Oil & Gas Bulletin
▸ *02.03.2012*

Local industries demand underwater oil exploration

Hürriyet Daily News, *01.03.2012*

Turkey should continue its natural gas and oil explorations in the sea, according to the head of the Petroleum Platform Association (PETFORM) Orhan Duran, expressing fresh support to the government policy to exploit underwater energy sources.

Turkey produces 47,000 barrels of oil per day on land, while importing 624,000 barrels, demonstrating Turkey's foreign energy dependency, Duran said at a press meeting in Istanbul. The rate of imported natural gas is 98 percent of Turkey's total domestic consumption.

"It is said that there are potential reserves of 3.5 trillion cubic meters of natural gas in the Eastern Mediterranean. Efforts to explore [energy sources] in the sea in order to meet Turkey's domestic energy demand should continue and should be supported," he said, adding that the Turkish Petroleum Company (TPAO) was working to agree co-investments with foreign energy firms off the southern coast of Turkey.

Duran also suggested a "Turkish Airlines-like" privatization and autonomy model would turn TPAO in to a more dynamic decision-making body, with some units sold off. According to PETFORM estimates, the Brent oil price will trade in the band of $110-120 this year, so long as no problems arise from Iran and the Strait of Hormuz, Duran said.

"Nobody should expect prices to fall below $100. If a risk such as Iran blocking the Strait of Hormuz arises, it should not be a surprise to see oil prices hitting unexpected levels," he said, noting that every $10 rise in oil prices costs the Turkish economy an additional $4 billion in its current account deficit.

TPAO to start drilling in Northern Cyprus by end of February

Natural Gas Europe, *08.02.2012*

The state-owned Turkish Petroleum Corporation (TPAO) announced drilling in the Turkish Republic of Northern Cyprus (KKTC) will begin with a ceremony by the end of February and that the well has been named "Türkyurdu-1."

In the announcement, TPAO said the first onshore drilling will go as deep as 3,000 meters to look for natural gas and petroleum, and a platform will be set near the city of Iskele. According to the experts, the ground solidifying work at the drilling site will be concluded in a week, and the drilling will be conducted in accordance with the results of seismic studies in the region.

The civil engineer Dogus Ekenoglu, who is the construction site manager at Arpakli Ltd., Co., which is Dadasoglu Construction's subcontractor in the KKTC that manages TPAO's infrastructure projects noted waste wells have also been dug near Türkyurdu-1, and the platform is 95 percent ready to start operations. "Hopefully, we will be able to cover our own energy needs with our own resources," Ekenoglu said.

Turkish Energy and Natural Resources Minister Taner Yildiz announced in November TPAO would begin exploration for oil and natural gas deposits in the KKTC province of Gazimagusa and signed a deal with Royal Dutch Shell for operations in the Mediterranean and onshore in the country's southeastern region.

This was a response to the offshore drilling conducted in September by the Greek Cypriots in partnership with Israel and US company Noble Energy, an action protested by Turks in Turkey and Northern Cyprus, who said any reserves around the island belong not only to the Greek Cypriots but also to the Turkish Cypriots. Back in September, Turkey signed an agreement on the delineation of the continental shelf with the KKTC due to Greek Cyprus's insistence in going ahead with drilling for natural gas in the Eastern Mediterranean, as the maritime borders of the island have not been established.

Turkey argues any natural resources found offshore should belong to both communities and accuses the Greek Cypriots of acting like the sole owners of a bi-communal island. The country also disputes an agreement that was signed last year between Greek Cyprus and Israel over an exclusive economic zone that set maritime borders and rights to explore natural resources.

Yildiz: EU embargo on Iranian oil not binding for Turkey

Hürriyet Daily News, *01.03.2012*

Turkish Energy and Natural Resources Minister Taner Yildiz said that a European Union decision to impose its own embargo on oil imports from Iran, to start from July 1, was not binding for Turkey. "Since Turkey is not an EU member, the EU's decisions are not legally binding for us. Turkey can say the same about the decisions of the US," said Yildiz.

His remarks come amid increasing pressure on customers of Iranian oil to cut supply from the country. Turkey has repeatedly said in the past that no decision of a country or union other than the UN on Iran was binding for it. A UN embargo against Iran now seems unlikely as Russia and China have signaled no intentions to this end thus far.

Turkey imports around 200,000 barrels per day of oil from Iran, covering 30 percent of daily domestic consumption and representing over 7 percent of Iranian oil exports and had renewed its annual purchase agreement for 2012. There have recently been reports in the media that Turkey's largest oil refiner, Tüpras, had talks with largest oil producer the Saudis for a possible increase in supply from this country. Turkey imports oil from various sources, including Russia and Azerbaijan, but its largest supplier is Iran. Oil market experts argue that Iran still remains a relatively more profitable source for Turkey to meet its oil demand.

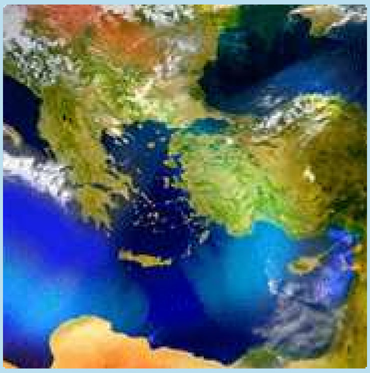
Oil prices rose to a fresh nine-month high above $108 a barrel Friday in Asia amid signs the US economy is improving against a backdrop of elevated tensions in the Middle East over Iran's nuclear program. Brent crude was up 55 cents to $124.17 per barrel in London.

Evaluating the price increases, Yildiz said the government followed the fluctuations in global oil markets with concern at a time the energy-dependant country struggles with a widening current account deficit (CAD). Describing the latest rises in oil prices in markets as 'speculative', Yildiz said he did not see a dramatic change in demand and supply that could spur a hike in oil prices. "I must stress that the latest fluctuations in oil markets put a burden on Turkey. The price per barrel of oil reaching $124 would mean an additional burden of $4 billion on the Turkish economy. This is not an amount you can ignore," he noted.

