

No problem with winter natural gas supply

Today's Zaman, 13.12.2012



Turkey does not expect to have a problem providing industrial zones with natural gas during the winter, when demand usually jumps to levels as high as two times that of the rest of the year, Energy Minister Taner Yildiz told reporters in Istanbul.

Yildiz's comments followed earlier reports that manufacturing facilities that used natural gas could not renew their gas purchase contracts with the state-owned Turkish Pipeline Corporation (BOTAS) and feared a shortage in the gas supply during this winter season. BOTAS is the provider of natural gas to industrial zones.

"We met with our industrialists to discuss the contract issue. Energy Market Regulatory Authority (EPDK) and BOTAS officials were also present at the meeting, and the companies were told they can renew the contracts before yearend," he explained. Between December 2011 and March 2012, Turkey's daily gas consumption rose to 192 million cubic meters a day due to cold weather, compared to 171 million cubic meters a day in the same period a year earlier.

BOTAS seeks more gas from Gazprom

Hürriyet Daily News, 13.12.2012



BOTAS has started talks with Russian authorities to take spot natural gas from the West Line to avoid problems in meeting demand. Gazprom responded positively to BOTAS's request, according to officials who spoke to Reuters.

If the deal goes ahead it will be the first time that BOTAS will get spot natural gas from a pipeline. Energy Minister Taner Yildiz said that the Cabinet was making legal arrangements for the operation. "With the decree we would get 6 billion cubic meters of liquefied natural gas in 2013," Yildiz said at that time.

The West Line mainly feeds Istanbul and western cities. Turkey gets a total of 14 billion cubic meters of natural gas from Russia via the West Line and the importation of 4 billion cubic meters of this gas has been handed over to four private sector companies. During Russian President Vladimir Putin's visit to Turkey, Turkey requested an extra 3 billion cubic meters of natural gas from Gazprom via Blue Stream and Russian officials said they welcomed the decision.

Turkey warned over oil

Hürriyet Daily News, 13.12.2012



The United States supports a constitutional solution to the dispute over the management of Iraq's energy resources, State Department spokesperson Victoria Nuland said Dec. 11 in a veiled warning to Ankara.

"The U.S. supports a constitutional solution to the dispute over the management of Iraq's hydrocarbon resources," Nuland said at the State Department daily briefing. "We don't support oil exports from any part of Iraq without the appropriate approval of the Iraqi government. We also call on neighboring states to similarly avoid any action or comment that can contribute in any way to increasing tensions."

Hawrami: KRG not smuggling oil

Hürriyet Daily News (AA), 14.12.2012



The Regional Government in Northern Iraq (KRG) is not smuggling oil but selling it in line with the Constitution, the region's Natural Resources Minister Ashti Hawrami said yesterday.

Responding to the central government's accusations of 'illegal' oil exports, Hawrami said, "We are not oil smugglers. We export the region's oil in line with the Constitution. This is a legal trade." Baghdad is at odds with Ankara and Arbil over the management of the region's natural resources. Baghdad says Arbil's oil exports to Turkey without Baghdad's permission are illegal.

Meanwhile, Turkey and the KRG are in the final stages of talks on Turkish investment in the Kurdish oil and gas sector that could transform the region, Financial Times reported. According to the report, the proposed deal, which would range from exploration to export, would seek to create a new energy corridor that by the end of the decade could send Turkey as much as 3 million barrels a day of oil, 1 million of which would be taken from other regions of Iraq, and 10 bcm of natural gas a year.

Turkish police destroy smugglers' oil pipeline with Iran

Today's Zaman, 11.12.2012



Turkish authorities have shut down a small pipeline built by smugglers to carry illegal oil from Iran, officials said, a new twist as Western sanctions against Tehran bite.

Along with the three-kilometer pipeline, Turkish security forces dismantled a rudimentary, hillside refinery with storage capacity of 25,000 liters of crude near the town of Semdinli in Hakkari province, the governor's office said in a statement. On Friday, the United States extended 180-day waivers on sanctions aimed at curbing Tehran's nuclear program to Turkey, China, India and other countries in exchange for their reducing purchases of Iranian oil.

