

## Ankara's natural gas grid to be privatized for \$1.162 million

Hürriyet Daily News, 25.01.2013



Turkey's second largest natural gas grid, BaskentGaz's prolonged tender goes to Turkish food and real estate company Torunlar.

Torunlar placed a \$1.162 million offer for Turkey's second biggest natural gas grid, BaskentGaz, suggesting that authorities' long quest to finally sell the grid might finally end in success. Seven companies participated in the tender, which ended in the fourth round with Torunlar's victory. "We will iron out the existing problems in time after the handover transaction is completed," said Torunlar Chairman Mehmet Torun, adding that he foresaw no hike in prices.

BaskentGaz, the natural gas provider for Ankara, possesses 1.4 million subscribers. The grid has a sales capacity of 2.3 billion cubic meters and a distribution capacity of 3.6 billion cubic meters. Authorities sought to sweeten the pot for BaskentGaz after three unsuccessful tenders. The main concern for companies had been the 20 percent stake that Ankara Metropolitan Municipality held in the grid. The municipality's share was not included in the tender but, through a regulation, the tender has been expanded to cover 100 percent of the shares in order to relieve companies.

Until today, \$207.6 million in tender guarantees had been wasted in tenders for the grid. In the first tender, Global Investment failed to pay its offer, \$1.6 billion, wasting a \$50 million guarantee, while the controversial Karamehmet-Kazanci partnership failed to pay the \$1.2 billion contract price in another tender, resulting in a loss \$107.6 million in guarantee fees. According to Turkish media reports, Iran's state-run NIGC company was set to enter the tender, but it ultimately did not table a bid.

Torunlar is a family company that has been operating in the food sector for almost 30 years. After expanding in the industry through acquisitions, the company diversified into real estate and construction sector by establishing the Torunlar Real Estate Investment Trust (REIT). Torunlar REIT's shares are currently trading on the stock exchange, and its market share has surpassed \$900 million. Torunlar REIT also acquired the land on which the Pasabahce Tekel Factory sat last year with a bid of 355 million Turkish Liras.

# Turkey eyes role in Iraq's oil and gas shares

Hürriyet Daily News, 25.01.2013



Turkey should secure a place for itself in both the northern and southern oil and gas fields of Iraq since its energy future is inextricably linked with its southern neighbor, despite frequent recent friction, sector representatives have said.

“If there is energy somewhere, then it has to flow somewhere else. You can't escape that fate,” said Mehmet Ogütcü, the head of Global Resources Corporation, implying that fuel drilled in Iraq would be transported outside the country regardless of political or economic obstacles. Speakers at “Natural Gas as the Game Changer” roundtable meeting predicted that Iraq would have a significant place in the natural gas bus sector in the coming years.

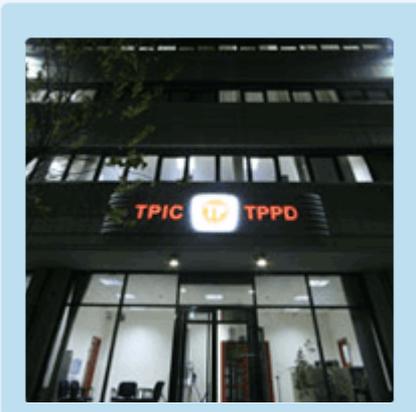
“Iraq will be producing around 19 billion cubic meters of natural gas by 2035, which means it will become the fifth or sixth biggest producer in the world,” said Tahir Uysal, a partner at Silso Oil. Turkey should not only conduct energy investments in northern Iraq, but should also pursue ties in the southern part of the country as well, he told the Daily News on the sidelines of the meeting. He said Turkey should consider using northern Iraq's gas rather than transporting it to Europe in the long term. Uysal also suggested that Turkey should follow a balanced energy policy between northern Iraq and Baghdad.

However, it has not been easy for Turkish companies to work in the northern and southern parts of Iraq at the same time. In this respect, Pars Kutay, head of government and public affairs at the Genel Energy, said Genel wanted to enter the southern Iraqi market but were put on a Baghdad blacklist because the company is already operating in northern Iraq. “Around 30 billion cubic meters of natural gas may come from northern Iraq in the next 10 to 20 years. Iraq's gas reserves are estimated to be 3.5 million cubic meters. Some 85 percent of these reserves are thought to be located in northern Iraq,” said Kutay. “There are certain companies in northern Iraq, but we will see purchasing there, and international companies will be entering there,” said Kutay. “If Turkey does not develop a timely policy, then probably in five to 10 years we will be discussing how to transport the oil and gas that is retrieved by mainly American companies from northern Iraq,” he said.