Meanwhile, an ongoing rise in crude prices in global markets continued to push oil prices in Turkey higher as the price of diesel oil increased by a Kr 8 and Kr 9 hike on Thursday. Following the latest hike, the price per liter of diesel oil increased to TL 3.88 in rural and regional areas around İstanbul. It rose to TL 2.89 in Ankara. The reason prices vary from province to province is due to competition and the fuel distribution companies operating in those areas. The price of gasoline increased to Kr 7 on Wednesday.

Up to 10 global firms apply for Mediterranean drilling projects

Hürriyet Daily News (AA), *18.02.2012*



Almost 10 international companies have applied to undertake a project to explore oil and natural gas off Mersin, a southern province on the Mediterranean coast, according to the Turkish Energy and Natural Resources Minister Taner Yildiz.

The exploration projects will be concluded soon, he said, at a meeting organized by the Energy Market Regulatory Authority [EPDK] and Turkish Petroleum Industry Association (PETDER) in the northern province of Bolu. "We have opened the project not only to international capital, but also to oil producing companies. We will conclude our initiatives soon."

"All the peoples of Cyprus should benefit from those resources equally. Works [regarding oil and natural gas exploration] continue in Famagusta [province of Turkish Cyprus] and [the southern province of] Antalya […] I hope that oil and natural gas exploration, not only Mediterranean but also Cyprus, could prove to be a significant reason for peace," Yildiz said.

Iraq wants to hike oil exports through Turkey

Hürriyet Daily News, *20.02.2012*

Iraq is mulling options to boost oil exports through Turkey or to reopen disused pipelines in case Iran blocks the strategic Strait of Hormuz as threatened, the Planning Minister said.

Iran has threatened retaliation for fresh Western sanctions over its nuclear program, including a possible disruption of shipping through the Strait of Hormuz, a Gulf chokepoint for global oil shipments. "Government committees have been formed in Iraq," and have discussed options "if, God forbid, the Strait of Hormuz is closed," Planning Minister Ali Yusuf al-Shukri told.

The vast majority of Iraq's oil is exported from terminals in the northern Gulf and passes through the Strait. To one million barrels per day (bpd), from the current figure of 400 to 450,000 bpd, he said. "We also discussed with the Lebanese and Syrian sides activating the Baniyas-Tripoli pipeline," which has been closed since 1990, he said.

Turkey pledges liberalization in bid to be regional energy hub

ICIS Heren, *22.02.2012*

The Turkish government is committed to opening up its energy sectors to new investors, energy minister Taner Yildiz said as global consultancy PwC unveiled research showing this could boost the country's GDP over the next decade. Key investors such as RWE say this is a must for them to expand in the market, currently dominated by incumbent supplier BOTAS.

Fully liberalizing the Turkish electricity and natural gas sectors would help to increase the country's GDP by 2.6% in 2019, PwC has found.

The growth would translate into an increase in GDP of Turkish lira (TL) 42.0bn (€18.2bn) in the same year. A developed gas hub would boost liquidity and bring down costs by nearly 20% for the overall Turkish economy, according to the report, presented at an event held by the Energy Traders Association of Turkey (ETD). Yildiz said at the presentation that the state and private sectors shared the responsibility for liberalizing the energy market.

Opening up the electricity sector is well underway, with the private sector's ownership share increasing from 25% to 54% in the past nine years, according to Yildiz. He said stakeholders from the state and private sectors would meet twice a week to discuss further steps and stressed that the privatization of state assets will continue as planned.

Hasan Köktas, president of Turkey's Energy Market Regulatory Authority, conceded that the key to a functioning market was transparency and predictability. Speaking on the sidelines of the ETD event, Andreas Radmacher, CEO of German utility RWE Turkey, said: "Market liberalization and a related sound framework will increase security of supply and security of further investments. "This is an important prerequisite for foreign investors such as RWE that want to participate in significant growth opportunities in Turkey. For RWE these market-related changes are essential with a view to further investments in the country," he added.

In an interview with ICIS Heren, Mustafa Karahan, chairman of ETD said: "A free market will enable fair competition, bring quality to clients and help lower [energy] prices. ETD is committed to the liberalization of the electricity and gas markets and we are lobbying to government in that respect." He invited the Turkish government to think "creatively" about opening up the gas market, expected to pave the way for a similar liberalization of the electricity sector. Karahan said that even with the current cross-subsidies system, which allows Turkish gas incumbent BOTAS to offer cheap gas prices, undercutting any private gas companies, the government could make structural changes that would eventually crack open the Turkish gas sector. He said progress on the electricity market could only happen in tandem with a similar development in the gas sector.

PwC found that opening the Turkish electricity and natural gas sectors would have four key effects. Firstly, it would trigger investments to bridge a yawning gap between energy demand and supply. PwC estimates that the electricity sector would require up to 8.7GW of new capacity in order to respond to annual electricity demand growth of 7% over the next 10 years. This means that if the government were to inject cash into infrastructure projects without relying on the private sector, it would only be likely to cover 45% of the total required.

According to PwC, the government can spend TL 11.5bn to close the supply gap by 2019. The remaining TL 14.5bn of an estimated TL 26.0bn bill would have to be met by private investors. Secondly, a liberalized market would prevent the market spiking like it did two weeks ago, when hourly electricity prices on Turkey's PMUM exchange jumped to TL 2,000/MWh following gas supply disruptions. "The gas market liberalization could have helped prevent a spate of supply issues that have driven extreme power price volatility in Turkey during the cold snap in January. I hope that the current supply crisis serves as a wake-up call and gives a helping hand to the cause of the gas market liberalization. Market-based mechanisms could have averted the crisis," Radmacher said.

Thirdly, liberalization would put Turkey in pole position to become an energy hub with influence over southeastern Europe, Central Asia and the Middle East. Radmacher said prices quoted on a fully developed Turkish energy exchange would set the benchmark for all commodity transactions in the region, a view echoed by Köktas. Fourthly, an open market would help Turkey move away from expensive energy imports. "I would like to compare the Turkish energy sector to a bazaar. Large crowds come every day to enjoy attractive booths and products. The same should be [true for] the energy sector − [it should] become a fair playing field for all market participants," Radmacher said. PwC based its report on Turkish gas supply projections of 164TWh by 2019, made by grid operator the Turkish Electricity Transmission Company (TEIAS).