Before US and EU sanctions, Turkey imported more than half of its crude from Iran. It slashed Iranian oil purchases by 20 percent in June, though imports have fluctuated in the months since. Security forces fighting Kurdistan Workers' Party (PKK) terrorists stumbled upon the makeshift smugglers' operation on Saturday, the governor's office said. "A 3,000-meter pipe was installed to the facility from Iranian territory," it said. "Rooms with generators behind the storage facility were discovered." Fuel from Iran and Iraq has been smuggled into Turkey since at least the first Gulf War in 1991, much of it sneaked past customs officials by road or in containers strapped to the backs of donkeys through difficult mountainous terrain.

Yavuz: TANAP to be commissioned in 2018

Today's Az, 15.12.2012



TANAP is a strategic project for Turkey and Azerbaijan, head of SOCAR-Turkey Enerji A.S. Kenan Yavuz said. The head of the company noted that the TANAP project will be carried out within five years and the pipeline will be commissioned in 2018.

Presently, a 20-percent share in TANAP belongs to Turkish BOTAS and TPAO, while 80 percent is owned by the State Oil Company of Azerbaijan (SOCAR). SOCAR intends to retain 51 percent of the equity in the project. Turkey will keep 20 percent of the equity.

Investor sees Kurdish oil as Turkey's chance since Ottomans

Hürriyet Daily News, 10.12.2012



Genel Energy President Mehmet Sepil thinks the opportunities in northern Iraq are the best they have been since Ottoman times and does not believe that the recent political tension between Baghdad, Arbil and Ankara will affect efforts to explore and produce oil and gas in the region.

“Oil will find its way,” Sepil said. “When the world is so energy hungry and when the prices of energy resources are so high, it is impossible for the oil not to be unearthed for political reasons. It’s only a matter of time ... The world does not have the luxury of leaving oil and gas underground.”

When did you shift your focus to energy issues in the region?

For many years I worked in the international construction sector. I came to the Kurdish region as a construction engineer. I was invited by Celal Talabani [the current Iraqi president] and Berham Salih [former Kurdish Regional Government – KRG – prime minister]. We undertook several construction projects in Suleymaniah and since not many serious construction companies were coming to the region, they [Kurdish leaders] appreciated our work very much. One day in 2002, Talabani said, “Mehmet, why don’t you set up a big group and enter the oil business.” He talked about the Taq Taq oil field. In the beginning I joked that the only time I had ever seen oil was in my car’s depot. To cut a long story short, I joined hands with Mehmet Emin Karamehmet, with whom I was already partnering in other businesses, and set up Genel Enerji. Exploration and production is unfortunately an area the Turkish private sector has not expanded much, due to the presence of the state giant TPAO. Plus, as there is not much oil in Turkey the sector has not seen the emergence of big companies.

At that time the region was highly unstable; surely Talabani’s support was not the only factor for you to take that risk.

When we were working in the Taq Taq oil field, we could see Americans bombing Kirkuk. But the only risk is not political - there is also the risk of not finding oil. We call this risk mitigation. The political risks were high, but the chances of finding oil were very high. Why are we calling this place the last frontier for oil exploration onshore? The hit rate [the possibility of finding oil] is 20 percent on average in the world. Here it may be 70 percent. Yes, perhaps the political risks are higher, but so are the chances of finding oil.



But you are a Turkish firm and the strain in relations between Ankara and Iraqi Kurds must have been an additional risk factor.

Obviously we did not seek the government's approval. But when we told all the relevant authorities that we were going and we did not receive any negative reactions.

Don't you think that you are feeling the consequences of the risks more today, due to the disagreement between central government in Baghdad and the KRG?

The political risk was always there, but it has changed in nature. Last year my revenues were much higher than the money I spent in the region. If everybody had concerns about the risks, then what are Exxon or Chevron doing here? They have the same reading of the region.

And what is that reading currently?

