Oil & Gas Bulletin

▸ *27.07.2012*

Ankara wants to reduce natural gas use in electricity

Hürriyet Daily News, *25.07.2012*

Energy and Natural Resources Minister Taner Yildiz on said that the government is planning to reduce the use of natural gas in electricity production from the current rate of approximately 53 percent to 30 percent by 2023.

Speaking to reporters following a dinner in Ankara, he noted that the government values domestic and renewable sources and due to a high amount of rainfall this year which lead to an increase in the use of hydroelectric power plants, the share of natural gas use in electricity generation declined to 45 percent from about 53 percent.

Yildiz explained that even though high oil prices last year increased the country's already high current account deficit, it has however reflected as profits in the account of the state-owned Turkish Petroleum Corporation (TPAO). TPAO earned approximately $1 billion last year. He also pointed out that the Electricity Generation Holding Company (EUAS) has used water sources very efficiently and has reduced the use of natural gas in electricity production, adding that the "focus of our energy policy is to facilitate a greater use of natural gas for heating and less for energy production."

ITO names oil refiner Tüpras Turkey's largest enterprise

Today's Zaman, *24.07.2012*

The Istanbul Chamber of Commerce has said the Turkish Petroleum Refineries Corporation (Tüpras) was Turkey's largest industrial enterprise last year. The chamber's president Tanıl Kücük announced the list of Turkey's top 500 industrial enterprises. Tüpras topped the list with TL 27.4 billion ($15 billion) sales from its production.

The company operates four oil refineries across the country, with a total of 28.1 million tons of annual crude oil processing capacity. It owns nearly 60 percent of the total petroleum products storage capacity in Turkey, comprising 1,700 tons of crude oil, 1.3 million tons of white product and 0.9 million tons of black product.

The oil refiner is followed in the list by auto manufacturers Ford Otomotiv with TL 8.53 billion and Oyak Renault with TL 7.35 billion in sales in 2011. Ranking fourth and fifth, respectively, are state-owned electricity generation company EUAS, with TL 7.03 billion, and carmaker TOFAS, with TL 6.36 billion in sales last year. The remaining enterprises in the top 10 belong to home appliance maker Arcelik (TL 6.23 billion), iron and steel producers Eregli Demir Celik (TL 5.27 billion), Iskenderun Demir Celik (TL 5.1 billion) and ICDAS (TL 4.88 billion), as well as gas company Aygaz (TL 4.57 billion).

Kirkuk-Ceyhan pipeline fire extinguished after attack

Reuters, *22.07.2012*

Firefighters in southeastern Turkey on Saturday put out a fire on a pipeline carrying about a quarter of Iraq's oil exports, but it was unclear when oil would resume flowing, Turkish security sources said.

The sources blamed sabotage by Kurdish separatists for the explosion on the Kirkuk-Ceyhan pipeline. The fire broke out in the early afternoon on Friday near the town of Midyat in Mardin province, near the Syrian border. Officials blamed the attack on the terrorist Kurdistan Workers' Party (PKK), a Kurdish separatist group that has claimed responsibility for past attacks on the 960-kilometer (600-mile) pipeline.

Meanwhile Firat News, a website with ties to the terrorist group, also said the PKK was behind the attack. Insurgents in Iraq have in the past disrupted the transport of oil on the pipeline, the country's largest, and technical faults on the 35-year-old link, which consists of two pipes, have also cut flows. The last attack to target the pipeline occurred in April, when three near-simultaneous attacks were carried out on one of the two pipes in the Idil area of Turkey's Sirnak province, close to the border with Iraq. The terrorist PKK claimed responsibility for another other recent attack a Turkish stretch of the Baku-Tbilisi gas pipeline on May 29, when bombs rocked the Sarikamis district of Kars province, near the Armenian border.

At odds with Baghdad government, Northern Iraq start Turkey oil exports

Today's Zaman, *10.07.2012*

Northern Iraq has begun exporting oil to Turkey, where it will be refined into various products and then sent back.

"We started exporting limited quantities of crude oil to Turkey a few days ago," Seerwan Abubaqr, an adviser to the Regional Government's Ministry of Natural Resources told. For Abubaqr, this was something they were forced to do because the central Baghdad government has not sent refined oil products to the north for a long time. "If we need to, we will export oil to Iran," he said, adding that they will go ahead with crude exports "until the central government provides the region with oil products."

The Oil Ministry in Baghdad is, however, denying the Regional Government's allegations. "Nobody has the right to export oil, gas or oil products to foreign countries," said Faisal Abdullah, spokesman for Deputy Prime Minister for Energy Affairs Hussein al-Shahristani. "This is an illegal and unconstitutional business, and we will take the right action against it," he added, without saying exactly what the central government would do. Kurdish person familiar with Regional Government's oil exports said currently there are only four trucks per day carrying crude across the border to Turkey. The Northern Iraq and the Baghdad government have argued for years over issues including late payments for crude, the legality of the regional government's oil deals and disputed territory. Baghdad accuses the Kurds of smuggling their oil abroad, mainly to Iran, and negatively affecting the central budget by withholding revenue.

Once the poorest region of Iraq, Northern Iraq is now its most prosperous, having been largely insulated from the insurgency and sectarian violence in the south, and the regional government has increasingly become less reliant on Baghdad. For now, the region heavily relies on receiving 17 percent of the national budget to operate, but the KRG estimates there are about 45 billion barrels of oil reserves in the north, most of it is yet untapped. While there are no official figures for gas reserves in that region, Iraq as a whole has the world's 10th-largest reserves at 112 trillion cubic feet, according to data from the US Department of Energy. Most Kurdish oil is still pumped into the national pipeline system. One pipeline carrying about 60,000 bpd already feeds directly from regional government's Tawke oilfield into the main pipeline, which connects to the Turkish port of Ceyhan.