KRG considers Genel's $94m farm-in

Upstream Online, *01.03.2012*

The Regional Government of Northern Iraq (KRG) has been given an extra two months to consider the proposed $94 million farm-in of Genel Energy to the Chia Surkh block.

KRG, which holds a 20% carried interest in the 984-square kilometer block, secured an extension on the proposed deal from 1 March to 1 May to give it more time to consider the UK-listed player's proposal. Genel is paying $68 million for the 40% interest held in the block by Canada's Longford Energy, while Turkey's Petoil will receive $26 million for its 20% stake.

Longford shareholders, meanwhile, have given near-unanimous approval to the sale in a vote on Monday, the Calgary-based junior said. The block in southern Iraq is believed to contain prospective resources of more than 300 million barrels of oil equivalent, according to Genel Energy.

Shah Deniz Consortium choose TAP to carry gas to Europe

Hürriyet Daily News, *21.02.2012*

The global companies developing the second phase of the Shah Deniz natural gas field chose the Trans Adriatic Pipeline (TAP) instead of rival Interconnector Turkey-Greece-Italy pipeline (ITGI), according to a spokesman of BP.

"There were originally four options to carry the gas from Shah Deniz. Now the decision has been taken not to go ahead with ITGI, so now we're down to three options," the spokesman told. Turkey and Azerbaijan have agreed to establish a venture that will build the Trans-Anatolia pipeline (TANAP), which stretches across Turkey from east to west, with a capacity of 16 billion cubic meters a year.

"TAP will be happy to work with the developers of TANAP for any required coordination between the two pipelines," the TAP consortium said in January. Nabucco, another project to carry Caspian gas to Europe via Turkey, lingers mainly due to concerns over resources and high costs.

Shell to buy Cove Energy for $1.6 bln

Hürriyet Daily News, *23.02.2012*

Royal Dutch Shell has made an agreed 992.4 million pounds ($1.6 billion) bid for Mozambique-focused Cove Energy, offering a full price to open up a new gas frontier for the Anglo-Dutch oil major in East Africa.

Shell has offered 195 pence per share in cash, which Cove's directors said yesterday in an official statement they would recommend to shareholders. Cove's shares closed at 154.5 pence, and analysts at Citigroup said the "valuation looks stretched" in a research note. The price is an over 70 percent premium to Cove's closing share price on Jan. 4, when Cove announced plans to sell.

Genel Energy eyes options with $1.9bn pot

Upstream Online, *23.02.2012*

Genel Energy is hoarding its $1.9 billion war chest as it chases 'one or more' acquisitions in the Middle East and Africa, chief executive Tony Hayward has said.

The Northern Iraq-focused player has also reviewed "more than a dozen investment options in the eastern Mediterranean and in Africa" recently, the former boss of BP claimed. Genel Energy, formed last year through the alliance of Hayward-led investment vehicle Vallares and Turkey's Genel Enerji, hatched a pot of $2.2 billion to splurge on acquisitions when it floated in London.

In a statement Hayward said the company would preserve its $1.9 billion in cash reserves for "other opportunities in the Middle East and Africa" as it aims to keep its operations in Northern Iraq cash neutral this year. Hayward also expressed a desire to put Genel's hat in the ring for further exploration license rounds and to acquire new technical expertise and capabilities.

Although Hayward said the company's technical teams had reviewed options in the eastern Mediterranean, Genel would appear to be eschewing nascent plays such as those off Cyprus and Israel as the chief executive continually referred to the Middle East and Africa as the most likely hunting grounds for more opportunities. This year will see a three-fold increase in investment to between $200 million and $250 million, Hayward said, with an "aggressive expansion drive" aimed at adding up to another 700 million barrels of oil to the company's reserve base. In Northern Iraq the company is eyeing revenues of between $250 million and $300 million this year "with potential upside from exports", the chief executive added.

Genel has committed to a seven-well program in Northern Iraq between this year and early next year with two already spudded. A third well will complete in the third quarter with moveable oil "already detected", the company claimed. Hayward's tough talk, delivered to analysts and fund managers at a capital markets event, was not enough to stop Genel's share price sliding slightly by almost 1%. Hayward has ruled out the acquisition of Norway's DNO International and London-listed Gulf Keystone as it puts a cap on acquisitions in Northern Iraq. "Anyone who thinks we're going to go and buy DNO is wrong, we're not," the news wire quoted Hayward as saying. "We are not intent on doing another big deal in Northern Iraq... We are going to diversify now. We don't need any more Northern Iraq."

Turkey sends gas to Greece as EU slams gov't in Athens

Hürriyet Daily News, *20.02.2012*

Overcoming a recent gas shortage, Turkey has started pumping natural gas to neighboring Greece again, Minister Yildiz says. 'We could not disappoint Greece,' he says.

Turkey restarted natural gas transfers to Greece over the weekend after Greek Energy Minister George Papaconstantinou called to request supplies. "My Greek colleague called to say they were in difficulty," Turkish Energy Minister Taner Yildiz told journalists during a ceremony in the Central Anatolian province of Kayseri. "I couldn't disappoint him because we have been suffering the same problems," he said.

Meanwhile, Yildiz denied some media reports in the Turkish press which quoted him as saying that he felt "pity" about Greece and so decided to prelaunch the gas flow. "I am the energy minister of a strong country, and a strong country would not have used such offending wording," said Yildiz. "I see some reports quoting me with insulting language; I have never used such wording and would never do so," he said. "My Greek counterpart called me and said they were facing a hard time, so I pitied them and launched the gas flow," Turkish daily Sabah quoted Yıldız as saying. "The neighbor begs, we open valves," read Sabah's headline story. "After meeting the natural gas demand of all our citizens and industrialists, we have started transferring the remaining to Greece," Yildiz said. "After all, Turkey does not transfer gas to Greece for free, along with neighborhood ties, this is a trade relation."

