

Yildiz: Turkey starts talks to buy Saudi oil

Today's Zaman, 12.06.2012



Turkey has begun talks with Saudi Arabia on long-term crude oil purchases, Turkish Energy Minister Taner Yildiz said, after the United States said it would exempt Turkey from financial sanctions because it cut purchases of Iranian oil.

Yildiz said the talks were in line with Turkey's main energy target to increase the number of countries from which Turkey imports crude oil. "Talks with Saudi Arabia on long-term crude oil purchases have started. This doesn't concern only Tüpras but also concerns Saudi Arabia's Aramco. Talks are still going on; they will discuss the quantities between them," Yildiz told.

Asked whether the Saudi oil would be as cheap as Iranian oil, Yildiz said Turkish refiner Tüpras would compare crude oil prices and take the decision itself. U.S. Secretary of State Hillary Clinton said the U.S. would exempt India, South Korea, Turkey and four other countries from financial sanctions because they have significantly cut purchases of Iranian oil. "We aim to increase the number of countries where we buy natural gas from five to seven or eight and the number of countries where we buy crude oil to 14, if possible, from 11. We determined Libya as the 12th country. Tüpras has made connections to buy around 1 million tons (of oil)," Yildiz said.

At the end of March, the minister said Turkey would diversify its oil supplies, and the first shipment of crude under a Libyan term contract deal arrived in February. "The United States decision doesn't have a legal binding force, but they are our strategic partners. The priority will be on meeting Turkey's growing energy needs promptly and from resources as cheap possible," Yildiz said. He said Turkey remained one of the countries with the highest levels of trade with Iran and that it aimed to increase trade volumes.

Turkey has also been working with Venezuela for months on a project under which the South American country would provide oil products to Turkey in exchange for the construction of housing there. "Our work with Venezuela is now at the final stage. We are working towards a plan where we import petroleum coke in exchange for our contractors' working there," Yildiz said. Yildiz said a Turkish contractor had already built 1,500 houses near Caracas and that ultimately 350,000 houses would be built.

US presses Turkey to cut more Iranian oil imports

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The United States has pressed Turkey to follow up on a 20 percent cut in oil purchases from Iran with a further cut in six months time to help persuade Iran to quit stalling in talks over its nuclear programme, a US diplomat said on Tuesday.

The diplomat said Washington granted Turkey a 180-day exception from financial sanctions as a result of the initial cut made by Tüpraş, Turkey's sole refiner and a unit of Koc Holding. "So Turkey now has 180 days, Tüpraş has 180 days to take a look at its oil situation to decide - can it reduce further, can it get to zero? - what it needs to do," the diplomat said.

After the 180 days, the US diplomat said, Washington will be looking for Tüpraş to make a further significant cut, without specifying how much. "We didn't want to get into negotiating barrels," the diplomat said. "The whole point was we wanted countries to send a political message to Iran ... to really put pressure on Iran to get back to the table in terms of negotiating with P5+1, with the IAEA." The diplomat told reporters the grace period, starting on June 11, should give Tüpraş time to find other suppliers and make the technical adjustments needed to handle a different mix of crude, noting that Tüpraş' contract with Iran ends in August.

New model for selling Ankara's gas grid

Hürriyet Daily News (AA), 12.06.2012



Privatization Administration is working on a new model to privatize BaskentGaz, Ankara's natural gas grid, Ahmet Aksu, the head of the administration has said. A new tender will be initiated as soon as possible, he added. "We could not achieve our goal on BaskentGaz as our vision has not matched up with that of investors," he said.

"We are working on a new model for the next tender bearing in mind [the experiences we have had] from previous tenders. We will hold talks with the Ministry of Energy, the Energy Market Regulatory Authority and the Ankara Metropolitan Municipality."

“Electricity transmission has been broken down into 20 regions and 12 of them have been handed over to the private sector,” he said, adding that the Lake Van and Dicle electricity distribution companies were of top priority in the privatization process. There are companies in the electricity production field as well as the distribution field, he said. Nearly half of the installed power capacity of Turkey belongs to EUAS, he added. Tenders regarding the operating rights of bridges and highways for 25 years will be initiated this year, too, he said, adding that the privatization revenues would be reinvested in new highway construction. Nearly \$32 billion of privatization revenue has been transferred to the Treasury since 1984 and it has been used in paying internal and external debts, he said.

Greek Cyprus to build gas processing facility

Hürriyet Daily News, 11.06.2012



Greek Cyprus will build a facility for storing and processing the natural gas that has been discovered off its southern coast, a top Greek Cypriot commerce said.

Neoklis Sylikiotis told The Associated Press on June 8 that the 140 billion to 230 billion cubic meters of gas the U.S. firm Noble Energy discovered last year was enough to merit the facility’s construction, although there are indications of more offshore gas deposits. Sylikiotis said there was strong foreign interest to invest in the facility, which would supply domestic power plants and liquefy the fuel for export to foreign markets.