The move to bypass Baghdad could further strain ties between the central Iraqi government and Turkey, which has forged solid political and trade ties with Iraq's Kurds in recent years. Iraq is currently the second-biggest market after Germany for Turkish exports, amounting to more than $8 billion last year, but about 70 percent of Turkey's exports to Iraq are to the north. If the northern region were a country, it would still be Turkey's eighth-biggest export market.

Kurdish oil dispute a domestic issue for Iraq, Ankara says

Today's Zaman, *16.07.2012*

In response to a warning from Baghdad, Turkey has dismissed accusations that it is playing a role in a dispute between the central Iraqi government and the semi-autonomous Kurdish region in the north of the country, saying that this is an internal issue for its southern neighbor.

"This is a dispute between the Iraqi government and the Kurdish region. The Kurdish region is sending crude oil to Turkey to be refined. They have to settle this issue between them," a Foreign Ministry official told. In response to a request from Today's Zaman, Energy and Natural Resources Ministry officials declined to comment.

The official's comments came after Baghdad warned Turkey on Sunday that its separate oil deal with Iraq's northern Kurdish region could damage trade relations between Iraq and Turkey. Speaking to Today's Zaman, World Energy Council Turkish Member Committee board member Oguz Türkyilmaz said that when signing agreements with the Iraqi Kurdish government, the Turkish government should not portray them as international accords. "It is obvious that there is a problem between the central and regional Iraqi governments. However, Turkey should not take sides with either of them since it has trade operations with both." He suggested Turkey needs to call its trade activities with Kurdish region "border trade" and keep it at a local level to avoid any disputes with Bagdad.

According to Hasan Selim Ozertem from the International Strategic Research Organization (USAK), political reasons lay the ground of the situation and the comments coming from Bagdad are projecting the internal problems of Iraq onto Turkey. He recommends that Turkey pay attention to the Bagdad administration since they are acting within their rights as a nation state, in addition to consulting with other countries in the international arena. However, he underlined that a bill concerning the share of petroleum resources in the country among the regional governments has been approved by the Iraqi Cabinet but has been waiting to be passed by the parliament for years due to disagreements over the distribution of the oil. This has caused the Kurdish government to find alternative ways to trade its resources in order to cope with its expenses, since the central government has not left them with much of a choice and Turkey is a major trade partner.

He also explained that the central government imposes limitations on refined petroleum that enters the Kurdish region, which prevents them from supplying their own internal demand. So to overcome this, the Kurdish regional government has made a deal with Turkey that introduces the transfer of crude oil to Turkey with trucks which will be returned back to them after refining in Turkey. Ozertem thinks this could be a seen as a barter trade. But since this trade enables the Kurdish government to escape the limitations of the central government, ruining their control game, Ozertem believes Baghdad is trying to put the blame on Turkey by using threats.

Baghdad inks exploration deal with Turkey despite new row

Hürriyet Daily News, *17.07.2012*

The Iraqi government and a Turkish-Kuwaiti venture sign an energy search deal for fields in the south of the country. This comes after Baghdad's response to Arbil-Turkey oil trade.

Iraq signed an initial deal with a Turkey-Kuwait consortium and awarded another contract to a Russia-led group to drill for oil and natural gas as part of Baghdad's efforts to strengthen its role a major energy producer. The deal comes amid fresh tension between Turkey and Iraq over Turkish Tüpras' making direct purchases of crude from the Regional Government despite strong opposition from the central Iraqi government.

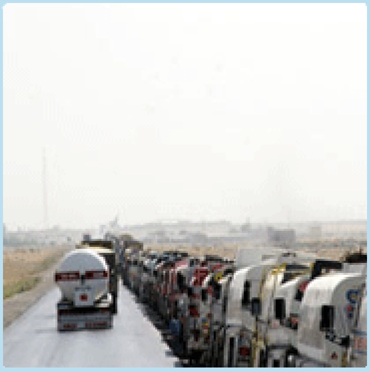
The two deals are among four that are in the process of being finalized with international firms to boost Iraq's already-plentiful oil reserves and increase production of much-needed gas to help fill the country's power shortfall. "The representatives of the consortium of three companies have signed the initial contract with the Iraqi oil ministry," spokesman Assem Jihad said, referring to the group made up of Kuwait Energy, Dubai-based Dragon Oil and Turkey's TPAO. The preliminary deal was the second in as many days, with Baghdad having inked another initial deal with Pakistan Petroleum over the weekend, and set to agree a preliminary contract with a consortium led by Lukoil. The contract was for a 900-square kilometer block in the southern province of Basra thought to contain oil, with the three companies agreeing to a remuneration fee of $6.24 per barrel of oil equivalent eventually extracted.

Jihad added that Russia's Bashneft and Britain's Premier Oil had joined together to explore an 8,000-square kilometer block which lies across the western desert of Iraq's Muthanna and Najaf provinces and is believed to hold oil. That consortium will be paid $5 per barrel of oil equivalent extracted. A consortium including Bashneft had originally bid $9.85 per barrel during the May 30-31 auction. "A few days after the bid round, Bashneft agreed to the price set by the Oil Ministry for Block 12," Jihad said. "Premier Oil joined them with a 30 percent stake in a consortium. … We will set a time to sign an initial contract, and then it will be transferred to the Cabinet to be approved."

The May auction, which ended with three blocks awarded to foreign firms, was labeled a failure by analysts as eight of the 12 blocks on offer received no bids. The latest deal is the second warm step in Baghdad-Ankara ties in one week, as Turkey unveiled plans on July 10 for a technical investigation in Iraqi leading up to negotiations on a Basra-Kirkuk pipeline project agreement, which aims to boost Iraqi fuel exports to Turkey via the existing Kirkuk-Yumurtalık line. Last week, however, Iraqi officials declared Turkey's oil purchases from Arbil illegal. Turkey has played down Iraq's objections, with Energy Minister Taner Yildiz saying there had been no violation of the law.