Turkey, which has an energy policy dependent on imports, cannot resist such an import potential, said Kutay. A Foreign Ministry official, however, underlined the necessity of Baghdad and Arbil finally agreeing on long-awaited laws on hydrocarbons and revenue-sharing. Ogütcü told that Turkey should have an integrated giant company which works like a private company in the energy sector so that it can perform dynamically in international markets.

# Newly BOTAS-owned Turkey oil firm seen boosting foreign presence

Reuters, 22.01.2013



Turkey will increase the capital of the state Turkish Petroleum International Company (TPIC) and transfer its ownership to state energy company BOTAS in a move seen boosting foreign activities, particularly in northern Iraq.

The cabinet agreed to increase TPIC's capital to \$500 million from \$150 million and transfer its ownership from state oil company TPAO. Analysts said BOTAS' established name abroad and its experience in energy projects would increase the ability of TPIC, which has authority for foreign exploration and production of oil, to participate in projects abroad.

Ankara has been building on its trade and economic ties with Northern Iraq at a time of growing tensions with the central government in Baghdad. In November, industry sources said an unnamed new Turkish oil company was in negotiations to acquire several blocks in Northern Iraq in a joint venture with at least one foreign oil major and the Kurdish Regional Government.

Northern Iraqi Government has already signed deals with oil majors like ExxonMobil and Total, defying the central government in Baghdad which says only it has the right to sign contracts for Iraq's oil resources. Regional Government says its right to sign oil deals is enshrined in the constitution. But Baghdad says those agreements are illegal and has warned companies they will be blacklisted from Iraq oil opportunities if they sign accords with KRG. Oil majors see better terms, security and an easier working environment in Regional Government compared with tougher service contracts and difficulties with red tape, bureaucracy, and infrastructure bottlenecks that hit oil projects in the rest of Iraq.

Turkey's TPAO operates in southern Iraq but does not have any official operations in KRG. Political tensions between Baghdad and Ankara have been running high after Turkey accused Iraqi Prime Minister Nuri al-Maliki of sidelining Sunni Muslims in Iraq since the onset of a political crisis after U.S. troops left in December 2011. The TPIC capital increase will be paid for from TPAO's shareholders' equity in a cash lump sum.

# Iraq oil sales dip last month but income up in 2012

Hürriyet Daily News, 22.01.2013



Iraq faces low oil export in 2012 despite the increase over the income, according to revealed figures. The Oil Ministry announced deposits of crude's discovery in southern region.

Oil exports in December fell due to bad weather and a dispute with the northern Iraqi regional government, but the country still saw sharply higher income last year compared to 2011, new figures showed, the day followed the country announced discovery of billion barrels of oil. Sales of crude and revenues from oil exports last month were both the lowest figures since June, a statement from Iraq's oil ministry said, with average daily exports of 2.35 million barrels per day.

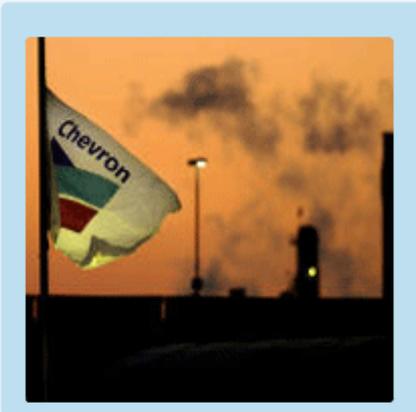
The statement showed that Iraq nevertheless brought in \$94.03 billion in oil revenues over the course of 2012, a 13 percent increase compared to the previous year, largely on the back of ever-increasing exports. Crude exports account for the lion's share of government income, and Baghdad is looking to dramatically ramp up both production and sales in the coming years, bringing in much-needed cash to rebuild its conflict-battered economy. "It was because of bad weather, which affected the level of exports, and also because of the cut in oil exports from Northern Iraq," said ministry spokesman Assem Jihad, explaining the December decline. He was referring to a decision by the northern Kurdish region to slash oil exports from over 100,000 bpd in recent months to fewer than 5,000 bpd over a payments row with Baghdad.