He said the facility was estimated to cost around \$7.5 billion to \$8.7 billion and be completed by 2019. He said they would also establish an undersea pipeline to help pump natural gas upstream from the Israeli and adjacent Cypriot offshore fields, Anatolia news agency reported. Sylikiotis was set to pay a visit to Israel and is expected to return to Greek Cyprus by June 12. He is expected to meet with officials from Israeli energy companies, as well as with the Israeli ministers of trade, industry, energy and foreign affairs.

Poneman: Turkey plays key role in providing energy security

Today's Zaman, 13.06.2012



US Deputy Secretary of Energy Daniel Poneman emphasized on Tuesday that Turkey plays a key role in providing energy security to Europe and praised its handling of the responsibility, which is unavoidable due to the country's strategic location.

Poneman, speaking at the 31st annual conference of the Turkish-American Council, which began on Monday in Washington, D.C., remarked that Turkey stands at a "vital intersection" in the maintenance of energy flow to Europe and the provision of the energy demands of its people.

Noting that Turkey has strengthened its economy, and in the meantime emerged as a strategic transit location for the transport of oil and natural gas supply to consumers, he explained Turkey has played its inevitable role in ensuring energy security in an efficient way. "If security and economy are the pillars of partnership between the US and Turkey, energy lies at the heart of the partnership," he stated. The deputy secretary stressed that both nations face difficulties in the energy field, such as dependency on natural resources, strengthening energy security and the struggle with the effects of climate change. However, he said, these complexities also bring opportunities. "In this context, the most recent and hopeful cooperation is on energy efficiency," he commented. He also mentioned a project being prepared to cope with the energy demand of the increasing number of new companies in the country, creating a win-win situation for both domestic and international companies.

Reminding participants that many critics thought the Baku-Tbilisi-Ceyhan pipeline (BTC) would not be achieved, Poneman stated, "BTC was achieved as a product of the vision of the states and companies." In addition to pledging continued US support to pipelines passing through Turkey, he implied the pipelines carry major growth potential, with the expansion of routes and diversification of sources, while creating a more competitive European gas market.

Poneman emphasized that since US President Barack Obama's visit to Turkey, his first overseas visit in the role, important progress had been made to implement the vision of the US for US-Turkey relations. He explained that security composes the main foundation of ties between the countries, and that both nations had made major contributions to peace and stability in troubled regions around the world as active NATO members, in addition to increasing cooperation in the fight against terror and other threats. Poneman stated that Turkey had made tremendous diplomatic efforts to resolve disagreements between Iran and Western nations stemming from Iran's nuclear activities, and underlined Turkey's hosting of critical talks between these countries.

IEA: Iran's oil exports plummet as sanctions bite

Hürriyet Daily News (Reuters), 14.06.2012



Iran's oil exports have fallen by an estimated 40 percent since the start of the year as Western sanctions tear into the country's vital oil industry, the International Energy Agency (IEA) said.

The agency, which represents the interests of major consuming nations, said preliminary indications suggested that exports the lifeblood of Iran's economy had fallen to 1.5 million barrels per day in April-May from 2.5 million at the end of 2011. "In the months ahead, Iran may need to shut in production volumes if export markets remain similarly constrained and storage fills up," the IEA said.

It added that it believed Iran was still producing 3.3 million bpd, down from 3.5 million last year and stockpiling unsold oil. Tehran has denied it is experiencing problems with oil sales, despite mounting evidence that its major customers, including China, are turning down offers of cheap crude under pressure from Washington to cut trade ties.

On June 11 the U.S. government, which is aiming to choke off Tehran's oil revenues and force a halt to nuclear development that it believes is aimed at making weapons, said India, South Korea, Japan and Turkey had made significant cuts to oil imports from Iran.

The European Union will impose a full embargo on Iranian oil from July 1. The measure will also effectively cut off tanker insurance, a major problem for Asian buyers who traditionally account for the bulk of Iran's oil sales. The IEA report came out days ahead of nuclear talks in Moscow between Iran and world powers - the United States, Britain, France, Germany, Russia and China.

The Organization of the Petroleum Exporting Countries (OPEC), of which Iran is a member, met in Vienna yesterday to discuss production running at multi-year highs. U.S. ally Saudi Arabia has been stepping up supply to replace lost Iranian barrels. Earlier this year, oil prices rallied to \$128 a barrel, their highest since 2008, on fears of a loss of Iranian production. But they have since fallen below \$100 per barrel on signs of slowing economic growth in China, weak U.S. data and an escalation in Europe's debt crisis.

The IEA said the world was better supplied with oil now than in recent years but warned against calling it an over-supplied market. "Nobody knows exactly how oil supplies will develop this summer. Memories are indeed short: crude prices remain very high in historical terms, and are acting as a drag on household and government budgets in OECD and emerging markets alike."

OPEC to keep oil production ceiling unchanged

Wall Street Journal, 14.06.2012



OPEC agreed to maintain its existing oil-production agreement, said people familiar with the matter, but several members signaled that the group could meet again soon if oil prices retreat much more.

