Oil & Gas Bulletin

▸ 16.08.2013

Turkey plays big in KRG's energy game

Reuters, *15.08.2013*

Turkey has quietly built up a large presence in KRG's oil and gas industry, teaming up with U.S. major ExxonMobil, as Ankara bets on Iraq's semi-autonomous republic to help wean it off costly Russian and Iranian energy imports. A state-backed Turkish firm was also set up in the second quarter of 2013 to explore for oil and gas in KRG, according to three sources familiar with the company.

The strategy will anger Baghdad, which claims sole authority to manage Iraqi oil, and runs counter to calls from Washington for Ankara to avoid backing projects that will help the Kurds gain further autonomy.

With a ballooning energy deficit that leaves the Turkish economy vulnerable to external shocks and a booming demand for power that is set to keep growing over the next decade, Turkey has been working to cut the costs of its oil and gas imports. KRG's huge energy potential has been hard to ignore, and Turkey's courtship of Iraq's Kurds, a strategy driven by Prime Minister Tayyip Erdogan, is beginning to pay off.

"When you have such an energy deficit and you have such a big potential on your border, you can't let Baghdad or anything else get in the way," said one of the sources familiar with the new state-backed company, a Turkish industry figure close to the deals in KRG. "You have to find a formula and make sure this oil flows through your country."

The Arab-led central government in Baghdad, at odds with the Kurdish-run enclave over control of oilfields and revenue sharing, has repeatedly expressed its discontent. It has warned that independent Kurdish efforts to export its oil could ultimately lead to the break-up of Iraq. But neither calls from Baghdad nor Washington have been enough to deter the Turks, the Kurds or the oil companies. Exxon, Chevron and Total have already signed exploration deals with KRG.

Semi state oil firm TPIC and state pipeline operator BOTAS have stakes in the new state-backed company, which has entered a dozen exploration blocks in KRG, including several fields where Exxon is already present. It is also negotiating a gas purchasing deal with KRG, said the sources familiar with the company. Exxon Mobil declined to comment for this story. Turkey's ambition to play a bigger role in KRG's energy prospects comes at a time when it is also negotiating a fragile peace process with Kurdish militants on its own soil to end a three-decade long bloody dispute.

Divided mostly between Iran, Turkey, Iraq and Syria, the Kurdish people are often described as the largest ethnic group without a state of their own. Turkey's involvement also stretches to a new KRG pipeline that is almost complete and will allow the Kurds to export their crude from the Taq Taq oilfields straight over the border to Turkey without having to wrangle with Baghdad over payments. The pipeline will link with the existing Kirkuk-Ceyhan pipeline on Turkish soil, rather than in Iraq, thus bypassing Baghdad, according to the latest plans.

Last year, KRG stopped exporting 200,000 barrels per day (bpd) of crude through Iraq’s federal pipelines due to a revenue-sharing dispute and instead started trucking smaller amounts of oil to Turkey. The semi-autonomous region has ambitious plans to raise exports to more than 1 million bpd by the end of 2015 or over 1 percent of global supplies. The sources say the pipeline is almost complete and will start pumping around 200,000 bpd at the end of the year. Turkey consumes around 700,000 barrels of oil daily.

OPEC member Iraq’s oil may have long been the focus of attention, but for Turkey, gas could have an even greater appeal. Turkey is set to overtake Britain as Europe’s third biggest power consumer in a decade. It buys natural gas from Russia, Iran and Azerbaijan and liquefied gas from Nigeria and Algeria for use mainly in power generation. “For Turkey, securing natural gas from fields in northern Iraq, where Turkey will also be a partner, is of utmost importance. There has been big progress on this issue,” said one of the three sources, a Turkish official close to the talks.

Two of them said the state-backed Turkish company was looking to finalize gas purchasing deals with KRG in the coming months. KRG Energy Minister Ashti Hawrami said this year KRG was planning to export the first gas to Turkey by 2016. About a dozen Turkish private companies have applied to Turkey's energy watchdog EPDK to obtain a license to import gas from Iraq. Turkey’s daily gas demand stood at 125 million cubic meters in late 2012 and is likely to rise to nearly 220 million during the harsh winter months, energy ministry officials say. “It is actually a gas game. The main reason why Turkey is taking this political risk in Iraq is because of the appealing gas resources,” said the industry source.

28 pre-qualification bids collected for TANAP

AA, *14.08.2013*

The Turkish energy minister said 28 companies, nine of which are local companies, have applied for preliminary qualification for procurement of the pipes to be used for Trans-Anatolian Gas Pipeline (TANAP).

“The authorities will begin to review applications for the natural gas pipeline system that will carry Azeri gas through Turkey by Aug. 27,” Energy Minister Taner Yildiz told the press after meeting with his Djiboutian counterpart, Ali Yacoub Mahamoud. The contracts are expected to be awarded in the third quarter of 2014 and the construction period is expected to start at the end of 2014.

PETFORM

KRG opens official crude oil trade route via Iran

Reuters, *07.08.2013*

KRG has started to export crude oil by truck to an Iranian port for shipping to Asia, industry sources say, using a trade route that is likely to anger both Baghdad and Washington. Iraq's KRG is exporting crude oil by truck to an Iranian port for shipping to Asia, industry sources say, using a trade route that is likely to anger both Baghdad and Washington.

In a dispute largely over revenue sharing, KRG crude exports through a pipeline controlled by the Iraqi central government dried up last year. However, it is transporting about 50,000 bpd of crude and condensates by road through Turkey.

Now the Kurdish Regional Government (KRG) has approved a second route for crude through Iran used previously only for petroleum products, the sources said. For the past two months, crude has been trucked from Kurdish fields over the border to Iran's Bandar Imam Khomeini (BIK) terminal, 900 km (560 miles) to the south on the Gulf. Amounts are unclear but could be as much as 30,000 bpd, they said. One industry source in KRG said the regional government in Arbil was anxious not to put out either of the region's powerful neighbors, Turkey and Iran, in transporting the crude. “It's a political compromise,” said the source, who declined to be identified. “They cannot ignore the Iranians and go all the way ... with the Turks. They have to balance.”

However, it is not clear what Iran, which faces huge problems in selling its own oil products because of international sanctions, gets out of the arrangement. Asked about the route, the Kurdish government did not comment on the record, although a KRG official source denied any crude was going through Iran yet. Oil lies at the heart of the dispute between the Arab-led Iraqi central government and the ethnic Kurdish-run northern enclave. At issue are control of oilfields, territory and crude revenues shared between the two administrations.

“We have made it very clear that the only acceptable option for oil exports is through the federal pipeline network,” a senior Iraqi oil official said. “We consider any other trade, whether it be through Iran or Turkey, as smuggling. It's illegal.” Arbil has already antagonized Baghdad by signing exploration and production deals on its own terms with firms including Exxon Mobil, Chevron and Total, and is currently laying the final stretch of an independent export pipeline to Turkey. Fuel oil and naphtha have moved by truck from KRG through Iran for years, because Kurdish domestic sales contracts allow the sale of these products outside Iraq.

Industry sources said the oil is mainly from the region's three biggest producing fields - Taq Taq, Tawke and Khurmala. Bjoern Dale, acting managing director of DNO which operates Tawke, said he did not know whether any crude from the field was going over the border into Iran. “We have no knowledge of any such transactions,” Dale said.

TANAP offers $8 billion in investment

Hürriyet Daily News, *16.08.2013*

At least $8 billion in investment will be made in Turkey during the construction of a pipeline that will carry Azeri gas through Turkey, offering a number of opportunities for local companies to benefit, Socar Turkey's president has told daily Hürriyet.

The Trans-Anatolian Gas Pipeline (TANAP), construction on which is expected to start by the end of 2014, is expected to begin operations by 2018 with a 16 billion cubic meter capacity. As the tender process for the pipes' procurement has been initiated, the impetus that will emerge in the infrastructure sector in Turkey has raised excitement.

Turkey's energy minister said 28 companies, nine of which are local companies, have applied for preliminary qualification for the pipes to be used on the pipeline. Local pipes to be used in 1,800 km long pipeline Authorities will begin to review applications by Aug. 27, and qualified bidders will be invited to the tender.

