First tranche of Kurdish Iraqi oil revenue deposited in Turkey's Halkbank

Hurriyet Daily News, *03.07.2014*

A People's Democratic Party (HDP) lawmaker for the southeastern province of Batman, which is home to Turkey's biggest oilfield, has presented a legal proposal to share the central government's oil revenues with local administrations, in a move that has been seen as a vital step for autonomy by Kurdish politicians.

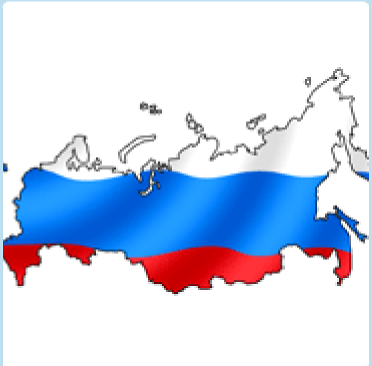
The bill submitted to Parliament by HDP Batman Deputy Ayla Akat Ata calls for the transfer of half of the state share yielded from oil drilling to the municipality of the province in which oil is produced. The draft would entail amendments to the Turkish Petroleum, TPAO and Municipal laws.

The proposal would also permit the TPAO to transfer its authorities to give oil exploration and operation permits and licenses to institutions named by the law. The municipalities' income items would also be expanded to include the state share in oil resources in the bill. "Although most of the oil extracted in Turkey is extracted from Batman and the surrounding provinces, the income earned from oil makes no contribution to the economy of the region," Akat Ata said in the justification for the bill. "Although one-fifth of Turkey's oil needs are procured by the Batman refinery, the province had the highest unemployment rate across the country in 2011 and 2012, according to TUIK data," she said.

"In this regard, it is necessary to transfer some of these revenues to local governments to enable them to reach people. This way, subsidiarity and locality principles, which are requirements for democracy, could be partly secured and the sovereignties of local governments would be raised," she said. Diyarbakır Metropolitan Co-Mayor Gultan Kisanak, the former co-chair of the Peace and Democracy Party (BDP), told Al-Jazeera Turk in April that they would seek to obtain local governments' share from local economic and energy sources. "Of course we want an [oil] cut, we want our cut from all energy sources, underground and above ground; we want to take advantage of all the economic wealth. Locals must have their share," she said.

Russia hints at Turkey gas tax as price review approaches

ICIS, *03.07.2014*



Russia has hinted at the possibility of taxing the gas supplied through Blue Stream in a bid to boost state coffers, the Russian press reported.

Finance minister Anton Siluanov said state owned Gazprom had already recouped its costs on the pipeline supplying Republic of Turkey and therefore the tax exemptions that had been granted following intergovernmental discussions more than a decade ago should be scrapped. A senior Turkish natural gas expert said it would be difficult for Russia to cancel the existing contractual terms as this would have to be done at state level.

However, he argued that the prospect of new taxes could be used in tit-for-tat negotiations between Gazprom and Turkey's gas incumbent BOTAS, which is the sole importer of gas through Blue Stream. Turkey pays some of the most expensive prices in Europe and is expecting to negotiate a discount for BOTAS when a review is due next year. "This is a game," the source said. "It will be difficult for [Russia] to pass the tax on to Turkish consumers, but they could use it in exchange for some advantages either related to the construction of South Stream or when they review the import price for BOTAS," he said.

It was agreed when the pipeline was commissioned in 1997 that the supply of gas would be subject to a special tax regime until 31 December 2015. After that date when the construction costs are likely to have been recouped the taxation would apply on a regular basis. However, following the amendment of the Russian tax code in 2003 which entered in force the following year, the excise tax was scrapped along with any terms stipulating the application of the regular tax regime after December 2015. "The total value of tax subsidies for Blue Stream has already exceeded $10bn (€7.3bn), while the project cost was reported at $3.2billion," a Russian gas analyst said.