Oil will find its way. Even if we separate Kurdish region and do not include disputed territories like Kirkuk, the oil and gas potential here will put it in the top 10 in the world. When the world is so energy hungry and when the prices of energy resources are so high, it is impossible for the oil not to be unearthed for political reasons. It's only a matter of time. You have to be patient enough and have enough money. The world does not have the luxury of leaving oil and gas underground.

So you claim the contention between Baghdad and Arbil will not prevent Kurdish oil and gas from reaching markets?

With potentials so high, economics will outweigh politics.

But precisely when the economic potential is so high, politics might interfere. We are talking about sharing a very big cake. Don't you see the potential for a hot conflict between Arbil and Baghdad?

I personally don't see a risk of a hot conflict because there is a lot to lose for both sides. Look, we are the company that buys the most fields, and we are the ones with the highest production. We are going to do everything in our capacity to grow further here. In the last six months we have made \$1 billion worth of new acquisitions. Genel Enerji is expanding to Africa, but Kurdish region is our locomotive. BP started on the Iran-Kurdish frontier. Only places with such huge potential create serious oil companies. We received an award from the KRG, called "small and beautiful." Actually we are a company worth \$4 billion and are ranked in Turkey's top 20. But these are the scales here.

How about your plans for gas?

We say we can bring gas to the Turkish frontier by the end of 2015. Our first target is four bcm [billion cubic meters].

And you say you can build the pipeline.

Constructing pipelines is not our business. What we say is that if others won't solve the infrastructure problems, be it oil or gas, we are ready to do it. But we don't insist that we should be the ones doing it.



What are your expectations from Turkey?

Well, we expect Turkey to buy the gas if it is so much in need of gas. It will definitely be much cheaper. Which one is better, to get gas from places far away or from next door? You can always find oil but [Kurdish] gas has a strategic advantage for Turkey.

But a standard Turkish citizen might accuse the government of encouraging Iraq's disintegration by letting the KRG directly export its natural resources.

There is no obstacle whatsoever in the Iraqi Constitution that can prevent this. There is nothing in the Constitution that says the state company, Somo, should be a monopoly. The Constitution says that whether it is sold from Baghdad or from the north, the revenues belong to the whole Iraqi nation. In other words, the revenue from the sales done by the north going only into the pockets of the north is against the Constitution. But this will not be done. So there could be a pragmatic solution to the revenue sharing. If sales from the north are equally distributed among all of Iraq, then there won't be anything unconstitutional.

So what you are saying is that buying gas and oil directly from the KRG won't lead to the disintegration of Iraq.

What I am saying is that striking these deals requires political decisions. But the economic scale is so huge, in terms of economic benefit and in terms of energy security. I believe Turkey will take that decision.

If you were to advise the Turkish government, what would be your suggested roadmap?

I would work for days and days about how I could use the energy resources of northern Iraq for the benefit of Turkey. An opportunity like this has not come to Turkey since Ottoman times. We lack energy resources, but we are a fast-growing economy and the biggest deficit stems from energy. I think Turkey is also aware of the potential. We have seen times in the past when some did not even believe there was oil here.

And it seems the KRG is ready to work with Turkey.

Are you joking? Once, when Turkey started an operation in northern Iraq, that same day I signed an agreement with Nechirvan Barzani.

It seems that there is also an investment-friendly and efficient business environment.

The biggest advantage they have is human capital. And there is something new that is being built here. It is easier to build something new, and there is also the positive energy of building something new. If it takes three months to bring specific equipment, it takes three days here. This is the definition of investment friendly. Why? Because they are hungry for foreign investment.

What would you say is the most striking difference between 2002 and 2012?

Culture. All right, hotels and all are being built, but look at how Arbil is becoming green. Making your environment greener is a matter of culture; even that culture is fast-developing. There is, at the same time, a cultural revolution here. You know you can build buildings, that's just about money. But learning to make your environment green - to find the relevant companies to do it to choose the right trees and so on - there is a fast mentality change as well.

Luaibi: Vitol apologizes for Northern Iraq oil purchase

Today's Zaman (Reuters), 10.12.2012



Top oil trader Vitol has apologized to the Iraqi government for buying Northern Iraq oil that was exported via Turkey without Baghdad's permission, Iraqi Oil Minister Abdul-Kareem Luaibi said.