Baghdad and Arbil are at odds over issues including regional government's refusal to seek approval from the central government for oil contracts it has awarded to foreign firms, and over a swathe of disputed territory in northern Iraq. The central government says all oil deals must go through the national oil ministry and regards any that do not as illegal. The country has proven reserves of 143.1 billion barrels of oil and 3.2 trillion cubic metres of gas, both of which are among the largest in the world.

Meanwhile, Iraq said on Jan.20 it has discovered deposits of crude equivalent to one billion barrels of oil after the first exploration work by state-owned firms in almost 30 years. The deposits were found after exploration in Maysan province, in southern Iraq near the border with Iran, and could potentially make a significant addition to Baghdad's already substantial reserves. "Exploration began in Maysan, south of Amara" last year, oil ministry spokesman Assem Jihad told AFP. "Today, it completed 100 percent and achieved a big success. "The initial assessment from this discovery is about one billion barrels of oil," he said, adding: "It will increase production capacity for Maysan Oil Company." Jihad said the state-owned oil exploration firm had been carrying out its first exploration work within Iraq in nearly three decades. Iraq, which is highly dependent on oil sales for government revenue, has sought in recent years to dramatically ramp up production and exploration in order to help rebuild its conflict-battered economy and infrastructure.

## Chevron silent on Kurdish block deal

Upstream Online, 24.01.2013



Chevron has been awarded a stake in an oil block in Kurdish Region which was recently relinquished by a smaller player after a well came up dry, according to a report. The supermajor has won a slice in the Qara Dagħ Block, Reuters quoted Kurdish Energy Minister Ashti Hawrami as saying.

“We informed the central Iraqi government in Baghdad that we awarded Chevron a field called Qara Dagħ,” he said. “It is an important and big exploration project. We’ve agreed all the terms.” Chevron’s vice president for business development, Jay Pryor, met with Kurdish President Masoud Barzani at the World Economic Forum in Davos, Switzerland.

“During the meeting, Chevron expressed strong commitment to all its projects in northern Iraq,” he said. A Chevron spokesperson said the company does not discuss specific business opportunities, adding: “Chevron continues to evaluate potential opportunities that help Iraq achieve its objectives for the oil and gas industry, while meeting our criteria for investment.” Niko Resources handed back the Qara Dagħ Block to the Kurdish Regional Government in November after drilling a dry hole. Niko and its partners, privately-held Vast Exploration and Canada’s Groundstar Resources, relinquished the block after failing to find a suitable farm-in partner to carry out further exploration.

## Heritage finalizes exit from KRG

Natural Gas Europe, 23.01.2013



British firm Heritage Oil has left Kurdish region after disposing of its interest in gas there to Anglo-Turkish Company Genel. Heritage, which announced the move in a series of statements over recent months, transferred the 49% stake in the Miran gas field as repayment of a loan from Genel.

Last year the Anglo-Turkish player acquired an initial 26% interest from Heritage for €116 million (\$156m). Genel is now sole operator of the gas block. However its 100% stake will be reduced to 75% once the Kurdish Regional Government exercises its right to opt back in.

# Eni inks contract for deepwater exploration blocks off Cyprus

Platts, 24.01.2013



Eni and Kogas signed contracts to explore three natural gas-rich blocks in deep water off Cyprus, where political tensions have arisen over exploration in the Mediterranean island's exclusive economic zone.

An exploration and production sharing contract for Blocks 2, 3 and 9 covering an area of around 12,530 sq km in the offshore Levantine basin was signed with the Greek Cypriot government, Eni said in a statement. The contract, which marks Eni's first upstream foothold in the country, follows months of talks to hammer out the final terms of an initial block award granted last year.

Eni was first awarded the three blocks as 80% operator alongside Korean partner Kogas (20%) under Greek Cyprus' second offshore licensing round) in October 2012. The block 9 license was initially granted to a consortium comprising France's Total and Russian companies Novatek and Global Resources, but contracts talks with the preferred bidders fell through. "This result is of significant importance for the consolidation of Eni's position in the Mediterranean region, which is a strategic area in the company's exploration and production portfolio," Eni said, referring to the final award for three blocks.