Kenan Yavuz, the president of the Turkish arm of Azeri energy giant Socar, which is also one of the partners of TANAP, said 2 million tons of pipes will be used for the project. "The project has a high added-value in terms of locality, because of the pipes to be used and the employment to be created in the construction of the line," he said. Turkish Energy Minister Taner Yıldız said Aug. 14 that they were not mandating that local pipes be used as the project is international, but strongly encouraged Turkish firms to gear up efforts to participate in the endeavor.

"The Turkish economy and employment would benefit if a local company were undertaking the 1,800-kilometer-long pipeline's construction," he said in an interview broadcast jointly by NTV and CNBC-e. "If we can manufacture these pipes, importing them wouldn't be appropriate at all," he said.

Fuel prices lowered upon EPDK request despite tax row

AA, *09.08.2013*

Fuel companies cut the prices between 2 to 6 kuruş in response to a request by Turkey's energy watchdog to adapt prices with international levels. Energy Market Regulatory Authority gave the companies Aug. 7 as a deadline and asked all fuel oil companies to slash their prices.

EPDK's move was objected by the companies, who cited high taxes as an obstacle to lowering prices. Turkish energy minister has said yesterday the ball is in the distributors' court regarding a reduction of fuel prices, claiming the tax share within fuel prices has been lowered since the Justice and Development Party came to power.

"During our rule, the 75-percent tax share in fuel has been reduced to around 60 percent, with a fall of around 15 percent," the Energy Minister Taner Yildiz said yesterday at a bayram greeting in Kayseri. The executives, who met with the EPDK officials, stated that the vendors and distributors had only a share of 0.4 Turkish Liras (40 kurus) on gas that cost 4.8 liras ($2.4) per liter. "Our margins are already limited. The real burden on fuel oil prices is taxes. It is not possible to make a discount on the share of the vendors-distributors," they had said.

Iran boosts gas output at South Pars Phases 4 and 5

Natural Gas Europe, *14.08.2013*

Iran has increased production at phases 4 and 5 of the South Pars gas field by 35 million cubic feet per day, Tehran Times reported citing IRNA news agency.

Also, six phases of South Pars gas field have been developed by 62 percent in less than 35 months and four others by 50 percent, while building refineries for some of the phases has progressed more than 75 percent, Tehran Times said. Iran is currently producing 300 million cubic meters per day of gas from the South Pars. The Iranian gas field, which is divided into 29 phases, contains 14 trillion cubic meters of natural gas, about eight percent of the world's reserves.

Israeli gas group in talks on pipelines to Turkey, Jordan, Egypt

Reuters, *07.08.2013*

A group of energy companies that discovered large amounts of natural gas off Israel’s Mediterranean coast said they were in talks to export the gas to Europe via a pipeline to Turkey. They were also studying options to export gas to Jordan, Egypt and the Palestinian Authority, Avner Oil & Gas said.

“The partners are negotiating with various officials,” Avner, one of the partners in the project, said. A spokesman for Delek Group, the parent company for Avner and for Delek Drilling, said the group, led by Noble Energy, was already in advanced talks with companies in Turkey, Jordan, Egypt and the Palestine about buying Israeli gas and building pipelines

Recoverable gas in the Levant Basin, which lies largely in Israeli and Cypriot waters in the eastern Mediterranean, holds some 3.5 trillion cubic meters of gas, the U.S. Geological Survey has estimated. Taher Abdel-Rahim, chairman of the Egyptian Gas Holding Company (EGAS), which runs Egypt’s gas pipeline network, dismissed the claims, Anadolu Agency reported yesterday. “We have not made such negotiations and will not go into talks in the meantime with any international companies about such proposals,” he said.

When it comes to cooperating with Israel on its energy projects, Turkish Energy Minister Taner Yıldız drew attention to the fact that first there was a need for political feasibility to talk about these projects’ technical feasibility in his comprehensive interview with Hürriyet Daily News on May. The minister recalled that there were signs of this political feasibility after Israel apologized to Turkey but he wanted to underline that these projects could never be presented as the reasons for this apology. “They may well be the consequences of this apology,” he stressed.

Negotiations for LNG terminal in Cyprus underway

Financial Times, *08.08.2013*

Negotiations between Greek Cyprus and Noble-Delek for LNG terminal, to be built at Vasilikos are entering a substantive phase Minister of Energy George Lakkotrypis said yesterday. He told CNA that negotiations on the LNG terminal have been underway for about a month and have now entered "deep waters" and "substantive" phase, noting that they concern the structure and the share capital of the terminal.

Negotiations should be completed by December when a final agreement is expected to be reached based on the Memorandum of Understanding signed in late June between Greek Cyprus and three companies Noble, Delek and Avner.

Asked about the appraisal drilling in Greek Cyprus' Block 12 by Houston based Noble, Lakkotrypis said the key stage of the drilling has been completed, adding that the drilling has reached a depth of more than 5,600 metres below sea level. He also noted that the evaluation process regarding the geological data obtained from appraisal drilling has already begun and will last a few weeks. Asked if there are any early indications as regards the results of the drilling, he said that evaluation process must be completed first before final results are announced.

Asked whether a second appraisal drilling would be necessary, he said that it will become clear in due time. An MoU is expected be signed with the Energy Ministers of Greece and Israel in Nicosia tomorrow which will constitute the "the framework of a tripartite dialogue on energy issues and water resources with specific suggestions for actions such as the protection of the environment and the management and development of water resources."

In 2011 Noble announced that exploratory drilling in block 12's A-1 well revealed an estimated resource of 5 trillion cubic feet (tcf) to 8 tcf, with a mean of 7 tcf. Noble Energy operates Block 12 with a 70% working interest. Delek Drilling Limited Partnership and Avner Oil Exploration Limited Partnership each own 15%. Apart from Noble Energy, Greek Cyprus has also signed contracts with the ENI/KOGAS consortium for hydrocarbons exploration in blocks 2, 3 and 9, as well as with French TOTAL for blocks 10 and 11 in its Exclusive Economic Zone. On June 26, the Greek Cyprus government, Delek and Avner signed a Memorandum of Understanding (MoU) or the Greek Cyprus LNG terminal.

Delek announces resource evaluation report of Karish

Oil and Gas Eurasia, *06.08.2013*

Delek Group published today a report prepared by Netherland, Sewell and Associates (NSAI) of the unrisked gross (100 percent) contingent and prospective resources, as of June 30, 2013, in the Karish Discovery and prospects located in the Alon C License (number 366), offshore Israel.

The Delek Group is involved in natural gas exploration and production activities in Levant Basin. Tamar and Leviathan, two of the world's largest natural gas finds since 2000, Delek and its partners are now developing a portfolio of exploration, development and production assets with total gross natural gas resources discovered of approximately 33 TCF.

In addition, Delek has built an extensive network of global downstream assets, including 1,900 gas stations and convenience stores in the U.S., Europe and Israel, and petroleum refineries in the U.S. Delek also holds significant interests in leading water desalination, power generation, insurance and automotive companies. In 2012, the Company's revenues were NIS 72 billion ($19 billion).

How much natural gas should Israel export?

Platts, *29.07.2013*

Israel or Greek Cyprus, with offshore riches holding out the promise of energy independence and a substantial cash booty as well. What horror to be Israeli or Cypriot politicians, having to grapple with some fiendishly complicated problems when considering how get these new found riches to market.

First of all, if you're Israeli, there's the need to satisfy domestic doubters as to just what the role of exports should be at all. Then there's the question of whether, if you want to satisfy the natural desire of the companies actually producing the gas to secure export markets, that you do so on your own, or in cooperation with Greek Cyprus.

And then there's the choice that both Israeli and Greek Cypriot politicians must make: do you go for gas export by pipeline, or as LNG? There's no doubt what the companies currently prefer: an LNG plant in Greek Cyprus designed to pool Israeli and Cypriot resources. But some Israeli diplomats reckon it would be good to export gas by pipeline to Turkey while some Israeli analysts prefer LNG, but believe that for security reasons the facilities should be located in Israel itself.

There are no easy solutions. Political fears, boundary disputes and the unresolved division of Greek Cyprus all get in the way. Underpinning Israeli political concern is the legacy of the cutoff of gas supplies from Egypt during the overthrow of the Mubarak regime. Militants blew up the line carrying gas to the Egyptian distribution center at El Arish several times. The aim was clearly to halt gas deliveries carried by the subsea line from El Arish to the Israeli port of Ashkelon; in the process, however, they also halted supplies to Jordan.