Baghdad is in dispute with Northern Iraq over oil exports from the Northern Iraqi province, insisting the central government has the sole right to export oil, reimbursing payments to the Regional Government. It considers any other business illegal and tantamount to smuggling by the regional government. The KRG says exports on its own behalf are legitimate.

Luaibi, in Vienna for an OPEC meeting, was asked by reporters how Iraq was dealing with three companies Vitol, Trafigura and LUKOIL who have purchased condensate, a light crude oil, sourced from Kurdish region and sold via an intermediary to world markets. "In terms of Vitol, they have cancelled the Kurdish amount and they apologized officially," said Luaibi. "As for LUKOIL, there will be a meeting about this concern maybe tomorrow or the day after." He made no mention of Trafigura.

Northern Iraq began selling oil into international markets in independent export deals in October, further challenging Baghdad's claim to full control over Iraqi oil after signing independent exploration deals with foreign oil majors last year. Luaibi said Northern Iraq is now supplying less than 100,000 barrels a day to the central government via a Baghdad-controlled pipeline to Turkey, compared to the 200,000 bpd it has agreed to deliver. Output from Northern Iraq is rising but is still only a fraction of total Iraqi exports of 2.6 million bpd.

Luaibi said Baghdad had been informed about oil smuggling by neighboring countries. "We have received messages from the adjacent neighbor countries concerning the smuggling of Iraqi crude oil," he said. "Iraq will work against any company that buys these smuggled shipments." Luaibi declined to put a number on how much oil was being smuggled from Northern Iraq to Iran and Turkey and then into world markets, but said the volume amounted to the difference between what was being produced by the Kurds and supplied to the central government. Northern Iraq deliveries to Baghdad were more than 180,000 bpd last month, he said, and are now below 100,000 bpd.

In April, Northern Iraq halted shipments of its oil in protest over what it said were overdue payments from the central government to companies in the northern region. Baghdad made an initial payment to the Regional Government in October, but a subsequent payment is now overdue and Iraq's deputy prime minister for energy, Hussein al-Shahristani, recently said it would not be made. Regional sources have said Northern Iraq is not getting enough refined oil products to run its power stations under supplies controlled by the central government.

UK lifts shale gas fracking ban

Rigzone, 13.12.2012



UK Energy and Climate Change Secretary Ed Davey announced Thursday that the government has allowed the resumption of exploratory hydraulic fracturing (fracking), but any fracking activities would be subject to new controls to mitigate the risks of seismic activity.

The news follows the Chancellor of the Exchequer's Autumn Statement on Dec.5 in which he announced plans to better exploit the UK's gas resources and that the Department of Energy and Climate Change would establish an Office for Unconventional Gas and Oil.

Exploratory fracking has been suspended in the UK since May 2011 after two small seismic tremors were detected near the country's only fracking operation in the Bowland Basin to the east of Blackpool in Lancashire, northern England. On Monday this week, Rigzone reported that the British Geological Society believes shale deposits under Blackpool are 50-percent greater than previously thought at 300 trillion cubic feet of gas. In his statement Thursday Davey said:

"Shale gas represents a promising new potential energy resource for the UK. It could contribute significantly to our energy security, reducing our reliance on imported gas, as we move to a low carbon economy. My decision is based on the evidence. It comes after detailed study of the latest scientific research available and advice from leading experts in the field. We are still in the very early stages of shale gas exploration in the UK and it is likely to develop slowly. It is essential that its development should not come at the expense of local communities or the environment. Fracking must be safe and the public must be confident that it is safe."

Davey added that DECC is strengthening and already stringent regime surrounding fracking. New controls to mitigate seismic risks now include:

- A prior review before fracking begins must be carried out to assess seismic risk and the existence of faults;
- A fracking plan must be submitted to DECC showing how seismic risks will be addressed;
- Seismic monitoring must be carried out before, during and after fracking;
- A new traffic light system to categorize seismic activity and direct appropriate responses. A trigger mechanism will stop fracking operations in certain conditions.

