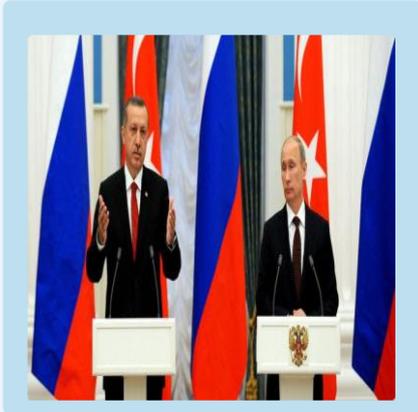


## Erdogan seeks to win cheaper gas in Sochi

Financial Times, 08.02.2014



Amid the spectacle of the Winter Olympics opening ceremony, at least one attendee will have his mind on more pressing matters. Erdogan, Turkey's prime minister, is travelling to Sochi with Turkey's currency slide – and its impact on the country's energy bill – at the top of his agenda.

Russia is Turkey's biggest natural gas supplier and on Friday Mr Erdogan, and a delegation including Taner Yildiz, his energy minister, is holding talks with President Vladimir Putin, barely a week after he travelled to Iran, its second-biggest provider, on a similar mission to plead for cheaper gas.

Russian exports to Turkey outstrip those of any other country, with sales regularly surpassing \$2bn a month – the bulk of which is accounted for by natural gas. Meanwhile, Turkey's buying power has declined with the tumble of the lira in the wake of domestic political turbulence and US moves to reduce monetary stimulus. David Tonge at IBS, an Istanbul-based consultancy specializing in energy, notes that gas prices are part of a "much bigger political and strategic relationship" between Moscow and Ankara. "Other European markets will be watching carefully to see if there will be any precedent in terms of price reductions," he adds. Mr Tonge highlights Russian interests such as building Turkey's first nuclear power plant -Turkish press reports on Friday suggested that its tax treatment could also feature on the agenda.

Mr Tonge added that Gazprom, Russia's state gas company, could allow payment deferment or ask for long-term gas contracts to be extended as part of any deal. The stakes for Turkey are high. Ankara has few hydrocarbon resources of its own and its energy import bill last year reached \$56bn, accounting for almost all of its current account deficit, widely seen as its greatest economic vulnerability. While the lira has stabilized since an interest rate rise last week, trading at around TL2.22 to the dollar early afternoon on Friday morning compared with an all-time-low of T2.39 just before the rate increase, it has nonetheless lost about 25 per cent of its value against the US currency in the past year.

# Energy Minister Yildiz says cut in price of Iranian gas likely

Today's Zaman, 12.02.2014



Iran, which Turkey has taken to a court of arbitration over natural gas prices, is expected to offer Ankara discounted natural gas, Turkish Energy and Natural Resources Minister Taner Yildiz said Wednesday.

Yildiz's comments marked a clear shift from his earlier statements that discussions with Iranian officials had not resulted in any agreements on price, observers said. Nobody was expecting a sign that Iran would cave in on the demands. On Jan. 30, Yildiz said Turkey would not drop the case at the arbitration court as long as Iran refused to offer the Turkish side the discount they were asking for.

Yildiz did not comment about what the Turkish government would do if the court sides with Iran. Yildiz added that no agreements have been concluded with Iranian officials. In 2012, Turkey took major energy trading partner Iran to an international court of arbitration, arguing that Iran was overcharging Turkey for its natural gas. Iran charges more for its natural gas than any other of Turkey's exporters; in 2012, Turkey paid Azerbaijan \$330 per 1,000 cubic meters and \$400 to Russia for the same amount. Iran, however, sells its gas to Turkey at \$505 per 1,000 cubic meters, which Turkey estimates is costing the country an added \$800 million a year for natural gas.

The minister said on Wednesday, however, that Turkey expects Iran to offer the discount Turkey is seeking at the arbitration court. He added that Prime Minister Recep Tayyip Erdogan's recent official visit to Iran saw discussions on increasing Turkey's energy investments in the country, but that Turkey hasn't made a decision to go ahead with investing in the Persian Gulf's South Pars natural gas field, the world's largest. Turkey is open to Iranian proposals on the issues, he said.

Yildiz went on to say that that crude oil purchased from northern Iraq is being stored in the Turkish city of Ceyhan and is not being delivered to any third counties. A deal, he added, in the petroleum dispute between central and northern Iraqi officials would contribute to the stability in the region. Turkey is waiting for the sides to come to an agreement, he said, adding, "Political burdens should be lifted from the shoulders of the energy sector. Also, the governments must pave the way for the energy project in the eastern Mediterranean, and the energy resources in Greek Cyprus must be distributed fairly," he said.

# Turkey's gas trading hub dream realistic

Hürriyet Daily News, 11.02.2014



Turkey's vision of becoming a gas trading hub is realistic given its diversity of supply but it would need to speed up market reform and invest more in gas infrastructure, an Oxford University study said on Feb. 10.

Turkey has long wanted to have a major power and gas market, capitalizing on growing domestic demand for gas and its proximity to cheap natural gas resources. It has few natural resources of its own, but is at the centre of nearly all gas pipelines that would link Central Asia to Europe, defining the regional market for decades to come between energy producers and consumers.

Turkey's rise to prominence in energy markets would also add to its growing influence as a major economic and political player between Central Asia, the Middle East and the European Union, to which Ankara aspires to be a member. According to state pipeline company BOTAS, Turkish natural gas demand is forecast to grow to 81 billion cubic meters (bcm) a year by 2030 from the current 47 bcm/yr. It could potentially trade up to 100 bcm of gas a year when large-scale investments in gas infrastructure have taken place, such as new liquefied natural (LNG) gas and storage facilities, said the paper by the Oxford Institute for Energy Studies. Turkey could either become a physical gas trading hub with import and export pipelines, connected to other hubs via interconnectors, or a commercial hub with bilateral and broker-based trading.

To become either of these, Turkey needs to unbundle BOTAS' transport and wholesale businesses and create a commercial energy exchange, the institute said. An exchange market would provide a predictable pricing mechanism for banks and financial institutions. This would help to build confidence among foreign energy investors, who are needed to raise \$100 billion of energy investment by 2023. The development of a liquid gas trading hub will be difficult, however, as most gas coming into Turkey is traded under long-term contract, oil-indexed prices. "For the hub vision to be realized, there needs to be sufficient spot gas traded in Turkey to form a reliable price index," the study said. "Suppliers would migrate from oil indexation to this traded price index for long-term contracts."

# Turkey seeks to build Iran pipeline amid uncertain environment

Today's Zaman, 09.02.2014



The Turkish government is quietly intensifying its efforts to reach an agreement with Iran to build the Iran–Turkey–Europe Natural Gas Pipeline Project (ITE) to convey natural gas sourced in Iran via Turkey to Europe despite uncertainty concerning the future of sanctions on Iran.

Turkey has already taken concrete steps for the construction of the pipeline to transfer Iranian natural gas to Germany via Turkey. Turang Transit, the Turkish firm that will build the section of the pipeline located in Turkey recently received an incentive certificate that includes an exemption from the value-added tax (KDV) and custom taxes.

Turkey will also provide other tax reductions and the employer insurance premium, according to the incentive certificate documents for December 2013 published by the Ministry of Economy. But the framework of the pipeline project is unclear due to the fact that it is unknown whether or not an interim deal reached between Iran and six world powers to curb Iran's nuclear ambitions in exchange for easing economic sanctions will continue after the initial six month period. Hasan Selim Ozertem, an analyst on Eurasia and energy security at USAK, told Sunday's Zaman that Turkey has long been conducting feasibility studies for the pipeline but has not released the details to the public due to the uncertain environment regarding sanctions on Iran.