Turkey had cut gas to western neighbor Greece after disruptions to its own supplies from Azerbaijan and Iran over the past two weeks. Turkey's gas imports from Azerbaijan and Iran fell sharply starting Feb. 7 due to technical problems in both countries, according to Turkey's Energy Ministry. Gas flow into Turkey from both countries dropped to a daily 6 million-7 million cubic meters (mcm) from a usual 40 million (mcm). Due to harsh winter conditions, the demand in Greece peaked to the equivalent of between 230,000 and 250,000 megawatt hour a day, from a high of 180,000 in the same period last year according to a Feb. 17 statement from the state-controlled natural gas supplier Public Gas Cooperation (DEPA). Many European countries are facing gas shortage due to the hard winter conditions as Russia's Gazprom, the biggest supplier struggles to meet the demand.

Analysts told that the shortage, during one of Europe's coldest spells on record, points to supply inflexibility on the part of Gazprom that could spur the European Union's bid to talk down the price of nearly a third of its total gas imports. Nations stretching from Germany to Greece reported gas shortfalls that reached 28.9 percent in Italy and nearly forced cuts to some domestic clients. "European clients of Gazprom have another strong argument for the price negotiation. The high prices of Russian gas did not guarantee the security of supply," East European Gas Analysis chief Mikhail Korchemkin told.

Greece invites bids for state gas group DEPA

Reuters, *29.02.2012*

Greece has invited bids for state-owned gas company DEPA, as it moves ahead with a privatization program targeted to raise 19 billion euros (16 billion pounds) by 2015.

According to an offer document published on Wednesday, the government is considering a “bundled” sale of DEPA, combining its wholesale, trading and gas supply business as well as its DESFA networks and liquefied natural gas arm, or an “unbundled” deal in which DESFA would be sold separately. In either case, Greece, which owns a 65 percent stake in DEPA, would retain a 34 percent stake. The deadline for bids is March 22.

The offer comes a day after environment minister George Papaconstantinou met the president of Russia’s Gazprom Export, Alexander Medvedev, to discuss energy policy and Greece’s privatization program, according to a ministry statement. The head of Prometheus Gas, a joint venture between Gazprom and Greece’s Copelouzos group, also attended the meeting. Greek daily Ta Nea, citing unnamed sources, said that Prometheus Gas would be among companies bidding for the DEPA tender.

According to the paper, at least 20 companies and funds have expressed an interest, including Spain’s Gas Natural, French Gas de France, Italy’s ENI and Austrian OMV. Greece’s privatization program, originally intended to raise 50 billion euros to help cut its crippling public debt burden, has been scaled back drastically in recent months as the overstretched administration has struggled to meet its targets.

BP to hike Azeri investment

Upstream Online, *01.03.2012*

BP plans to spend more on its Azerbaijan exploration efforts this year, drilling more wells and developing production at existing fields.

The BP-Azerbaijan AIOC group said in a statement it plans to invest $3.2 billion in the Azeri Chirag Guneshli (ACG) oilfields in the Caspian Sea in 2012, up from $2.6 billion in 2011. Investments in the major Shah Deniz gas field, which BP runs together with Statoil and Azeri state oil firm SOCAR, will come in at $1.55 billion this year compared to $870 million the year before.

BP said operation expenses for the ACG project, with estimated recoverable reserves of about 1 billion tons of oil, would reach $708 million in 2012, while $2.52 billion would be channeled to drilling at least 12 new wells. It said 35.4 million tons of oil was produced at the ACG fields in 2011, down from 40.6 million tons produced in 2010, as some drilling platforms were closer for repair works.

SOCAR expects ACG 2012 oil output to be 37 million tons. BP has not provided a forecast for production at ACG fields, estimated to contain about 1 billion tons of oil. Operation expenses on the Shah Deniz project in 2012 are estimated at $211.5 million, while capital expenditure of $1.34 billion will be mainly used for drilling two new wells and preparation works for the second phase of the project.

BP said 6.67 billion cubic meters of gas and 1.8 million tons of condensate was produced at Shah Deniz in 2011, down from 6.9 billion cubic meters and 1.9 million tons in 2010 respectively. The second phase of production at Shah Deniz and shipment of gas to Europe may require investments of $40 billion, a source at SOCAR told. Total oil and condensate production in Azerbaijan in the first month of 2012 declined to 3.9 million tons from 4.1 million tons in January 2011. Natural gas output fell 20% to 1.6 billion cubic meters from two billion. The former Soviet republic ships its oil via five main routes: Russia's largest Black Sea port of Novorossiisk, neighboring Georgia's Supsa, Batumi and Kulevi ports, and Turkey's Ceyhan.

Azerbaijan sells gas to the domestic market and to Georgia and Turkey via the Baku-Tbilisi-Erzurum pipeline, as well as to Russia. In 2012, the country expects to produce 45.45 million tons of oil and 28.28 billion cubic meters of gas in 2012.

Turkish energy companies up gas tariff forecasts on expensive LNG

ICIS Heren, *29.02.2012*

Turkish energy companies expect an average rise of 11.5% in this year's natural gas price - a 0.5 percentage point increase on the previous month's expectations, the second ICIS Heren natural gas tariff sentiment survey has found.

The increase is expected because of larger LNG supplies following critical gas shortages in February. The hike should translate into a 6.5% increase in electricity prices and may become effective from April 2012. Although the latest average is only 0.5% above the January median value, most participants' individual expectations were approximately 3.0% higher than their estimates submitted last month.

Nevertheless, the overall bullish market sentiment was dampened by the fact that a small number of companies did not expect a gas tariff increase at all this year. As a result, the range of expectations in February for a hike in 2012 widened, from 0-20%, compared with last month's range of 5-15%. Interestingly, expectations are building for an earlier increase. Most participants polled by ICIS Heren considered that the increase in both natural gas and electricity tariffs should become effective from April compared with last month's survey, when an equal number of companies expected the rise to be announced by the Turkish government either in April or in October. All participants polled this month said they were not expecting a subsequent round of increases until the first quarter of 2013.