Trade body Oil & Gas UK issued a statement welcoming the consent for shale gas exploration. Oil & Gas UK Chief Executive Malcom Webb commented: "Natural gas is currently providing about a third of Britain's electricity and also heats 80 percent of our homes and it will continue to be an essential source of energy for Britain for some decades to come. Shale gas potentially comprises an important part of that resource, so we welcome the government's lifting of the embargo on exploration and introduction of controls that mitigate the risks of any associated seismic activity."

However, Greenpeace UK responded to the news by issuing a statement that reiterated its opposition to fracking. It quoted Greenpeace Energy Campaigner Leila Dean: “George Osborne’s dream of building Dallas in Lancashire is dangerous fantasy. He is not JR Ewing and this is not the U.S. Energy analysts agree the UK cannot replicate the American experience of fracking, and that shale gas will do little or nothing to lower bills. Pinning the UK’s energy hopes on an unsubstantiated, polluting fuel is a massive gamble and consumers and the climate will end up paying the price.”

Greenpeace also cited its concerns that the UK Environment Agency and DECC sought the advice of U.S. oil major Exxon before reaching its decision on lifting the fracking moratorium and claimed that the Environment Agency itself had expressed concerns about a potential threat to drinking water from fracking activities.

Moscow and Kiev hint at new deal on gas

Hürriyet Daily News, 14.12.2012



Russia and Ukraine might be close to signing a new gas supply deal next week, ending a long-term stand-off that has repeatedly threatened Europe’s energy security, officials from both sides indicated.

Ukraine says Moscow is charging far too much for the fuel under a 10-year contract signed by the previous Ukrainian government in 2009. Moscow is seeking significant political and economic concessions from Ukraine in exchange for reviewing the gas deal, such as joining a Russia-led trade bloc, which would mean Kiev giving up its strategic goal of European integration.

Clashes between Kiev and Moscow that led to interruptions in the Western flow of gas via Ukraine seriously disrupted European supplies in 2006 and 2009. Commenting on rumors that Ukrainian President Viktor Yanukovich would visit Moscow on Dec. 18 to sign a new gas deal, Russia’s ambassador to Ukraine, Mikhail Zurabov, said the trip could indeed take place if the deal is ready by that time. On the Ukrainian side, Kommersant-Ukraine newspaper quoted an unnamed central bank source who also said he expected a new deal with Russia soon, probably before a fresh round of talks with the International Monetary Fund in late January.

Iraq – Saudi OPEC standoff over next oil curbs

Today's Zaman, 12.12.2012



A new rivalry at the top of the OPEC oil group has emerged, pitting up-and-coming Iraq against undisputed cartel heavyweight Saudi Arabia. Having overtaken Iran as OPEC's second biggest producer, a rejuvenated Iraq is beginning to worry Riyadh.

At meeting of the OPEC the opening salvos were fired in the struggle over who takes responsibility for cutting output if oil prices, now at a comfortable \$108 a barrel, start falling. After 20 years of war, sanctions and civil strife that left its oil industry in disarray, Iraq is no mood to consider curtailing output just as it starts to take off.

"Iraq will never cut production," said Iraq's OPEC Governor Falah Alamri. "Some countries that have increased their production in the last two years - they should do so. This is a sovereign issue, not an OPEC issue." That was a clear reference to Saudi Arabia, which this summer lifted output to a 30-year high above 10 million barrels a day to prevent oil prices ballooning after Western sanctions on Iran halved its production. The view from Riyadh, said delegates at the meeting is that Iraq should not just contribute, but lead, the next round of OPEC supply curbs.

If Saudi pushed that line there would be "dark days ahead" warned a senior Iraqi official, saying Baghdad would not even consider output restraints until 2014. OPEC delegates said on Wednesday the group had agreed to retain its 30-million barrel-a-day output target, but many market observers think supply restrictions may be needed sooner rather than later if producers want to prevent slow global growth sending prices tumbling. "Every additional barrel that Iraq produces reinforces its confidence and its expectations that higher production is achievable and it will negotiate on that basis," said Raad Alkadiri of Washington consultancy PFC Energy. "Now OPEC is dealing with a much more confident Iraq and Baghdad is looking at regional politics and is less willing to compromise." "Iraq is impervious to arguments. It says that it was subject to sanctions for so long that it has a free pass to rebuild its economy," said Neil Atkinson, director of energy research at Datamonitor.