“After the detente period started concerning sanctions on Iran, Turkey began to take some steps (on the pipeline),” said Ozertem. Turkey welcomed the interim agreement reached between Iran and the P5+1 to end Iran's nuclear weapons program in exchange for easing sanctions that was achieved after marathon negotiations in Geneva last November. The P5+1 countries' interim accord with Iran brings a halt to the country's nuclear program for the first time in a decade. Iran's uranium enrichment program will have to be stopped for six months until a final settlement can be reached, according to the deal. The P5+1 is a group comprising the five permanent members of the UN Security Council -- the US, Russia, China, the UK and France -- plus Germany.

The six countries first conducted joint diplomatic efforts in 2006 to bring an end to Iran's nuclear program. Ozertem said that it is still unclear however, how the ITE pipeline will benefit Turkey. “It was not made public whether Turkey is only a transit country or if it will have a right to sell or acquire natural gas from the pipeline.” The history of the pipeline goes back several years. The Iranian Ministry of Oil and the Turkish Energy and Natural Resources Ministry signed an Agreement Protocol on Nov. 17, 2008 for transit passage of natural gas sourced in Iran through Turkey. But no significant development of the pipeline project occurred, as the US urged Turkey several times to reconsider because Iran could try to exploit growing trade ties with Turkey, a neighbor with a booming economy, in order to circumvent international sanctions aimed at forcing it to stop its suspected efforts to make nuclear weapons.



Another issue that raises concerns about the ITE is that the planned route for the pipeline from Iran is almost the same route as part of the Trans-Anatolian Pipeline (TANAP) project. “Azerbaijan may be concerned that the construction of the ITE pipeline could create physical obstacles for the TANAP project,” Ozertem said. According to a press release on Turang’s website, the total length of the ITE pipeline is about 5,000 kilometers, approximately 1,750 kilometers of which will be in Turkey. Turkey’s part of the ITE will be from Iran to the İpsala/Edirne border with Greece, passing through Ağrı, Erzurum, Erzincan, Gümüşhane, Sivas, Yozgat, Kırşehir, Kırıkkale, Ankara, Eskişehir, Bilecik, Kutahya, Bursa, Balıkesir, Çanakkale and Tekirdağ. On June, 2, 2013 the Turkish Cabinet approved the urgent expropriation of land along the proposed route of the pipeline.

The acquisition of the land will be carried out by the Energy and Natural Resources Ministry, the Official Gazette said on June 25. Fikret Ertan, a columnist with the Zaman daily, told Sunday’s Zaman that it is hard to comprehend the ITE since there is already a pipeline from Iran to the Erzurum district of Turkey, and given that neither the arbitration process between the two countries over high gas prices imposed by Iran nor a final agreement between the West and Iran has been reached yet. Turkey took its major energy trading partner Iran to an international court of arbitration in 2012 over the high prices charged by Iran for Turkey’s natural gas imports, a price that is higher than Turkey pays any other trading partner. In 2012, Turkey paid Azerbaijan \$330 for every cubic meter of gas imported and \$400 to Russia for the same quantity.

Iran, however, sold its gas to Turkey at \$505 per cubic meter, which increased Turkey’s natural gas bill by an extra \$800 million annually. The price of a cubic meter of natural gas averaged \$400 on the international markets at the time. Much of the problem in the gas trade between Tehran and Ankara derives from a “take or pay” condition that requires Turkey to import predetermined amounts of natural gas -- 10 billion cubic meters per year -- according to a gas deal signed in August 1996 and valid for 25 years. Recently, Energy and Natural Resources Minister Taner Yıldız said that Turkey will most likely receive more than \$2 billion from the lawsuit against Iran as a result of imposing unfair prices. Vatan daily reporter Ufuk Şanlı said in November 2013 that Turkey’s decision to permit the ITE pipeline -- strategically important for Iran as its economy has been devastated by the international sanctions -- despite the high gas prices, is a “good will gesture.”

## Erdogan's visit to Iran

Today's Zaman, 12.02.2014



Prime Minister Recep Tayyip Erdogan's visit to Iran two weeks ago may not be a major milestone in Turkish-Iranian relations, however, it is definitely confirmation that these relations are developing in the right direction.

Syria, energy and security were among the important topics that were discussed during this visit.

On energy, the sticking point was the price of natural gas sold by Iran to Turkey. Iran proposed to alleviate Turkey's dire need for natural gas by increasing the volume, but the Turkish side will accept that only if the price per cubic meter is brought down to the average international price level.

The agreement that is in force at present contains the famous "take-or-pay" clause that limits Turkey's freedom of action. According to this clause, Turkey has to buy at least 87 percent of the volume stipulated in the agreement, which is 10 billion cubic meters per year. Otherwise it will have to pay even if the natural gas is not purchased. Turkey's proposal to bring this percentage down to 75 was not accepted by Iran. Turkey believes that the present price of natural gas imported from Iran is too high and that it has to be revised downward. Iran did not promise anything concrete during Erdogan's visit, but said that it will look into the matter. With the Turkish lira having depreciated more than 20 percent against the US dollar in recent weeks, the cost of Turkey's natural gas bill will now be that much more expensive.

Previously, Turkey took its dispute with Iran to the International Council for Commercial Arbitration (ICCA) in Switzerland and the ICCA decided in 2009 that Iran had to pay Turkey compensation of \$800 million. Turkey plans to go to arbitration once more because of the present dispute. This is a technical question and will be solved within its own technical parameters. The second important subject for an exchange of views during Erdogan's visit to Iran was the Syrian file. This question is political, and, unlike the gas issue, many parameters may be assessed differently by both sides. Two years ago, after Erdogan's previous visit to Iran, media reported that Iran's Supreme Leader Ayatollah Ali Khamenei had told Erdogan that Turkey's expectation of an early fall for Syrian President Bashar al-Assad may not materialize and that Turkey should adjust its policy accordingly.

Khamenei turned out to be right and Erdogan has now agreed with Iranian President Hassan Rouhani that the foreign ministers of the two countries should continue their consultations on this question. Iranian Foreign Minister Mohammad Javad Zarif is not expected to be persuaded easily by Foreign Minister Ahmet Davutoglu that Iran's policy on Syria was wrong, but this does not mean that the two countries cannot cooperate more closely to contribute to a non-military solution to the Syrian crisis. Rouhani and Erdogan also agreed on the establishment of a high level cooperation council between the two countries. Turkey has similar councils with several neighboring countries and it is used as a forum where many bilateral issues are discussed and resolved by ministers of both countries under the supervision of their respective prime ministers.

The framework agreement for the establishment of the high level council seems to be finalized already and will be signed during Rouhani's visit to Turkey this month. The third important matter was the security issue. The Syrian crisis made Turkey this country a nursery for extremist terrorist organizations. Both regional and international players will suffer if the steady growth of al-Qaeda-linked terrorist gangs in Syria cannot be stopped. The US started to leak news to the press about the support that Iran is extending to al-Qaeda. Iran categorically rejected any link with this organization and said that it would be shooting itself in the foot if it did so. In the event that post-crisis Syria becomes an al-Qaeda-dominated country, it will be a nightmare not only for the international community in general and for Turkey in particular, but also for Iran. More truth may surface if Turkey and Iran engage in genuine cooperation in this field. Closer cooperation at this juncture between Turkey and Iran in this sensitive field has therefore become all the more important.

## Turkish government decides against TPAO investment in Iranian energy sector

Platts, 12.02.2014



The Turkish government has decided that state-owned upstream oil and gas operator TPAO will not undertake any investment in Iran, energy minister Taner Yildiz told a press conference Wednesday.

Yildiz said the possibility of investment had been discussed during meetings with Iranian officials held during an official visit he made to Tehran with Prime Minister Erdogan on January 28-29. However, Yildiz said that having looked at the feasibility of TPAO investing in Iran's South Pars gas field, a decision has been taken not to do so. "If Iran wants to make a new proposal with new conditions we will look at it," he said.

"But as it stands at the moment there has been no decision for TPAO to invest in Iran."