Companies revised their expectations upwards following a spate of gas supply problems throughout February, which pushed electricity levels to record hourly prices of Turkish lira 2,000/MWh on the electricity exchange PMUM on 13 February, prompting an investigation. Azeri flows were cut completely for a few days at the beginning of the month, and Russian and Iranian supplies reduced to critical levels throughout the majority of February, so gas incumbent BOTAŞ turned to the spot LNG market to balance the system. This has raised concerns across the market that the government will increase the price of natural gas to reflect expensive spot LNG values. The Turkish wholesale natural gas tariff is calculated as a basket of contract and spot LNG as well as contract pipeline gas.

At least five LNG vessels arrived in Turkey in February. ICIS Heren could not establish how many of these cargoes were acquired on the spot or were delivered under Turkey's long-term contracts with traditional suppliers Algeria and Nigeria. The price paid by BOTAŞ for spot LNG may have been pegged above the $13/MMBtu level. But other participants were keen to put an LNG-driven increase into perspective, pointing out that the government may not usher in a hike at all to maintain industrial output at least at last year's levels. Some argued that raising natural gas prices could hamper Turkey's economic growth and should be avoided when 2012 GDP is unlikely to rise above 5%, compared with just over 8% in 2011.

A source from an Ankara-based natural gas company admitted that a rise was long overdue after a 30-month hiatus, but added that there was no appetite within the government to usher in an increase soon. He pointed out that Turkey has already secured anything between a 5-10% discount on the price paid for Russian gas and looks set to clinch another price reduction for the 10 billion cubic meters imported from Iran each year.

In January, Turkey took Iran, its second-largest gas supplier, to international arbitration over the price paid for imported volumes. The Swiss-based court is expected to rule whether Iran should offer a discount. However, Turkish counterparties insist that Tehran may not have much leeway, given that it is under international sanctions over its alleged nuclear program, and may therefore yield to pressure.

Another group insisted that the Turkish lira has appreciated 8% against the euro and 9% against the dollar in the last three months, after a 20% appreciation against the two foreign currencies since October 2010. “Personally, I don’t expect an increase at all because Turkey managed to get a discount on Russian gas,” a source said. “However, even if they [the government] were to put the tariff up, they would do so to cover any fluctuations in the exchange rate and a spike in oil prices,” he explained.

A source from an electricity company said his firm was expecting an LNG-driven 15% increase in the gas tariff, but was keen to point out that the electricity market may be cushioned from the high values by abundant hydro generation in the second quarter of the year.

This month’s survey showed that expectations are growing for an earlier April increase, compared with the previous month, when an equal number of participants expected an increase to be effective from either April or October. Participants said the increase would coincide with the start of the wet season and would allow BOTAS to recover some of the cash paid for expensive LNG over the winter period. As a result, they argued that April is a more plausible date.

However, a minority considered that October may be a more convenient time for two reasons. Firstly, it would spare companies the shock of any increases during the summer period when electricity prices tend to rocket. Secondly, it would give companies a full year’s breathing space to adjust their portfolios after the first 15% increase announced in October 2011.

Rising oil prices hurt foreign trade balance

Hürriyet Daily News, *01.03.2012*

Although Turkey's January foreign trade deficit witnessed a 4.7 percent drop from a year ago, the $7.09 billion January figure exceeded market expectations due to rising oil prices and an increase in investment goods imports in January.

Turkey's foreign trade deficit narrowed 4.7 percent from $7.3 billion to $7.09 billion in January 2012 from January 2011, according to data released by the Turkish Statistical Institute (TUIK). The $7.09 billion figure, however, exceeded the $6.3 billion market expectation due to the increase in oil prices, as well as an increase in the imports of investment goods and intermediate goods in January.

BGC Partners Chief Economist Ozgür Altug also said in his note to investors that the pick-up in Turkey's foreign trade was not as positive as expected. "Even if this is just a one-month reading, the 12-month data released in November shows that the improvement in Turkey's foreign trade deficit and, as a result, the current account deficit, has slowed down; this is discouraging," he said, adding that barring a recession, the improvement in Turkey's external balances would occur, albeit at a slow pace. Turkey's foreign trade witnessed an increase both on the import and export side year-on-year, according to the data. Exports increased 8.6 percent year-over-year, reaching $10.3 billion from $9.5 billion, while imports also rose 2.8 percent year-over-year, rising from $16.9 billion in January 2011 to $17.3 billion. Energy imports in January were up 24.8 percent from January 2011, exceeding $4.7 billion, making it the sector with the most imports.

"The recent increase in petrol prices will lead to an even greater increase in Turkey's imports data in the coming months," read a statement released yesterday by Vakifbank. "And if the increase in petrol prices becomes permanent, this is one of the most important risks that we face in the coming period." The second most imported items after energy imports were boilers, machinery, and mechanical items at $1.7 billion. In third place were imports of iron and steel at $1.5 billion. The most interesting trend to note, according to Vakifbank's report, was the 6 percent increase in the import of investment goods used in production in January as investment goods imports had witnessed a drop in the last quarter of 2011.

Consumer goods imports, meanwhile, were down 20.3 percent. Imports that witnessed a drop year-over-year were pearls and precious and semi-precious stones; cotton; motorized land vehicles like tractors and bikes; as well as pharmaceutical items. Meanwhile, Turkey exported the most to Germany, Iraq, the United Kingdom, Italy and France in January. In terms of imports, the top three countries sending products to Turkey in January were Russia, China and Germany.

Greek candidate wants hydrocarbon exploration in disputed Aegean

Yahoo! News, *04.02.2012*

The frontrunner in Greece's parliamentary election said the indebted country should set out the borders of an offshore economic exploitation zone, a step towards hydrocarbon exploration that could antagonize its long-term rival Turkey.

Conservative New Democracy leader Antonis Samaras said he believed Greece should follow Greek Cypriot example in defining a maritime boundary, which is normally a precursor to exploring offshore for oil and gas. Such a move could escalate festering arguments between Turkey and Greece over land, air, sea and sea-floor borders in the Aegean, if the proposed zone crosses into disputed territory.

