differentiated itself from other world economies with the economic growth performance it has shown in the first two quarters of this year, proved once again its difference by growing beyond expectations in the third quarter. However, that was not a surprise for us nor for others. This is only making everyone [else] marvel," he said.

Outpacing Turkey in terms of economic growth in the July-September period was China with 9.1 percent. Other world economies that have shown strong growth performance in the third three-month period of the year were tiny Baltic nations Estonia and Latvia as well as India.

Adding to the joy was a statement released by the Central Bank of Turkey on the country's balance of payments figures. According to that statement, Turkey's CAD was $4.2 billion in October, nearly 35 percent lower than what it was in September. The announcement on the visible improvement in CAD came less than two weeks after the bank's governor, Erdem Basci, told reporters at a press conference in Ankara that there will be a "noticeable recovery" in CAD starting from the last quarter of the year. He said that improvement will come thanks to measures taken by the government and his central bank. Recalling that the CAD saw an increase in September to its highest level in 18 months, Basci said this was a "temporary" increase and that the final two months of the year will see a big reduction of that gap.

Mainly emerging from the foreign trade deficit, the CAD has become a structural problem for Turkey. The country's export volume reached $114 billion last year, up from below $100 billion in 2009. In addition, the country is set to earn $135 billion from exports this year; however, despite such a rise in export revenue, its CAD spiked to nearly 9 percent of the GDP due to the rising energy bill and industry's dependence on foreign intermediate goods to produce products to be sold overseas. According to the government's OVP, Turkey's CAD is expected to be 8 percent of its GDP next year, and the CAD-to-domestic output ratio will drop to 7.5 percent in 2013 and to 7 percent in 2014.

Dependence in energy widens gap

Hürriyet Daily News, *13.12.2011*

As Turkey's current account deficit reached $65.5 billion in the first 10 months of the year, the country's energy imports hit $44.2 billion in the same period, accounting for 67 percent of Turkey's total current account deficit, according to Turkey's Central Bank data.

Turkey's current account deficit rose by 94 percent compared to last year and hit $65 billion in the first 10 months of this year, according to official data released yesterday. Turkey's total imports rose to $201.6 billion in the same period, according to Turkey's Statistical Institute (TUIK).

While Turkey's non-energy imports reached $157.4 billion, energy imports hit $42.2 billion in the same period of this year. Rapidly growing Turkey paid most of the sum to motoring, gas, oil and LPG (liquefied petroleum gas). Turkey paid nearly $7.1 billion for motoring imports, $2.4 billion to LPG and $1.46 billion to gas in the first 10 months of this year.

Medvedev: Turkey will allow South Stream pipeline by end of year

Today's Zaman, *13.12.2011*

Alexander Medvedev has said Turkey will give the OK for the South Stream pipeline project, which will transport Russian natural gas to Europe by passing through Turkish territorial waters, by the end of the year.

Medvedev said extensive studies in the Black Sea have already started and that transportation of natural gas is planned to begin in 2015, but Turkey's refusal to allow construction in its territorial waters has slowed the project. Medvedev says ongoing negotiations with Turkey suggest that permission for construction will most likely be given by the end of the year.

He added, "Turkey has not made additional demands." Russia was expecting that permission for construction of the pipeline would be given by the end of October 2010, but demands from Turkey for seismic reports on the pipeline route have delayed the project. Turkey's delay could be a policy used by the government to obtain extra time for the Nabucco pipeline project, which is seen as a rival to South Stream and is strongly backed by the European Union and the United States.

The South Stream pipeline project was signed by Russian company Gazprom and Italian company Eni in 2007, and the two giant established a joint company for the project in 2008. Bulgaria, Serbia, Hungary and Greece also signed on to participate in the project. Bulgaria recently announced that it has scrapped the Trans-Balkan Pipeline, another deal that would expand Russian sales by carrying Russian oil to Greece, for financial reasons.

After he took office in July 2009, Bulgarian Prime Minister Boiko Borisov's center-right government said it would reconsider the country's participation in large-scale energy projects with dominant Russian participation in an attempt to reduce Bulgaria's almost total dependence on Russian energy sources. Bulgaria might also withdraw from the South Stream pipeline project because of financial problems.