# Maliki's Turkey visit in limbo due to Baghdad-Arbil oil rift

Today's Zaman, 10.02.2014



Iraqi Prime Minister Nouri al-Maliki's long-awaited visit to Turkey is in limbo as Baghdad and Arbil have not yet reached an agreement on division of energy revenue shares -- an issue that also concerns Turkey due to its independent oil deals with the Kurdish Regional Government (KRG).

"The talks between Arbil and Baghdad over the KRG's oil deal with Turkey are still going on. This issue is a sensitive one for Baghdad, which has already expressed its uneasiness over an oil deal between Turkey and the Kurdish region. It seems as if Maliki does not want to visit Turkey before the talks are concluded.

It is still not clear how the talks will end," said a senior Turkish diplomat who spoke on the condition of anonymity with Today's Zaman on Monday. Turkish Foreign Minister Ahmet Davutoglu, who last November paid a visit to Iraq to mend ties between the two neighbors, said on Sunday -- without mentioning the tension that has re-emerged between Turkey and Iraq following Turkey's independent oil deals with the KRG -- that Maliki's visit is currently off the agenda because of the upcoming elections in Iraq and unrest in the country. He added that the decision not to come to Turkey right now should not be seen as a major crisis between the countries.

However, it is no secret that talks between the Iraqi central government and the KRG have not yet borne fruit and the KRG's announcement of the start of the flow of crude oil to Turkey through the new pipeline in late January angered the Baghdad government and risked the fragile thaw that had developed. Not so long, Turkey and Iraq decided to leave all their old disputes behind and turn a new page in their troubled relationship with the help of intensified diplomatic efforts and an increasing number of high-level visits. However, it didn't take long for Ankara and Baghdad to be at loggerheads again when the central Iraqi government's fears related to Turkey's independent oil deals with the KRG re-emerged.

"The delay of the visit should not be considered a crisis," said the diplomat but warned that "if the talks between Baghdad and Arbil turn into a conflict and if Ankara take sides in this conflict, then Turkey and Iraq would enter into a serious diplomatic crisis." Meanwhile, the Turkish side is keeping silent on the issue. Before his departure for Brussels, Prime Minister Erdogan said that according to the custom regarding diplomatic visits, it is Maliki's turn to visit Turkey. He added that the KRG has constitutional rights to 17 percent of the revenue from oil sales and said, "All of the issues beyond this are empty talk." A senior Iraqi diplomat in Ankara, who also spoke to Today's Zaman on the condition of anonymity, stated that the delay of the visit has nothing to do with the current strained relations.

One of the reasons that Iraq looked likely to have improved relations with Turkey was the coming parliamentary elections. During the local elections held last April, Maliki's State of Law Coalition received fewer votes than expected. Seeing the reduced support from his nation, Maliki started to consult with Iraq's north and Maliki turned to Iraq's immediate neighbor, Turkey, to gain Ankara's support and get the upper hand before next April's election. However, the diplomat said that Maliki was not sure whether a visit to Turkey would be to his advantage or not during the elections. The diplomat noted that a high-level strategic cooperation deal was expected to be inked between the two countries if Maliki visited Turkey.

## Turkey could get Azerbaijani gas at affordable price

Today. Az, 10.02.2014



Azerbaijan is ready to supply Turkey with energy resources at affordable prices, Azerbaijani Energy Minister Natig Aliyev said, Turkish online newspaper Malatya Guncel reported on Feb. 8.

The minister said Azerbaijan and Turkey are bound by major economic projects that will be implemented in the future. He also added that, at present Azerbaijan possesses gas reserves of about three trillion cubic meters. "Azerbaijan develops and strengthens its economy and the country's products are expected to go to the European markets," Aliyev said.

Under the contract Azerbaijan will annually export 6.6 billion cubic meters of gas to Turkey, the minister added. In 2013, the Turkish state pipeline company Botas imported 38.42 billion cubic meters of gas from various sources, as compared to 43.09 billion cubic meters in 2012. Gas prices are not officially disclosed, but according to Turkish media, Turkey buys Iranian gas at \$490 per thousand cubic meters. Turkey pays \$335 for one thousand cubic meters of Azerbaijani gas, which is supplied via the South Caucasus Pipeline (Baku-Tbilisi-Erzurum pipeline). The country pays \$425 for one thousand cubic meters of the Russian gas. Over 37.96 billion cubic meters of gas was sold in Turkey's domestic market in 2013 as compared to 41.44 billion cubic meters in 2012.

## SOCAR sets to build new platform at Bulla Deniz field

Today.Az, 10.02.2014



The “Neftegazstroy” trust of the SOCAR Company will construct a new platform on the sea field “Bulla Deniz” in the Azerbaijani sector of the Caspian Sea, the information spread by SOCAR said on Feb. 8.

According to the information, the platform No.122 will be constructed on the basis of the project prepared by the project institute of SOCAR. The platform will be designed to drill three wells and placed in a water depth of 26 meters. According to the estimations, 450 tons of condensate and 2.4 million of cubic meters of gas will be extracted daily from the platform.

The platform will be exploited by the oil and gas production department named after N. Narimanov. As the first vice-president of the State Oil Company Khosrbakht Yusifzade said earlier, SOCAR will construct a new platform on the “Bulla Deniz” field in the area where a fire occurred as a result of an accident. The fire on the old platform was extinguished, and on Oct. 25 2013, it was annexed to the transportation system. The supplies of a new platform are estimated in 10 billion of cubic meters of gas, Yusifzade said. On Aug. 17 2013, the fire covered the exploratory field No. 90 in the north-eastern wing of “Bulla Deniz”. The depth of the sea in the field is 26.5 meters. According to SOCAR, the fire occurred while drilling in a depth of 5,868 meters. The fire occurred on Aug. 17 at 23:30 local time. As a result of the accident, 62 employees of the platform were evacuated. There were no casualties.



## BP switches export volume via South Caucasus gas pipeline

Today.Az, 10.02.2014



BP company has switched over to the normal volume of gas export via South Caucasus gas pipeline that were reduced as a result of problems in the Sangachal terminal in the afternoon on Feb.7, BP told Trend.

Currently, some 18.3 million cubic meters of gas is delivered to Turkey, around 2.5 million cubic meters - to Georgia and some 5.4 million cubic meters - to Azerbaijan. The length of the Baku-Tbilisi-Erzurum pipeline is more than 700 kilometres. The gas, which is produced at the Shah Deniz gas and condensate field in Azerbaijani sector of the Caspian Sea, is transported via the pipeline from the terminal.

The gas is supplied to Georgia and Turkey. Azerbaijan also purchases the gas. The participants of the South Caucasus Pipeline include (new share distribution after the sale and purchase transactions): BP (operator) - 28.8 percent, Statoil - 15.5 percent, NICO - 10 percent, Total - 10 percent, Lukoil - 10 percent, TPAO - nine percent, SOCAR - 16.7 percent. In 2013 the South Caucasus pipeline transported some 4.7 billion cubic meters of gas, compared to four billion cubic meters in 2012, according to Azerbaijani State Statistics Committee.

The second phase of development of the Shah Deniz field envisages expanding the South Caucasus pipeline. The project on expansion of the pipeline in Azerbaijan includes the construction of an additional pipeline with a 48 inch of thickness. The expansion of the pipeline in Georgia will be provided through the construction of two powerful compressor stations. Currently, the real capacity of the South Caucasus pipeline exceeds eight billion cubic meters per year. Following the expansion, the pipeline will be able to transport an additional 16 billion cubic meters of gas per year.

# Azerbaijan offers Iraq access to Europe gas pipelines

Hürriyet Daily News, 05.02.2014



Azerbaijan has offered Iraq access to the “Southern Gas Corridor” connecting the Caspian Sea to the European Union to help Baghdad sell natural gas to Europe, Baku’s foreign minister said Monday.

