

Russia adds final pieces to South Stream puzzle

Date : 25.05.2009

Source: EurActiv (Reuters)

<http://www.euractiv.com/en/energy/russia-adds-final-pieces-south-stream-puzzle/article-182594>

By signing agreements with Austria and Slovenia, Russia has edged closer to finalising the legal framework for its South Stream gas pipeline to Europe, a rival to the Nabucco project.

Slovenia will sign the deal in June, Slovenian Economy Minister Matej Lahovnik announced in Ljubljana on 22 May. Austria's economy ministry also confirmed talks were ongoing, but declined to say at which stage the talks were. Despite the Nabucco rivalry, Russia also said it wants the European Union to make South Stream one of its 10 'priority projects' in energy policy, Russian Energy Minister Sergei Shmatko told reporters following an EU-Russia summit in Khabarovsk on 22 May.

Austria and Slovenia would join Italy, Bulgaria, Greece and Serbia, from whom Russia last week secured support for South Stream in its bid to outpace the EU-backed Nabucco pipeline, which would supply gas from sources other than Russia. Shmatko said Russia and its European partners in the project would request that Brussels grant it priority status.

"We agreed with EU Energy Commissioner Andris Piebalgs that Russia once more, together with its European partners in the project, would prepare a circular for the European Commission about affording the project such status," Shmatko said. Priority projects receive EU funding and are those that its executive thinks will diversify the bloc's energy sources or help energy flow more freely between member states.

Slovenia's Lahovnik said Nabucco remained an important project for the EU, but added the question was whether there would be enough gas supply available for it. The Austrian economy ministry said that it did not view South Stream as a Nabucco rival: "Both pipelines are an amendment to the existing routes via Russia and Ukraine," a ministry spokesman said.

A spokesman for the Nabucco consortium, which is led by Austria's OMV, also reiterated that the pipelines were not rivals and that every gas supply extension was welcome. South Stream is a joint venture of Russia's Gazprom and Italy's Eni.

In the meantime, Russia rejected a Ukrainian proposal to defer payment on up to \$5 billion in gas storage payments as energy talks on Friday between the prime ministers of the ex-Soviet neighbours ended in stalemate.

Russian Prime Minister Vladimir Putin dismissed the proposal by his Ukrainian counterpart, Yulia Tymoshenko, for Kiev to buy gas for its storage facilities in exchange for future transit fees that Moscow would pay to deliver gas via Ukraine.

"The volumes are large. The timeframe for what would essentially be a loan is also large," Putin told reporters after the meeting, held on Friday. "We will not work under such conditions and with such big risks." President Dmitry Medvedev, attending an EU-Russia summit in the far eastern city of Khabarovsk on the same day, challenged European leaders to help Ukraine pay its gas bills and help avert a new gas crisis.



Otto Energy updates on drilling program in Turkey

Date : 27.05.2009

Source: Rigzone

http://www.rigzone.com/news/article.asp?a_id=76567

Otto Energy has provided an update on its drilling program in Turkey. The Kirmizihoyuk-1 exploration well was drilled to total depth and encountered gas over three zones and some deeper ambiguous zones that could be gas or water.

The ambiguous zones have now been tested and established as partly gas bearing with flow of up to 0.71MMscf/d with associated water production. The main target intervals will be perforated and flow tested shortly and any results will be provided in next week's update.



Russia alarmed by Ukraine's 'empty' gas stocks

Date : 27.05.2009

Source: EurActiv

<http://www.euractiv.com/en/energy/russia-alarmed-ukraine-empty-gas-stocks/article-182653>

Current stocks in the Ukraine will be too low to ensure normal flows of Russian gas to Europe this coming winter, Moscow warned on May 26, saying disruptions could occur if Kiev does not find the money to replenish reserves.

In a statement released on Tuesday, Gazprom officials called the situation “very, very serious” and warned that “the reliability of gas supply from Russia and Europe's energy security are at stake”. Russia insists that Ukraine should prepay some five billion US dollars to replenish its underground gas reserves with 20 bcm of gas. However, Ukraine is in a difficult financial situation, and Gazprom says it may have to cut supplies unless “EU bodies assume some responsibility”.