Now, Siluanov insists on removing the tax breaks, particularly amid talks that Turkey may increase Russian gas imports through Blue Stream from the contractually agreed 16 billion cubic metres (bcm)/year to 19bcm/year. "Overall, the feeling is that the issue will involve hot discussions, legal experts and it will take a long time," another Russian source said. "Russia needs money and they are trying to collect it in different ways. […] What is clear is that there is no immediate duty to pay and no ground to think of any price revision. Turkey can be safe," the source added. The Russian Ministry of Finance was unavailable for comment on Thursday.

Turkey is Russia's second largest gas market in Europe and is likely to remain a safe outlet for its exports at a time when European countries are looking to wean themselves off Russian gas. Russia is also pressing ahead with the construction of South Stream, a 63bcm/year pipeline designed to carry gas to central Europe via the Turkish waters of the Black Sea.

Turkey best route for Cypriot gas to Europe, EU minister

Hurriyet Daily News, *02.07.2014*

Turkey is the best route for sending offshore natural gas from island of Cyprus to Europe, EU Minister Mevlut Cavusoglu said. Cavusoglu's comments came amid growing expectations that the reserves from the Aphrodite gas field off the southern coast of – estimated to be about 200 billion cubic meters – could prove a catalyst for peace and cooperation in the region.

Cavusoglu said the construction of a pipeline to transport the gas from offshore Cyprus island would aid, both politically and financially, peace talks between the two sides, which resumed in February after a year-long hiatus.

Turkish gas sector members hear about UK gas experience

ICIS, *03.07.2014*

Turkish government and private gas sector representatives travelled to London last week to hear about the experience of the British gas market and to visit trading floors. The two-day event, also attended by the Turkish deputy energy minister Murat Mercan, gave the opportunity to both Turkish and British energy sector representatives to exchange ideas and explore joint projects.

The visit was part of a two-year EU-sponsored programme – TRGas Hub – spearheaded by the Turkish Ministry of Energy, PETFORM, EFET and ICIS for the training of Turkish gas companies and the development of a hub in the country.

Turkey emerges as potential site for Spanish LNG reloads

ICIS, *03.07.2014*

Weak global LNG demand and growing length within the Spanish market could render Turkey a viable destination for spot LNG volumes reloaded out of Iberia, ICIS price assessments suggest.

Although Spanish reload prices remain at a premium to Turkish spot prices – on Thursday ICIS assessed the value of FOB LNG from Spain at $11.00/MMBtu, representing a $0.20/MMBtu premium over the current DES assessment for Turkey – there is a belief among some international traders that many Spanish shippers must now be very long, therefore keen to sale even at a discount to perceived market levels.

This is because prolonged weak demand for spot LNG – and in particular in Asia – has removed some of Spain's key buyers from the market. Until recently it made sense for Spanish shippers to reload volumes from the LNG tanks of the country's four reloadable LNG terminals to sell into global spot markets. Now, with only limited pipeline export opportunities, the only other real option is for LNG not to be reloaded, but to be regasified and fed into the market. However, according to some traders Spain's main sellers are keen to avoid flooding a shallow market like Spain's AOC with lots of volume at a time when demand is in any case much reduced, which could render FOB sales to whoever will take them the more attractive option.

HDP submits bill for oil revenue sharing with local governments

Hurriyet Daily News, *03.07.2014*

People's Democratic Party (HDP) lawmaker for the southeastern province of Batman, which is home to Turkey's biggest oilfield, has presented a legal proposal to share the central government's oil revenues with local administrations, in a move that has been seen as a vital step for autonomy by Kurdish politicians.

The bill submitted to Parliament by People's Democratic Party (HDP) Batman Deputy Ayla Akat Ata calls for the transfer of half of the state share yielded from oil drilling to the account of the municipality of the province in which oil is produced.

The proposal would also permit the TPAO to transfer its authorities to give oil exploration and operation permits and licenses to institutions named by the law. The municipalities' income items would also be expanded to include the state share in oil resources in the bill. "Although most of the oil extracted in Turkey is extracted from Batman and the surrounding provinces, the income earned from oil makes no contribution to the economy of the region," Akat Ata said in the justification for the bill. "Although one-fifth of Turkey's oil needs are procured by the Batman refinery, the province had the highest unemployment rate across the country in 2011 and 2012, according to TÜİK [Turkish Statistical Institute] data," she said.