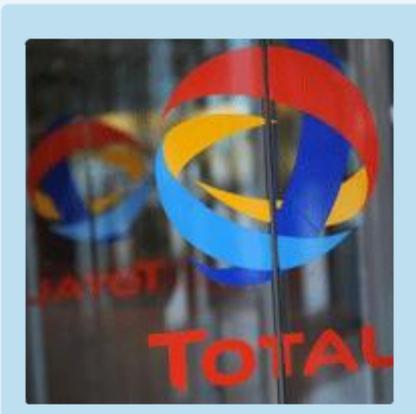
Mammadyarov told journalists in the Iraqi capital that officials in Baghdad had already expressed interest in joining the massive project, which is supported by the United States and aims to reduce Europe’s dependence on gas from Russia. “It’s a huge project ... and it’s open if Iraq is also interested to deliver their own natural gas,” Mammadyarov said at a joint news conference with his Iraqi counterpart Hoshyar Zebari.

“The project is there, so if any other countries want to join the Southern Gas Corridor, including Iraq, who already expressed some interest for this project, we are ready to start negotiations.” Gas pumped from the immense new Shah Deniz II field will travel across Azerbaijan and Georgia and across Turkey through a new Trans-Anatolian Pipeline, which is set to be a key part of the Southern Gas Corridor from the Caspian Sea to Turkey and the EU. Russia, meanwhile, backs a new pipeline under construction known as South Stream that aims to transport 63 billion cubic metres under the Black Sea to Europe.

Europe’s annual demand for additional gas import may reach 80 billion cubic metres by 2020 and surpass 140 billion cubic metres by 2030, according to the South Stream website. Iraq currently produces relatively small quantities of gas, most of which is kept for its domestic market, and flares off a large amount of associated gas from its vast oil fields. But the country is looking to ramp up exports of natural gas to fund reconstruction of its conflict-battered economy and infrastructure.

## Total CEO eyes return to post-sanctions Iran if terms attractive

Platts, 12.02.2014



Total CEO Christophe de Margerie said Thursday the company would be interested in investing in a post-sanctions Iran, but only if the terms of upstream participation were attractive enough. De Margerie, speaking at a briefing in London, also stressed that Total would respect international law with regard to Iran and would not sign any deals with Tehran while the Islamic Republic remained under sanctions.

“We will not sign or negotiate anything until the embargo is lifted,” he said. But asked whether Total would be interested in returning to Iran if and when international sanctions were lifted, de Margerie said: “If the terms are attractive, yes.”

Iran is currently finalizing a new draft upstream contract model. It hopes to offer international oil companies an early glimpse of the new draft contracts in February in Tehran, months before it introduces the finalized contracts at a London roadshow now planned for June or July. De Margerie said he had no knowledge yet of what the contract model would look like. “They don’t have it yet,” he said. He said that Iran’s oil minister Bijan Zanganeh, speaking to oil company chiefs in Davos in January, said the country was working on the new model. “He said, ‘we have to work on new terms, we know the former terms were not attractive enough. But we’re not yet ready’. Those were his words, not mine,” de Margerie said.

Total was part of a delegation of French companies that visited Tehran earlier this month that drew criticism from a US government official. Wendy Sherman, undersecretary for political affairs at the US State Department, said that companies visiting Iran were sending the wrong message while talks over a comprehensive deal on Iran’s nuclear program were ongoing. “I don’t think it was anything linked with a warning to French companies,” de Margerie said Thursday. “Everyone knows -- French companies respect the law,” he said. De Margerie also said the US had internal issues over its sanctions regime against Iran. “I frankly think that it is a domestic problem between the president and his opponents, and he wants to mention that he will be strict on making sure the embargo is respected,” he said.

Iran’s President Hassan Rouhani, accompanied by Zanganeh, issued an invitation to international oil companies in Davos on the sidelines of the World Economic Forum in late January to invest in Iran. In early December, Zanganeh said he hoped the biggest oil majors from Europe and the US would become investors in Iran’s upstream sector once sanctions were lifted. He named Total, Shell, Statoil, BP, Eni, Chevron, ExxonMobil and ConocoPhillips as being among the companies he would like to see working in Iran. The landmark agreement giving Iran some sanctions relief in return for nuclear concessions was reached on November 24 and came into force on January 20 for six months, during which time the two sides will try to reach a comprehensive agreement. The interim deal keeps core oil sanctions in place, including the ban on investment.

## Lukoil willing to explore for oil, gas in Iran

Natural Gas Asia, 09.02.2014



Russia's Lukoil has started talks with National Iranian Oil Company (NIOC) to explore and develop oil and gas fields in the Caspian Sea, reports Iran's Press TV. Russian Ambassador to Tehran Levan Dzhagaryan said on Saturday that Lukoil has expressed desire to return to Iran's energy market in light of sanctions being eased against the country.

The Russian firm was active in Iran's Anaran block but pulled out of the country as a result of sanctions imposed by US and EU. The Council of the European Union suspended part of the sanctions it had imposed against Iran following the nuclear deal between Tehran and the six world powers.

On January 25, the Iranian oil minister said major world oil companies have voiced readiness to start business in the country, adds Press TV.

## KOGAS to reduce stake in Iraqi gas field

Natural Gas Asia, 12.02.2014



Korea Gas Corp. (KOGAS) is looking to gradually reduce its stake in Iraq's Akkas gas field, which lies in Anbar near the Syrian border, as violence rises in the province, reports news agency Reuters.

In a filing submitted to the South Korean stock exchange, the company disclosed its intention to sell part of its share in the project to develop the gas field, which is estimated to have reserves of 5.6 trillion cubic feet, in 2015 or later to pay off debt, notes Reuters. As per the Reuters report, the company did not say how large a stake it wanted to sell, but added that no sale process had yet started.

The Iraqi-Syrian border has seen heightened violence in recent weeks, especially the western province of Anbar. According to officials, the violence has disrupted the oil and gas development activities in the region. In addition to the rising violence, commercial factors have also prompted KOGAS to go for stake sale, Reuters says. According the news agency, South Korea's state-run energy companies face heavy pressure from a new government to shed assets and pay off debt by 2017.

# Eastern Mediterranean: deals in the making

Natural Gas Europe, 13.02.2014



Woodside and the Leviathan partners recently launched talks to allow Woodside to purchase 25% of the Leviathan field. Discussions are expected to reach a binding agreement by March of this year.

An original MoU was signed between the Australian giant and the partners in Israel's largest field in December 2012 but the deal did not move forward since then due to Israel's internal debate over export quotas. It was not until October 2013 that the Supreme Court ratified the Israeli cabinet June 2013 decision to allocate 360 bcm of natural gas of a total of 900 bcm to exports.

The June decision ensured that Israel would be reserved around 540 bcm to use over 25 years. What is not highlighted enough is that the cabinet introduced in June another significant change: sales to immediate neighbors would be booked as exports; in other words, they would reduce the quota allocated for exports and keep Israel's share unscathed. The reason this detail is important is because Israel, and as demonstrated in the past months, does have the ambition to export some of its natural gas via pipeline to its immediate neighbors in need of natural gas. Now that the decision to export the gas is final, Israel commenced its gas talks regionally and it is no doubt that natural gas will play a tremendous role in altering the Eastern Mediterranean landscape to come.

The Palestinian Power Generation Co. was the first to sign a 20 year USD \$1.2 billion deal to purchase 4.75 bcm of gas from the Leviathan group. A USD \$300 million power plant is expected to be built over the next 3 years in Jenin and will be supplied gas from the Leviathan. The private deal attracted a polemic around whether gas supplies from the Leviathan to the PA should be considered 'exports'<sup>1</sup>, ie as sales to a foreign state and hence booked as exports reducing the export quota or if the sales to the PA should reduce the quota allocated for the Israeli market instead. Given that the PA is not 'defined' as a state in the absence of a peace treaty between Israel and Palestine, the answer is tricky. Israel is also considering selling gas to neighboring Jordan.