Following a working meeting in Moscow with Oleg Dubina, CEO of Naftogaz Ukrainy, Gazprom CEO Alexei Miller said the information presented by his counterpart had revealed “the dire financial state of the Ukrainian company”. Reacting from Tripoli, in Lybia, Yuriy Prodan, Ukraine's energy minister, said that his country would continue to pay for gas supplies.

Ukraine usually stores Russian gas during the summer period when consumption is lower in order to guarantee stable supplies to the West throughout the winter. But Russia insists that the reserves need to be refilled right away, as they were almost completely emptied during the gas crisis. According to international experts, restocking can also take place during the autumn.

Gazprom pays Ukraine in advance for the transit of its natural gas to Europe, and claims it has already prepaid for 2009 in full. As Ukraine needs to pay Russia for its own gas consumption, the same money appears to be going back to Moscow, but Gazprom says the amount is not sufficient to cover Ukraine's gas bill.

During her last visit to Moscow on 22 May, Ukrainian Prime Minister Yulia Timoshenko suggested that Russia should pre-pay its transit fees in advance for the coming five years. Vladimir Putin, Russia's Prime Minister, described the idea as “risky” due to the early presidential elections in Ukraine and the expected re-organisation of the country's gas sector. Viktor Yushchenko, Ukraine's President and political rival to Timoshenko, called the idea “unacceptable” and “illegal”.



G8: Energy investment necessary inspite of crisis

Date : 27.05.2009

Source: Hürriyet Daily News (AFP)

<http://arama.hurriyet.com.tr/arsivnews.aspx?id=11732663>

Investment in energy projects is 'essential' and must go forward despite the global financial crisis, Group of Eight energy ministers said Monday at the end of a two-day meeting in Rome.

"The current financial and economic crisis must not delay investments and programmed energy projects which are essential to economic recovery," the ministers said in a joint statement. "We urge governments and energy companies to adopt a long-term view in planning their investments in energy infrastructures," the ministers said.

On Monday, the International Energy Agency (IEA) said falling oil prices, tight credit markets and slumping demand had prompted oil producers to delay or scrap 170 billion dollars worth of investments. IEA chief economist Fatih Birol was quoted as saying by France's specialist Petrol Industry Bulletin that oil investment was hit hardest in North America and the North Sea. "We stress the need to define and share long-term scenarios on energy policy with the aim to increase transparency and reduce volatility in the energy markets," the G8 energy ministers said.

They urged improvement in "regulatory frameworks as an essential prerequisite for well-functioning energy markets and for reducing investment risks and uncertainties," the statement said. The statement was initialed by the European Commission and the energy ministers of 15 countries -- Brazil, China, India, Mexico, South Africa, Egypt, South Korea, Saudi Arabia, Algeria, Australia, Indonesia, Libya, Nigeria, Rwanda and Turkey.

Earlier Monday, the head of the Italian oil group Eni said price volatility discouraged investment by creating "a huge climate of uncertainty for the oil sector and all other energy sectors." The uncertainty "sets the stage for the next price increase," chief executive Paolo Scaroni told a press briefing. Scaroni said Eni had proposed the creation of an international oil agency that would stabilize the price of crude and compensate producing countries when prices fall too low.

The agency "would bring together consumers and producing countries," Scaroni said, adding: "The sector needs a kind of watchdog. The new agency would generate a 'stabilization fund' that would guarantee a minimum income level for producing countries when prices fall too low."



EU and Russia fail to reach agreement at summit

Date : 27.05.2009

Source: Oil & Gas Journal (Doris Leblond)

http://www.ogj.com/display_article/363402/120/ARTCL/none/GenIn/1/EU,-Russia-fail-to-reach-agreement-at-summit/

The recent European Union – Russia summit in the Siberian city of Khabarovsk failed to patch up relations soured by the 2008 war with Georgia and the January gas dispute with Ukraine that left many European countries without Russian gas.

EU participants tried to put a brave face on the failed negotiations by saying the discussions were ‘useful’. But relations seem to have worsened as Russia President Dimitry Medvedev grew increasingly uncooperative as he blamed Ukraine -the transit country for most of Russia’s gas to Europe- as solely responsible for the supply interruption.