Oil and gas tankers to Iraq and Nakchivan need permission

Hürriyet Daily News, *25.07.2012*



Companies who want to transport natural resources to Iraq and Nakhchivan through Turkey will now have to apply to Turkey's Customs and Trade Ministry for special permission, according to a new regulation announced in Official Gazette.

Those seeking to transport gasoline, diesel, or jet fuel to Iraq via Turkey, crude oil from Iraq to Turkey, gasoline, diesel or jet fuel from Georgia to the Nakhchivan Autonomous Republic in Azerbaijan via Turkey either through its highways or railways, will have to make the application.

Companies who wish to transport gasoline, diesel, jet fuel or cruel oil through Turkey will have to show that they have been in operation for more than one year, are registered in Turkey, and have capital worth at least 4 million Turkish Liras. Furthermore, the relevant ministries in Iraq and Nakchivan will also have to sign off the transfer. Before the transfer can take place, companies will be required to fill out all the necessary paperwork and submit a preliminary application to the Customs and Trade Ministry, according to the new regulation. The ministry will then notify the relevant company as to whether or not their application has been accepted.

Turkey's independents to bid for 6 bcm gas import license corrected

ICIS Heren, *12.07.2012*

Turkey's energy regulator (EMRA) has issued guidelines to grant import licenses for companies to import up to 6 billion cubic meters (Gm^3)/year of Russian gas, according to a statement on 10 July.

If successful, the process could significantly boost competition in Turkey's gas supply market which remains dominated by the country's natural gas incumbent BOTAS. The volume represents around 20% of Turkey's annual gas consumption. Interested companies must submit their proposals for importing the gas to EMRA by 10 August 2012.

Companies need to submit purchase agreements from Gazprom in order to get an import license. The reference to 6Gm³/year relates to an expired contract for the same volume between Gazprom and Turkey's BOTAS. The contract was not renewed at the end of 2011 after BOTAS failed to extract a sufficient price reduction.

These volumes were previously contracted to BOTAS under an 8Gm³/year contract via the Trans-Balkan route, before being released under Turkey's first and only successful gas release program. In December last year, two companies the Akfel Group and BosphorusGaz signed a memorandum of understanding (MoU) with Gazprom under an EMRA-led process to replace the former import contract with BOTAS. However, the process was later cancelled.

According to EMRA, a total of 26 companies had applied for a license to import gas from Gazprom in last year's process. Russian exports to Turkey surged in 2011, reaching 25.99Gm³ - an increase of 44% from the 2010 total - according to a source at Turkish energy regulator EMRA. He said an 8% growth in the Turkish economy in 2011 was the key reason for the increased gas demand. Gas sales in Turkey were above expectations, at 43.50Gm³ in 2011, and the EMRA source said the regulator expected them to reach 48.00 - 49.00Gm³ in 2012.

Fresh privatization wave to spur Turkey

Hürriyet Daily News, *13.07.2012*

Turkey will receive fresh infusion cash with the expected privatization of several key sectors, including the state's oil and gas pipeline firm and postal service.

Four strategic state-run companies the sole oil and gas pipeline firm, postal services, a leading tea producer and a giant agriculture organization are set to top the agenda in a new wave of privatization in Turkey, according to a top name on the privatization board. The privatization board's timing is strategic and is aimed at a possible sell-off of the pipeline firm as the country bids to become a regional energy hub.

"The PTT, BOTAS, TIGEM and Caykur will be privatized once the necessary conditions have been met," Ahmet Aksu told. The privatization of the four companies adds to the government's ongoing bid to sell off all electricity distribution grids, Ankara's natural gas grid, some toll roads including those on the two money-making bridges in Istanbul, and a number of marinas and sugar plants.

The country has earned $43.1 billion since the processes of privatization began in 1986, netting total revenue of $32.4 billion as of Dec. 31, 2011, according to official figures revealed in May. Some 200 institutions have been privatized via share or asset sales since then. Last year's privatization revenue was a mere $1.4 billion, but the administration has set an ambitious goal of 12.5 billion liras for this year.

TEIAS signs EPIAS electricity exchange deal with EEX

ICIS Heren, *05.07.2012*

The launch of Turkish energy exchange EPIAŞ moved a step closer, as German-based exchange EEX and Turkish grid operator TEIAS signed a memorandum of understanding to cooperate on its establishment.

The touted EPIAŞ exchange will run Turkey's day-ahead electricity market, as well as a derivatives market. The announcement comes after several meetings about the exchange between EEX, TEIAS and Turkish energy regulator EMRA. Integrating Turkey's electricity market with its EU neighbors was also discussed at the meetings.

An EEX spokeswoman said no timeline was in place for the bourse to materialize. She said the next immediate steps would be for EEX staff to work with TEIAS on standardizing products, governance structure and other subjects such as price formation. The establishment of EPIAS is seen as a much-needed step to opening up the Turkish electricity sector and is backed by the government.

The energy ministry published a raft of amendments to the current energy law towards the end of last year. These amendments stipulate the creation of EPIAS, which could be run by a private entity. The balancing market would remain the remit of grid operator TEIAS. The exchange could also be exempt from the stamp duty affecting deals made in Turkey, sources at regulator EMRA have told ICIS. The stamp duty has been seen as a problem in building liquidity on Turkey's burgeoning over-the-counter (OTC) market, although several deals have now been brokered.

Turkey has already witnessed a number of developments towards liberalizing the market over the past year. It switched from a transitional Day-ahead for planning bourse to a fully-fledged exchange in December. It also saw the launch of electricity financial futures on the Izmir-based derivatives exchange TurkDEX. The memorandum was signed between TEIAS general manager Kemal Yildir and EEX chief financial officer Iris Weidinger.