A 15 km pipeline connecting Israel at Sdom to Jordan is expected to commence in 2015 and be completed by 2016. Jordan and Israel both suffered from disruptions in the flow of Egyptian natural gas in the aftermath of the Arab Spring that toppled Husni Mubarak from office. Jordan is highly reliant on natural gas as 88% of its energy needs are satisfied by the hydrocarbon. Egypt, with a growing natural gas demand and ongoing export obligations has also expressed an interest - not yet materialised - to import gas from Israel. Technically a simple endeavor, the gas can simply flow in the opposite direction than it did historically, from Israel to Egypt. Egypt has also been reportedly in talks with Greek Cyprus. The island is in the process of developing its energy industry and is looking for partners in the region to sign natural gas exploitation agreements.

# Egypt scrambling to meet summer energy needs

Reuters, 10.02.2014



Egypt will need to import an additional \$1 billion worth of petroleum products and secure significant gas supplies as it scrambles to meet energy needs for the summer, Oil Minister Sherif Ismail has told Reuters.

One government after another has struggled to cope with energy crunches, and Ismail said this coming season would be no exception. Failure to find a solution could frustrate Egyptians, who rioted in the past over long lines at gas pumps just before the army toppled Islamist President Mursi. Political turmoil since a popular uprising ousted autocrat Hosni Mubarak in 2011 has paralysed decision making.

Disarray in the energy sector will take time to fix, even after a new government replaces the army-backed interim administration. "Of course there are needs," said Ismail, adding that efforts to import badly needed natural gas may not succeed. "The intention is to (make available) liquefied natural gas (LNG) and (to get) LNG facilities in operation before the summer ...It is our prime concern and intention to solve this problem if not for this year by 100 percent then at least for the years yet to come." Egypt in October tendered for a floating terminal needed to import LNG. An official said at the time that the government wanted the terminal in place by April, before temperatures rise and consumption spikes.

The tender has not yet been awarded, and experts say that time has run out for a terminal to be delivered and installed before the summer. Ismail said the alternatives to importing LNG include shifting to using more expensive fuel oil and encouraging Egyptians to conserve energy during peak hours. These steps may not suffice. Analysts say about 75 percent of electricity production in Egypt is dependent on gas, not fuel oil. Saudi Arabia, Kuwait and the United Arab Emirates extended an economic lifeline to Egypt after the army ousted Mursi after mass protests against his rule. Deeply mistrustful of Mursi's Muslim Brotherhood movement, these Gulf Arab states pledged billions of dollars to the army-backed government, including petroleum products.

Egypt has said it has received \$4 billion in fuel products from Gulf nations since Mursi's ouster. Ismail said Egypt would require more imports for the summer. "The first estimate...is that we will need to import petroleum products of around \$250 million per month during the four summer months," Ismail said in an interview. Not all Gulf countries were generous with the government after Mursi's ouster. Qatar, which backed the Brotherhood, sent Egypt LNG shipments last summer but negotiations for further supplies stalled over political tensions. The growing population of 85 million has kept energy demand steadily rising so that it now outstrips the production of oil and gas from fields in the Western Desert, Nile Delta and offshore. Compounding the problems, the government fell into heavy debt to foreign energy firms which Egypt needs to help it exploit gas reserves that could enable the country to end power cuts and bolster export income.



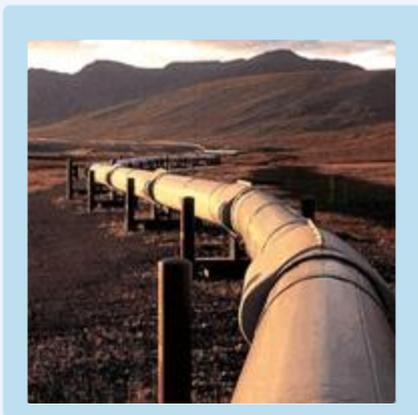
Instead, surging demand has caused Egypt to divert high levels of gas produced by foreign companies such as BG Group and promised to them for export. Ismail said that “the gap between production and consumption” is caused mainly by the fact that Egypt has not developed its available reserves. Egypt’s energy troubles weigh heavily on the economy. Talk of cutting fuel subsidies costing \$15 billion a year has produced limited results. Successive governments have feared that raising energy prices could trigger unrest in a country where street protests have helped remove two presidents in three years. Ismail, an engineer who held senior posts at several state-run energy firms before his appointment as minister last July, says the interim government will take the first steps in a reform programme that would see subsidies cut by 25 to 30 percent in five to six years.

A smart card system for fuel purchases by drivers launched during Mursi’s year in office should be operational within three months, he said. The government hopes the initiative will allow it to analyse fuel consumption data before enacting reforms. Ismail acknowledged that subsidy spending in 2014 could exceed the targeted 140 billion Egyptian pounds (\$20.11 billion), saying that industrial needs may increase in the second half of the financial year which ends in June. “The subsidy issue is crucial,” he said, adding that increasing energy consumption and the government’s target of seven percent economic growth requires subsidy reform and efforts to diversify the energy mix. “Ninety-five percent of energy consumed depends on crude oil and natural gas. The current energy mix doesn’t really work for Egypt, it is not secured, it is not economical, and it is not sustainable,” he said.

For now, Egypt is aiming to increase its natural gas output even as the companies that produce it warn that political and economic turmoil will lower their output. Ismail said that Egypt aims to increase its natural gas output by 1,800 million cubic feet this year, up by 35 percent from the current production level of 5,100 million cubic feet. His ministry forecast last week that gas production in the next fiscal year, which begins in July, would fail to meet surging domestic demand. Ismail said that the government was in talks with BG Group to speed up the process of getting Phase 9A of its West Delta Deep Marine offshore natural gas project on-stream. The latest drilling phase of that project fell behind schedule last year.

# Egypt to explore idea of buying gas from Greek Cyprus

Natural Gas Asia, 08.02.2014



Egypt and Greek Cyprus will look to cooperate in the field of hydrocarbons and the European nation could even export gas to the North African country, reports Greek Cyprus News Agency.

According to the news agency, these issues were discussed between the Cypriot Minister of Energy Yiorgos Lakkotrypis and the Egyptian Minister of Petroleum Sherif Ismail in Nicosia on Friday. “We agreed on the immediate establishment of a joint technical committee, which will look at possible ways of cooperation between the two countries,” said Lakkotrypis after the meeting.

Greek Cyprus is turning to Egypt in an attempt to examine all possible options for the exploitation of hydrocarbon deposits found in its Exclusive Economic Zone, adds Greek Cyprus News Agency. Lakkotrypis said the since Egypt is facing shortage of natural gas as a result of growing domestic demand, it is finding it hard to meet its export contracts. Egypt, he said, could probably be a potential buyer of Greek Cyprus’ natural gas, reports Greek Cyprus News Agency. He added that the Technical Committee between Greek Cyprus and Egypt will examine the technical and economic aspects of this possibility and of closer cooperation in general.

The committee will be set up immediately and the Minister expressed hope that in February it will have its first meeting in Cairo, says the news agency. Block 12 Greek Cyprus’ Exclusive Economic Zone (EEZ) could hold gas reserves between 3.6tcf and 6tcf with a gross mean resource of 5tcf, according to finding of Noble Energy, which operates the block with 70 percent stake. Total E&P Greek Cyprus Ltd has been granted a license for seismic exploration for oil and gas in block 10 and in parts of blocks 6, 7 and 11 of Greek Cyprus’ EEZ, reports Greek Cyprus News Agency.

# Towards a single, competitive gas market

Natural Gas Europe, 13.02.2014



Is a single, competitive European gas market achievable? The answer could only be “yes,” even if the target was far off in the distance, according to Klaus-Dieter Borchardt, Director B, DG Energy – European Commission, who enumerated the numerous challenges that prospect was up against at the European Gas Conference 2014.

The first challenge he named was Europe’s dependency upon gas imports, something which would increase from 60 to 80% by 2035. He said the continent had three supply sources: Norway, Russia, and Algeria (LNG to a lesser extent because of prices).