"In this regard, it is necessary to transfer some of these revenues to local governments to enable them to reach people. This way, subsidiarity and locality principles, which are requirements for democracy, could be partly secured and the sovereignties of local governments would be raised," she said. Diyarbakır Metropolitan Co-Mayor Gultan Kisanak, the former co-chair of the Peace and Democracy Party (BDP), told Al-Jazeera Turk in April that they would seek to obtain local governments' share from local economic and energy sources. "Of course we want an [oil] cut, we want our cut from all energy sources, underground and above ground; we want to take advantage of all the economic wealth. Locals must have their share," she said.

Turkey to meet KRG's fuel demand amid oil crisis

Hurriyet Daily News, *27.06.2014*

Turkey will meet northern Iraq's additional 4,000 tons of processed oil demand, the Turkish energy minister has said, but warned of border gate restraints amid fuel scarcity in the region after the shutdown of Iraq's biggest refinery.

Turkey currently ships 9,000 tons of fuel to the KRG in northern Iraq and an additional 4,000 tons have been demanded, Taner Yildiz said, answering reporters' question at the Bosporus Energy Club meeting on June 27. "Can we meet this? Of course we can. Will it be possible for all of the order to pass through Habur border gate? We definitely must ramp up this gate's capacity," the minister said.

The shutdown of Beiji refinery, which has been the scene of fierce fighting between Iraqi forces and Islamic State of Iraq and the Levant (ISIL) militants, has led to a vast oil crisis in the autonomous Kurdish region in the country. The minister had previously said Turkey's state-owned petroleum company TUPRAS had the capacity to respond to these demands, though the transportation would cause long queues of tankers at the Habur border gate, which has a limited capacity. Yildiz said this issue came to the agenda during KRG Prime Minister Nechirvan Barzani's visit to Ankara on June 26 as well.

The crisis began shortly after Sunni militants, led by jihadists from ISIL, launched a lightning offensive that has overrun major parts of five Iraqi provinces. As the militants advanced, supply routes were cut and fighting led to a shutdown of the country's largest oil refinery near the town of Beiji, south of the militant-held city of Mosul. Many stations have shut down after running out of supplies, blocking entrances and exits with plastic chairs to keep out hopeful customers. At petrol stations across the three provinces of the northern region, but particularly in and around the city of Dohuk and the Kurdish regional capital Arbil, lines extend for hours, sometimes even days, Agence France-Presse reported.

Kurds will keep Kirkuk fields until referendum

Bloomberg, *01.07.2014*

Iraq's semi-autonomous Kurds plan a referendum for independence and will keep troops in the nearby oil hub of Kirkuk until people there can vote on whether to join the Kurdish enclave, a regional government spokesman said.

"As a people, we have the right to be independent, but the issue is up to the Kurdish people, to be decided upon via a referendum," Safeen Dizayee, spokesman of the KRG, said in an interview in the city of Erbil. "We now have arrived at a new reality. If the Kurdish people, through referendum, were to opt for complete independence, we want it to be done through negotiations with Baghdad.

Iraq's minority Kurds, who historically have resisted control by Arab-dominated central governments, are charting a course to independently develop oil reserves that the KRG calculates at 45 Bbbl—larger than BP's estimate for deposits in the U.S. or Nigeria, Africa's biggest producer. Kurdish armed forces moved last month outside their region in northern Iraq and occupied the long-disputed Kirkuk oil fields after the Iraqi army fled from Islamist militants. Iraq's central government in Baghdad said any referendum the Kurds may hold, whether to determine the future of the city of Kirkuk and its nearby oil fields or to declare independence for the Kurdish region itself, would be unlawful. "The government doesn't accept anything outside the constitutional way, which was voted on by the Kurds," Ali al-Moussawi, media adviser to Iraqi Prime Minister Nouri al-Maliki, said by phone in response to Dizayee's comments. "If they do this, it would be unilateral and unconstitutional."

