

Yildiz: Oil rush may begin in terrorism hotbed of Hakkari

Today's Zaman, 26.08.2012



Energy Minister Taner Yildiz said that oil drilling may begin as early as next year in the southeastern-most province of Hakkari, notorious as a hotbed for the decades-long insurgency of the terrorist Kurdistan Workers' Party (PKK).

The minister discussed the prospect of drilling in the volatile region during a visit to natural gas platforms off the coast of Akcakoca, a district in the Black Sea province of Düzce. The minister said the rare example of domestic gas and oil production that Akcakoca represents would hopefully be repeated in Hakkari over the coming years.

"The findings we now have in hand indicate that there is oil there," the minister was reported by the press as saying. The minister refrained from saying what the details of the find were, explaining that recently undertaken, country-wide surveys by the state-owned Turkish Petroleum Corporation (TPAO) had indicated that large oil deposits might exist in the southeastern region.

"One of the goals of the terrorists is to prevent Turkey from tapping its domestic natural resources," Yildiz said, describing the find as a matter of national security. The minister also suggested that a TPAO exploratory rig that might begin drilling as early as spring in 2013 would need military protection.

Bordering Iran and northern Iraq, Hakkari province has long been the scene of clashes between government forces and the terrorist PKK insurgency, with dozens of terrorist attacks in recent years making the province one of the bitterest flashpoints in the decades-long conflict. The terrorist group has often carried out attacks against Turkey's oil network, striking pipelines leading from Iraq dozens of times in past years. As early as late July, blasts rocked the Kirkuk-Ceyhan pipeline, which runs between northern Iraq and Turkey.

Unlike Iraq, its oil-rich southern neighbor, Turkey lacks easily exploitable oil deposits, and if large-scale drilling begins in Hakkari, it could be one of the first times that Turkey's swelling demand for petrol would be met by domestic production.

Oil flow from Turkish – Iraqi pipeline resumes

Hürriyet Daily News (AFP), 28.08.2012



Oil flow in the Turkish-Iraqi pipeline resumed today following the blast that damaged one of the two lines, Turkey's energy minister Taner Yildiz said Tuesday. "Oil has started flowing from one of the lines as of 1000 am today...We expect the parallel line to be operational within a week (after repairs)," Yildiz said in a press announcement.

The explosion damaged one pipeline and sparked a fire in Sirnak province near the Iraqi border, forcing the closure of the other parallel line for safety reasons. Yildiz blamed the blast on suspected members of outlawed Kurdistan Worker's Party (PKK) who have in the past targeted the pipeline.

Following the incident, Iraqi officials had called on Turkey to use the parallel pipeline to avoid disruptions in the crucial flow. PKK have sabotaged the pipeline several times in the past as part of an armed campaign against the Ankara government. The 970-kilometre pipeline runs from Iraq's northern oil hub of Kirkuk to the port of Ceyhan on Turkey's Mediterranean coast, pumping 450,000 to 500,000 barrels of crude oil per day.

Oil rises on tropical storm Isaac in US

Today's Zaman (AP), 28.08.2012



The price of oil rose to above \$96 a barrel on Tuesday as weather forecasters said Tropical Storm Isaac, which was causing oil production cuts in the Gulf of Mexico, could soon gain intensity and turn into a hurricane.

By early afternoon in Europe, benchmark oil for October delivery was up 61 cents to \$96.08 per barrel in electronic trading on the New York Mercantile Exchange. On Monday, the contract fell 68 cents to close at \$95.47. In London, Brent crude rose 34 cents to \$112.60 a barrel on the ICE Futures exchange.

So far, Tropical Storm Isaac has led to refineries with the combined capacity to refine 1 million barrels of oil per day to begin suspending operations. Although the storm isn't expected to damage refineries, refinery owners often shut down operations in advance of a storm.

Arbil warns Baghdad it will halt oil exports again

Reuters, 28.08.2012



Kurdish Regional Government (KRG) threatened to stop its share of national oil exports again at the start of September, claiming Baghdad has continued to hold off on payments to oil companies, as the two sides continue a long-running dispute.