Mr. Borchardt stated, “One of our main intentions is to diversify the sources of the supply of gas because of this increase in dependency. So the first step has been taken over the last year with the opening of the Southern Gas Corridor, where we hope that by 2019 we will get a considerable amount of gas coming from the Caspian Sea through TANAP (Trans Anatolian Pipeline) and TAP (Trans Adriatic Pipeline).” Natural gas, he said, remained a geopolitical issue, offering Ukraine, a transit country, as a case in point. He added that the transmission system required modernization and improvements. He made mention of LNG developments in the Baltic states, specifically Lithuania, where an LNG terminal was under construction. “As a Project of Common Interest we are looking for Baltic regional LNG, either to be placed in Estonia or Finland, with a Baltic connector.”

Central & Eastern Europe, he said, was very vulnerable in terms of gas supply and very high prices. The US shale gas revolution had also influenced the game. One challenge offered by Mr. Borchardt was the very tight grip that EU member states had on decisions regarding energy, not only that they reserved the right to decide on their individual energy mix but also showed interest in the workings of the internal energy market. “This of course has first and foremost to do with security of supply,” he explained, “because for them when we are talking about energy, it is for them first and foremost security of supply, and understandable, at least from politicians’ perspective.” He noted that a number of member states’ national gas companies were within the reach of national politics, which made life difficult for the European Commission, resulting in clashes of interest: the internal energy market versus local political interests.

His diagram indicated the number of gas traders at virtual trading points in various European countries – it showed big contrasts, with some countries having over 50 trading points. Increasing such numbers, he said, required a smooth, regional approach. Mr. Borchardt’s next slide, he said, reflected the theory that gas was the “fuel of opportunity.” “In practice, today, it’s suffering,” he said. “I think everyone agrees that gas is the least CO2 emitting fossil fuel and it’s a flexible fuel – it has, as such, all the preconditions for being well placed on the market, but what we see is the contrary: gas is pushed more and more out of the merit curve due to low ETS prices and also low coal prices; we see that gas-fired power generation is suffering.”



The latest Commission proposal, he reported, had been adopted along with the 2013 Climate & Energy Policy Framework, in which the Commission had put forward to the European Parliament and the Council a proposal for improving the ETS system. The first of two measures he described was the creation of a market stability reserve. "If there's a surplus of allowances on the market, this measure allows to take them into the reserve and if there's a shortage of allowances they can be re-delivered to the market from the reserve," he explained, adding that such occurrences would not be triggered by political decisions but by built-in thresholds. The second measure was the increase of the linear reduction factor from 1.7 to 2.2, a corrective measure linked to greenhouse gas reduction level fixed by the Commission at 40% by 2030.

Mr. Borchardt showed the magic triangle of EU energy policy: internal market/competition, security of supply, sustainability. "Each objective in and of itself is a challenge," he said. "For us, a well-functioning internal energy market is key for all the three objectives." He admitted that completing an internal energy market was not an easy task, but it required special consideration for the natural gas markets: it was a network industry, for one. He explained: "We still have monopolies of the grids and we have a low number of upstream suppliers. This is a clear contrast when you look to the shale gas structure in the United States – it's exactly the opposite." Also, there was no global market as there was for oil and coal. Moreover, he said that gas markets were "not very sexy" during times of economic crisis.

"We think that the market is the most effective tool to get things right at the right price, therefore we believe that because of what Europe has to offer – the biggest import gas market, being a reliable partner and having a clear regulatory framework, although under development, we can offer predictability and even certainty. "So, we have something to offer and believe we should continue to work on a market-based solution also for the gas sector," said Mr. Borchardt, who said that functioning markets could contribute effectively to bringing down prices. He offered some examples. Referring to the 2012 wholesale gas price, he explained that where markets were functioning there was a clear downward trend. Meanwhile, the northwestern Europe hub prices had diverged from contract prices that were high and long-term and causing large losses to many utility portfolios.

Another slide depicted that oil-indexed contracts were going down while gas-to-gas competition was going up. "These developments on the market are properly reflected here." To create a functioning internal gas market, Mr. Borchardt said it was necessary to create the conditions: a lot of investment, better rules for cross-border trade and transport, and external suppliers needed to be pushed towards more competition on the European market, and mechanisms needed to be created by which price signals are transmitted efficiently across Europe. "Price signals are really a key if we want to set the right investment incentives and also get the right prices on the markets," he added.

"Our vision here is not the vision of creating one single, internal energy market for 28 member states; our vision is more to connect liquid hubs, which does not mean that we are cementing the markets for a number of reasons," he explained, adding that zones were connected via harmonized operational and market rules. "Wholesalers and retailers shall compete across the different zones and at the end of the day we expect that in this system consumers will benefit from the competitive dynamics that such a model will trigger. "The high degree of liquidity will also contribute to the security of supply in Europe," said Mr. Borchardt, who said this required clear and detailed rules, like the network codes which were being implemented; rules were also being devised for trading, he added.

# Gazprom discusses Nord Stream's expansion

Natural Gas Europe, 08.02.2014



Gazprom's Alexey Miller met Matthias Warnig, Managing Director of Nord Stream A, to discuss the possibility of beefing up the Nord Stream gas transmission system via the Baltic Sea. That would imply constructing one or two additional strings.

'Gazprom reviewed the results of the feasibility study performed by the Nord Stream AG operating company as well as the conclusions made during the consultations with public authorities, non-profit organizations and other stakeholders from the Baltic Sea region,' reads a note uploaded on Gazprom's website on Friday.

Miller also met Algirdas Butkevicius, Prime Minister of the Republic of Lithuania, to discuss bilateral cooperation in energy sector. According to a press release, the parties discussed 'the reliability of Russian natural gas transit across Lithuania.' The new strings would substitute the Yamal II project, which have been shelved after the controversy that the project sparked in Poland. Mikolaj Budzanowski, shale gas enthusiast and staunch supporter of gas diversification was fired in April, in connection with the Gazprom memorandum confusion. The document was signed in St. Petersburg, by the CEO of Gazprom Alexey Miller and on behalf of EuRoPol Gaz, by Miroslaw Dobrut, who is also VP of PGNiG.

# South Stream project proceeds as planned

Natural Gas Europe, 10.02.2014



Gazprom could launch the first part of the South Stream gas project in less than two years, Russia's ambassador to the EU Vladimir Chizhov confirmed to RIA Novosti on Monday.

This statement confirms previous declarations of Gazprom's management. The Russian company does indeed seem confident, despite the on-going negotiations in Brussels. The European Commission has said South Stream cannot operate on EU territory unless it complies with the bloc's energy law, and it could take years to do so. According to the Third Energy Package, an owner of resources cannot own the infrastructure through which resources are transported.

# Russia economy chief to visit Iran amid oil deal reports

Hürriyet Daily News, 12.02.2014



Significant progress has been made in the negotiations over compensation for the families of eight Turks and one Turkish-American victim killed during an Israeli raid on a flotilla of ships bringing aid to Gaza in 2010, and relations with Israel have progressed to their most promising level since the raid - one that is close to normalization, said Foreign Minister Ahmet Davutoglu on Sunday.

“There is a certain rapprochement and momentum in the compensation talks. We can say that the differences of opinions (between the two countries] have been reduced in the latest meetings.

A significant distance has been covered on the compensation issue ... (Israel’s) compensation payment will bring a number of results,” Davutoglu said during a televised interview on the A Haber station while he was in Karaman on Sunday, apparently indicating that after an agreement on compensation is reached, the sour relations between Turkey and Israel could get back on track. The Israeli commando raid on the Mavi Marmara, a ship owned by the Humanitarian Aid Foundation (İHH) that was participating in a Gaza-bound aid flotilla in 2010, left nine of the activists onboard dead. The aid vessel had been attempting to break Israel’s long-standing naval blockade of the Gaza Strip. Compensation for the nine deaths is one of the key points of Turkey’s demands of Israel in order to thaw relations between the former strategic allies.