For Israel, the impact was severe. The country was looking for gas to supply the fuel for 40% of its electricity in 2012, but it ultimately accounted for just 12% of power generation. So there's an obvious constituency for putting domestic interests first. The problem is that both the initially recommendation of the government's Tzemach committee, that some 450 bcm of gas be reserved for Israeli domestic needs, nor the subsequent cabinet decision to opt for a 540 bcm retention figure, was routinely reported in the Israeli media in the form of a percentage of supplies available.

Thus the argument failed to focus on the key elements. How much gas does Israel need at any given time and how much gas do the companies want to export at any given time? Instead it revolved around an essentially dogmatic approach that Israel required a fixed percentage of a presumed available resource base, with little attention paid to the fact that the size of resource base was itself constantly changing, and to the upside.

In specific terms, the initial recommendation of the Tzemach Committee (named for its chairman, Energy Ministry director general Shaul Tzemach) was taken to mean that Israel should reserve 47% of a presumed resource base of 950 bcm while the Cabinet's subsequent decision was defined in terms of retaining almost 60% (actually 56.85%) of the same-sized resource based. Just to confuse matters, rather than say this left 43% available for export, the Israeli media ran headlines along the lines of "Gas exports to be capped at 40%." But then 40% is a much easier figure to wield than 43.15%.

Not only does the resource base keep growing–witness the discovery of the Karish gas and condensate field in July–but the volumes Israel requires are averages. The Tzemach committee developed its 450 bcm figure on the basis of Israeli gas demand averaging 18 bcm over the next 25 years. That may turn out to be the case, but at present Israel only consumes around 6.5 bcm a year. In essence, it need not set aside quite as much now as it thinks to, and can afford to focus a little more on exports.

Ah, but there's the rub. What form should those exports take? One early idea was a pipeline to Turkey. Great. Turkey is nearby; it's a booming market that is expected to see demand grow from 43.5 bcm in 2012 to around 60 bcm in 2020; and it favors diversity of sources. Moreover, at present, its only completed agreement to cover the extra 16-17 bcm/y of gas it needs to import (and, since domestic production is minimal, its increase in demand is tantamount to an increase in imports), is for 6 bcm to come from Azerbaijan, starting in 2018-19.

But that’s a political minefield. The foreign ministry likes the idea because it would help improve ties with an important neighbor. But it still has no clear answer to the question as to whether maritime boundary issues first must be settled–or even a full solution of their 40-year Cyprus island dispute. The reason is that waters to the east of Cyprus island (if not actually Lebanese or Syrian), may be Cypriot in international law, but in practice a good part of any route taken by a pipeline from Israel to Turkey to the east of Cyprus island would have to pass through waters controlled not by the Government of Greek Cyprus but by the self-proclaimed breakaway state which calls itself the Turkish Republic of Northern Cyprus.

As for a possible line to the west of Cyprus island , that would need to pass through waters that are even more diplomatically murky. The problem here is that Greece, Turkey and Greek Cyprus have yet to state, let alone agree, just what they consider their respective Exclusive Economic Zones to be in this area. Judging by maps produced by Turkish and Greek analysts, any formal claims would be fundamentally incompatible, with Turkey likely to argue that its EEZ would have a common boundary with Egypt’s EEZ; Greek Cyprus would looking to support prospective Greek claims that Greece and Cyprus island share a common EEZ boundary. Perhaps it is just as well that neither Athens nor Ankara seem to wish to oppress this point at present. After all , they’ve been arguing over their maritime boundaries in the Aegean for half a century, with no solution in sight.

Some Turkish sources have suggested the simplest solution would be to lay a subsea line from the Israeli and Cypriot fields to southern Cyprus, then run an overland pipe to northern Cyprus, followed by a subsea line across to Turkey. In terms of cost, and engineering, they are almost certainly right. It’s just that laying a pipe from southern Cyprus to the north is politically improbable, and perhaps impossible, in the absence of a solution to the underlying Cyprus problem.

As for various occasional suggestions that Greek Cyprus and Israel might want to look at a pipeline to Greece, this not only poses similar problems, unless a route can be found through Egypt’s EEZ, but it’s also extremely complex, requiring state of the art technology to lay pipes at depths as great as 3000 metres. It thus can be ruled out on grounds of cost, unless, of course, Greece itself finds gas at some convenient intermediate location.

So it looks to be LNG. That’s certainly the goal of the memorandum of understanding signed with the government of Greek Cyprus on June 26 by the Delek Group and Noble Energy, the companies currently developing the major offshore gas fields discovered so far in both Israeli and Cypriot waters. The MoU aims to put in place the basic terms of a formal agreement to develop a joint two-train LNG plant at Vasilikos on the southern coast of Cyprus, with operations to start in 2018-19.

Can Noble and its partners pull this off? No government has yet approved the construction of an LNG plant primarily designed to serve its own resources but to be located in another country. This may be the first time it happens. There are still options for Israel to go it alone, but that would require building an LNG plant in Israel itself, which, given its limited Mediterranean coastline, would be likely to cause serious environmental protests; or to develop floating LNG, already criticized for constituting an obvious target for missile attack from Hezbollah forces in Lebanon. So nothing comes easy. That the riches of the Eastern Mediterranean will be developed is not in dispute. But how those resources get to international markets…that are quite another story.

Genel eyes Ethiopia farm-in

Upstream Online, *12.08.2013*

London-listed Genel Energy has reached an agreement with New Age (African Global Energy) to gain a 40% stake in the Adigala Block, onshore Ethiopia. Genel did not place a value on the deal but said the consideration to earn a 40% non-operated interest would involve a payment in respect of back costs and a contribution to the cost of a 2D seismic survey which is planned before the end of the year.

Genel said 520 kilometres of existing 2D seismic had been reprocessed last year and augmented by a full tensor gravity survey which provided evidence that all the elements of a working petroleum system exist within the block.

Genel noted that oil seeps and surface outcrops supported the presence of a mature and active Jurassic oil prone system, which it said was thought to be analogous to the producing Jurassic Rift basins of Yemen. “The Adigala Block farm-in is a natural extension of our exploration strategy, which seeks to acquire material equity positions in hydrocarbon basins with significant potential, as well as complementing our extensive interests onshore Somaliland where drilling is planned for 2014,” Genel’s head of exploration, John Hurst, said.

“We look forward to working with our new partners to high-grade the prospectivity on the block and add further depth and materiality to our exploration inventory. The Adigala Block covers 27,000 square kilometres in north-east Ethiopia, bordering Djibouti to the north and Somaliland to the east. Several large potential structural closures have been identified on existing data on the block and Genel said the upcoming 2D survey this year will be used to help refine those leads into drill ready prospects. Genel expects to complete the farm-in, which is conditional on government approval, next month.

OMV in ‘intensive’ talks with Gazprom, Statoil over gas price revision

Platts, *12.08.2013*

Austria’s OMV said Tuesday it is in “intensive” negotiations with its two major natural gas suppliers – Russia’s Gazprom and Norway’s Statoil -- over possible price adjustments to its long-term gas import contracts.

OMV’s second-quarter result was impacted by the “burden” of oil-linked gas supply contracts, and the company is now focused on righting the skewed elements of the contracts that mean it pays a higher price for its long-term contracted gas than the current spot price. “We are in intensive negotiations with both of them and we are defending our claims of course,” Hans-Peter Floren said.

“This year we are entitled to adapt the prices and we have claimed what there is to be claimed,” Floren said. Within its long-term contracts are clauses that allow for renegotiation at certain times over the duration of its term. The deadline in its contract with Gazprom was April 1 this year, while the deadline for its Statoil contract is October 1, 2013. Asked when there could be an outcome to the talks with the two companies, Floren said: "We are in intensive discussions, but I can’t comment on the timeframe. We are respecting confidentiality."

In recent years many of Gazprom's European customers have pushed to renegotiate long-term, oil-indexed gas supply contracts, claiming that there is a disparity between prices on bullish oil markets and spot prices for gas, which have been affected by weak demand, increased supply and competition from coal. Gazprom has resolved these claims through private contract talks rather than arbitration, though Germany’s RWE took its claims to an arbitration court and won a landmark case in June this year.