Output from OPEC is already down sharply from the highs of the summer when the Saudi surge took the 12-member group to nearly 32 million bpd. Production in November was down to 30.8 million with Saudi easing to 9.5 million. But OPEC may need to ease further to balance the market in the first half of next year when, demand depressed by a stagnant economy, its own forecasts indicate the requirement for OPEC crude will come in at only 29.25 million bpd.



"We're concerned by the drop in demand and the high level of stocks," said Algerian Energy Minister Youcef Yousfi. "There is rising oil from places like the United States and Iraqi output is rising quite sharply. There's a risk that we see a sharp drop in price next year," said Atkinson. The world's fastest growing crude exporter, Iraq expects more gains next year as foreign companies push production towards the highest level ever, Iraqi Oil Minister Abdul-Kareem Luaibi told reporters on Sunday ahead of the Vienna meeting.

Output began to rise in earnest in 2010 after Baghdad secured service contracts with companies such as BP, Eni, Exxon Mobil and Royal Dutch Shell. Flows have now reached 3.4 million bpd - up nearly a million bpd from when companies got down working three years ago. Luaibi said output in 2013 is expected to average 3.7 million bpd - just shy of an all-time high of 3.8 million, hit in 1979 with exports running at 2.9 million bpd, including 250,000 bpd contributed by the semi-autonomous northern Regional Government.

The changing shape of Middle East politics after the US led overthrow of Saddam Hussein in 2003 and the 2011 Arab Spring plays into OPEC dynamics. "Political issues sit behind this rivalry," said PFC's Alkadiri. "Regional alliances are pitting Saudi Arabia, Iraq and Iran against each other." Adding to the heat is the dramatic rise in oil output from the United States, spurred by hydraulic fracturing of shale reserves. The US Energy Information Administration said on Tuesday that US output will increase 760,000 bpd in 2012, the fastest pace since commercial oil production began in 1859.

After years outside OPEC's quota system because of low output, Iraq was brought into the fold a year ago when it set the 30 million bpd target for all 12 producers. But unlike previous OPEC deals no individual quotas were assigned. That suited Saudi Arabia, leaving it free to balance the markets by using its spare capacity as it saw fit. But in the event of a build in inventories that hits prices, OPEC may need to restore quotas if it is to enforce a credible production cut. That is likely to prove very difficult, not just because of Iraq but because Iran is very unlikely to accept a quota anywhere near its sanctions-constrained production. Venezuela too could resist a lower quota after disputing independent estimates of its output for years. "Quotas would become a big issue if we see a price drop and then everyone would have to come to the table," said Datamonitor's Atkinson.

Japan shifts to LNG dependency from nuclear, eyes US fuel

Hürriyet Daily News, 15.12.2012



Japan undersigns new liquefied natural gas (LNG) contracts with Qatar and Australia to meet its large energy gap after the closure of its nuclear facilities. The country's new dependency is not domestic and it is now asking a hesitant US to sell LNG, with the viability of other options looking questionable.

LNG purchase, a post-Fukushima item in Japan's imports list that sent country's foreign trade figures to their first deficit in 38 years in 2011, will continue dominating the country's energy near future, as officials confirm that they are in LNG trade talks with the U.S., not a traditional supplier.

Qatar and Australia seem to be maintaining their top supply positions to the Japan with new deals, the country's Nuclear Policy Unit has said. Before the devastating earthquake and subsequent tsunami on May 11, 2011, Japan was planning to increase nuclear power's share in its energy bucket to 50 percent as of 2030, from 26 percent at the time. The revised plans vary from zero to a maximum 25 percent of nuclear, the Nuclear Policy Unit Cabinet Secretariat Yoshinori Tanaka told journalists in Tokyo.