Davutoglu avoided discussing the amount of compensation nor did he specify a date for the agreement, saying only that the important thing is to secure justice for Turkish citizens. His remarks came a day after Prime Minister Recep Tayyip Erdogan had a private meeting with Bülent Yıldırım, chairman of the İHH. Last week, some reports circulating in Israeli media hinted at rapprochement, claiming that Turkey and Israel are close to signing a reconciliation agreement and that the strained ties between the two countries are expected to improve in the next few days. The May 2010 incident caused a significant downgrade of diplomatic ties between Turkey and Israel, and the Israeli ambassador was expelled from Ankara in September 2011 after Israel refused to apologize for the killings committed by Israeli soldiers.

US President Barack Obama, during his visit to Israel in late-March, encouraged a normalization of relations and subsequently, Israeli Prime Minister Benjamin Netanyahu apologized to the Turkish prime minister over the telephone for the 2010 commando raid. Davutoglu also slammed some local media reports about the statement released on Thursday on the US Treasury Department website, saying the reports twisted the information in the statement which said that an al-Qaeda network based in Iran is helping transport fighters and money to Syria via Turkey. “They made it seem as though the report (the US statement] says that Turkey is on the (US] blacklist, (as though] the US would consider Turkey a country that is aiding al-Qaeda.



There is only the name of one Turkish citizen in the statement and one person can't represent Turkey. When we see the whole picture, the main goal (of the statement] is to stress that some countries do have links with al-Qaeda that have been deemed as being against al-Qaeda," Davutoglu said, denying all allegations that Turkey supports al-Qaeda in Syria. "The network also uses Iran as a transit point for moving funding and foreign fighters through Turkey to support al-Qaida-affiliated elements in Syria, including the al-Nusrah Front," the Treasury Department statement said. According to Davutoglu, the statement confirms Ankara's thesis that asserts that the Islamic State of Iraq and Levant (ISIL) is secretly cooperating with President Bashar al-Assad's regime.

"The statement reveals that countries that are supporters of the Syrian regime have relationships with al-Qaeda" he said and he continued: "The report shows how baseless some of the accusations that are directed at Turkey are and how wrong the ones that think that there are links between al-Qaeda and the Syrian opposition are." International media reports have long criticized Turkey for turning a blind eye to terrorists using its territory as a transit route; however, this is the first time an official US document mentions Turkey in the context of backing al-Qaeda elements in Syria. Davutoglu also addressed the European Union's increasing criticism of recent legislation that is seen by experts as a tool for the government to censor the Internet as well as profile Internet users. EU standards are important for EU candidate nation Turkey and the Turkish government examined European practices when it was drafting the Internet bill; however, the EU lacks confidence in Turkey with regard to the recent changes to Internet law in Turkey.

"Sometimes a different mood dominates EU relations. A reaction comes without looking at examples of the same thing in the EU. The perception is if something happens in Turkey, it creates restrictive results. But if it happens in Europe, it won't be restrictive. I define this as a 'neo-orientalist' position," Davutoglu said, criticizing the EU for acting with prejudice. He stated that Turkey is open to a dialogue on every issue; however, "it is not valid to show Turkey as in permanent crisis." Davutoglu also spoke of Iraqi Prime Minister Nouri al-Maliki's long-awaited visit to Turkey. The foreign minister said that Maliki's visit is currently off the agenda because of the upcoming elections in Iraq and unrest in the country. However he said the decision not to come to Turkey right now shouldn't be seen as a major crisis, without mentioning the tension that has re-emerged between Turkey and Iraq following Turkey's independent oil deals with KRG

# Russia's energy market is running on fumes

Providence Journal, 08.02.2014



Russian president Vladimir Putin has won some begrudging admiration for his strategic triumph during the Syria crisis. Let him have his moment. It won't last long. A new development threatens to rob Putin of a significant part of his international heft.

That development, of course, is America's energy revolution. By ExxonMobil's estimates, natural gas is on track to become the second-largest energy source in the world by 2025, outpacing even coal. And the United States just became the biggest natural gas producer on the globe, overtaking — you guessed it — Russia.

While the United States will benefit economically, politically and diplomatically from this energy revolution, Russia will come out the biggest loser. Start with simple economics. As much as 40 percent of Russia's economy is dependent on its oil and gas sales. According to some experts, the U.S. shale boom could undermine this source of growth, causing Russian oil exports to plummet by as much as 25 percent over the next several years as other nations embrace the American energy alternative. There's a political factor at play, too. The post-Soviet government has sought a social contract that goes something like this: The Kremlin will ensure economic stability, just so long as the citizenry kindly stays out of politics. But building political legitimacy on economic progress can be an awfully risky endeavor, as Putin will soon learn.

And while it's possible that Russia may have untapped natural gas resources, the country is not competitive in developing them — nor is it likely to be. Russia's political class is heavily entrenched in its business sector, which is as corrupt as Siberia is cold. Efficiency isn't the country's strong suit. Don't expect any new infrastructure to be built without the Kremlin's friends siphoning off a bit of cash first. Russia's Soviet-era energy infrastructure is aging, and was of questionable quality even when it was first erected. There's reason to believe Russia is already performing at capacity, adding further questions to its competitive potential. In 2007, when TIME named Putin its Man of the Year, two of its correspondents remarked to the man himself that he "must feel lucky that the price of oil is so high."

"Fools are lucky," Putin responded. "We work day and night!" And yet, a savvy observer might note, Russia continues to fall behind in the energy-export race. And keep in mind that the United States is beating Russia on price, too. The price of American natural gas is about a third of Russia's. International buyers are catching on. Where Russian gas giant Gazprom once fulfilled the orders for 37 percent of Europe's natural gas supply, it now sells only 25 percent. This extra competition is internationally disruptive. The Kremlin has long used its near-monopoly in the energy sector as a tool to assert its global power. For example, in 2006 and 2009, Russia tried to strong-arm Ukraine by shutting off its gas supplies, leading to energy shortages across Europe.

# South Korea set to make oil payment to Iran

Today's Zaman, 12.02.2014



South Korea is set to become the second Asian nation to make a payment to Iran for crude oil imports under an interim nuclear deal that has provided limited sanctions relief, banking sources said on Wednesday.

Under a Nov. 24 agreement with six major powers, Iran won access to \$4.2 billion of its oil revenues frozen abroad by eight money-transfer schedules through July if it carried out its part of the deal to curb its nuclear program. Japan became the first of Iran's oil buyers to make a payment to Iran under the eased sanctions earlier this month. It was not clear the amount to be transferred.

But the Iranian central bank was holding up to \$5.6 billion in two won-denominated accounts, one at Woori Bank and the other at Industrial Bank of Korea as of late 2013, according to one of the sources. A second source who confirmed the money transfer added the payment would be made by the two Korean banks next month - one part on early March and the other later in the month. The sources declined to be named due to the sensitivity of the issue. State-owned Woori Bank and Industrial Bank of Korea declined to comment on the money transfer. According to the November agreement between Tehran and the five powers, the second and third payment schedules are March 1 for \$450 million and March 7 for \$550 million. Bank of Korea and South Korean finance ministry officials contacted by Reuters said no decision had been made about money transfers to Iran.

Japan became the first of Iran's oil buyers to make a payment for crude imports under the interim nuclear deal, after the West eased a year-long stranglehold on revenues that has crippled the Iranian economy. One source confirmed the Japanese payment was \$550 million. Until the interim deal, Iran's importers had been steadily reducing purchases to avoid falling foul of US and European Union sanctions. The four Asian buyers - China, India, Japan and South Korea - together cut oil imports from Iran by 15 percent on the year to an average of 935,862 barrels per day (bpd) in 2013, government and industry data showed. An agreement between Iran and six world powers in November allows the OPEC member to keep exports at the current reduced levels of about 1 million bpd, and opens a door for lifting shipments later. Shipments to Tehran's biggest oil customers are expected to recover only slightly this year, even after a deal with the West eases some sanctions.