The KRG and its Peshmerga armed forces will maintain control of Kirkuk and other disputed areas they hold outside their region until people there can vote on joining the Kurdish enclave, Dizayee said, without providing a date for such a referendum. Kirkuk, including Iraq's fourth-biggest oil deposit, is an ethnically mixed area claimed also by the central government. "The KRG can export Kirkuk oil, the same way as it exports the region's crude" from current KRG-administered fields, Dizayee said. By securing the oil facilities in and around Kirkuk, the Kurds would add almost 9 Bbbl to their own crude reserves. Iraq, excluding such an enlarged Kurdish-controlled region, would be left with reserves of 141 Bbbl, still the world's fifth-largest.

The KRG has sold one cargo of crude that it sent by pipeline to the Turkish port of Ceyhan on the Mediterranean Sea, Dizayee said. "Oil was sold according to the market prices on the day of loading and was definitely not sold at half price," he said. The Kurds deposited revenue from the sale at Turkey's Halkbank, where they also plan to send money from any future sales. Brent crude for August settlement, a global price benchmark, rose 0.1% to $112.44 a barrel at 7:44 a.m. local time on the London-based ICE Futures Europe exchange July 1.

KRG authorities plan to boost daily crude-export capacity from about 120,000 bbl currently to 400,000 bbl by the end of the year, with a possibility of "additional quantities from Kirkuk," Dizayee said. Output from the Kirkuk area has dwindled to 30,000 bbl/d from 650,000 since Iraq's government shut the country's export pipeline to Turkey in March because of sabotage, state- run North Oil Co. said in a June 19 statement.

The KRG will pay money owed to oil companies working in the Kurdish region after meeting its own financial requirements, and it plans to seek loans from international banks to help cover public expenses, he said. Iraq's central government only allocated enough money to the KRG this year for the Kurdish authorities to pay civil servants' salaries for the first two months, Dizayee said. "We need approximately $1.2 billion a month for salaries and other operational and investment projects," he said.

Oil-rich northern Iraq faces gas shortage

Hurriyet Daily News, *02.07.2014*

Northern Iraq, one of the most oil-rich regions in the world, faces a fuel shortage after militants from the Islamic State (IS), formally known as the Islamic State of Iraq and the Levant (ISIL), overran large parts of the country, including a key refinery.

Sadwd Arbil, the capital of the autonomous Kurdish Regional Government (KRG), along with Sulaymaniyah and Duhok, are suffering from gas shortages. Yusuf Muhammad, the parliamentary spokesperson of the KRG has called on the KRG's Natural Resources Minister Ashti Hawrami to Parliament, so he may elaborate on the crisis.

"A strategy will be developed after the briefing by the natural resources minister [Hawrami]," Muhammad said. The price of gasoline has jumped to 2,000 dinars ($1.7) per liter from 500 ($0.43) per liter, Anadolu Agency reported. Moreover, the IS has started selling oil, extracted from the lands they seized from the government in the recent weeks, to unidentified buyers in the black market, according to a report by Anadolu Agency on June 1. "The oil extracted from wells close to the Hamrin Mountains and Beiji refinery, which is the country's largest oil refinery, is being smuggled to the black markets," Selal Abdul, head official in Tuzhurmatu, in the northern Salahaddin province, told Anadolu Agency on July 1.

Abdul said every day hundreds of tanks are being filled with oil extracted from the Hamrin Mountains, which have been under IS control for a week. "IS militants are selling the oil to anyone available, [so they can exchange it for] weapons and ammunition," he added. Ali Huseyni, deputy head for Tuzhurmatu's district council, said the oil extracted from the Hamrin Mountains used to be sold to Iran through the KRG. "However, when the Kurdish side discovered that the oil was being sold by IS militants, they stopped transferring the oil. Now the oil is purchased by other sources that have not yet been identified," Huseyni said.