Under the case, Gazprom was forced to return cash to RWE and revise the long-term contract price of gas supplies to the Czech Republic. In 2012, Gazprom recognized retroactive payments of more than $3 billion to some of its main European clients after reviewing pricing conditions, including for OMV. Others included Italy’s Eni and EGL, Germany's E.ON Ruhrgas, Shell, Poland’s PGNiG and Denmark's DONG.

Rosneft and SOCAR sign cooperation agreement

Upstream Online, *13.08.2013*

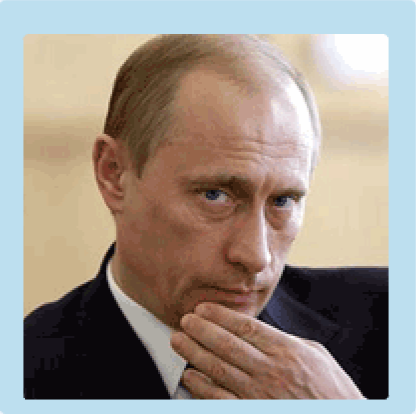
Russia's Rosneft and Azerbaijan's SOCAR signed a cooperation agreement in the presence of Vladimir Putin, President of the Russian Federation, and Ilham Aliyev, President of the Republic of Azerbaijan reads a note released.

'Rosneft and SOCAR will form a joint venture on parity basis to cooperate in certain upstream oil and gas projects in various countries, including Russia and Azerbaijan. The companies also agreed to cooperate in marketing and trading operations for hydrocarbons and petroleum products as well as jointly operate certain infrastructure facilities, such as pipelines and terminals,' reads the note.

According to Rosneft President Igor Sechin and SOCAR President Rovnag Abdullayev, the agreement will enable the companies to broaden geographical reach, get access to new markets and resources and optimize crude oil and petroleum product supplies through the use of existing infrastructure. The cooperation between Azerbaijan and Russia increased in the last months, with SOCAR doubling its gas supply to Russia this year.

Putin fails to undermine Azerbaijan as gas competitor

EurActiv, *14.08.2013*



Russian President Vladimir Putin failed to clinch a concrete energy deal on a rare trip to Azerbaijan yesterday (13 August), dashing Moscow's hopes to challenge the dominance of Western energy majors in the former Soviet republic. Putin's trips abroad usually yield a flurry of deals and one of his closest allies, state oil champion Rosneft's head Igor Sechin, went to Baku to prepare the ground.

Russia has long tried to increase its presence in Azerbaijan; a country Europe is hoping will help it lessen its dependence on Russian gas after Moscow's "gas wars" with Ukraine disrupted deliveries in 2006 and 2009.

But on Tuesday, Sechin signed only a vague cooperation agreement with Azeri state energy firm Socar as Putin landed in Baku for the first time in seven years. “Under this agreement, we plan to cooperate on a number of issues including crude swap operations, a joint use of infrastructure,” Sechin told reporters without giving details. Sources on both sides said a lot of differences needed to be removed for the companies to agree on teaming up on field development or swapping energy supplies.

“Azerbaijan is asking such a high price for its assets that Rosneft is not willing to offer,” a Russian energy source said, asking not to be named. A Socar source also said a lot of work needed to be done to iron out the differences. Western oil majors such as BP, Statoil and Exxon Mobil have dominated the Azeri oil industry since the collapse of the Soviet Union while relations between Moscow and Baku have been mostly cool. President Ilham Aliyev, who has governed the mainly Muslim country since succeeding his father in 2003, has mostly performed a delicate balancing act between the West and Russia.

But ties were strained late last year after protracted talks between the two countries failed to reach a deal over Moscow’s use of a radar station on Azeri territory. The only Russian company with a significant presence in Azerbaijan is privately-held Lukoil. Russian state gas monopoly Gazprom agreed in the last decade to buy almost the entire gas output from Azerbaijan, in what was seen as a successful attempt by Russia to defend its leading position in Europe’s gas markets.

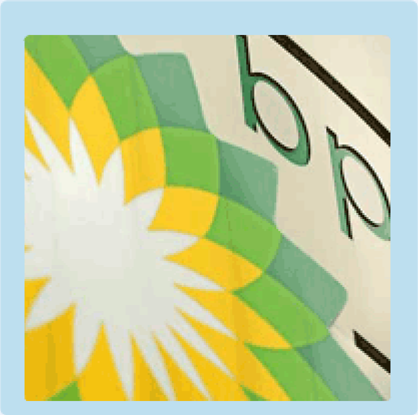
But the deal never materialized in full, and Azerbaijan and oil majors have instead agreed to supply most of their gas through a new pipeline to Europe from 2019. The project does not represent a major challenge to Russia’s gas dominance in Europe, although Moscow has always been keen to make sure Azerbaijan does not become a major transit route for gas from other Caspian Sea producers.

The threat has somewhat diminished since major producer Turkmenistan rerouted most of its gas to China away from Russia and the European markets. Azerbaijan has almost a trillion cubic metres (tcm) in gas reserves, according to BP data, relatively small compared to Russia’s 33 tcm. Last month, industry sources told Reuters Rosneft was seeking a stake in Azerbaijan’s Absheron gas project but this was not mentioned in the cooperation agreement.

SOCAR and French oil company Total each hold 40% in Absheron with the remainder being held by GDF Suez. Azeri officials have said Absheron will help increase Azeri gas exports in coming years. Sources have also said Rosneft and Socar were also considering swapping Azeri oil in Europe against Russian supplies to Asia which would allow Rosneft to service its plants in Italy and Germany while Socar would supply its Asian buyers.

BP accused of manipulating US natural gas market prices

Reuters, *06.08.2013*



A US energy regulator has proposed to fine oil giant BP $28 million for allegedly manipulating the natural gas market in 2008. The Federal Energy Regulatory Commission charged on Aug. 5 that a team of Texas-based traders for BP America undertook a number of trades in late 2008 that deliberately lost money as part of a "manipulative scheme" to fix prices and boost profits.

A FERC staff report said the scheme was revealed in a recorded phone call between two of the traders, which came after a senior BP official expressed concern at the propriety of the trades.

The FERC said the operation had sought to artificially maintain for nearly two months a large spread between prices at two southeast US locations that initially arose from market disruptions caused by a hurricane. Doing so significantly increased the value of contracts held by the trading team, the report said, netting BP around $800,000 gains. The taped phone conversation proved "sufficient to provide staff with an outline of the Texas team's manipulative scheme," the FERC report said.

FERC to ask for disgorge. In addition to the proposed $28 million penalty, BP would be required to disgorge $800,000 under the FERC action. BP called the allegations "without merit" and said it will "vigorously" contest them. BP vice president Geoff Morrell said in a statement that the phone conversation, which he said was between a trainee and a trader, was "completely" taken out of context.

"The recording does not support any allegation of wrongdoing," Morrell said. "In fact, the trainee involved in the conversation states that his characterization was incorrect and the trader never agrees with nor condones the trainee's statements." "We stand by what we previously disclosed publicly in February 2011 -- that BP natural gas traders did not engage in any market manipulation in late 2008," he said. BP has 30 days to formally respond to the FERC's finding.

IEA: US shale boom eases OPEC issues

Reuters, *09.08.2013*

North America's shale boom is insulating the world from steep oil price spikes as several OPEC members struggle to maintain production due to unrest and infrastructure problems, the International Energy Agency (IEA) said on August 9.

International Energy Agency, consulting developed nations on energy policies, said key among those disruptions were Libya and Iraq where violence has already steeply curtailed output. Upcoming work on key Iraqi terminals could further upset oil buyers in throughout Europe, Asia and the US.

"Officially, volumes will be curtailed only in September but the fear is the shut-in could drag on for months given the scope of the work as well as the country's poor record of delivering projects on time," the IEA said in a monthly report. "Northern (Iraqi) exports are expected to remain constrained indefinitely given the lack of progress between Baghdad and the Kurdish Regional Government (KRG) over payment and contract terms," it added. Pipeline attacks in Iraq's north helped push output below 3 million bpd for the first time in six months, and planned work at southern shipping terminals in September may slash exports by 300,000-500,000 barrels per day (bpd) for months, the IEA said.