Along with purchases from Qatar and Australia, the country is looking to buy LNG from the U.S., he also revealed. However, other officials have stated that the U.S. is primarily considering meeting its domestic demand first. A new Japanese strategy document prioritizes renewables, but such projects will take time to fill the significant energy gap in Asia's second largest economy. Japan, which was once energy self-sufficient, this year and in 2011 bought large amounts of LNG, along with coal and oil, to meet the gap that emerged after the closure of its nuclear facilities, the assistant press secretary of the Japanese Foreign Ministry, Masaru Sato, told.

This caused Japan's first annual trade deficit in 38 years, Sato said, adding that the country had also re-activated a number of old-technology oil-burning facilities. "But this oil energy is expensive," he said. His colleague, Taisuke Mibae, said coal-burning facilities were also raising environmental concerns. The country's newly founded Nuclear Regulation Authority, a governmental body focusing exclusively on nuclear safety, will start inspecting nuclear plants to restart operations only in June 2013, showing that a nuclear comeback is also not on the agenda in the immediate short term.

The current government of Yoshihiko Noda rejects giving an exact date on the issue. His rival in Sunday's general elections, the Liberal Democratic Party (LDP) Shinzo Abe, promises return to nuclear power within three years. The country closed all of its remaining reactors before reopening two items this year. However, the location of the Tsuruga plant's operational Unit 2 was discussed earlier this week, with some claiming that it is located on a fault line.

US should protect NATO against Moscow with gas

Hürriyet Daily News, 13.12.2012



The US Congress should give NATO allies access to supplies of US natural gas, a Republican Senator says, aiming to remove Russian threat of cutting off gas supplies to vulnerable countries.

The Obama administration should do more to help NATO allies in Europe ease dangerous dependence on Russia's gas monopolies, a senior Republican lawmaker urged yesterday, proposing a new law that he said would improve energy security in a critical region. Republican Sen. Richard Lugar is advocating legislation that would remove restrictions on U.S. gas exports for all NATO countries.

He said the possibility of U.S. exports could remove leverage Russia could exert on vulnerable allies by threatening to cut off gas supplies. In the report, Lugar argues that a boom in U.S. natural gas production and progress on pipelines from Central Asia to Europe have created opportunities to dramatically diversify supplies to NATO allies who rely on Russian gas. New extraction techniques have allowed the U.S. to tap huge deposits that were previously hard to reach. Lugar said the U.S. should allow import terminals to be retrofitted to boost export capacity for liquefied natural gas that could be shipped to allies.

Lugar's staff argues that without U.S. and European efforts, some allies could remain vulnerable because it will be hard to distribute the new resources to their markets. It is still not yet clear what path that gas will take to Europe. There are two proposed routes from Turkey. One, called the Trans-Adriatic Pipeline, would go through Greece and Albania and under the Adriatic to Italy. Lugar said the second choice, called Nabucco West, would better serve U.S. interests. He urged the administration to endorse that route because it would pass through some of the allied countries that are most dependent on Russia for gas.

That pipeline would go through Bulgaria, Romania and Hungary on the way to a distribution hub in Austria. U.S. diplomats should also push Azerbaijan to link up with the huge gas reserves of Kazakhstan and Turkmenistan to significantly boost possible capacity to Europe, according to the report, which argues that despite efforts to isolate Iran, the U.S. should maintain an exemption from sanctions for an international consortium developing gas fields in Azerbaijan that includes a small stake for the National Iranian Oil Company.

Rosneft could raise \$10 bln bonds for TNK-BP deal

Reuters, 14.12.2012



Rosneft could raise as much as \$10 billion on bond markets to finance its takeover of Anglo-Russian oil firm TNK-BP, potentially matching loans backed by future oil exports.

Bankers familiar with Rosneft's plans to finance the \$55 billion deal to buy Russia's No.3 oil firm say the state-controlled oil major was strongly encouraged by high investor demand for a recent \$3 billion bond offering. Demand for the two-tranche Eurobond deal last month topped \$20 billion, but Rosneft decided to limit the size, leaving investors clamouring for more, three financial sources familiar with the matter told Reuters.