The government of Greek Cyprus was keen to finalize the blocks before the first round of presidential elections are held on February 17. The Eni/Kogas blocks lie closer to the island's southern shore than block 12, where the US' Noble Energy discovered estimated gross mean resources of 7 Tcf of natural gas in December 2011. Total is still awaiting final approval for a PSC on Blocks 10 and 11 which lie in waters adjacent to Egypt's deep water area.

Oil and gas companies have recently been attracted to the little-drilled Levantine basin which has fast become one of Europe's hottest exploration frontiers with a "giant gas potential", Eni said. But Turkey, which has been at diplomatic loggerheads with the divided island for years, has accused the Greek Cypriot government of undermining peace efforts on the island by proceeding with its exploration plans. Greek Cyprus also has yet to reach firm agreements with neighboring Lebanon and Syria over exploration in its claimed exclusive economic zone.

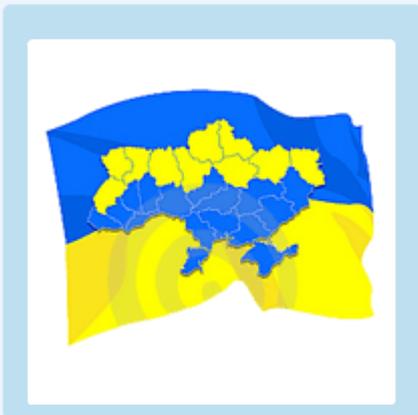
Turkish energy minister Taner Yildiz in November warned Eni that Turkey might reconsider its participation in the planned Samsun-Ceyhan oil pipeline if the company went ahead with plans to explore for natural gas in Cyprus. The pipeline would provide an overland bypass for oil shipments to and from the Mediterranean Sea through the congested Turkish straits. Eni and Turkey's Calik Enerji signed a cooperation agreement in 2005 for a planned 1.5 million b/d pipeline from Samsun on Turkey's Black Sea coast to its Mediterranean oil hub at Ceyhan.

In 2009, the two companies signed a memorandum of understanding with Russian companies Rosneft and Transneft, which were both expected to commit crude to the project. But as of yet no company with crude arriving in the Black Sea from Caspian fields has committed oil to the project and with the volume of tanker traffic through the straits having fallen in recent years as new pipelines have carried crude from the Black Sea to European refineries, it has been unclear for some time whether the project will proceed.

The Turkish government maintains that the Greek Cyprus had no right to conclude international treaties with its east Mediterranean neighbors delineating their respective Exclusive Economic Zones, or to hold licensing rounds before a settlement had been reached between the two halves of the divided island. Turkey has won some international support for its position that any mineral reserves found in Cyprus EEZ are the property of the people of the whole of Cyprus, and not just the Greek Cyprus, which occupies the southern two thirds of the island.

## Kyiv turns to unconventional natural gas to wean itself from Gazprom

Natural Gas Europe, 23.01.2013



Kyiv thinks it just might be sitting on the answer to the problem of reducing Ukraine's energy dependence on Russia: an estimated 1.2 trillion cubic meters of shale-gas reserves, the third-largest such deposits in Europe.

Ukraine is expected to sign a production-sharing agreement (PSA) with oil major Royal Dutch Shell worth an estimated \$10 billion to develop the Yuzivska shale-gas field in eastern Ukraine using the controversial new technology of hydraulic fracturing, or fracking. Shell has not confirmed the signing, which could take place on the sidelines of the World Economic Forum in Davos, Switzerland.

Kyiv selected Chevron as a partner for a similar project in western Ukraine in May 2012. The Ukrainian cabinet signed off on the agreement on January 23. Danila Bochkarev, a research fellow with the EastWest Institute in Brussels, says that shale gas and other unconventional forms of natural gas could play a big role in Ukraine's future. "Unconventional gas is not only shale. Also coal-bed methane and tight gas [extracted from sandstone] are quite important," Bochkarev says. "For instance, we can see that Ukraine's gas reserves are between 1.2 tcm and 2.8 tcm, depending on the estimates -- and we are talking here about unconventional-gas reserves. "And taking into account that Ukraine imports between half and two-thirds of its gas needs," he says, "this can be quite an important source of natural gas and energy for the country."