Analysis: Turkey on verge of becoming major power, gas market

Hürriyet Daily News (Reuters), *11.07.2012*

Turkey is likely to overtake Britain as Europe's third-biggest electricity consumer within a decade and become an energy trading hub, capitalizing on its booming population and economy as well as its proximity to cheap natural gas resources.

Its rise to prominence in energy markets will add to its growing influence as a major economic and political player between Central Asia, the Middle East and the European Union, to which Ankara aspires membership. At 75 million and growing, Turkey's population is set to overtake Germany's, currently the EU's biggest at 82 million, by 2025.

Its economy has been booming for years, although the crisis in Europe has slowed its rate of growth. The government is keen to develop Turkey into the benchmark electricity market for trading in spot and derivatives contracts for southeast Europe and much of central Asia. "As a bridge between Asia and Europe, Turkey has the potential to develop a reference price for this region," said Turkish Energy Ministry Undersecretary Metin Kilci.

Total Turkish energy consumption rose by 9.2 percent to 118.8 million tons of oil equivalent in 2011 from 2010, the highest annual growth rate in all of Europe and Eurasia, according to BP's latest statistical review. This compared with an average 0.5 percent drop in energy consumption in the region as a whole. "Turkey's potential is huge. With an increasingly young and urban population, there's a very strong growth outlook, and the energy demand is expected to double by 2023," said Naz Masraff, an analyst at political risk consultancy Eurasia Group. Its annual power demand is currently around 210 terawatt-hours (TWh), and the government says it expects demand to rise at an annual rate of 6 to 9 percent between 2009 and 2023. Such growth rates would catapult its power demand to levels comparable with Britain's, the EU's third-highest electricity consumer behind Germany and France. To attract the investment needed to increase its power capacity to deal with the booming demand, the Turkish government has liberalized its electricity market.

Jayesh Parmar, a partner in financial and energy consultancy Baringa, said Turkey could become one of Europe's most attractive power markets. "Turkey is very close to a number of new gas sources (e.g. Iraq, Azerbaijan), and because of the rate of development and the scale of population growth which is driving consumption, the gas-to-power market is extremely attractive, arguably one of the more attractive markets currently in Europe for power generation," he said.

German-based European Energy Exchange (EEX) and Turkish power Transmission Company TEIAS signed a memorandum of understanding early in July to cooperate on the establishment of an energy exchange in Turkey. Iris Weidinger, EEX's chief financial officer, said EEX had been talking to Turkish partners for some time, because it considered the region a promising growth market. Turkey needs to expand its fleet of power plants and transmission networks, with foreign investors playing a role, she added. "Setting up an exchange is the next logical step," she said.

Energy Ministry official Kilci said, "The establishment of a Turkish Energy Exchange with liquid power spot and derivatives markets is crucial for the successful liberalization and further growth of the electricity markets." Analysts say the liberalization of Turkey's power markets has made them attractive to foreign investors. "The Turkish electricity market has taken a lot of steps towards liberalization and reorganization," said Richard Sarsfield-Hall, a principal at energy consultancy Poyry who has advised energy companies on entering the Turkish market. Major utilities have begun eying Turkey for expansion. E.ON, Germany's largest, has been focusing on Turkey, although its potential energy partnership with Turkey's Dogus Holding has yet to materialize.

RWE, E.ON's biggest competitor in Germany, is due to complete the 500 million euro ($615.4 million) Denizli gas-to-power turbine project this year, with a 775 megawatt (MW) capacity. Verbund, Austria's biggest utility, jointly operates power distributor and renewable energy firm Enerjisa with local partner company Sabanci Holding. Verbund plans for the venture's generation capacity to amount to 5,000 MW, or 10 percent of Turkey's installed total, by 2015.

In natural gas, Turkey is also set to become a major European transit hub for Gazprom. The Russian giant already supplies around 40 percent of the EU's gas needs, and it sees Turkey as vital to the future growth of its gas exports. Turkey has few natural energy resources of its own. But with its geographical position between the European Union, Central Asia and the Middle East, the country lies at the center of nearly all proposed gas pipelines that would link Central Asia to Europe, defining the regional market for decades to come.

"Gazprom has several supply contracts with Turkey, which is of special importance (to Gazprom)," said Sergei Komlev, head of contract structuring and price formation at Gazprom Export. Turkey will also be key in transporting Azeri gas to Europe. Azerbaijan plans to export around 16 bcm of gas from 2017, with 6 bcm designated for Turkey and 10 for the EU.

In the longer term, Turkey also could act as a transit route for gas flowing to Europe from Iraq, Turkmenistan and Iran. It also has access to the eastern Mediterranean basin, where large reserves of natural gas have been recently discovered. More problematic is Turkey's fast growing domestic gas market, which unlike its power market is less liberalized and still largely controlled by a state company, BOTAS. "In the Turkish electricity market, things look far more positive than in the gas market," Poyry's Sarsfield-Hall said. "In the gas sector the imports haven't been privatized yet, so the Turkish pipeline operator BOTAS is still the main importer. and this has an impact on gas supplies to power plants. It becomes more difficult," Eurasia's Masraff said.

Aliyev favors Nabucco

Hürriyet Daily News, *26.07.2012*

Azerbaijan's Industry and Energy Minister Natik Aliyev says the Nabucco West project is the best option from all points of view due its capacity, diameter and opportunities to deliver gas to eastern and central Europe.

Azerbaijan's best bet for piping natural gas to western Europe from the Caspian Sea is the Nabucco West project, Aliyev has said ahead of a formal decision. Aliyev's comment is not an official decision, but comes as the government is preparing to decide between Nabucco West or the Trans-Adriatic Pipeline (TAP), which would take a southern route into Italy.