“We are moving ahead to stop oil exports at the start of September, because until this moment we didn’t receive any sign Baghdad will approve payments for oil companies working in the region,” a senior regional government official said on Tuesday.

In April KRG halted exports, saying Baghdad had not made payments to companies working there, but it restarted shipments on Aug. 7 with a warning they could be halted again in a month if there were no payments. Iraq says KRG’s oil shipments have fluctuated around 100,000 to 120,000 barrels per day since they restarted, below the 175,000 bpd that Baghdad says was agreed with KRG. A senior Iraqi government adviser said Kurdish authorities still needed to present receipts showing company expenses and that more auditing was needed before any payments are approved.

Iraq approved a payment of close to \$560 million to oil producers operating in the north in return for their investment costs to develop oilfields in the Kurdish region. But officials are still waiting for the go-ahead. “We’ve allocated 650 billion Iraqi dinars (\$559.4 million) in the 2012 budget to pay the companies, which we will release after we receive the order from the government. Until now no order was received,” Iraq’s Deputy Finance Minister Fadhil Nabi said.

Crude produced in KRG is fed into Iraq’s Kirkuk export stream and sold onto world markets via the Turkish Mediterranean port of Ceyhan. The earlier KRG export halt cut Kirkuk shipments by a quarter to below 300,000 bpd. In an interim agreement in January 2011, Baghdad approved payments to companies in Kurdistan for exploration and extraction costs. That agreement called for Kurdish authorities to supply 175,000 barrels per day of oil exports and Baghdad to route 50 percent of the KRG’s export earnings to KRG to cover producing companies’ costs. KRG says only two payments totalling \$514 million have been received, with the last payment made in May 2011.

“We were hoping to convince Baghdad that exports from Kurdistan could boost Iraq’s oil revenues but it seems we failed,” the Kurdish official said. “Companies here are starting to get nervous.” “Using oil exports as a weapon will only make things worse,” a senior Iraqi oil ministry official said. “The Kurdish government should understand that if it seeks a real compromise.”

Gazprom links gas price to South Stream participation

EurActiv, 28.08.2012



Gazprom and the Bulgarian government have reached a deal under which Bulgaria will commit to the developing the South Stream pipeline while simultaneously signing a long-term pricing agreement for Russian natural gas.

Gazprom Export Director Alexander Medvedev and Bulgarian Energy Minister Delyan Dobrev said the separate agreements on the gas pipeline and on delivery price would be signed on 15 November. The first agreement concerns Bulgaria's participation in the South Stream. The country is key to the project, as the offshore section of the pipeline under the Black Sea reaches the Bulgarian coast north of Varna and then runs across the country before splitting in two branches.

Bulgaria is expected to sign an investment agreement to finance its part of the project. Dobrev said that Bulgaria's share would be significantly lower than the one billion leva (about €500 million) mentioned before, which the country would be hard-pressed to afford. Bulgaria and Gazprom will have a 50% stake in a pipeline infrastructure consortium. An 8% profit rate was agreed for the South Stream-Bulgaria consortium.

The second agreement concerns a gas import agreement for a period of seven years. Bulgaria's current import accord with Gazprom ends at the beginning of 2013. No details emerged of the deal, but Medvedev confirmed that Gazprom would follow through with an 11% discount - promised to Bulgaria for the period of 1 April until 31 December - as a condition for the country's commitment to South Stream. EU countries negotiate gas imports with Gazprom individually. As a result, some countries get much better deals than others. Gazprom insists that the gas pricing agreements should be kept confidential.

Medvedev was quoted as saying that "it is not by chance" that the two documents will be signed simultaneously, although "independent from each other". The construction of South Stream on Russian territory has already begun, Medvedev also announced. The South Stream website shows that Southern Corridor project on Russian territory consists of an 834-km pipeline between the Pisarevka compressor station in the Voronezh Oblast and Krasnodar Krai, where four compressor stations and an interconnector will be located.

Medvedev also said that the construction of the offshore section will begin in December. Last year, then-Russian President Dmitry Medvedev ordered that South Stream should be built "at maximum capacity" and Gazprom CEO Alexei Miller promised that construction would begin in December 2012.