At the closing press conference he questioned whether Ukraine could pay for Russian gas this year. It was a pricing dispute with Ukraine that caused Russia to interrupt gas exports to Europe in January. Medvedev insisted it is up to the EU to assume part of the Ukraine financing, as he expressed reluctance to “extend loans to Ukraine.” He said Russia cannot guarantee gas supplies to the EU will not be cut next year, although EU Commission President Jose Manuel Barroso asked Russia and Ukraine to do everything in their power to prevent another crisis.

Medvedev also said Russia has no intention of adopting the European energy charter, signed in 1994 by 51 countries including Russia, which has never ratified it. He said the charter is now ‘outdated’. Russia’s suggestion of a revised charter was rejected by Energy Commissioner Andris Piebalgs.

The old charter should prevail, insisted EU officials, until a wide-ranging energy partnership and cooperation agreement, which expired in December 2007, is signed with Moscow. At the summit there was no agreement on the early warning mechanism the EU wants to warn of any threat to gas supplies.

One possible cause of the bickering is the proposed Eastern partnership the EU is offering Azerbaijan, Armenia, Belarus, Georgia, Moldova, and Ukraine in the form of free trade agreements and easier visa rules as well as political reform. Medvedev views such a partnership as a means of encircling Russia, despite the EU’s denials of such an intention.



Gazprom eyes role in Iran – Pakistan pipeline

Date : 27.05.2009

Source: Yahoo News (AFP)

http://news.yahoo.com/s/afp/20090527/bs_afp/russiairanpakistaneuenergygascompanygazprom

Russian gas export monopoly Gazprom is keen to participate in a pipeline to carry Iranian gas to Pakistan, the Kommersant daily reported, citing company and government officials.

“We are ready to join the project as soon as we receive an offer,” Russia’s deputy energy minister Anatoly Yankovsky told the daily. The paper quoted another top government official as saying Moscow sees the pipeline as a means to divert Iranian gas from competing with Russian exports on the European market.

“This project is advantageous to Moscow since its realisation would carry Iranian gas toward South Asian markets so that in the near future it would not compete with Russian gas to Europe,” Kommersant wrote.

The multi-billion dollar Iran-Pakistan pipeline, which aims to pump an initial 11 billion cubic metres of Iranian gas per year to Pakistan, could deprive the Nabucco project of one possible source for gas supplies. Gazprom spokesman Sergei Kupryanov confirmed the company’s interest in the project, Kommersant reported. It cited an unnamed official in the company as saying Gazprom could serve as the pipeline operator or also participate in its construction.

The start date for construction of the much-delayed pipeline is planned for september 2009 to be completed in June 2014, the paper reported. Iranian officials have said the supply of gas to Pakistan could begin in three to four years.

The pipeline project, when initially mooted in 1994, had proposed to carry gas from Iran to Pakistan and India. But India withdrew last year from the talks over repeated disputes on prices and transit fees.

The 900-kilometre (560-mile) pipeline is being built between Asaloooyeh in southern Iran and Iranshahr near the border with Pakistan and will carry the gas from Iran’s South Pars field. Iranian officials said Monday that the final contract would be signed in three weeks.



Test production starts at Manisa oil field

Date : 28.05.2009

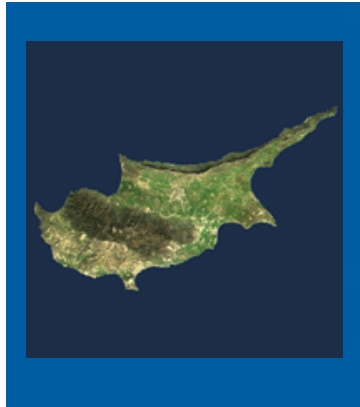
Source: Today's Zaman

<http://www.todayszaman.com/tz-web/detaylar.do?load=detay&link=176543>

Test studies have been initiated at the Sarikiz-2 oil well in Manisa's Alasehir district by Merty Energy. Tayfun Atalay, Operations Manager of the company, said the company has started drilling at the well with 25 workers.