Nabucco West would take a northern route from the Turkish-Bulgarian border to Baumgarten, Austria. "I consider that Nabucco West is the best option from all points of view," Aliyev told reporters. "It has a big capacity, big diameter, and it gives us the opportunity to deliver gas to Eastern and Central Europe. It's a more reliable market for Azeri gas."

The Nabucco consortium had withdrawn from a longer project, mainly because of a growing competition for transferring the Caspian gas to Europe. The initiative later revealed the current West Nabucco plan, after Turkey and Azerbaijan signed the $7 billion Trans-Anatolian natural gas pipeline (TANAP) project that is slated to carry gas to Turkey's western border. Nabucco is ready to obtain its natural gas supplies from TANAP on the Turkish-Bulgarian border, spokesperson Christian Dolezal said earlier this month. Nabucco West and TAP were shortlisted earlier this year by Azerbaijan's Shah Deniz II consortium, led by BP Plc and Statoil.

The European Commission says it welcomes progress toward diversifying the EU's supplies away from a heavy reliance on Russian gas through a route it calls the Southern Corridor. It says it does not favor one project or route over another as long as it carries Azeri gas. "The commission's position on the Southern Corridor is consistently independent of pipeline options, establishing criteria for success, not mandating one pipeline or another," commission spokeswoman Marlene Holzner said in an emailed comment.

Azeri gas fields are the most developed new non-Russian sources of natural gas that can be pumped to the European Union through pipelines. The gas would first move through Turkey before taking either TAP's southern route or the Nabucco West path into Austria.

TAP, whose partners are Statoil, Swiss EGL and Germany's E.ON Ruhrgas, was not immediately available for comment. BP operates the Shah Deniz II gas field, which is thought to contain 1.2 trillion cubic metres of gas. BP holds a 25.5 percent stake, as does Statoil. The rest is divided between Azerbaijan state oil company SOCAR, Russia's LUKOIL, NICO, Total SA and TPAO. Nabucco's six shareholders are Austria's OMV, Germany's RWE, Hungary's MOL through its gas pipeline operator FGSZ,Turkey's Botas, BEH of Bulgaria and Romania's Transgaz.

Chevron and Reliance sign preliminary Kurdish oil deal

Rigzone (Dow Jones), *19.07.2012*

Chevron Corp. said Thursday it had signed a deal with Indian conglomerate Reliance Industries Ltd. that would see the California company take stakes in two oil-exploration blocks in the Kurdish region of Iraq.

Such a deal would make Chevron the second major western oil company to enter the Kurdish region, following Exxon Mobil Corp. last year. Chevron's move boosts the position of the Regional Government, which has long fought with the Iraqi central government over who has the right to grant oil-exploration rights to foreign companies.

The move underscores growing interest in Northern Iraq from oil companies frustrated at the Iraqi government's insistence that they settle for lower-paying oil-production licenses and not have more-lucrative direct stakes in oil fields, said Fadel Gheit, senior energy analyst at Oppenheimer & Co. He added that the autonomous region is estimated to have vast oil wealth and provides foreign investors with better infrastructure than in other parts of Iraq. "This is potentially a very large oil-deposit area," Mr. Gheit said.

Under the agreement, Chevron must drill two wells by November 2013, company spokesman Gareth Johnstone said. The deal was signed in the last few days by both companies, said one person close to the Kurdish Ministry of Natural Resources. Reliance already holds the oil licenses in question, known as Rovi and Sarta. At the end of the deal, Chevron would have 80% of the blocks, joining with OMV Rovi GmbH and OMV Sarta GmbH, which hold the remaining 20%. Reliance said it was making the sale as part of a strategy to restructure its international holdings. The company "will continue to look for opportunities to invest globally," a Reliance spokesperson said.

Chevron has prequalified to bid for oil licenses in southern Iraq, but an official with the Iraqi central government told Dow Jones Newswires that Chevron would be excluded if it completed a deal in Northern Iraq. The Baghdad oil ministry would terminate its prequalification and wouldn't deal with it in any future projects, said the official, who didn't wish to be named. Chevron, in disclosing its entry into Northern Iraq, has tried to leave the door open for eventual rapprochement with Iraq.

"Chevron has expressed its interest in helping Iraq achieve its objectives for the oil and gas industry," Mr. Johnstone said. "It is our belief that Iraq will benefit from this agreement through local employment, technical training, technology transfer and revenue to the federal, regional and provisional governments."

Iraq bans Chevron over Kurdish oil deal

Financial Times, *24.07.2012*

Chevron has been banned from bidding for exploration licenses by Iraq's federal government following its acquisition of oil interests in the semi-autonomous region of the country last week.

In a statement, Iraq's oil ministry said Chevron's investment in the northern region of Iraq was "illegal and illegitimate" as it announced "the disqualification of Chevron Company" from doing business in the south and center of the country and barred it "from signing any deals with the federal oil ministry and its companies".

The move follows a protracted stand-off between Iraq's federal government in Baghdad and the government in the northern Iraq over the control of oil production and exports from the region. Chevron, the second-largest US oil group by market capitalization, announced that it was acquiring 80 per cent stakes and operational control of two blocks north of Erbil in Iraq's northern region from Reliance of India. OMV of Austria remains a junior partner in the fields.

A decision by the US major to risk a backlash from Baghdad comes eight months after US rival ExxonMobil revealed it had become the first of the super major oil companies to sign contracts with the Regional Government to explore for oil and gas in the sector. Concerns over the legality of deals struck directly with the Regional Government and disputed by Baghdad, alongside the federal government's control of the pipeline network largely used for the exporting of Iraqi oil, has prompted most major oil companies to avoid buying potentially "stranded" assets in the region. But Exxon's move into Northern Iraq has challenged the assumption that Baghdad can hold the line against the growing list of exploration companies willing to dealing direct with the Northern Iraq despite the threat of exclusion from the rest of the country.