Militants affiliated with the IS have seized vast swaths of land in northern Iraq since June 15, raising fears they might set their sights on the capital city of Baghdad next. Kurdish Peshmerga forces took the oil-rich city of Kirkuk, which has been long disputed between the Baghdad government and the Kurdish-run Arbil administration, after Iraqi security forces withdrew from the advancing IS militants in June. Last week, the KRG administration requested more gas from Turkey, according to Turkish Energy Minister Taner Yildiz. "Turkey can meet such a demand via [Turkey's largest oil refiner] Tupras," he said, adding that this could still cause long queues at the Habur border gate.

Iraqi Kurds say will sue Baghdad if it blocks oil sale

Reuters, *03.07.2014*

Iraq's autonomous Kurdish region has hit back at Baghdad over independent oil exports, a letter from the Kurdish Regional Government (KRG) showed, threatening to counter sue the central government for trying to block its sales.

The strongly worded letter shows growing confidence from the Kurdish capital Arbil in the long-running oil sales dispute, as Baghdad struggles to regain control of swathes of territory lost to a Sunni Islamic militant insurgency. The letter, addressed to Abdul Karim Luaibi from Ashti Hawrami, said the Kurds would pursue legal action by the middle of this month if Baghdad does not stop its "interference".

The KRG will bring civil, and where necessary, criminal proceedings against your Ministry and any person, foreign advisor, or any entity conspiring with your Ministry in any form," Hawrami wrote, in the letter dated June 29 and carried on a KRG website. He did not specify a court for the action. The autonomous Kurdish region has been trying to establish greater financial independence from Baghdad by selling its own oil production directly on international markets. It has largely been spared the violence affecting much of Iraq. Baghdad has cut the KRG's budget since January over the dispute, arguing the sales are illegal, and has repeatedly threatened to sue any firm that buys oil from the autonomous region. But since the KRG took control of the northern oil hub of Kirkuk amid the retreat of the Iraqi military from the Islamic State-led insurgency, the autonomous region has been emboldened.

Genel's KRG oil production jumps

Rigzone, *04.07.2014*

Genel Energy, the oil explorer headed by former BP CEO Tony Hayward, said production jumped in June after Iraq's KRG opened an export pipeline to Turkey.

Net production averaged 84,000 bbl/d in June compared with a 63,000 bbl/d rate for the whole of the first half, the company said in a statement. The opening of the pipeline in May allowed the autonomous region to increase exports through Turkey, bypassing the central Iraqi network. While the government in Baghdad disputes KRG's right to sell oil directly, administration has sold a cargo of oil at international prices and deposited the proceeds in a Turkish bank.

Average daily production, rose by half to 63,000 boe/d in the interim period January to June this year, compared to the same time last year. KRG, which plans a referendum on independence from Iraq, has largely remained calm as Islamist militants fight the central government for control of large parts of the country. London-based Genel said its operations remain safe and secure. "Genel Energy looks well placed either as an early producer or as an M&A target by one of the super-majors," analysts at Bernstein Research said. "The upside is starting to look more compelling as the probability of a KRG breakaway from Iraq increases."

Genel maintained a forecast for average output in 2014 of 60,000 to 70,000 bbl/d and said revenue would be $500 million to $600 million. The pipeline will allow KRG to raise exports to 200,000 to 250,000 bbl/d this month from 125,000 bbl early last month, Ashti Hawrami, the regional natural resources minister, said on June 18. Daily shipments may increase to 400,000 bbl by the end of the year, he said. Iraq, excluding the Kurdish region, holds 150 Bbbl of proven crude reserves in the world's fifth-biggest deposits. The KurdiSH regional government controls 45 Bbbl and has attracted international oil companies including Genel, ExxonMobil Corp. and Total with financial terms many see as more generous than those in the rest of the country.

Genel maintains guidance despite Iraq chaos

AFP, *04.07.2014*

Genel Energy, the KRG-focused oil explorer headed by former BP chief executive Tony Hayward, has maintained production and revenues guidance for the year in spite of the turmoil raging in nearby areas of northern Iraq.

Julian Metherell, chief financial officer at Genel, said a stable situation had allowed an increase in output during June. "Our operations in KRG remain safe and secure," he said. On Thursday Genel Energy maintained full-year production guidance of 60,000-70,000 barrels of oil equivalent a day, concentrated on its stakes in key oil fields of Taq Taq and Tawke.