The Gazprom export director was quoted as saying that the first Russian gas through the new pipeline will reach Bulgaria in 2015. The Gazprom-favoured pipeline has been in competition with a number of other pipeline projects under the heading of “Southern gas corridor”, aiming at bringing gas to Western Europe from the Shah Deniz offshore field in Azerbaijan. Gas from Azerbaijan is expected to come upstream in 2017.

The European Commission does not see South Stream as a means to improve the European Union's energy security, mainly because the gas comes from Russia, already its major supplier. However, Brussels says that EU members are free to choose their infrastructure priorities, as long as EU energy legislation is respected. Gazprom's Medvedev and Dobrev also discussed the construction of gas power stations in Bulgaria and the extension of the country's underground gas reservoir in Chiren, near the city of Vratsa, news media reported.

Total scoops up license offshore Bulgaria

Rigzone, 29.08.2012



Total announced Wednesday the signature with the Bulgarian authorities of the exploration contract concerning the offshore Khan Asparuh license, awarded under the licensing round that opened last January 31. The 5,490-square mile (14,220-square kilometer) block is located approximately 50 miles (80 kilometers) offshore in the Black Sea in water depths of between 328 and 6,562 feet (100 and 2,000 meters).

Total has signed an agreement to allow two other European companies to work on the permit, Austria's OMV (30%) and Spain's Repsol (30%), with Total retaining a 40 percent stake.

“Total's international experience in deep-offshore exploration and production was a decisive factor in winning the license,” said Marc Blaizot, Total's Senior Vice President, Exploration. “Following French Guiana, Uruguay, Côte d'Ivoire and Mauritania, Total continues to build strategic positions in ultra-deepwater abrupt margin plays. In keeping with Total's new dynamic in exploration, this license marks the first time that this type of highly promising play will be explored outside the Atlantic basins. The three partners are very confident in the potential of this new license, which contains a number of both oil and gas prospects.”

G7 urges higher oil output, warns on reserves

Reuters, 29.08.2012



The Group of Seven finance ministers urged oil-producing countries on Tuesday to raise output to ensure the market is well supplied, while warning that Western nations were ready to tap strategic oil reserves to offset rising prices that could hurt global growth.

“We stand ready to call upon the International Energy Agency to take appropriate action to ensure that the market is fully and timely supplied,” the G7 said in a statement. “The current rise in oil prices reflects geopolitical concerns and certain supply disruptions. We encourage oil-producing countries to increase their output to meet demand.”

Oil prices have strengthened as Hurricane Isaac approached the U.S. coast and the administration of President Barack Obama said separately on Tuesday that it was still open to a possible release from the Strategic Petroleum Reserve. “That option has been on the table for some time, and remains on the table, but we have no announcements to make today,” White House spokesman Jay Carney told reporters travelling to Iowa with President Barack Obama.

Earlier this year, the White House considered tapping the reserve but held off after oil prices fell. Reuters reported this month the White House was dusting off those plans, and some energy experts viewed Isaac as a potential trigger for such a move. Oil production in the U.S. Gulf of Mexico was down more than 90 percent on Tuesday as Hurricane Isaac headed toward the Louisiana as a Category 1 storm. The storm was expected to make landfall as early as Tuesday night.

Energy analysts do not expect extensive damage to oil and gas infrastructure if the storm stays in line with current projections. Still, any supply disruptions could raise pressure for a release of emergency oil supplies. “We remain vigilant of the risks to the global economy. In this context and mindful of the substantial risks posed by elevated oil prices, we are monitoring the situation in oil markets closely,” the G7 said.

Finance ministers also noted that Saudi Arabia had committed at a G20 meeting of world leaders in Mexico earlier this year to use its spare oil production capacity to ensure adequate supply. The comments from the finance ministers is a strong signal that a release may be imminent, said Jan Stuart, head of energy research at Credit Suisse in New York. “A significant group of industrialized countries now appears to be ready to make reserves available -- they know that when you make statements at this level, you also need to be ready to follow through,” Stuart said.