Elsewhere among OPEC members, in Libya, civil unrest has cut exports to their lowest since the 2011 civil war with shipments standing at only one third of capacity. Security issues also cloud supply prospects in OPEC members Algeria and Nigeria, the IEA added. OPEC leader Saudi Arabia raised oil production in July to a 12-month high of 9.8 million bpd, but still not enough to offset the decline in other members. "OPEC July output was down 1.1 million barrels per day on the year for reasons that had very little to do with lack of demand or competition from North American supply, and everything to do with domestic developments in some member countries," the IEA said.

OPEC is currently producing 30.41 million bpd, very close to its self-imposed target of 30 million bpd after producing heavily above the target for several years. Benchmark Brent oil futures rose $4 a barrel to a four-month high of $107.43 in July on OPEC supply outages. By contrast, non-OPEC supplies rose by 570,000 bpd in July to 54.9 million bpd, with North America providing around 40 percent of the growth. The IEA said it slightly trimmed by 100,000 bpd demand growth estimates for 2014 on reduced global GDP projections by the IMF. Non-OECD oil demand is now forecast to overtake that of the developed OECD nations in the third quarter of 2013, the IEA said.

Iraq oil exports hit 16-month low due to halts in pipeline

AFP, *08.08.2013*

Iraqi crude sales hit a 16-month low in July as exports along a northern pipeline stalled even as production rose, the oil ministry said on Aug. 7. Iraq exported 72 million barrels of oil, or about 2.322 million barrels per day (bpd), ministry spokesman Assem Jihad said -- the lowest daily average figure since March 2012.

The country earned $7.3 billion from the exports. Much of the decline came via the Kirkuk-Ceyhan pipeline, which is a frequent target of attacks by militants. Exports along the pipeline had been as high as 547,000 bpd in June 2011, but averaged just 168,000 bpd last month.

But while exports fell, production is on the rise, reaching 3.25 million bpd in July compared to 2.94 million bpd during the same period last year. Jihad also said that Iraq intends to build a new pipeline from Kirkuk to Turkey in order to add export capacity. Nine foreign companies have submitted bids for the pipeline, which will have a capacity of 600,000 bpd and be built parallel to an existing pipeline to Turkey. The new pipeline is needed because the existing one has been repeatedly attacked by militants, and also because Iraq wants to boost its export capacity, Jihad said.

Iran, Russia and Qatar agreed to prevent gas prices from falling

Trend.az, *03.08.2013*

The Gas troika of Iran, Russia and Qatar have agreed on stabilizing the gas prices, and preventing them from falling, Mehr news agency quoted Iranian Deputy Oil minister Javad Owji as saying. According to Mehr, the troika achieved the agreement during the second summit of the Gas Exporting Countries Forum (GECF) which held in Moscow in July.

Owji also said that unconventional gas production is a "showcase", adding that, Iran and other big gas exporters are not concerned about it. The cartel of key gas exporters created de-facto by Iran, Russia, and Qatar has approximately 60 percent of world gas reserves.

PetroChina to join giant Iraqi oilfield

Reuters, *12.08.2013*

PetroChina will join Exxon Mobil in developing Iraq's giant West Qurna oilfield and is in talks with Russia's Lukoil to buy into a second project at the field, industry sources said.

China is already the top foreign player in Iraq's oilfields. A deal at West Qurna, which is around 50 km northwest of the southern oil hub of Basra, would boost its dominance and could make PetroChina the biggest single foreign investor in Iraqi oil. West Qurna is central to Iraq's oil expansion plans, with enough reserves to pump more than 5 million bpd, and it could rival the world's biggest producer, Saudi Arabia's Ghawar field, when its two phases are running fully.

"PetroChina will participate in developing the field," an industry source with direct knowledge of the deal with Exxon said on Friday. The agreement would be announced in weeks, the source said, but declined to give further details on how the world's two most valuable listed energy firms would work together in Iraq. Both PetroChina and Exxon declined to comment.

PetroChina already partners BP at Rumaila, now Iraq's largest producer, and operates the Halfaya and al-Ahdab fields. The company was the first foreign firm to sign an oil service deal in Iraq after U.S.-led forces toppled Saddam Hussein.Baghdad signed a series of service contracts in 2009 that committed international oil companies to raising Iraq's oil output by 2017 beyond 12 million bpd - more than Saudi Arabia produces now. Infrastructure and security problems have since forced the government to cut the target to 9 million bpd by 2020.

The issues are so acute Iraq could report a year-on-year output fall for 2013, its first after two years of robust gains. Despite the frustrations, Exxon, which holds a 60 percent stake in West Qurna-1, has made steady progress with minority partner Royal Dutch Shell and the field, a $50 billion investment project, is pumping around 480,000 bpd. In March, PetroChina's ex-chairman Jiang Jiemin told Reuters the Chinese energy major was willing to team up with Exxon at West Qurna.

DOE grants third LNG export permit

Upstream Online, *07.08.2013*

The US Department of Energy (DOE) said it had conditionally approved Lake Charles Exports' plan to send LNG to countries without a free trade agreement (FTA), the third such license granted amid booming US gas production.

Lake Charles is backed by UK gas giant BG Group and Energy Transfer Partners' Southern Union joint venture. The project, located in Lake Charles, Louisiana, now has DOE's blessing to export up to 2 billion cubic feet of natural gas per day for a period of 20 years. Lake Charles had previously been approved to export LNG to countries with FTAs with the US.

"Subject to environmental review and final regulatory approval, the facility is conditionally authorized to export," DOE said in a statement on Wednesday. The project now joins Cheniere Energy's Sabine Pass facility in Cameron Parish, Louisiana, and Freeport LNG's plant in Quintana Island, Texas, as the only US facilities allowed to export LNG to non-FTA countries. Cheniere has approval to export up to 2.2 Bcfpd of gas while Freeport LNG export up to 1.4 Bcfpd.

The Lake Charles project proposes construction of three liquefaction trains with a total capacity of 15 million metric tonnes of LNG per annum. BG will have exclusive rights to the full export capacity, including renewal rights, and will oversee the design and construction management of the project. Natural gas production in the US, driven by the shale boom, is expected to hit another record this year at around 69.89 Bcfpd, according to the Energy Information Agency. It would be the third straight year of record production, and the agency expects production next year to hit yet another record.

The booming output comes despite stubbornly low US gas prices. US producers are counting on exports to Asia and Europe - where prices are considerably higher - to bolster prices at home. Opponents say exporting LNG could cost domestic consumers. Front-month natural gas was trading at $3.26 per MMBtu around noon on Wednesday. DOE said its approval took into consideration the economic, energy security, and environmental impacts of exporting from Lake Charles, as well as thousands of public comments for and against the application

It "determined that exports from the terminal at a rate of up to 2 Bcfpd for a period of 20 years was not inconsistent with the public interest". America's Energy Advantage, a trade group, called the DOE decision to consider export projects on a sequential basis "a prudent approach that allows it to consider the cumulative impact of additional exports". "Each permit approval brings us closer to the point that would begin to harm the manufacturing renaissance," it noted. Southern Union has been participating in the Federal Energy Regulatory Commission's mandatory pre-filing process and expects to file a formal application for full authorisation in or before the first quarter of 2014, Lake Charles Exports said in a statement on Thursday.

Turkmenistan to build Caspian energy port

EurActiv, *16.08.2013*

Energy-rich Turkmenistan yesterday launched a $2 billion project to build a new port on the Caspian Sea designed to boost exports. Turkmen President Kurbanguly Berdymukhamedov and Turkish Prime Minister Recep Tayyip Erdogan took part in a ground-breaking ceremony in the western town of Turkmenbashi where the new port will be built by Turkish construction firm Gap Insaat.

An 800-km pipeline is already being built from the country's giant Galkynysh gas field, the world's second-largest natural gas deposit, to Turkmenbashi to lessen dependence on exports to Russia.