# GDF suez receives approval to export LNG to Europe, Asia

Natural Gas Europe, 12.02.2014



France's GDF Suez received approval from the US Department of Energy to export LNG from the Cameron project in Louisiana to countries that have not signed a FTA with the USA. Even though it has not been mentioned in the note, the green light from the US increases the probability of LNG export to Europe and Asia in the near future.

The Final Investment Decision (FID) of the Cameron liquefaction project is expected by the end of the year. GDF Suez looks forward to strengthening its position in the LNG market, taking advantage of a market growing five times faster the global gas market.

"The decision of the DOE to grant non-FTA approval opens a major opportunity for GDF SUEZ to further develop long-term LNG sales in a fast-growing global market. Cameron LNG will open new horizons for US gas production that is dramatically boosted by the shale gas revolution and will strengthen GDF SUEZ position in LNG world market," Gérard Mestrallet, Chairman and CEO of GDF SUEZ, commented in a note released on Wednesday. Under the Joint Venture Agreement signed with Sempa, Mitsubishi and Mitsui signed seven months ago, the French company holds a 16.6% stake in the LNG project in Louisiana.

# Short-term global oil supplies face uncertainties

Oil & Gas Journal, 12.02.2014



Global consumption of petroleum and other liquids will rise an average of 1.3 million b/d in 2014 and 1.4 million b/d in 2015, exceeding 93 billion b/d by second-half 2015, according to the most recent Short-Term Energy Outlook released by the US Energy Information Administration.

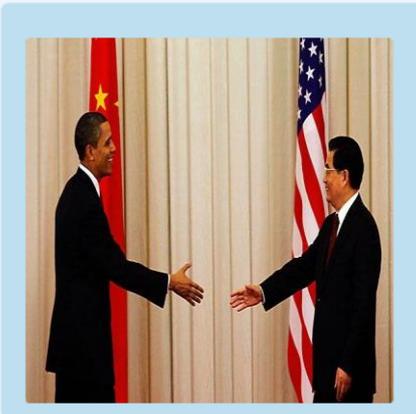
EIA said global consumption of petroleum and other liquids rose by 1.2 million b/d in 2013, exceeding 91 million b/d by the year's second half. Major uncertainties surround its 2014-15 global oil supply outlook, however. These include lingering unplanned global supply disruptions and unknown US oil production growth,

It is attributable to upward US onshore supply risk due to drilling technological innovations and downward production risk in the federal Gulf of Mexico because of potential project delays and hurricane or maintenance outages. Kazakhstan's Kashagan oil field and North Sea maintenance will also contribute to short-term global supply fluctuations. EIA estimates US total crude oil production averaged 7.4 million b/d in 2013, and will increase to 8.4 million b/d in 2014 and to 9.2 million b/d in 2015. The US crude oil production forecast for both 2014 and 2015 was revised downward slightly—by 100,000 b/d—from last month's STEO because of indications that severe weather this winter caused temporary slowdown in completing new wells.

Regarding petroleum prices, EIA notes that Brent crude oil spot prices in January averaged \$108-112/bbl for the seventh consecutive month. As non-OPEC supply growth exceeds growth in world consumption, the Brent crude oil price is expected to average \$105/bbl and \$101/bbl in 2014 and 2015, respectively. EIA expects that West Texas Intermediate crude oil prices will average \$93/bbl in 2014 and \$90/bbl in 2015.

# US, China have “some key reasons” to work together in shale exploration

Natural Gas Asia, 08.02.2014



The United States and China have “some key reasons” to collaborate in the field of shale gas exploration, Sarah Forbes, a senior associate of World Resources Institute, said Thursday, reports news agency Xinhua.

The two countries share lots in common though they are at different stages in shale gas development, Forbes said while addressing a seminar at the Brookings Institution. “We were both continental sized countries, we both have geographic disperse energy resources with demand centers that are often far from energy supplies. Both countries currently rely heavily on fossil fuels to power our economies,” Forbes said.

She further said that the two countries fundamentally are seeking their own energy independence by diversifying the energy mix, ramping up domestic energy production and unconventional fuels offer unique opportunities to do that. Forbes also expressed her wish for stronger connections between the United States and China in this industry, noting that the two countries have already established cooperation at both company level and government level, adds Xinhua.



# Announcements & Reports

## ▶ *Energy Efficiency Market Report 2013*

**Source** : IEA

**Weblink** : <http://www.iea.org/W/bookshop/add.aspx?id=460>

## ▶ *Energy Statistics of OECD Countries*

**Source** : IEA

**Weblink** : <http://www.iea.org/W/bookshop/add.aspx?id=624>

## ▶ *Key World Energy Statistics*

**Source** : IEA

**Weblink** : <http://www.iea.org/publications/freepublications/publication/KeyWorld2013.pdf>

## ▶ *Drilling Productivity Report*

**Source** : EIA

**Weblink** : <http://www.eia.gov/petroleum/drilling/pdf/dpr-full.pdf>

## ▶ *Short-Term Energy Outlook Market Prices and Uncertainty Report*

**Source** : EIA

**Weblink** : <http://www.eia.gov/forecasts/steo/pdf/uncertainty.pdf>



## Upcoming Events

### ► *Russia Offshore 2014 conference and exhibition*

**Date** : 17-20 February 2014  
**Place** : Moskov-Russia  
**Website** : [http://www.abo.net/en\\_IT/events/detailEvents.page?month=02&year=2014&eventId=2199401#2199401](http://www.abo.net/en_IT/events/detailEvents.page?month=02&year=2014&eventId=2199401#2199401)

### ► *Eurasia Gas*

**Date** : 25-26 February 2014  
**Place** : United Arab Emirates-Abu Dhabi  
**Website** : [http://www.abo.net/en\\_IT/events/detailEvents.page?month=02&year=2014&eventId=2199401#2199401](http://www.abo.net/en_IT/events/detailEvents.page?month=02&year=2014&eventId=2199401#2199401)

### ► *CIPPE 2014*

**Date** : 19 – 21 March 2014  
**Place** : Beijing – China  
**Website** : <http://www.cippe.com.cn/2014/en/>

### ► *Unconventional Gas Aberdeen 2014*

**Date** : 25 – 26 March 2014  
**Place** : Aberdeen – UK  
**Website** : <http://www.unconventionalgasaberdeen.com/>

### ► *4th Annual Energy Trading Regulations & Compliance 2014 Summit*

**Date** : 11 – 12 March 2014  
**Place** : London – UK  
**Website** : <http://www.etrsummit.com/#!home/c1trp>

### ► *8th Atyrau Regional Petroleum Technology Conference*

**Date** : 1 – 2 April 2014  
**Place** : Atyrau – Kazakhstan  
**Website** : <http://www.oiltech-atyrau.com/>

### ► *TUROGE 2014*

**Date** : 9 – 10 April 2014  
**Place** : Ankara – Turkey  
**Website** : <http://www.turoge.com/>



► *13th Uzbekistan International Oil & Gas Exhibition*

**Date** : 13 – 15 May 2014  
**Place** : Tashkent – Uzbekistan  
**Website** : <http://www.oguzbekistan.com/>

► *5th Turkmenistan Gas Conference*

**Date** : 21 – 22 May 2014  
**Place** : Ashgabat – Turkmenistan  
**Website** : <http://www.turkmenistangascongress.com/>

► *21st Caspian International Oil & Gas Exhibition*

**Date** : 3 – 6 June 2014  
**Place** : Baku – Azerbaijan  
**Website** : <http://www.caspianoil-gas.com/>

► *4th Erbil Oil & Gas International Exhibition*

**Date** : 1 – 4 September 2014  
**Place** : Erbil – Iraq  
**Website** : <http://www.erbiloilgas.com/>

► *South Russia Oil & Gas Exhibition*

**Date** : 2 – 4 September 2014  
**Place** : Krasnodar – Russia  
**Website** : <http://oilgas-expo.su/>

► *2nd East Mediterranean Oil & Gas Conference*

**Date** : 9 – 10 September 2014  
**Place** : Paphos – Greek Cyprus  
**Website** : <http://www.eastmed-og.com/Home.aspx>