# Medvedev says Gazprom may lose gas export monopoly

Oil&Gas Eurasia, 24.01.2013



Gazprom may lose its monopoly on natural gas exports to domestic competitors as long as the move doesn't cut prices and damage Russia's economic interests, according to Prime Minister Dmitry Medvedev.

"It is possible, because there are other, independent gas producers," Medvedev said in an interview with Bloomberg in Davos, Switzerland. "But we mustn't lose money, that's the most important thing. Money comes first." Prime Minister Dmitry Medvedev said, "Gazprom doesn't have that political role that it's sometimes prescribed."

President Vladimir Putin granted state-controlled Gazprom, the world's biggest gas producer and Europe's biggest single supplier, the exclusive legal right to ship the fuel abroad in 2006. Novatek, Russia's second-largest producer is seeking to weaken the monopoly by exempting liquefied natural gas, which is shipped by tanker rather than through Gazprom's pipelines.

Lifting Gazprom's monopoly may be possible only "after considering all the consequences with the utmost thoroughness," Medvedev said. Putin, who brought in the law to prevent domestic rivals from undermining export prices, said in 2011 that while there were no immediate plans to end the monopoly, such a move may be possible in the future.

Russia's government fears that producers jockeying for European customers in "uneasy" export markets will drive down gas prices, cutting into budget revenue, Ildar Davletshin, a gas analyst at Renaissance Capital in Moscow, said by phone. The government received 50 percent of its 2012 revenue from the oil and gas industry, when the budget deficit was 0.02 percent of gross domestic product.

Gazprom battled weakening markets in Europe last year as the economy slowed and competition from Norwegian gas intensified, while the continent burned cheaper coal instead of gas. Gas demand fell 3.7 percent last year to the lowest level since 1999, Societe Generale said in a statement on Jan. 16. The bank cut its growth forecast to zero for 2013.

## BP looks ahead five years for Shah Deniz production

Natural Gas Europe, 24.01.2013



BP has said it expects 2018 to yield the first gas from the second phase of Azerbaijan's Shah Deniz gas project. All going well, "we will target 2018 for first gas from Shah Deniz II," Al Cook, BP-Azerbaijan's vice president, told.

Output from Shah Deniz II is expected to reach 16 billion cubic metres of natural gas per year, with 10 bcm earmarked for Europe and 6 bcm for Turkey. Shah Deniz I, which has been pumping gas since 2006, has production capacity of 8 bcm. Shah Deniz is being developed by a consortium led by BP which also includes Norwegian major Statoil and the Azeri state energy firm SOCAR.

SOCAR head Rovnag Abdullayev said in December gas from the second phase of the project would reach European markets in late 2017 or early 2018. By the middle of this year, the Shah Deniz consortium is expected to choose whether to transport Shah Deniz II production via the Nabucco-West pipeline or the rival Trans-Adriatic pipeline (TAP). The consortium owns stakes in both pipeline projects. Cook welcomed ratification by Azerbaijan and Turkey of the linked Trans-Anatolian (TANAP) gas pipeline agreement, which will bring Azeri gas through Turkey to the edge of Europe. TANAP will connect with either Nabucco West into Austria or TAP. "Over the next 18 months, in 2013 and the first half in 2014...BP on behalf of the consortium plans to make commitments to spend \$10 billion," he said.

## Azerbaijan extends Shah Deniz PSA

Upstream Online, 25.01.2013



Azerbaijan has given BP another five years on the production sharing agreement for the massive Shah Deniz gas project after the UK supermajor pushed back the start date for the second phase.

"We have agreed to extend the Shah Deniz PSA from 2031 to 2036, and the Shah Deniz partners will now proceed with phase two", Elshad Nassirov, vice president of the Azeri state oil company Socar, told Reuters. BP said earlier this week that it was targeting 2018 for first gas from the \$10 billion second phase, a year later than previously planned.

## Uganda to auction 13 oil blocks in 2013

Rigzone (Dow Jones), 23.01.2013



The Ugandan government is planning to auction at least 13 oil blocks in the Albertine Rift Basin this year as soon as the government lifts a ban on the licensing of new acreage, Uganda's junior energy and minerals minister said Wednesday.

Peter Lokeris said the planned auction will allow international oil companies to bid for exploration acreage in the basin, where existing companies have discovered deposits of as much as 3.5 billion barrels of crude oil. The government has demarcated a total of 17 blocks in the region, Mr. Lokeris said.