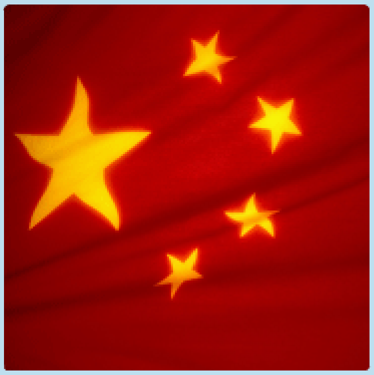
Turkmenbashi, formerly known as Krasnovodsk, is now named after the self-given title to Saparamurat Niyazov, the autocratic President for life of Turkmenistan, who died in 2006. Turkmenistan, which neighbours Iran and Afghanistan, holds the world's fourth-largest natural gas reserves and possesses vast reserves of oil in the Caspian, estimated at 12 billion tones. It is also a major producer of cotton.

Over the two decades of independence from the former Soviet Union, the mainly Muslim Central Asian nation of 5.5 million has invested billions of dollars on industrial infrastructure to process its hydrocarbons and cotton. The new port in Turkmenbashi will be used to export oil products, liquefied gas and textiles. Imports already reach Turkmenistan via Russia's Volga-Don Canal but Berdymukhamedov said the new port would make it quicker for European countries to export to markets in the Middle East and would boost capital investment in the region.

A Turkmen government official said that four port terminals - including one for passenger ships - and a ship-building yard would be built within four years. Annual freight turnover at the port is expected to grow to 25 million tonnes by 2020 compared with 10 million tons now, according to Turkmen government data. The town of Turkmenbashi already hosts a Soviet-era oil refinery, the country's largest.

China set to become world's biggest net oil importer

AFP, *13.08.2013*



China is set to overtake the United States as the world's largest net oil importer from October, according to US figures, due to a combination of rising Chinese demand and increased US production. Next year, China's net oil imports will exceed those of the United States on an annual basis and the gap between them will continue to widen, the EIA said.

China is already the biggest energy user in the world and the second-largest oil consumer after the United States. The shift has been driven by steady growth in Chinese demand, increased oil production in the United States, and stagnant or weakening demand in the US market, the EIA said in a report.

A graph on the EIA's website shows China's net imports steadily rising, with those of the US falling at a faster rate, and says the crossover point comes in two months' time. Growing petroleum production in the US has been largely driven by the increasing use of sometimes controversial hydraulic fracturing, known as fracking. The technique uses huge amounts of pressurized water mixed with chemicals to crack open rock and release oil and natural gas, making the exploitation of vast shale hydrocarbon reserves economically viable.

It is changing the world's energy market but it has been banned in other countries such as France due to environmental concerns. US annual oil output is expected to rise 28 percent between 2011 and 2014 to nearly 13 million barrels per day, while Chinese production is forecast to grow by six percent over the period, and will stand at just a third of US production in 2014, the EIA said. Meanwhile, China's liquid fuel use will increase 13 percent over the period to more than 11 million barrels per day while US demand hovers close to 18.7 million barrels per day.

That is below the United States' peak consumption level of 20.8 million barrels per day in 2005, the EIA added. China imported 26.11 million tonnes (186.5 million barrels) of crude oil last month and its exports were a mere 0.17 million tonnes, according to official Beijing figures. The Asian country's ascendance to the top of the world's net oil import rankings will have profound impact, an article carried by the China Business News said on Monday.

"China and the US will no longer be pure competitors in the energy sector -- China is likely to import energy in bulk from the US," wrote commentator Li Dongchao. "The (rising) independence of US energy will support the rejuvenation of US manufacturing, which will renew competition with Chinese manufacturing," Li said. "Improving the safety and operational efficiency of the energy industry is a must for ensuring China's energy and economic security."

Oil hits four-month high as Egypt stokes supply fears

Reuters, *15.08.2013*

Brent oil prices surged to a four-month high Aug.15 on fears that escalating violence in Egypt could affect the Suez Canal or spill over in the region, where some supplies are already disrupted. Brent oil prices climbed above $111 per barrel to a four-month high Aug.15 on fears that escalating violence in Egypt could affect the Suez Canal.

Egypt's government declared a state of emergency on Aug. 14 following deadly clashes between riot police and supporters of ousted President Mohamed Morsi. Egypt is not a major producer of crude oil, but is home to the strategically-important Suez Canal and to the Sumed pipeline.

Investors feared that unrest could choke supply routes or spill over into oil-exporting neighbors. "Disruptions at the Suez Canal are unlikely, but markets never move on what's likely. They move on fear. If people are fearful about supply, they buy even if the market is fundamentally well supplied," Michael Hewson, an analyst at CMC Markets, said. Turkish Energy Minister Taner Yıldız said on Aug. 14 the political turmoil in Egypt is already affecting the oil prices in Turkey.

"We see the results of the political instability in oil transportation. The incident in Libya had affected global oil prices by 10 percent and the instability emerged at this region is affecting oil prices in Turkey severely," he said. The oil prices have been already higher than other countries due to high taxes. The Suez Canal and Egyptian ports were operating normally despite the unrest gripping the Arab world's most populous country, shipping sources said on Wednesday.

But a Muslim Brotherhood statement vowing to bring down "Egypt's military coup" suggested that the standoff was unlikely to be resolved soon. "It is very much geopolitically driven by the unrest in Egypt, rather than by the better economic outlook," said Eugen Weinberg, analyst at Commerzbank. "Even tourist areas in Egypt that were not affected by the revolution two years ago have been affected now. This has increased the perceived potential for supply disruption."

In Libya, the deputy oil minister said output had fallen to 600,000 barrels per day (bpd) due to field problems. The Ras Lanuf terminal remained shut after the state-run oil company had said it could not guarantee crude deliveries in September because of labour unrest at export terminals. In Iraq, maintenance at its southern oil export hub is expected to slash supplies by 500,000 bpd in September. Data on Aug. 14 showed the economies of Germany and France grew more quickly than expected in the second quarter, pulling the euro zone out of an 18-month recession.

Energy reform proposals emerging in Mexico

Oil & Gas Journal, *06.07.2013*

Mexico's ruling political party is expected this week to propose market-oriented energy reforms after the opposition National Action Party advanced a program that would open oil and gas E&P activities to private participation

The proposal calls for amending three articles of the Mexican Constitution, one of which, Article 27, has combined with Mexico's Regulatory Law to restrict private participation in oil and gas activities for more than 60 years. Mayer Brown said the PAN and ruling Institutional Revolutionary Party together "are expected to have the required consensus to amend the Constitution."

It said the parties both "favor market-friendly energy policies, making major changes in the Mexican petroleum regime a real possibility." According to a legal update by the law firm Mayer Brown, the PAN proposal would:

- Open oil and gas exploration and production to private investment and competition.
- Establish the National Hydrocarbon Commission as grantor of oil and gas upstream concessions.
- Open the oil and gas downstream and midstream businesses to private investment and competition.
- Open the electricity industry to more private investment and competition than exists at present.
- Create the Mexico Oil Fund to administer oil profits and seek to decrease the government's dependence on oil revenue.
- Provide Petroleos Mexicanos, the state oil monopoly, and Federal Electricity Commission (CFE), the electricity company, greater autonomy to change corporate governance.
- Focus on sustainability and climate change.

Energy rigs in U.S. cap longest streak of gains in two years

Bloomberg, *03.08.2013*

Rigs targeting oil and natural gas in the U.S. gained for the fifth straight week to the highest level this year as producers boosted natural-gas plays in the Marcellus Shale formation on the East Coast.

Total rigs gained six to 1,782, the most since Dec. 14, according to data posted on Baker Hughes Inc.'s website. The count is in the longest streak of weekly advances since July 2011. Gas rigs surged by 19 to 388, a four-month high, the Houston-based field services company said on its website. Oil rigs declined by 13 to 1,388. West Virginia added 11 rigs this week to 38, the most since at least May 2010.

Rigs are rising with domestic crude output reaching the highest since 1990 and U.S. oil reserves the most in two decades as producers use hydraulic fracturing and horizontal drilling to reach shale deposits. The resurgence in energy production helped the U.S. meet 87 percent of its energy needs in the first four months of 2013, on pace to be the highest annual rate since 1985. "Most of this week's increase was in the Marcellus shale in West Virginia, and that's not surprising," James Williams, president of energy consulting firm WTRG Economics in London, Arkansas, said by telephone. "You can make money at this price in the Marcellus."