Merty found oil in the Sarikiz-2 well, nearly 3 kilometers from Alasehir, last year and has spent \$5 million since then to ready the well for oil drilling. Atalay explained that the test studies will continue for a month to help see how much of the 10 million barrels of oil in the well's reserves can be extracted.

Atalay added that the test work will cost \$1 million. The Sarikiz-2 well was opened last year by Petraco and XTRM under the leadership of Merty Energy. "The tests will also reveal the potential daily production capacity of the well," he noted. Atalay said there are seven geological layers in the well and that the API gravity of the oil in the well's reservoir is 34.



Ankara: Greek Cyprus oil exploration plans 'provocative'

Date : 29.05.2009

Source: Today's Zaman (Emine Kart)

<http://www.todayszaman.com/tz-web/detaylar.do?load=detay&link=176570>

Turkey has asserted that the Greek Cypriot administration's intransigence on moving ahead with plans for exploring the Cypriot coast for oil and natural gas is a provocative attitude.

Earlier this week the Greek Cypriot media reported remarks by the US ambassador to the Greek Cypriot administration in southern Cyprus, who said that an American company is expected to soon start exploring the Cyprus coast for oil and natural gas. The announcement by US Ambassador Frank Urbancic came on Tuesday while speaking at the Cyprus International Fair, Greek Cypriot media reports said on Wednesday.

Urbancic revealed that an American company planned to start exploring the island's southwest coast in the near future, without providing the name of the company. Officials at the US Embassy in Ankara approached by Today's Zaman said they had no statement to make on the issue, while officials at the Turkish Foreign Ministry declined to comment on the issue, saying they were still examining the news reports. US Embassy officials, meanwhile, also noted that they didn't have the name of the company mentioned by Urbancic.

The Greek Cypriot policy of unilaterally delineating the sea boundaries between the island's coastal neighbors and the limits of its continental shelf dates back to 2003. It has since been infuriating Ankara, which says that Greek Cypriot actions in the east Mediterranean are 'provocative' because, it is assumed, they will harm the equal rights and interests of the Turkish Cypriot people vis-à-vis the natural resources of the island.

According to international law, the sea boundaries between the countries and the limits of the continental shelf of each country need to be delineated via a consensus among all coastal and neighboring countries when the issue is a semi-closed sea like the east Mediterranean.

The Greek Cypriot attempts have been considered by Ankara as having a particularly negative impact on ongoing negotiations aimed at reaching a comprehensive resolution of the Cyprus issue, since Greek Cypriot actions concerning sea zones are essentially an integral part of the comprehensive resolution issues. With such a view, Ankara is firm that it is not possible for the Turkish Republic of Northern Cyprus (KKTC) or Turkey to accept such activities by the Greek Cypriot administration.

Turkish officials state that Greek Cypriot intransigence, over and above everything else, reflects its stance in ignoring the fact that there is not a single authority on the island that legally and de facto represents the Turkish Cypriots and the entire island of Cyprus.

Additionally, the same officials are angered by the fact that the Greek Cypriot administration has been extending its unilateral attempts, which are defined as 'irresponsible' by Ankara, into Turkey's zones of authority in the east Mediterranean, recalling that Turkey also has legitimate rights and authorities in sea basins west of Cyprus starting from longitude 32° 16' 18". This fact was declared by the Turkish capital back in March 1994 in a letter sent to the UN that was later published as a UN document.



PetroChina ranks as world number 1

Date : 26.05.2009

Source: Hürriyet Daily News (Bloomberg)

<http://arama.hurriyet.com.tr/arsivnews.aspx?id=11724343>

Energy giant PetroChina overtakes Exxon Mobil in market capitalization, becoming the world's most valuable company. PetroChina shares jumped 30 percent this year as its market value rose to \$336.4 billion. But Exxon still leads in sales and profits.

PetroChina overtook Exxon Mobil by market capitalization, regaining its rank as the world's most valuable company after China's stimulus plan caused a surge in the nation's stocks this year. State-controlled PetroChina's Shanghai-traded shares jumped 30 percent this year for a value of \$336.4 billion, surpassing Exxon's \$335.9 billion as of May 22.