Average daily production, rose by half to 63,000 boe/d in the interim period January to June this year, compared to the same time last year. However, in June production jumped to 84,000 boe/d as Isis rebels launched their attacks on federally-held towns and cities in eastern and central Iraq. The completion of a new pipeline this year between Turkey Genel's fields running through KRG-controlled territory led to the first shipment of KRG piped oil via the Mediterranean port of Ceyhan in May. Mr Metherell said that the proceeds from the first cargo had been sold at international prices in spite of protests from Baghdad and had been paid into a bank account in Turkey controlled by the KRG.

Last week Genel and other explorers were boosted by a decision by Iraq's supreme federal court to block a request by Iraq's oil ministry seeking to ban exports by the autonomous government. Following the ruling, the KRG called on Iraq's oil ministry and SOMO, its marketing arm, to "cease sending intimidating and threatening letters or making false claims to prospective traders and buyers of oil exported legally by the Kurdish Regional Government". In spite of continued diplomatic challenges over the KRG's right to sell oil into the international market, Genel also maintained its revenue guidance of $500m-$600m for the year.

Analysts at Deutsche Bank said June production rates, substantially ahead of their full-year estimates, provided "an indication of the material uplift in volumes that the KRI-Turkey pipeline should enable when steady-state exports are established". However, they noted good news of production had been tempered by the disappointment of a dry exploration well in waters around Malta and also poor results from further test drilling at its Taq Taq field. Edison Investment Research analyst Will Forbes said that with the exception of Genel's Dilolo prospect off Angola, he remained cautious on the potential for the company's non-KRG exploration activities for the remainder of the year.

Iran gas exports to reach 10 billion cubic meters by year-end

Reuters, *03.07.2014*

Iran gas exports will reach 10 billion cubic meters by the end of the current Iranian calendar year. The country's gas production rate is expected to increase by 100 million cubic meters per day by the end of year, Iran's IRNA News Agency reported.The country exported 9 billion cubic meters of gas in the previous year (ended on March 20), according to official of the National Iranian Gas Company Hassan Torbati.

Iran's Mehr News Agency reported on June 28 that Iranian Oil Minister Bijan Namdar Zangane has promised the country's president to increase Iran's total gas production by 80-100 million cubic meters per day.

The country can reach the goal by launching new phases of the giant South Pars gas field. Zanganeh said on May 3 that the country plans to export gas to Europe via pipeline or in the form of LNG (liquid gas). "Europeans prefer to diversify their gas and energy sources," Zanganeh said, Iran's IRNA News Agency reported. "Europeans started negotiations to import Iranian gas nine years ago. But apparently the talks were halted in the previous years," he explained. Zanganeh went on to note that Iran is a country capable of exporting large volumes of gas and is always willing to provide gas to Europe.

"Once the phases of South Pars gas field come on stream in the next Iranian calendar year (to start on March 1, 2015), Iran will have extra gas to export," he said. Zanganeh said on April 19 that Iran plans to export 80 billion cubic meters (bcm) of gas to Asia and Europe in calendar year 1400 (March 2021-March 2022). "We are planning to export 80 billion cubic meters of gas to Turkey, Europe, Iraq, Pakistan, and the Persian Gulf Arab states in calendar year 1400," he said, Iran's IRNA news agency reported.

"We should boost oil, gas, electricity, and petrochemicals through diversifying methods of sale and cooperating with the private sector," he said, adding that the country's oil refining capacity is projected to rise to three million barrels per day. In March, Zanganeh said Iran forecasts an increase in its crude oil and natural gas production in the current Iranian calendar year 1393, which began on March 21. Iran's crude oil output is forecast to increase by about 200,000 barrels per day to 4 million barrels per day, and its daily natural gas output is forecast to increase by about 100 million cubic meters per day to 400 million cubic meters per day.