"We believe that Greece should undertake corresponding specific initiatives such as those taken by the late (Greek Cypriot) President Tassos Papadopoulos in recognizing an EEZ (economic exploitation zone)," Samaras told reporters in Nicosia. His party is leading in opinion polls ahead of an election expected in Greece in April. "The existence of sub-sea wealth shows the depth of a common strategy which can be developed between Cyprus and Greece on issues of economy as well," he said. "What is happening today with the EEZ of Cyprus is very important to the Aegean, (and) to what could occur with the Greek EEZ in the Aegean," he added.

Japan may cut Iran oil imports by over 20 percent

Reuters, *23.02.2012*

Japan may cut Iranian crude oil imports by a more-than-expected 20 percent as it seeks a waiver from U.S. sanctions, a newspaper reported, a move which would spare its banks from a major blow but also boost its rising fuel import bill.

Japan, the world's third biggest oil importer, last year bought almost 9 percent of its crude from Iran and its dependence on fuel imports has increased because almost all its power-generating nuclear reactors have been shut after the Fukushima nuclear disaster a year ago.

In a report datelined Washington, and which did not cite any sources, the Nikkei business daily newspaper said Japan and the United States would reach a basic agreement by the end of February on how Japan would reduce its dependence on Iranian oil without incurring financial sanctions. Government spokesman Osamu Fujimura confirmed Japan and the United States were likely to reach an agreement in February but declined to say if Tokyo had set a specific target for cuts. Deputy Prime Minister Katsuya Okada later told Reuters Japan would probably be able to cope with less Iranian oil, but acknowledged prices were a concern. “Japan does have strategic reserves, so we hope we can manage this situation without much disruption,” Okada said. But he added: “There is no mistaking that this could impact not only Japan but also the United States by pushing up oil prices.”

China, India and Japan, the top three buyers of Iranian oil, together buy about 45 percent of Iran’s crude exports and all of them are planning cuts of at least 10 percent. In addition to Japan, South Korea is seeking to be exempt from U.S. sanctions. Seoul said the United States had agreed to exempt its non-oil imports from Iran from sanctions, adding that talks on cutting oil purchases were “going smoothly. The United States is pushing ahead with sanctions because it fears Iran might use its nuclear program to develop nuclear weapons. Sanctions for non-petroleum transactions with the Iranian central bank go into effect on February 29 and those for oil-related transactions start on June 28.

A waiver would protect Japan’s big banks Mitsubishi UFJ Financial Group, Mizuho Financial Group and Sumitomo Mitsui Financial Group from being punished for handling payments to Iran. Shifting suppliers, however, could force Japan to pay more for alternatives to Iranian crude as Iran’s rising tension with the West has helped drive benchmark Brent crude prices to a nine-month high this week. “The United States has a very strong card,” said Masaaki Kanno, chief Japan economist at JPMorgan Securities in Tokyo, referring to possible sanctions on Japanese banks.

Brent traded above $122, after hitting a nine-month high on Wednesday, as the U.N. nuclear watchdog’s latest mission to Iran failed to budge a defiant Tehran over its disputed nuclear program. Japan’s trade and foreign ministers said this week that Tokyo was close to an agreement with Washington on Iranian oil imports, but gave no indication of the size of the cuts. Japanese officials have said Tokyo was offering cuts of at least 11 percent year-on-year, nearly half the amount the Nikkei newspaper was citing, but in line with the average annual decline in Japan’s oil imports from Iran since 2007. “How far a 20 percent cut in volume will affect Japan’s economy depends on how such measures push up oil prices,” said Toshihiro Nagahama, chief economist at Dai-Ichi Life Research Institute. “But chances are, given a recovery trend of the global economy and loosening policy in emerging markets, U.S. crude would rise to as much as $120, up from $105 now.”

Japan’s reliance on imported fuel has grown since a massive 2011 earthquake and tsunami triggered the Fukushima radiation crisis. All but two of its 54 reactors are off-line and those will be shut for checks by late April. Japan imported 313,480 barrels per day (bpd) of Iranian crude oil in 2011. If it cuts purchases by more than 20 percent this year, imports would stand at 251,000 bpd. The United States has said it will punish financial institutions that deal with Iran’s central bank by shutting them out of U.S. markets. A country can earn a waiver from the sanctions if it significantly reduces trade with Iran. Iran, the biggest producer in OPEC after Saudi Arabia, insists its nuclear program is for peaceful purposes. The European Union has imposed its own embargo on Iranian oil imports from July 1. In response, Iran ordered a halt of oil sales to Britain and France.

Chevron in talks with Russia on Arctic exploration

Upstream Online (Dow Jones), *01.03.2012*

U.S. oil major Chevron Corp. has held talks with a senior Russian government official on Arctic exploration, as the country's leader Vladimir Putin hinted he would allow non-state companies to operate in Russia's northern seas.

"Your country has enormous reserves, and the absence of large projects in the Russian Federation is a big gap in our portfolio," Chevron's Russia chief Andrew McGrahan told Deputy Minister for Natural Resources Denis Khramov at a meeting. Unlike peers such as Exxon Mobil Corp., Royal Dutch Shell PLC and BP PLC, Chevron failed to gain a foothold in Russia following the breakup of the Soviet Union.

The parties discussed the development of Russia's Arctic reserves as well as changes to the investment climate and tax regime for oil companies operating in the country, the ministry said in a statement. The news comes just a day after Prime Minister Putin said non-state companies should be allowed to explore offshore reserves in order to avoid a drop in Russia's hydrocarbon production. Currently only state-controlled OAO Gazprom and OAO Rosneft have the rights to develop strategic offshore reserves. Khramov said his ministry is preparing changes to the current legislation, including liberalizing access to offshore reserves and lower taxes. The changes will be reviewed by the government in the second quarter 2012.

Lukoil CEO and Iraqi PM discuss expansion in Iraq

Rigzone (Itar-Tass), *02.03.2012*

CEO of the Russian oil giant Lukoil Vagit Alekperov and Iraqi Prime Minister Nuri al-Maliki have discussed prospects for the expansion of the company's business on the Iraqi market, Lukoil said in a statement summing up results of Friday talks.