Two auctions held in recent weeks by the federal government for blocks in Iraq's oil-rich southern province attracted limited interest from foreign oil companies. Plans backed by the Northern Iraq for the construction of a direct pipeline to Turkey that would circumvent Baghdad's control over exports from the Kurdistan region have been attacked as "hostile" by the Iraqi government.

TOTAL wins Bulgaria deepwater block

Upstream Online, *12.07.2012*

TOTAL has won the rights to Bulgaria's Khan Asparuh deepwater block ahead of the UK's Melrose Resources after US super major ExxonMobil dropped out of the tender. The 15,000 square-kilometre block off the western Black Sea coast is located 15 kilometers from the Neptun block off Romania where ExxonMobil and Austria's OMV made the huge Domino-1 gas discovery in February.

The French oil giant has said it intends to work with OMV and Spain's Repsol on the five-year license. Bulgaria is seeking ways to diversify its gas routes and sources to cuts costs and boost its energy security.

"This means a real diversification. It will help us decrease gas prices and will help us during negotiations for the purchase of gas (with Russia's Gazprom)," Prime Minister Boiko Borisov said of the award. ExxonMobil had filed an initial offer, but later withdrew from the tender. Bulgaria's Economy and Energy Minister Delyan Dobrev has said that gas production could start within three to four years, provided that the exploration activities point to substantial gas reserves. OMV has said the nearby Neptun block could produce up to 84 billion cubic meters of gas, calling the discovery of more than 70 meters of net gas pay the "find of a lifetime" earlier this year.

IEA forecasts 1 million oil demand growth in 2013

Upstream Online, *12.07.2012*

The International Energy Agency has stuck to its previous estimate of 800,000 barrels per day in demand growth this year but has said next year could add an extra million to daily demand.

The agency's 2013 estimate is around 200,000 barrels per day higher than most recent forecasts by the US Energy Information Administration and OPEC, but still reflects a market slowdown in oil demand growth in the industrialized economies. "While stronger than the estimated 800,000 gain envisaged for 2012, growth remains well below the pre-credit crunch trend," the agency commented.

The IEA estimates world oil demand at 90.9 million barrels per day in 2013, and says fuel consumption in the developed economies of the OECD will be overtaken for the first time by non-OECD demand in the second quarter, “a trend that is unlikely to be reversed”. Stocks of crude oil in the large industrialized economies rose by more than 15 million barrels in May, the IEA said, to over 2.67 billion barrels. Total oil inventories in days of forward demand fell slightly, by 0.8 days to 58.9 days, in May but these still left stocks 1.4 days above the five-year average. “The oil market is over-supplied,” said Barbara Lambrecht, energy markets analyst at Commerzbank in Frankfurt told. “OPEC supply is high, well above what consumers need right now. If anything, the IEA estimate of the build in oil stocks is lower than we would have expected. Supply is very comfortable.”

While acknowledging oil market fundamentals had “clearly eased since the start of the year” and that stocks had built up significantly over the last few months, the IEA insisted any move by OPEC to reduce production to its declared output target of 30 million barrels per day could have a dramatic impact on the market. “Strict adherence to the previous 30 million barrels per day quota risks a renewed and potentially damaging price surge,” the advisory agency said. The IEA said the 12 members of OPEC pumped close to 31.8 million barrels per day in June, before the imposition of an EU oil embargo and tougher US sanctions on Iran.

This was 1.3 million barrels per day higher than its estimate for the demand for OPEC crude oil this year and in 2013 and helped contribute to a further increase in global oil inventories. The IEA said Iranian crude oil production fell to near 22-year lows in June as Western pressure over its nuclear program curbed purchases by refineries, especially in Europe and Asia. The agency estimated Iranian crude output at 3.2 million barrels per day in June, down from 3.3 million barrels per day in May. But an increase in production by Saudi Arabia more than compensated for the decline in Iranian output as production by the kingdom rose 150,000 barrels per day to 10.15 million barrels per day in June, a level the IEA said was “near-record”.

At the same time, oil production by non-OPEC countries is also high and rising, the IEA said, forecasting an overall increase of around 700,000 barrels per day in 2013 to 53.2 million barrels per day after an increase of about 400,000 barrels per day this year. Much of this increase will come from the United States where production of light crude oil from shale deposits in Texas, North Dakota and other mid-western states is rising sharply. On prices, the agency said the global economy’s ongoing slowdown could put a lid on oil prices but there was also a risk “nasty supply surprises” could reignite a market rally. Oil prices have fallen by around a quarter over the last three months with North Sea Brent dipping below $100 per barrel, down from a high above $128 in March as supply has outstripped demand.

Low energy prices hurt oil firms

Hürriyet Daily News, *27.07.2012*

The sharp drop in global oil prices is hurting profits at large companies with Shell and Repsol posting a big decline in their profits. Oil prices are down more than 40 percent from the second quarter of 2011, Shell says.

Shares in Royal Dutch Shell lost yesterday after its second quarter earnings showed a greater than expected decline in profits, due mostly to lower oil prices. The company's "current cost of supplies" earnings - a figure that strips out the impact of swings in the price of oil between its production and sale - was $6 billion (4.94 billion euros), compared with $8 billion in the second quarter a year ago, the company said.

"Our profits have fallen with energy prices," said Chief Executive Peter Voser. Net profit fell 53 percent to $4.06 billion from $8.66 billion: in 2011 the company booked $1.44 billion worth of asset sales. Production rose 1.9 percent to 3.103 barrels of oil per day from a year ago, but was down from the previous quarter as several large Shell facilities were off-line for maintenance during the quarter.