Shell to start work on Arctic wells

The Financial Times, 30.08.2012



Royal Dutch Shell has been given preliminary permission to start drilling in the Arctic, raising hopes that it will be able to complete its two planned exploration wells in the region before the threat of sea ice makes operations impossible.

Ken Salazar, the US interior secretary, said Shell would be allowed to begin work on a well in the Chukchi Sea off the north-west coast of Alaska, as long as it did not drill into any oil-bearing rocks. The decision, marking the culmination of more than seven years of preparation for Shell, is a significant step forward for a project that offers the potential for discovering huge oil resources but also carries high costs and environmental risks.

Pete Slaiby, the vice-president of Shell Alaska, described the move as “extremely exciting”. However, he warned that it would still be “very, very difficult” to complete the well in the Chukchi Sea unless Shell was granted an extension on the deadline for stopping drilling set by the government. The preliminary permit allows Shell to drill down to about 1,400 feet, or about a quarter of the way towards the potential reservoir it is targeting.

Mr. Salazar said the company would not be allowed to go any further until it had secured final approvals for the Arctic Challenger, the 300-foot barge converted to carry a containment system for catching oil in the event of a spill. He suggested those approvals could come next week, at the earliest. “We are holding Shell’s feet to the fire,” Mr. Salazar said. “We don’t know whether Shell will be able to complete a well in the Arctic this year.”

Shell, Europe’s largest oil company by market capitalization, had been negotiating over the preliminary approval with the interior department in recent days as it attempted to make as much progress as possible before this year’s Arctic drilling season ends. The US authorities have set deadlines of September 24 for the Chukchi Sea and October 31 for the Beaufort Sea, to ensure Shell leaves the area before the ice closes in for the winter.

The company, which has already spent \$4.5bn on leases and preparations for drilling, has asked for an extension of those deadlines, but Mr. Salazar said it would be “premature even to address the issue today” before the company had been granted any permits to drill into oil-bearing rocks. The company had originally hoped to drill five Arctic wells this summer, but has been forced to cut that to two. It is still being delayed by problems with the Arctic Challenger, the first of its kind as an oil spill containment vessel. The US Coast Guard has raised concerns about its safety, including its fire prevention systems and the risk that its equipment would make it vulnerable to capsizing during a storm.

Shell and the Coast Guard had talked about giving the Arctic Challenger its final tests this week, but Mr. Salazar said that was “probably four or five days away”. Meanwhile, Shell will be allowed to start drilling in the Chukchi Sea and do other work including digging out the “mud-line cellar”: a hole about 40 feet deep to hold the blowout preventer, the stack of valves at the top of a well intended to prevent leaks of oil and gas. The administration suggested similar permission could be granted for preliminary work in the Beaufort Sea, although the deadline there is slightly further off.

Mr. Salazar said the decision was not politically motivated and was unconnected to the Republican party convention this week. Mitt Romney, the Republican candidate for the presidency, is an advocate of increased oil and gas drilling. However, Mr. Salazar did link the move to President Barack Obama’s “all of the above” energy strategy, insisting that the administration wanted to encourage oil and gas production as much as possible.

Shell welcomed the decision, saying it looked forward to “putting Americans to work, and finding out even more about the oil and gas reserves which are believed to lie under Alaska’s Chukchi Sea.” Environmental campaigners, who have highlighted the risk of a spill comparable to the 2010 Deepwater Horizon disaster in the Gulf of Mexico, raised concerns about the decision to allow work before the containment system was ready. Marilyn Heiman, director of the US Arctic programme at the Pew Environment Group, the conservation charity, said: “The biggest lesson we learned from Deepwater Horizon was that you need to have a capping and containment system designed and on site ready to use so you can stop a spill. This is especially important in the remote Arctic.”

Fire extinguished at Venezuela refinery

Today’s Zaman (AP), 28.08.2012



All fires have been extinguished at Venezuela’s biggest oil refinery after raging for more than three days following a deadly explosion, officials said Tuesday.