The Marcellus stretches across areas of New York, Pennsylvania, Ohio, Maryland, West Virginia and Virginia. Barclays described the Marcellus play in a July 24 research note as "hotter than ever" as a pipeline and new processing plants allow more wet-gas volumes to leave the area. Gas production from the southwest Marcellus and Utica regions could rise by 3.5 billion cubic feet a day by the end of 2014, Biliana Pehlivanova, a Barclays analyst in New York, said in the note. Proven natural gas reserves in the U.S. rose by almost 10 percent in 2011 to a record 348.8 trillion cubic feet, the Energy Information Administration, the Energy Department's statistical arm, said yesterday. Oil reserves in the U.S. increased for the third straight year in 2011, rising by 15 percent to 29 billion barrels, the most since 1985.

"Higher oil prices helped drive record increases in crude oil reserves," Adam Sieminski, EIA's administrator, said in a statement yesterday. "Natural gas reserves grew strongly despite slightly lower natural gas prices in 2011." Natural gas for September delivery fell 4 cents to settle at $3.347 per million British thermal units on the New York Mercantile Exchange, up 15 percent from a year ago. U.S. gas stockpiles gained 59 billion cubic feet last week to 2.845 trillion, bigger than the five-year seasonal average increase of 47 billion, the EIA said yesterday. Supplies were 11.5 percent below year-earlier levels. "A declining gas production rate coupled with a $4 per mcf gas price may boost demand for drilling rigs," Mehdi Menouar, a Bloomberg Industries energy analyst in Princeton, New Jersey, said July 31.

Gazprom eyes Latin American bonanza

Russian Times, *05.08.2013*

The world's largest producer of natural gas continues to pick up assets in Latin America and the next may be a joint venture with Germany's largest crude oil producer. Gazprom, which has shunned the shale gas revolution in favor of controlling the liquefied natural gas market, will now further expand south, Kommersant reports, citing sources close to Russia's gas major.

German-based Wintershall and Gazprom will swap two development blocks in the North Sea in exchange for three marketing joint ventures in Venezuela.

The three ventures within Wintershall are Wingas, WIEH, and WIEE, and the transaction is expected to take place before the end of the year. In Argentina, Wintershall holds stakes in 15 oil and gas fields which annually turn over 27 million barrels of oil. France's Total is a partner on the venture in Argentina, and also has joint ventures with Gazprom in Bolivia. Gas consumption in Latin America is on the rise, and Gazprom is looking to capitalize on the market, which has grown more than 65 percent in the last 10 years.

"In due time LNG will be absolutely competitive," Gazprom CEO Aleksandr Medvedev told RT. "LNG production and export is part of our strategy. LNG is a flexible pipeline which allows for the optimization of our export portfolio," said Medvedev. The newspaper said a deal was reached in November 2012 in exchange for a 25 percent stake in underground storage and production assets in Russia's North Sea. Wintershall may be able to increase its share to 50 percent, Kommersant reported.

In July 2003 Gazprom and Wintershall set up the Achimgaz joint venture to develop blocks of the Achimov deposits in the Urengoy oil and gas field, and now the German company will acquire the fourth and fifth blocks. The reserves are estimated at 274 billion cubic meters of gas. Wintershall is a 100% owned subsidiary of the world's largest chemical company Germany's BASF. The company declined comment on the deal. Gazprom has been involved in exploration in the Urumaco blocks in Venezuela, which have reserves of about 100 billion cubic meters.

The company has already made it clear they plan LNG expansion in Asia. At the company's annual shareholder meeting at the end of June, CEO Aleksey Miller announced Gazprom aims to control 15 percent of the LNG global supply. He didn't give a specific time frame, but cited contracts with South Korea and India. The company, which has lost almost a third of its market value of the past year due to rising costs and sliding profit, is hoping new lucrative LNG revenue will balance out losses from weak demand in the European market.

The company’s current share of the global LNG market is 5 percent. Gazprom plans to open a large LNG plant capable of processing 15 million cubic tons annually near Russia’s Far Eastern port of Vladivostok, and another in the Leningrad Region with a capacity of 10 million cubic tons by 2018. Rosneft, the world's largest publicly-traded oil company, and a Gazprom competitor, is also deepening its ties in Latin America. CEO Igor Sechin frequently visits Venezuela, and plans to invest $10 billion in oil and gas projects. Venezuelan oil reserves are estimated at 300 billion barrels.

The cheapest valuation on record for shares of Gazprom prompted Chairman Viktor Zubkov to buy a stake for the first time since his appointment in 2008, Bloomberg reported. Zubkov, a former prime minister, acquired a stake valued at $917,000 on July 24, a month after the market capitalization of the world’s biggest producer of natural gas plunged to a five-year low of $76.7 billion. Analysts describe the move as a good strategy to help increase capitalization of the company. The company’s board said in May that shares were “strongly undervalued” by the market.

Kazakh oil rivalry heats up

Reuters, *10.08.2013*

Russia has emerged as the surprise favorite to ship the bulk of crude from Kazakhstan’s Kashagan field, capitalizing on a regional pipeline bottleneck that is adding to headaches for the world’s most expensive oil development.

Costs for Kashagan have soared because the Eni-led consortium developing it revised expenditures up fivefold in the last decade - to almost $50 billion - as a result of building artificial islands and infrastructure in the Caspian Sea. Production is due to start later this year almost 10 years later than planned and ultimately reach 1 million barrels per day (bpd), or more than 1 percent of global oil output.

Debates about oil-evacuation options from the landlocked sea have run on for a decade, with Russian pipeline monopoly Transneft initially among the outsiders. Other routes considered by Eni and its partners Exxon Mobil, Royal Dutch Shell and Total included a BP-led Azeri-Turkish link, a Chevron-led Russian-Kazakh CPC pipeline to the Black Sea and a route to China. Over the past few years, several of those options have become less likely, making Transneft the unexpected frontrunner to ship the bulk of oil from Kashagan, at least during the first years, industry sources said.

Gazprom Neft 2Q net profit up 26% Yr/Yr

Rigzone, *06.08.2013*

Russia's fourth-largest oil producer Gazprom Neft on reported a forecast-beating 26 percent year-on-year rise in quarterly net profit due to a lower forex loss. The oil arm of Russian state gas export monopoly Gazprom made a second-quarter net profit of 38.1 billion roubles ($1.2 billion), while analysts had expected 36.2 billion roubles, up 19 percent.

The higher results came as the company recorded a lower forex-related loss, of 1.3 billion roubles, compared to a loss of 5.2 billion roubles in the same year-earlier period. For the same period, Rosneft, Russia's top crude oil company, posted a net profit of 35 billion roubles.

Gazprom Neft said its revenues stood at 298.8 billion roubles in April-June of 2013, down 1 percent year-on-year, while EBITDA rose 9 percent to 68.526 billion roubles, in line with forecast.

Go-ahead for China's first FLNG terminal

Upstream Online, *14.08.2013*

China National Offshore Oil Corporation's gas & power division has gained development approval for the country's first floating liquefied natural gas terminal, Tianjin LNG. CNOOC said that the State Development and Reform Commission had given its formal go-ahead for the facility in the northern port city of Tianjin.

"Compared with a normal LNG terminal, the floating LNG terminal in Tianjin can realise rapid LNG supply, shortening construction period by three to four years," the company said, according to a translation by Reuters. The second phase of the project will add an onshore LNG terminal

It's annual receiving capacity of no less than 6 million tonnes, or 8 billion cubic metres, CNOOC said. Natural gas from the terminal will supply Tianjin and the neighboring capital Beijing, as well as Hebei and Shandong provinces, it added. By the end of 2015, natural gas demand in Tianjin will reach 16 billion cubic metres, according to the Chinese state giant. Tianjin LNG comes after four coastal LNG terminals already built in China, Fujian LNG, Zhejiang LNG and Shanghai LNG, with several more onshore terminals also in the works.

EIA trims US gas output estimate

Upstream Online, *06.08.2013*

The US Energy Information Administration trimmed its estimate for domestic natural gas production in 2013, but expects output this year to be up about 1% from 2012's record-high levels. In its August Short-Term Energy Outlook, the EIA said it expected marketed gas production in 2013 to rise 710 million cubic feet per day to 69.89 billion cubic feet per day, down from its July outlook of 69.96 Bcf daily

2013 would still mark the third straight year of record US production. Domestic output in 2014 is expected to set another record high, up 570 MMcfpd to 70.46 Bcf daily. The EIA had previously estimated 2014 production at 70.41 Bcfpd.