The discussion was held in the format of the talks between Russian Presidential Envoy for the Middle East and Deputy Prime Minister Mikhail Bogdanov, Iraqi Prime Minister Nuri al-Maliki, Iraqi Minister of Oil Abd al-Karim Luaybi and Iraqi First Deputy Foreign Minister Labid Abbawi.

During the talks, the Russian officials confirmed the support to the Iraqi leadership's steps for the stabilization of the situation in the country, suppression of terrorism, economic recovery and improvement of the population living standards in the context of further enhancement of Iraq's integration and sovereignty, the statement wrote. The participants in the meeting voiced a common opinion on the necessity and topicality to expand the oil and gas interaction, as well as in the training of specialists for Iraq.

EU postpones key climate decision on oil sands

Hürriyet Daily News, *23.02.2012*

A key EU decision on whether to label oil from Canada's tar sands as highly polluting was postponed to June when talks between experts from the 27 countries ended in stalemate.

The issue has whipped up a controversy with oil lobbies as well as with Canada, believed to be sitting on the world's largest reserves thanks to tar sands in Alberta whose extraction environmentalists say will wreck the climate. Canada threatened to lodge a World Trade Organization complaint against the European Union if experts meeting in a special committee deemed oil from tar sands as harmful for the environment.

"The committee failed to give an opinion, there was no qualified majority for or against," said European commission spokesman Isaac Valero Ladron. The question will now go to environment ministers meeting in June, he said. Committee members had been asked to vote on proposals setting greenhouse gas values for the lifecycle of unconventional fossil fuels, as well as a monitoring system, as part of the bloc's bid to reduce carbon emissions by 20 percent by 2020.

Tar sand oil is estimated to cause 22 percent more greenhouse gas emissions than conventional crude due to the energy needed to extract and refine it. "Unconventional fuels need to account for their considerably higher emissions through separate values," said the EU's climate commissioner Connie Hedegaard. "With all the lobbyism against the Commission proposal, I feared that member states' experts would have rejected the proposal in today's experts committee," she said. "I am glad that this was not the case." Earlier this week, environmental group Friends of the Earth Europe released a warning letter from Canada's ambassador to the EU.

It said Ottawa would "explore every avenue at its disposal to defend its interests, including at the World Trade Organization" if the EU directive singles out oil sands crude in a "discriminatory, arbitrary or unscientific way." Friends of the Earth regretted Thursday's stalemate. "Intense pressure from the Canadian and oil lobbies means we have missed a chance to keep high-polluting sources of fuels, such as tar sands, out of Europe," said campaigner Darek Urbaniak.

Russia to build South Stream at ‘maximum capacity’

EurActiv, *23.02.2012*

Russian President Dmitry Medvedev ordered Gazprom chief Alexei Miller to start building the South Stream gas pipeline at ‘maximum capacity’. Medvedev received Miller in the Kremlin and asked him to report on the situation over the February cold snap, when the demand for gas greatly increased both in Russia and Ukraine, as well as in Western countries.

“On certain days, as much as 40 million cubic metres of gas remained on Ukraine’s territory, and this certainly caused damage to Gazprom’s finances and reputation. At the same time, in this situation, there is no effective mechanism to control the actions of Naftogaz in Ukraine,” Miller answered.

“Do I understand correctly that this means siphoning off gas?” asked Medvedev, according to a transcript of the discussion published on the Kremlin’s website. In an apparent effort to impress foreign counterparts, Prime Minister Vladimir Putin also conspicuously published the transcript of his recent instructions to Miller.

Formally Gazprom is a private company in which the government has a controlling stake and which holds a monopoly over gas exports. On 5 February, Putin, who stands for presidential elections on 4 March, boasted that the return of state shareholder control over Gazprom as a victory of his years in power. “Our Ukrainian partners took as much gas from the export pipeline as they felt necessary,” Miller told Medvedev. He added that during the recent cold snap, Ukraine was taking gas at the annual pace of over 60 billion cubic meters (bcm).

Medvedev said Russia had different options for building South Stream, by giving it greater capacity or “stop at some middle point”. But in view of the report made by Miller, he ordered that South Stream be built at its full capacity of 63 bcm. “We will launch the construction in December. All the necessary instructions on gas pipeline design based on a 63 billion cubic meter capacity will be given without delay,” Miller answered. At the same time, the Ukrainian Mission to the EU sent around a statement, claiming that National Joint Stock Company Naftogaz Ukraine has not diverted a single cubic meter of natural gas transiting through its territory since the beginning of 2012. In February 2012 Naftogaz informed Gazprom about possibility of supplying additional volumes of the resource to European consumers by extracting gas from the Ukrainian gas storages, the statement reads.

“Had the Russian side asked us, we would have helped the European consumers in the situation of a sharp drop in gas supply, the way we helped Turkey,” Deputy Chairman of Board of Naftogaz Vadym Chuprun is quoted as saying. The contradicting statements are reminiscent of verbal exchanges between Moscow and Kyiv over the 2009 gas crisis, which left a large part of Europe in the cold over a payment dispute.

Iran says has not refused oil to Greece

Reuters, *26.02.2012*

Iran said on Sunday it had not blocked an oil shipment to Greece, denying earlier reports it had done so in retaliation to the EU phasing in a ban on its key export, the Iranian Student's News Agency (ISNA) reported.

"There has been no change in Iran's oil shipment to Greece or any other country. No changes in our shipment schedule," said Pirouz Mousavi, managing director of the Iranian Oil Terminals Co. Earlier, Iran's semi-official Fars news agency said Tehran had refused shipment of 500,000 destined for Greek refiner Hellenic Petroleum, but a Hellenic official denied it.

"That has nothing to do with us ... all supplies from Iran have been processed normally," the official told Reuters. The European Union decided in January to stop importing Iranian crude as of July 1, the latest in a series of international sanctions aimed at forcing Tehran to halt its sensitive nuclear work, as demanded by the U.N. Security Council. Iran stopped selling crude to British and French companies last week after the oil minister said Tehran would cut oil exports to 'some' European countries.