Bulgaria is also part of the Nabucco pipeline project, which aims to bring Azeri, Turkmen, Iraqi and possibly Egyptian gas to Europe via Turkey, Bulgaria, Romania, Hungary and Austria. Supporters of the Nabucco pipeline have strong doubts on the feasibility of the South Stream pipeline, which would cost twice as much as Nabucco.

Heinz Hilbrecht, former director at the European Commission Department of Security of Supply and Energy Markets, recently remarked that the Southern Gas Corridor project, which also includes the Nabucco pipeline project, would be highly profitable and more feasible than the South Stream project. He also noted that Nabucco will serve the mutual interests of Turkey and the EU by improving their cooperation on energy issues.

OPEC agrees 30 mil b/d crude output ceiling, no quotas

Platts, *14.12.2011*

OPEC ministers agreed a new crude production ceiling of 30 million b/d that covers all 12 members, including Libya and Iraq, but does not include individual quotas.

The deal effectively legitimizes current freewheeling production and consigns the Oran, Algeria, agreement of December 2008 to the past. "We have an agreement to maintain the market in balance," Rafael Ramirez, Venezuelan Oil Minister, said. He said all OPEC members would reduce supply to make space for Libya, whose output is recovering after falling to almost zero during this year's uprising against the regime of Moammar Qadhafi.

"We are going to reduce the level of production of each country to make space for Libya," he told reporters. But Ramirez also said the effort to accommodate Libya's return to the market would be borne mainly by those countries which had boosted supply above previously agreed levels to make up for the shortfall earlier in the year. "The countries that overproduced have to reduce to make space for Libya," he said. UAE oil minister Mohammed Bin Dhaen al-Hamli said OPEC was ready to make space for Libya, but that would be "no cutback" in the short term. What remains unclear is how OPEC settled on the 30 million b/d figure. OPEC on Tuesday said it expected demand for OPEC crude next year to average 30.09 million b/d.

KRG drafts law for fund to invest region's oil

Hürriyet Daily News, *12.12.2011*

The Regional Government of Northern Iraq (KRG) proposed a draft law to set up a fund to manage revenue from the sale of oil and gas produced in the region.

The authorities aim to put money into a fund and also to invest in regional projects and possibly into the Ministry of Natural Resources to help develop oil and gas. The money will include energy-related payments received from Iraq's central government. The fund will be run by a six-member board led by a president with the rank of deputy minister.

Iran pledges to find Caspian gas reserve

Hürriyet Daily News (Reuters), *12.12.2011*

A new gas reservoir was discovered in Iran's Caspian Sea with its reserves standing at 50 trillion cubic feet, according to Iranian Oil Minister Rostam Qasemi. "It is predicted that after examination of exploration, the gas in this field would be much more than this," Qasemi said.

Iran sits on the world's second-largest natural gas reserves after Russia, but international sanctions have frustrated plans to develop the sector for export, and booming domestic demand has made Iran the third-largest consumer and a top-30 importer.

The European Union 'definitely' will not impose sanctions on OPEC member Iran's oil exports because such a measure would harm the global crude market, Qasemi also said. EU leaders called on for more sanctions against Iran by the end of January, in an effort to increase pressure on Tehran over its disputed nuclear program. "Our policy is sustainable supply of oil to Europe ... Iran is a major oil producer and any sanctions on our oil export would harm the global market," Qasemi said.

Kazakhstan government to acquire Karachaganak interest

Rigzone, *14.12.2011*

Chevron confirmed that the Karachaganak project partners have reached an agreement with the government of Kazakhstan for it to become a 10 percent equity owner in the Karachaganak project. The transfer of equity to the government is anticipated to occur on June 30, 2012.

"Chevron has a long and productive history in Kazakhstan," said Chevron Vice Chairman George Kirkland. "We look forward to KazMunaiGas joining the Karachaganak partnership." The Karachaganak Venture is comprised of operators BG Group (32.5%) and Eni (32.5%), as well as Chevron (20%) and Lukoil (15%).

Canada first nation to pull out of Kyoto protocol

Today's Zaman (Reuters), *13.12.2011*

Canada became the first country to announce it would withdraw from the Kyoto protocol on climate change, dealing a symbolic blow to the already troubled global treaty. Environment Minister Peter Kent broke the news on his return from talks in Durban, where countries agreed to extend Kyoto for five years and hammer out a new deal forcing all big polluters for the first time to limit greenhouse gas emissions.