Four of the blocks were licensed before Uganda imposed a licensing ban on new acreage in 2007. The remaining blocks will be auctioned as soon as President Yoweri Museveni enacts a new law lifting the licensing ban. "Competitive rounds for new acreage will be guided by the new petroleum...some of the acreage previously licensed to oil companies has been returned to government through relinquishment requirements and the expiry of licenses" Mr. Lokeris told Dow Jones Newswires on the sidelines of an oil conference in Kampala, the Ugandan capital.

The licensing round will be Uganda's first since it imposed the ban in 2007, which was put in place following the confirmation of commercial oil reserves. Oil exploration companies have since made a flurry of discoveries in the country, increasing the size of Uganda's oil reserves from around 300 million barrels in 2006 to 3.5 billion barrels to date.

Mr. Lokeris said oil exploration companies operating in the Lake Albertine Rift Graben have had a success rate of around 87%, finding oil in 76 oil wells out of the 87 wells drilled so far. "Preparations for development of some of these discoveries is ongoing before production can commence...This is an exciting time for the country" he said.

Companies with licenses in the country so far include U.K.-based Tullow Oil, France-based Total and China's CNOOC. The three companies are planning to invest around \$10-12 billion to develop oil fields in four blocks as Uganda continues plans to join the ranks of African oil producers. Companies such as Italy's Eni, Russia's Lukoil, and India's Essar Oil have expressed interest in acquiring oil licenses in the country.

# Announcements & Reports

## ► *Energy's Next Frontiers*

**Source** : Deloitte

**Weblink** : [http://www.deloitte.com/assets/Dcom-Turkey/Local%20Assets/Documents/turkey\\_energy\\_next\\_frontiers.pdf](http://www.deloitte.com/assets/Dcom-Turkey/Local%20Assets/Documents/turkey_energy_next_frontiers.pdf)

# Upcoming Events

*Supported by PETFORM*

## ► *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>



## ► *6<sup>th</sup> Annual Unconventional Gas Conference*

**Date** : 6 – 7 March 2013

**Place** : London – UK

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

## ► *6<sup>th</sup> International Petroleum Technology Conference*

**Date** : 26 – 28 March 2013

**Place** : Beijing – China

**Website** : <http://www.iptcnet.org/2013/>

## ► *LNG17 – International Conference and Exhibition on Liquefied Natural Gas*

**Date** : 16 – 19 April 2013

**Place** : Houston – USA

**Website** : <http://conferencehound.com/conference/lng17-international-conference-and-exhibition-on-liquefied-natural-gas/53874>

## ► *Offshore Technology Conference*

**Date** : 6 – 9 May 2013

**Place** : Texas – USA

**Website** : <http://www.gshtx.org/en/cev/908>



### ► *12th Moscow International Oil & Gas Exhibition*

**Date** : 25 – 28 June 2013  
**Place** : Moscow – Russia  
**Website** : <http://mioge.com/about/upstream.aspx>

### ► *Oil and Gas Conference and Exhibition 2013*

**Date** : 3 – 6 September 2013  
**Place** : Aberdeen – UK  
**Website** : <http://www.offshore-europe.co.uk/page.cfm/Link=1/t=m/goSection=1>

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### ► *All Energy Turkey* *(in Turkey)*

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



### ► *Texas Oilfield Expo*

**Date** : 6 – 7 March 2013  
**Place** : Texas – USA  
**Website** : <http://www.gshtx.org/en/cev/906>

### ► *21st Kazakhstan International Oil & Gas Exhibition and Conference*

**Date** : 1 – 4 October 2013  
**Place** : Almaty – Kazakhstan  
**Website** : <http://www.kioge.com/2013/upstream2013.html>

### ► *Deep Offshore Technology International Conference & Exhibition*

**Date** : 22 – 24 October 2013  
**Place** : Texas – USA  
**Website** : <http://www.biztradeshows.com/trade-events/deep-offshore-technology.html>

### ► *World Shale Gas Conference & Exhibition*

**Date** : 4 – 7 November 2013  
**Place** : Texas – USA  
**Website** : <http://www.biztradeshows.com/trade-events/world-shalegas-exhibition.html>