Brent crude surged to over $125 a barrel on Friday amid fears of an escalation of tensions after the U.N. nuclear agency issued a report showing Tehran had increased its most sensitive nuclear work which the West says is part of a weapons programme, a charge Tehran denies. The price of oil has increased over the fear of tightening supplies, including a threat from Tehran to close a vital oil shipping route, the Strait of Hormuz, if attacked.

Israel and the United States have not ruled out military action if diplomacy fails to stop Iran getting nuclear weapons. Iran says its nuclear programme is for peaceful purposes and has promised a 'painful' response to any attack. The world's top oil exporter Saudi Arabia said it would compensate for any oil shortage in the market and the European Commission has said that the bloc would not be short of oil if Iran stopped crude exports, as it has enough in stock to meet its needs for around 120 days. While Europe would suffer more directly from the lack of Iranian crude than the United States, which does not buy oil from Tehran, the knock on effect of a disruption would drive up prices across the globe.

Greece is considered more vulnerable than most as it is suffering a major economic crisis and has been reliant on Iran for almost one quarter of its oil imports. Traders told Reuters on Feb. 24 that Swiss-based Totsa, the trading arm of French oil major Total, and trading house Mercuria were in separate negotiations with Hellenic to help it replace Iranian crude. Glencore, a leading Swiss-based commodities trader and one of the few that conducted business with Greece during the debt crisis, may also boost supplies, trading sources have said. Hellenic would pay back the traders with refined products, which could then be sold in Greece or abroad.

Oil back to $124 after attack rumors denied

Upstream Online, *02.03.2012*

Crude oil futures slipped below $125 a barrel as fears eased of a supply disruption from Saudi Arabia, which had pushed prices above $128 in late post-settlement trade on Thursday.

Prices had soared late on Thursday to levels last seen in July 2008 following an Iranian media report of a pipeline fire in top exporter Saudi Arabia. They fell back after CNBC cited a Saudi oil official as saying the report was untrue. Top oil exporter Saudi Arabia said on Friday there had been no attack in the kingdom, but traders are jittery about any potential disruptions to its production or infrastructure at a time of setbacks to global supplies.

“Most people believe the retracements to the downside are all going to be pretty limited in the short term,” said Tony Machacek, an energy broker at Bache Commodities. “The underlying long-term fundamentals remain good on demand from China and India. Throw into the mix a bit of geopolitical tension, and obviously Iran, and that’s enough to keep people not wanting to go short into the weekend,” Machacek said.

US crude oil futures were down $1.68 to $107.15 a barrel, after settling $1.77 higher at $108.84. Markets have been on edge this year due to threats of supply disruptions from the West’s standoff with Iran over its nuclear program and production losses from South Sudan, Yemen, Syria and the North Sea. “Even after the return of a tranche of Libyan output, the system is still highly exposed to relatively minor variations in output elsewhere,” Barclays Capital analysts said in a note. “Combine that lack of inventory cover with an upstream system that is running rather hot at more than 98% of sustainable capacity, and the result is that supply-side fluctuations are felt faster and have larger impacts on physical differentials.”

Commerzbank analyst Carsten Fritsch noted that despite Saudi's denial, a large portion of yesterday’s price increase is still intact. “Even if the original story came from Iran and no doubt was spread deliberately, the market clearly believes there to be an increased risk of supply shortfalls. This price reaction reveals how selectively market players are willing to take information on board - a typical feature of phases of exaggerated speculation,” Fritsch said.

Iran has been struggling to sell its crude in the face of tightening US sanctions and a European Union embargo that kicks in on 1 July. This has threatened to tighten global crude supplies. However, US Energy Secretary Steven Chu said global oil producers have enough spare production capacity to make up for a drop in Iranian exports. Oil prices have also been underpinned this week by positive manufacturing data out of China, easing fears of a sharp drop in demand from the world’s second biggest oil consumer, and by a flood of cheap funds from the European Central Bank.

Announcements & Reports

► *Energy Policies of IEA Countries – Denmark*

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=417

► *OPEC Bulletin (Feb 2012)*

Source : Organization of the Petroleum Exporting Countries
Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/OB022012.pdf

► *US Monthly Natural Gas Gross Production Report*

Source : US Energy Information Administration
Weblink : http://www.eia.gov/oil_gas/natural_gas/data_publications/eia914/eia914.html

Upcoming Events

► *TUROGE 2012* *(in Turkey)*

Date : 21 – 22 March 2012
Place : Ankara - Turkey
Website : http://www.appexlondon.com/2012/index.cfm

► *Iraq Energy Expo 2012*

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

► *LNG Export Forum North America*

Date : 20 – 23 May 2012
Place : Houston - Texas
Website : http://www.lngexportna.com/

► *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

► *Gas&Oil Expo & Conference*

Date : 11 – 13 June 2012
Place : Alberta - Canada
Website : http://www.gasandoilexpo.com/

► *CO2 Capture and Storage - Workshop* ***(in Turkey)***

Date : 13 – 14 June 2012
Place : Ankara - Turkey
Website : http://www.cgseurope.net/NewsData.aspx?IdNews=70&ViewType=Actual&IdType=478

► *Global Petroleum Show*

Date : 12 – 14 June 2012
Place : Alberta - Canada
Website : http://globalpetroleumshow.com/

► *World Heavy Oil Congress*

Date : 10 – 13 September 2012
Place : Aberdeen - Scotland
Website : http://www.worldheavyoilcongress.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/

► *International Pipeline Exposition*

Date : 25 – 27 September 2012
Place : Alberta - Canada
Website : http://internationalpipelineexposition.com/

► *Gastech 2012*

Date : 8 – 11 October 2012
Place : London – UK
Website : http://www.gastech.co.uk/

► *International Sustainable Energy Congress*

Date : 31 October – 1 November 2012
Place : Alberta - Canada
Website : http://sustainableenergycongress.com/

► *European Autumn Gas Conference*

Date : 13 – 15 November 2012
Place : Paris - France
Website : http://www.theeagc.com/