Canada, a major energy producer which critics complain is becoming a climate renegade, has long complained Kyoto is unworkable precisely because it excludes so many significant emitters.

"As we've said, Kyoto for Canada is in the past ... We are invoking our legal right to formally withdraw from Kyoto," Kent told reporters. The right-of-center Conservative government of Prime Minister Stephen Harper, which has close ties to the energy sector, says Canada would be subject to penalties equivalent to C$14 billion ($13.6 billion) under the terms of the treaty for not cutting emissions by the required amount by 2012. "To meet the targets under Kyoto for 2012 would be the equivalent of either removing every car truck, all-terrain vehicle, tractor, ambulance, police car and vehicle off every kind of Canadian road," said Kent.

Environmentalists quickly blasted Kent for his comments. "It's a national disgrace. Prime Minister Harper just spat in the faces of people around the world for whom climate change is increasingly a life and death issue," said Graham Saul of Climate Action Network Canada. Kent did not give details on when Ottawa would pull out of a treaty he said could not work. Canada kept quiet during the Durban talks so as not to be a distraction, he added. "The writing on the wall for Kyoto has been recognized by even those countries which are engaging in a second commitment," he said. Kyoto's first phase was due to expire at the end of 2012 but has now been extended until 2017.

Kent said Canada would work toward a new global deal obliging all major nations to cut output of greenhouse gases China and India are not bound by Kyoto's current targets. The Conservatives took power in 2006 and quickly made clear they would not stick to Canada's Kyoto commitments on the grounds it would cripple the economy and the energy sector. The announcement will do little to help Canada's international reputation. Green groups awarded the country their Fossil of the Year award for its performance in Durban. "Our government is abdicating its international responsibilities. It's like where the kid in school who knows he's going to fail the class, so he drops it before that happens," said Megan Leslie of the opposition New Democrats.

Kent said the Liberals should not have signed up to a treaty they had no intention of respecting. The Conservatives say emissions should fall by 17 percent of 2005 levels by 2020; a target that CAPP president David Collyer said would oblige the energy sector to make sacrifices. "It's a stretch and we'd be kidding ourselves if we said it wasn't," he told Reuters.

Announcements & Reports

► IEA Medium-Term Coal Market Report 2011

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=418

► OPEC Bulletin (Nov 2011)

Source : Organization of the Petroleum Exporting Countries
Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/OB112011.pdf

Upcoming Events

► APPEX 2012

Date : 6 – 8 January 2012
Place : London – UK
Website : http://www.appexlondon.com/2012/index.cfm

► European Gas Conference

Date : 24 – 27 January 2012
Place : Vienna – Austria
Website : www.europeangas-conference.com

► Global Tight Oil Summit

Date : 31 January – 1 February 2012
Place : Houston – USA
Website : http://www.theenergyexchange.co.uk/the-global-tight-oil-summit/s13/a314/

► 6th Africa Economic Forum

Date : 5 – 7 March 2012
Place : Cape Town – South Africa
Website : http://www.petro21.com/events/?eventid=728

► Iraq Energy Expo 2012

Date : 23 – 26 April 2012
Place : Baghdad – Iraq
Website : http://www.iraqenergyexpo.com/2012/index.php

► Oil & Gas Pipelines in the Middle East 2012

Date : 20 – 23 May 2012
Place : Abu Dhabi – UAE
Website : http://www.theenergyexchange.co.uk/oil-and-gas-pipelines-in-the-middle-east-2012/s13/a170/

► 4th African Gas – LNG

Date : 21 – 24 May 2012
Place : London – UK
Website : http://www.petro21.com/events/?eventid=735

► 25th World Gas Conference 2012

Date : 3 – 8 June 2012
Place : Kuala Lumpur – Malaysia
Website : www.wgc2012.com

► Iraq Future Energy – 2012 *(in Turkey)*

Date : 24 – 26 September 2012
Place : Istanbul – Turkey
Website : http://www.theenergyexchange.co.uk/iraq-2012-future-energy/s13/a255/