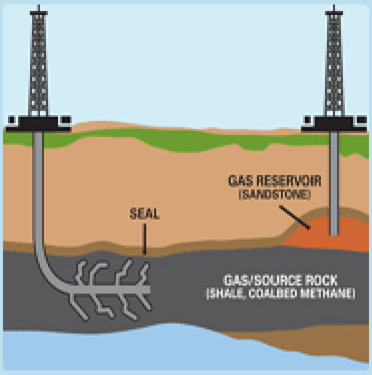
The agency, noting that the economics remain more favourable for onshore gas development, continues to expect production growth from onshore fields to more than offset declines in federal Gulf of Mexico output. Imports of LNG are expected to remain at minimal levels of around 400 MMcfpd in both 2013 and 2014, EIA said. EIA slightly lowered its estimate for 2013 consumption, but still sees usage climbing by 250 MMcfpd, or 0.4%, from 2012 to 69.93 Bcf daily.

It was the fourth straight month that the agency lowered its estimate for consumption growth this year, Reuters said. In 2014, EIA said it expects total gas use slipping 620 MMcfpd, or 0.9%, to 69.31 Bcf daily “as increases in natural gas prices contribute to declines in gas used for electric power generation”. EIA projected the share of electric generation fueled by gas in 2013 will average about 27.4%, down from 2012's average of 30.4% as the higher gas prices prompt generators to burn more coal.

EIA forecast Henry Hub natural gas prices in 2013 to average $3.71 per million British thermal units, down 5 cents from its July estimate of $3.76 per MMBtu but 35% above 2012's estimated average of $2.75 per MMBtu. In 2014, EIA expects gas prices to rise 24 cents, or 6.5%, to $3.95 per MMBtu.

Shale is fuelling a global revolution

The Telegraph, *09.08.2013*



The IEA has declared that, with several OPEC members struggling to maintain production due to unrest and infrastructure problems, North America's shale boom was insulating the world from steep oil price spikes. Civil unrest in Libya has cut exports to their lowest levels since 2011 civil war, with shipments standing at just one third of capacity.

In northern Iraq a dispute between Baghdad and the KRG over payment and contract terms, coupled with pipeline attacks, will disrupt the government's plans to ramp up output in the next few years. Security issues in Algeria and Nigeria remain a concern.

Even though Saudi Arabia raised oil production in July to a 12-month high, that was not enough to offset a decline in the production of other OPEC members. In total, OPEC's July output was down 1.1m barrels per day, year on year. "The reasons had very little to do with lack of demand… and everything to do with domestic developments in some member countries," said the IEA. By contrast, non-OPEC supplies increased by 570,000 barrels per day in July, with North America providing around 40pc of the growth, the majority of it from Canada. Is this the shape of things to come? The energy revolution, fuelled by shale, is already having profound consequences. In Saudi Arabia, for example, there is a growing realization that the economy needs to be re-balanced. Excessive reliance on oil cannot last forever.

Yemen LNG remains in operation

Argus, *07.08.2013*

Yemen LNG today confirmed that its 6.7mn t/yr Balhaf liquefaction facility continues to be operational despite the ongoing security crisis in the country. "Necessary measures have been put in place in order to ensure the safety and security of our people and facilities," Yemen LNG said.

The UK Foreign and Commonwealth Office said that oil and gas infrastructure in the country represent likely targets for attacks in Yemen. South Korean state-owned LNG importer and gas firm Kogas, a major offtaker and shareholder in the plant, also confirmed that it had received no notification of any suspension of operations or shutdowns.

The last cargo to load at the facility was the 138,200m³ SK Supreme on 29 July, according to shipping data. The next is likely to be either the 151,800m³ K Mugungwha — which was approaching the terminal over the weekend but is now drifting offshore Yemen — or the 152,000m³ Seri Balqis, also in the region. The UK and US have pulled diplomatic staff out of embassies in Yemen since the weekend of 3 August, and told their citizens to leave Yemen over the heightened terrorist threat. Yemen LNG suffered six attacks on pipeline infrastructure that links the LNG terminal to its block 18 gas field last year.

Total is the largest shareholder in Yemen LNG with 39.62pc. US independent Hunt Oil owns 17.22pc, state-owned Yemen Gas holds 16.73pc and South Korea's SK Innovation, Kogas and Hyundai own 9.55pc, 6pc and 5.88pc, respectively. The Yemeni government's pensions fund owns the remaining 5pc. France's GDF Suez has an agreement with the facility to export 2.5mn t/yr, while Total and Kogas each have an agreement to export 2mn t/yr.

RWE closes power plants in Germany and Netherlands

Natural Gas Europe, *14.08.2013*

Germany's RWE is planning to take power stations offline, adjusting to the lower margins due to the boom in solar energy, weak European electricity demand and lower power prices. 'Due to the continuing boom in solar energy, many power station throughout the sector and across Europe are no longer profitable to operate.

During the first half of 2013, the Conventional Power Generation Division's operating results fell by almost two-thirds,' reads a note released on. RWE operating profit for conventional power generation fell by 62% to €690 million ($915 million) in the first half from a year earlier.

'The massive reduction in power station margins is a major factor in this development. RWE can still benefit from the fact that it sold most of its electricity production two to three years in advance on the forward market at prices that were higher than they are now,' reads the note. The Group has decided to take a total of 3,100 MW of generation capacity offline in Germany and the Netherlands. RWE published the first-half financial results, reporting a 19% rise in profit after arbitration made gas supply contracts with Russia's Gazprom more favorable.

Announcements & Reports

► *Russian Electricity Reform 2013 Update: Laying an Efficient and Competitive Foundation for Innovation and Modernization*

Source : International Energy Agency
Weblink : http://www.iea.org/publications/insights/RussianElectricityReform2013Update_Juillet2013_FINAL.pdf

► *Energy Balances of OECD Countries 2013*

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=625

► *Energy Statistics of OECD Countries 2013*

Source : Energy Information Administration
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=624

► *EIA Short Term Energy Outlook*

Source : Energy Information Administration
Weblink : http://www.eia.gov/forecasts/steo/pdf/steo_full.pdf

Upcoming Events

► *3rd Erbil International Oil and Gas Exhibition*

Date : 2 – 5 September 2013
Place : Erbil – Iraq
Website : http://www.erbiloilgas.com/

► *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

► *Global Gas Opportunities Summit* ***(in Turkey)***

Date : 1 – 3 October 2013
Place : Istanbul – Turkey
Website : http://www.fleminggulf.com/conferenceview/Global-Gas-Opportunities-Summit/209

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

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

► *22nd World Energy Congress*

Date : 13 – 17 October 2013
Place : Daegu – South Korea
Website : http://www.daegu2013.kr/eng/index.do

► *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

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► *EIF International Energy Congress and Fair* ***(in Turkey)***

Date : 24 – 25 October 2013
Place : Ankara – Turkey
Website : http://www.enerjikongresi.com/en/

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► *The Economist European Energy Summit* ***(in Turkey)***

Date : 30 – 31 October 2013
Place : Istanbul – Turkey
Website : http://cemea.economistconferences.com/event/european-energy-summit#.UfJAK40vlbF

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► *15th CIS Oil and Gas Transportation Annual Meeting* ***(in Turkey)***

Date : 30 October – 1 November 2013
Place : Istanbul – Turkey
Website : www.theenergyexchange.co.uk/cispipes

► *Gas to Power Turkey 2013* ***(in Turkey)***

Date : November 2013
Place : Istanbul – Turkey
Website : http://www.biztradeshows.com/trade-events/world-shalegas-exhibition

► *World Shale Gas Conference & Exhibition*

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

► *Abu Dhabi International Petroleum Exhibition and Conference*

Date : 10 – 13 November 2013
Place : Abu Dhabi – UAE
Website : http://www.adipec.com/page.cfm/Link=1/t=m/goSection=1

► *European Unconventional Gas Summit 2014*

Date : 28 – 30 January 2014
Place : Vienna – Austria
Website : http://www.theenergyexchange.co.uk/event/european-unconventional-gas-summit-2014#tab-country1