"They can do a very large transaction in public markets," said one source acquainted with Rosneft's financing plans, adding that a multi-tranche deal of up to \$10 billion could be launched before the deal's expected closing in early 2013. Rosneft declined to comment. Rosneft is paying relatively low interest on its most recent Eurobonds - 3.1 percent on \$1 billion in notes due in March 2017 and 4.2 percent for \$2 billion in bonds maturing in March 2022. It is also talking to oil majors and traders including Shell, Total and Glencore to raise up to \$10 billion, secured against future oil exports, sources have told. The takeover would create the world's top listed oil firm by output, pumping the equivalent of 4.6 million barrels per day, twinning TNK-BP's cash-generating prowess with Rosneft's deep reserves of oil, which are sufficient to last a quarter of a century.

In Russia's largest-ever acquisition, Rosneft will buy out British oil major BP's half stake in TNK-BP for \$17.1 billion in cash and 12.8 percent of its own shares. CEO Igor Sechin this week signed a binding deal to buy the other half of TNK-BP for \$28 billion in cash from a quartet of Soviet-born oligarchs represented via the AAR consortium. Full payment is to be made on closing. The outright takeover will secure a windfall of TNK-BP dividends that have gone unpaid this year, while the target's low debt level would give the merged business a better credit standing than Rosneft's alone. Even now, Rosneft's borrowing costs are already well covered by cash flows, with a net debt to core profit ratio of 0.91 on an annualized basis.

In its recent Eurobond prospectus, Rosneft said it would be able to draw on over \$15 billion in existing cash resources at Rosneft and TNK-BP, covering a third of the \$45.1 billion cash component of the takeover. Rosneft also said it had received a commitment from a syndicate of international banks to lend it approximately \$30 billion, including up to \$7.5 billion in long-term financing. In addition to the Eurobond program of up to \$10 billion, Rosneft still has the capacity to borrow \$2.4 billion from a \$3 billion rouble bond issuance program, the prospectus added. So-called offtake finance is also mentioned: Rosneft has raised significant funds in the past in this way, including a \$15 billion loan from China in 2009 as part of a major deal to pump oil via a new Siberian export pipeline.



Announcements & Reports

▶ *TEIAS Turkey Power Generation Capacity Projection (2012 – 2021)*

Source : Energy Market Regulatory Authority

Weblink : http://www.epdk.org.tr/documents/elektrik/rapor_yayin/Elk_Yayin_Uretim_Kapasite_Projeksiyonu_2012_2021.pdf

▶ *Annual Energy Outlook 2013 Early Release*

Source : International Energy Agency

Weblink : [http://www.eia.gov/forecasts/aeo/er/pdf/0383er\(2013\).pdf](http://www.eia.gov/forecasts/aeo/er/pdf/0383er(2013).pdf)

▶ *OPEC Monthly Oil Market Report (Dec 2012)*

Source : Organization of the Petroleum Exporting Countries

Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMR_December_2012.pdf

Upcoming Events

▶ *6th Annual Gas Transport & Storage Forum 2013*

Date : 28 – 29 January 2013

Place : Berlin – Germany

Website : <http://www.gtsevent.com/?mc=EL>

▶ *3rd European Unconventional Gas Summit*

Date : 29 January – 1 February 2013

Place : Vienna – Austria

Website : <http://www.theenergyexchange.co.uk/european-unconventional-gas-summit-3rd-annual-meeting/s13/a274/>

▶ *Tight and Shale Gas Summit 2013 (in Turkey)*

Date : 27 – 28 February 2013

Place : Istanbul – Turkey

Website : <http://www.wplgroup.com/aci/conferences/eu-eug2.asp>

▶ *6th Annual Unconventional Gas Conference*

Date : 6 – 7 March 2013

Place : London – UK

Website : <http://www.smi-online.co.uk/energy/uk/unconventional-gas>



► *6th International Petroleum Technology Conference*

Date : 26 – 28 March 2013
Place : Beijing – China
Website : <http://www.iptcnet.org/2013/>

► *All Energy Turkey* **(in Turkey)**

Date : 11 – 12 September 2013
Place : Istanbul – Turkey
Website : <http://www.all-energy-turkey.com/?lang=tr>