The company's sales fell to $117.1 billion from $121.2 billion a year ago. The main reason for the fall was lower oil prices: prices are down more than 40 percent from the second quarter of 2011. At Shell's production arm, earnings fell 23 percent to $4.69 billion from $6.06 billion. The company's shares were down 3.7 percent at 26.875 in Amsterdam. "Maintenance and outage issues have put pressure on the upstream business, whilst the deterioration in the oil price of late has weakened profitability," said analyst Keith Bowman of Hargreaves Landsdown in London. "At a time when investors are looking towards blue chip reliability, the disappointment contained in the headline figures is palpable." He said Shell remains his favorite pick in the sector.

At Shell's "downstream" operations, which include refining and chemical sales, the company's performance improved 20 percent to $1.3 billion, excluding the impact of asset sales. Spanish energy company Repsol, meanwhile, says its second quarter net profits fell 45 percent from the same period of 2011 to 274 million euros ($332 million), still due in the effect of lower oil prices on the value of its inventories.

Repsol said this figure does not include earnings at YPF, its former Argentine unit nationalized by the Argentine government in May, Repsol said that for the first half of the year its profits were down 14.6 percent to 903 million euros. It calculated the effect of oil prices on its inventory value at 328 million euros. Repsol said that, measured at current cost of supply and excluding the inventory effect, net income for the first half of 2012 rose 3.1 percent to 894 million euros. Repsol shares were up about 0.4 percent at 11 euros in early trading. Oil prices fell in Asia after U.S. crude inventories swelled and a slowdown in South Korea's economy underlined that growth in demand for fuel could remain subdued.

Rosneft eyes BP's stake in TNK-BP

Financial Times, *25.07.2012*

Russian state oil company Rosneft declared an interest in acquiring oil major BP's 50 per cent stake in TNK-BP, its Russian joint venture, in a move that pits the Kremlin against some of the country's most powerful oligarchs.

Analysts estimate that BP's stake is worth between $25bn and $30bn. Rosneft had long been understood to be interested in it, but any move to acquire it sets up a potential clash between the state oil company and the consortium of oligarchs known as AAR who are BP's current partners in TNK-BP, and who want to buy the stake themselves.

Igor Sechin, president of Rosneft, said the company considered TNK-BP to be an "attractive commercial proposition" which would "complement its existing portfolio and create value for all stakeholders". The Russian state oil group was flagged as a likely buyer in May after BP announced it had received approaches for its share and was pursuing a sale. For its part, AAR expressed formal interest in BP's stake just last week, and given its aggressive record, the group is unlikely to surrender without a legal battle.

AAR declined to comment on Rosneft's announcement. Valery Nesterov, an energy analyst at Troika Dialog in Moscow, said Rosneft's announcement upped the stakes for the AAR investors, forcing them to potentially shell out more money for BP's stake or risk having Rosneft as a co-investor, an undesirable scenario given the two groups' fraught history.

AAR butted heads with Mr Sechin last year after it successfully blocked a landmark exploration deal that BP had struck with Rosneft. Mr Sechin was clearly frustrated with AAR's interference in the deal. "For the AAR shareholders it's probably the worst possible outcome" to be 50-50 partners with Rosneft, Mr Nesterov said. Rosneft could try to first buy out BP and then AAR to obtain full-control of TNK-BP, analysts said. In this scenario, Rosneft would gain control of 40 per cent of Russia's oil production and 5 per cent of world's oil output, according to Renaissance Capital, the investment bank. Should Rosneft succeed in its bid to buy BP's stake in TNK-BP, the question remains of how the state oil group would pay BP for it.

Alexander Burgansky of Otkritie Capital in Moscow said BP may prefer a share swap so it could retain a foothold in the Russian industry and benefit from Rosneft's government connections at home. The two groups could also work out an agreement where Rosneft took a stake in BP, Mr Burgansky said, an idea originally floated during their proposed Arctic tie-up last year. According to Renaissance, BP swapping its entire TNK-BP stake for a stake in Rosneft would give BP a 33 per cent stake in Rosneft, with the state retaining control of 57 per cent of the company and minority investors holding the remainder. Yet such a move could face resistance from government factions opposed to giving BP a blocking stake in a strategic Russian company.

Nexen acquisition to boost CNOOC production by 25%

Rigzone, *24.07.2012*

CNOOC's plans to acquire Canada-based Nexen for $15.1 billion in an all-cash transaction is the largest Chinese overseas acquisition by value, eclipsing Sinopec's $7 billion deal for Repsol's Brazilian unit.

Nexen's production of more than 200,000 barrels of oil equivalent per day (boepd) and approximately 1 billion barrels of oil equivalent of proven oil and gas reserves will immediately boost CNOOC's net oil-gas production by about 25 percent and raise proven reserves by about the same amount, said Gordon Kwan, oil analyst with Mirae Asset Securities, in a research note.

"We applaud this gutsy deal by CNOOC as management is brave enough to take advantage of depressed equity valuations to win over a high quality asset amid a global lack of investment appetite and widespread worries about potential oil price collapses," Kwan commented. "Nexen has high quality oil sands assets in Canada, deepwater projects in the U.S. Gulf of Mexico, Nigeria and the North Sea," said Kwan. "Judging by prevailing US100 Brent oil price and the recent string of oil/gas discoveries in these regions, we believe the Nexen deal will improve significantly CNOOC's long-term production and reserves growth potential."

While the 66 percent premium over Nexen's last stock price close might seem steep, it is comparable to Petronas 77 percent premium deal to take over Canada's Progress Energy earlier this month, Kwan noted. "The deal will enhance CNOOC's worldwide asset portfolio and minimize the risk of overly dependent on one region for future growth," Kwan said, who estimates that CNOOC will revise its annual capital expenditures budget upwards by 25 percent to 30 percent.

The deal is China's most ambitious effort to secure oil and gas natural gas supplies, a necessary move to feed future growth, Jeff Reeves, editor of the finance and investing website InvestorPlace told Rigzone on Monday. The acquisition will give CNOOC access to reserves that don't demand a five-year window for infrastructure and drilling to bring the energy to market. "That's precious time China doesn't want to waste in order to keep energy affordable and supplies rich," Reeves commented.