China's benchmark Shanghai Composite Index has surged 43 percent this year on optimism that the \$586 billion economic stimulus introduced by the government in November and record bank lending will counter a slump in exports and boost growth. Exxon shares have declined 14 percent this year. PetroChina was listed in Hong Kong in 2000 and became the world's first trillion-dollar company after selling shares in Shanghai in November 2007, when it first passed the U.S. oil company.

Exxon, which traces its roots to the 1880s and John D. Rockefeller's Standard Oil Trust, had regained the top ranking in March last year after PetroChina's Shanghai stock slumped by more than 50 percent as exploration costs climbed and government controls prevented the company from increasing fuel prices.

PetroChina's reserves surpassed those of Exxon last year after the Chinese company added the equivalent of 890 million barrels of oil through discoveries and acquisitions. Exxon's reserves declined by 3 percent in 2008 to the equivalent of 21.1 billion barrels, enough to sustain output for almost 15 years.

PetroChina's 14 percent return on capital is less than half of Exxon's 36 percent return, the highest among the world's biggest 10 oil companies by sales, according to data compiled by Bloomberg. Exxon is bigger by sales and profit. The U.S. company raked in \$425 billion in sales last year, or \$60.45 for every man, woman and child on the planet. Exxon's 2008 profit of \$45.22 billion was the most ever for a U.S. corporation, marking the fourth consecutive year of record-setting results. PetroChina's net income was 114 billion yuan (\$16.7 billion) last year on sales of 1.1 trillion yuan.



Gazprom boosts pipe spend to \$1.6bn

Date : 28.05.2009

Source: Upstream Online

<http://www.upstreamonline.com/live/article179507.ece>

Russian gas giant Gazprom has decided to boost spending on the construction of a gas pipeline from Sakhalin to the Russian mainland to 50 billion roubles (\$1.6 billion) this year, a senior executive said today.

Gazprom recently started work on the link, which will run from Sakhalin to Khabarovsk before terminating at the Pacific port city of Vladivostok. The pipeline will be able to carry 30 billion cubic metres of gas per year. "Due to the accelerated pace of work it was decided to increase spending on the project this year to 50 billion roubles," Gazprom deputy chief executive Alexander Ananenko said in a statement. The previously allocated budget was not revealed. Gazprom is now 'actively mobilising construction efforts' and is buying pipe for the project, he said.

The 1830-kilometre pipeline, which will terminate at Vladivostok, is due to come into operation in the third quarter of 2011. Gazprom added it is also considering building a gas liquefaction plant and gas chemical facility at Vladivostok. Both plants would source feedstock from the Sakhalin pipeline. During a visit to Tokyo earlier this month, Russian Prime Minister Vladimir Putin invited Japanese companies to take part in the construction of the pipeline, as well as the proposed LNG plant.



Eni denies Iranian deal

Date : 23.05.2009

Source: United Press International

http://www.upi.com/Energy_Resources/2009/05/22/Eni-denies-Iranian-deal/UPI-98061243009810/

Italian Eni denied reports it was interested in a deal with Iran to develop the third phase of the Darkhovin gas field. Eni and Iran's Arvadan Oil and Gas Co., a division of National Iranian Oil Co., signed in 2001 a \$550 million deal to develop the initial phase of Darkhovin.

The first phase began operation in 2005, and second-phase development is under way. Iran's Press TV reported Eni officials told the Petroenergy Information Network, the official news agency of the Iranian Oil Ministry, the Italian company had submitted a feasibility study for the third-phase development.

Press TV also reported earlier this week Eni was expected to sign a \$1.5 billion deal to develop a third phase of the Darkhovin field. "Eni is currently active in the first two phases of Darkhovin and has voiced interest in developing the oil field's third phase with an investment of \$1.5 billion," Press TV quoted the ministry's news agency as saying. Paolo Scaroni, the chief executive at Eni, denied it was moving forward with the investment, however. "That report is false," he said.



❖ OPEC Bulletin (May 2009)

Source : Organization of the Petroleum Exporting Countries
Weblink : <http://www.opec.org/library/OPEC%20Bulletin/2009/pdf/OB052009.pdf>