The Organization of Petroleum Exporting Countries kept its combined production ceiling for its 12 members at 30 million barrels a day, an outcome that had been telegraphed earlier this week following a bilateral meeting between ministers from Saudi Arabia and Iran, who lead rival factions within OPEC.

The group remained in meeting to discuss other matters after members decided to keep the production ceiling unchanged, people familiar with the matter said. “They have agreed to keep the ceiling at 30 million barrels a day,” a non-Gulf delegate said. But several members, before the meeting, pointed to the possibility of an emergency meeting should oil prices, which have fallen more than 20% in recent weeks amid concerns about weak global economic growth, retreat much more.

Kuwait oil minister Hani Abdulaziz Hussain, who is considered one of the group’s more consumer-friendly members, told reporters prior to the meeting that oil prices around \$100 a barrel are “acceptable and reasonable” and that the group could meet again if oil prices slip below \$90 a barrel. Iranian oil minister Rostam Ghasemi said he was satisfied with oil prices between \$100 and \$120 a barrel. “If prices go down further, definitely we will have a meeting,” he said. As is often the case at OPEC meetings, Thursday’s agreement to maintain current output comes against a backdrop of uncertainty in the oil market. This time, the key questions concern the effect of economic weakness on oil demand and the issue of just how much Iranian oil will leave the oil market due to international sanctions on the Islamic Republic.

In recent months, OPEC members have been pumping well above the production ceiling of 30 million barrels a day set at the group’s last meeting in December. OPEC members in May pumped close to 31.6 million barrels a day, according to the OPEC monthly report this week, citing secondary sources. Those figures include Saudi output of around 9.9 million barrels a day, an extremely high level. The lofty Saudi output follows lobbying of Saudi Arabia by the U.S., the European Union and others to raise output in anticipation of sanctions on Iran.

Other OPEC members this week expressed criticism of Gulf countries for boosting output so aggressively despite the weakening economy. Credit Suisse this week warned that oil prices could fall steeply if the euro-zone crisis instigates a severe credit crunch. In the bank’s worst-case scenario, which sees a repeat of the 2008 recession, the price of oil would tumble to \$50 a barrel and would fail to recover much beyond \$80 a barrel for the next few years, it said in a note released.

Rosneft and ExxonMobil in tight oil tie-up

Upstream Online, 15.06.2012



Rosneft and ExxonMobil have agreed to jointly develop tight oil reserves in Western Siberia where the Russian state player will hold a two-thirds interest and the US supermajor one-third. The latest deal signed in Moscow is another being made as part of a long-term strategic co-operation agreement inked in August 2011.

ExxonMobil chief executive Rex Tillerson said the latest tie-up combined ExxonMobil's strengths in tight oil and unconventional development with Rosneft's on-the-ground production experience in western Siberia.

Rosneft president Igor Sechin cited the Yuganskneftgaz region as one "extremely promising area" for developing tight reservoirs in western Siberia. The pair will set up a pilot programme to determine the technical feasibility of developing the reserves, with an eye on utilizing ExxonMobil's field experience in developing North American tight reservoirs. Following the review, geological studies on Bazhenov and Achimov reservoirs at selected Rosneft blocks will be carried out. First drilling could take place next year. ExxonMobil is to finance the geological studies and exploration drilling. Friday's agreement will also see the pair establish a joint Arctic Research Center for Offshore Developments.

Announcements & Reports

► *BP Statistical Review of World Energy (June 2012)*

Source : BP

Weblink : <http://www.bp.com/sectionbodycopy.do?categoryId=7500&contentId=7068481>

► *OPEC Bulletin (May 2012)*

Source : Organization of the Petroleum Exporting Countries

Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/OB052012.pdf

► *EIA Short-Term Energy Outlook*

Source : US Energy Information Administration

Weblink : <http://www.eia.gov/forecasts/steo/>



Upcoming Events

► *Introduction to Upstream Offshore Oil & Gas Training*

Date : 26 – 27 June 2012
Place : London – UK
Website : <http://www.ibcenergy.com/FKA2279UPWL>

► *10th Russian Petroleum & Gas Congress*

Date : 26 – 28 June 2012
Place : Moscow – Russia
Website : <http://www.russianpetroleumcongress.com>

► *Latin America Oil & Gas Conference*

Date : 27 – 29 June 2012
Place : Miami – USA
Website : <http://www.cwclatamoilandgas.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/>

► *KIOGE 2012 - Kazakhstan International Oil, Gas & Energy Exhibition & Conference*

Date : 2 – 5 October 2012
Place : Almaty – Kazakhstan
Website : <http://www.kioge.com>



► *Gastech 2012*

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

► *Offshore Drilling Conference 2012*

Date : 30 – 31 October 2012
Place : Stavanger – Norway
Website : <http://www.informaglobalevents.com/FKA2293UPWL?>

► *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/>