CNOOC will provide Nexen with a needed infusion of capital. The company has been 'brutalized' by low natural gas prices. In 2008, Nexen cleared $8.2 billion in annual revenue and more than $5 billion in gross profit, but due to lower energy prices, Nexen will do less than $6.5 billion this year and about $2.5 billion in gross profits. "Many natural gas stocks are hurting and this CNOOC buy-in guarantees the future of the operations – not that they were in danger of collapse, but at least that lean times will not result in overreaction by a company that has seen profits dry up," Reeves commented.

EU energy chief warms to offshore oil and shale gas

EurActiv, *19.07.2012*

Europe is at a competitive disadvantage because of a reluctance to take risks on offshore oil drilling and tar sands, and a failure to fully explore its shale gas options, EU Energy Commissioner Günther Oettinger says.

Oettinger expanded on his recent call for Europe to add a fourth target a 20% industrial contribution to GDP to the EU's three 2020 climate-related goals. Asked by EurActiv how the industrial target could be met, Oettinger replied that the EU faced "three disadvantages" in competing with the United States: a greater dependence on imports of oil and gas, and correspondingly higher energy prices.

"In the US there's a process to re-industrialize the country first by oil. Whoever rules in Washington, one gallon can't be more than $4," he said. Washington also offers lower initial taxation. "They accept some risks with offshore drilling for 'own sources' in the Gulf of Mexico and they accept sand oils and others," the commissioner said. By contrast, "we import oil and have high taxation." The result is that Europe's transport and industrial sectors are disadvantaged, Oettinger said.

Gerben-Jan Gerbrandy, the Liberal vice chair of the European Parliament's environment committee, described Oettinger's words as "a very interesting quote from an energy commissioner who also has long-term targets for renewables". The EU is pledged to increase the share of renewable sources such as wind and solar in national energy mixes to 20% by 2020, as well as cutting CO2 emissions by 20% on 1990 levels, and making voluntary energy savings of the same amount. But Europe's industrial associations and the EU's energy directorate are increasingly restive about the costs of climate action in a recession.

Brussels legislation to classify oil from tar sands as highly polluting is currently on hold. In October 2011, Oettinger's energy directorate in the EU published a limited proposal to improve safety in offshore oil and gas drilling. "I think that the Gulf of Mexico oil disaster has shown that we are taking too many risks at the moment," Gerbrandy told. "It's a very worrying development when Shell Oil Company is now planning to start drilling in the Arctic's extremely vulnerable ecosystem."

On 15 July, one of Shell's Arctic ships the Noble Discoverer slipped its moorings in windy conditions and drifted to within 91 meters of the Alaskan shore, sparking environmental protests in Britain. "We should be spending our money on further development of renewable energy instead of looking for the last drops of oil in the world in the most extreme places," Gerbrandy said.

Shale gas is also a divisive issue in Europe, with states such as Poland and the United Kingdom incorporating it into their energy strategies, while Bulgaria and France have banned the process of hydraulic fracturing, or fracking, over fears of earthquakes, freshwater contamination and other hazards. Earlier this year, an EU report on unconventional gas in Europe found no need for further environmental legislation on shale. But concerns about the warming impact of methane emissions from shale led the International Energy Agency's chief economist Fatih Birol to tell in May that it was "not the optimum path."

For his part, Gerbrandy said: "I have the feeling that there are still too many uncertainties about the environmental cost to put our money on shale gas." But Oettinger argues that since the US used shale to reduce its dependence on cheap imports from Qatar and Nigeria, North Americans now pay roughly 30% of the European gas price. "We are not really active in looking at which risks and options we would have with shale gas," he added.

Underwriting Oettinger's analysis is a concern that industry's contribution to European GDP fell from 22% in 2000 to 18% in 2010. "We need more industrial production," he said. Because power prices in northern Italy were twice as expensive as in the US, the commissioner proposed "a clear energy price strategy to avoid an ongoing process of deindustrializing Europe". This was welcomed by the EU's energy intensive sector, which has lobbied heavily for more support. "We cannot deny that the cost of energy is too high in Europe and the tendency is to see it increasing," David Valenti, a spokesman for the European steel association, Eurofer, told. "We also have to pay for renewables, and the carbon price that energy producers are passing on in their power prices," he added. "These are all things that put us at a disadvantage."

Announcements & Reports

► EMRA Petroleum Market Sector Report (2011)

Source : Energy Market Regulatory Authority
Weblink : http://www.emra.org.tr/documents/petroleum/publishments/PetroleumMarketSectorReport2011.pdf

► EMRA LPG Market Report (May 2012)

Source : Energy Market Regulatory Authority
Weblink : http://www.epdk.org.tr/documents/lpg/rapor_yayin/Lpg_rapor_2012_Mayis_3BVtzCVHF3VH.doc

► Oil Exploration in Our Country since the Republic to Date

Source : General Directorate of Petroleum Affairs
Weblink : http://pigm.gov.tr/pdf/Cumhuriyetten_Gunumuze_Ulkemizde_Yapilan_Petrol_Aramaciligi_11_07_2012.pdf

► OECD Economic Surveys – Turkey (2012)

Source : Organization for Economic Co-Operation and Development
Weblink : http://www.oecd.org/dataoecd/2/50/50677104.pdf

► OPEC Monthly Oil Market Report

Source : Organization of the Petroleum Exporting Countries
Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMRJuly2012.pdf

► IEA Monthly Oil Survey

Source : International Energy Agency
Weblink : http://www.iea.org/stats/surveys/OILSURV.PDF

► Energy Policies of IEA Countries – Ireland

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=435

► Energy Policies of IEA Countries – Switzerland

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=429

Upcoming Events

► *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?

► *European Autumn Gas Conference*

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