State television reported that the flames had been put out in the three fuel tanks that had been ablaze, and showed images of one tank smoldering. The smoke rising from the Amuay refinery had diminished markedly by dawn on Tuesday. An official of the state oil company Petroleos de Venezuela SA said firefighters were working to cool down one of the tanks. The official spoke on condition of anonymity because he wasn’t authorized to speak publicly about the matter.

The explosion early Saturday morning at the refinery killed at least 41 people and injured more than 150, Prosecutor General Luisa Ortega said. Officials have said a gas leak led to the blast, but investigators have yet to determine the precise causes. Amuay is among the world’s largest refineries and is part of the Paraguana Refining Center, which also includes the adjacent Cardon refinery. Together, the refineries process about 900,000 barrels of crude per day and 200,000 barrels of gasoline.



Novatek inks \$22 bln gas supply deal with E.ON Russia

Reuters, 29.08.2012



Russia's second largest gas producer Novatek said it has signed a \$22.04 billion agreement with E.ON Russia to supply gas to E.ON's power plants in Russia till 2027.

The contracts will cover a period of 15 years starting from January 1, 2013 with the total volume of natural gas supplied over this period estimated at 180 billion cubic meters. Under the agreement, Novatek will deliver natural gas to a number of E.ON power plants, including Smolenskaya, Surgutskaya, Shaturskaya Yayvinskaya and Nyaganskaya power stations. The agreement also envisages gas supplies to the power stations of Fortum in Chelyabinsk.

"The conclusion of these long-term natural gas supply contracts are consistent with the company's commercial marketing strategy and they will enable Novatek, E.ON and Fortum to establish and implement their respective production plans on a stable and mutually beneficial basis over a long-term perspective," Novatek's Chief Executive Officer Leonid Mikhelson said in a statement.

E.ON Russia, controlled by German utility E.ON, first announced the deal last week, saying it has decided not to renew its existing agreements with Gazprom, the country's largest gas producer. "The contracts with Gazprom expire in the end of 2012, we have been in talks over future supplies. Novatek offered better terms," said Anna Martynova spokeswoman for E.ON Russia.

Novatek, controlled by Mikhelson and Gunvor trading house co-owner Gennady Timchenko, has been winning lucrative gas supply deals at Gazprom's expense. In 2009, Novatek struck a \$6 billion domestic gas supply deal with power trader Inter RAO, which also decided not to renew contracts with Gazprom. E.ON Russia, which last year consumed more than 13 billion cubic meters of gas, said last week that both companies have agreed to change the terms of existing deals.

Announcements & Reports

► *MENR Blue Book – 2012*

Source : Ministry of Energy and Natural Resources
Weblink : http://www.enerji.gov.tr/yayinlar_raporlar/Mavi_Kitap_2012.pdf

► *EMRA's Resolution on Due Date of Capacity Reservations*

Source : Energy Market Regulatory Authority
Weblink : http://www.epdk.org.tr/documents/dogalgaz/mevzuat/kurul_karar/tarife/Dpd_Krl_Tarife_20120823_3982_2.doc

► *OPEC Bulletin (Jun – Jul 2012)*

Source : Organization of the Petroleum Exporting Countries
Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/OB06_072012.pdf

► *EIA Monthly Energy Review (Aug 2012)*

Source : US Energy Information Administration
Weblink : <http://www.eia.gov/totalenergy/data/monthly/pdf/mer.pdf>

Upcoming Events

► *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/>

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► *CIS Oil and Gas Transportation* (in Turkey)

Date : 26 – 28 September 2012
Place : Istanbul – Turkey
Website : <http://www.powerindustry-events.com/Turkey>





► **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?>

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► **CIS Oil & Gas Transportation 2012** (in Turkey)

Date : 30 October – 1 November 2012
Place : Istanbul – Turkey
Website : <http://www.theenergyexchange.co.uk/cistrans>



► **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/>

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► **Black Sea Energy and Economic Summit 2012** (in Turkey)

Date : 15 – 16 November 2012
Place : Istanbul – Turkey
Website : <http://www.atlanticcouncilsummit.org/>