Islamic State seizes Syrian oil field from rivals

Hurriyet Daily News, *03.07.2014*

The jihadist Islamic State seized control Thursday of a major Syrian oil field on the Iraqi border, as rival fighters withdrew, said the Syrian Observatory for Human Rights.

By seizing the Al-Omar oil field, IS now controls most oil and gas fields in the oil-rich Syrian province of Deir Ezzor, most of whose countryside is also under its control. "IS took control of the Al-Omar oil field," located north of the strategic town of Mayadeen, also under its control since dawn Thursday, said the Observatory. The capture "comes after (Al-Qaeda affiliate) Al-Nusra Front withdrew from the oil field without a fight", the Britain-based monitor added.

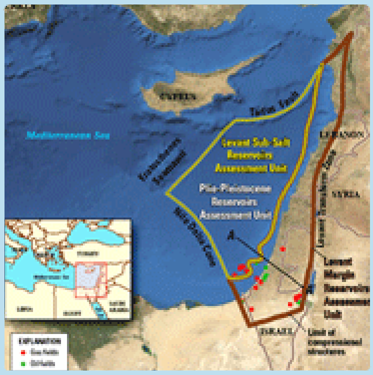
Before Syria's 2011 revolt against President Bashar al-Assad broke out, the oil field produced some 30,000 barrels a day. In November 2013, Al-Nusra Front and its anti-regime allies took over the field and kept it running, "selling 10,000 barrels a day," according to the Observatory. IS supporters posted amateur video on YouTube, showing a bearded man wearing black Afghan clothes and a black scarf on his head, identified by the cameraman as Commander Hommam. "We took it (the oil field) over without any fighting. They fled like rats," the commander says. The footage also shows two signs posted on the road.

One reads "the Euphrates Oil Company -- Al-Omar Oil Field." The cameraman shouted: "The Islamic State is here to stay." Some rebels initially welcomed IS, then known as the Islamic State of Iraq and the Levant (ISIL), among their ranks as they battled Assad's forces in their bid to topple his regime. In January, rebels and Al-Nusra Front fighters began turning their guns on IS fighters, whose brutal abuses and quest for hegemony earned them the opposition's wrath. IS has vastly bolstered its resources through an offensive it launched in Iraq on June 9, capturing a swathe of territory in northern and western provinces as it sweeps towards Baghdad.

It has brought many of the heavy weapons it seized from Iraq's fleeing troops across the border and is now deploying them in Syria, giving it vastly improved firepower. On Sunday, the group declared a "caliphate" straddling Syria and Iraq, referring to an Islamic system of rule that was abolished nearly 100 years ago in a move that has angered other rebel groups and Islamists, who declare it a 'heresy". Syria's war began as a peaceful movement demanding Assad's ouster, but morphed into a conflict after the regime unleashed a brutal crackdown on dissent. Many months into the fighting, jihadists started to pour into Syria, drawing warnings from analysts of a looming regional conflagration.

Leviathan gas field partners set for talks to supply BG in Egypt

Bloomberg, *29.06.2014*



Partners in Israel's Leviathan offshore natural gas field signed a letter of intent to hold talks with a subsidiary of BG Group Plc (BG/) about supplying the company's gas-liquefying plant in Egypt.

The letter sets out terms of a final accord, including the sale of 7 billion cubic meters of gas a year for 15 years at a price to be determined, the partners said today. Gas would be supplied at the Leviathan platform and delivered by pipeline to BG International (NSW) Ltd.'s plant at Idku, Egypt, according to a filing that Ratio Oil Exploration 1992 LP and two units of Delek made to the Tel Aviv Stock Exchange.

The 2010 discovery of Leviathan, coming after the nearby Tamar find, is proving a bonanza for Israel, which expects the gas to meet its needs for a quarter of a century and also enable it to sell to other countries. Egypt formerly supplied gas to Israel until repeated sabotage of a pipeline in Egypt's Sinai Peninsula led the Arab nation to cancel the exports in 2012. "This is an opening shot for the development of Leviathan," Guil Bashan, an analyst at Tel Aviv-based IBI-Israel Brokerage & Investments Ltd., said by phone today. "The supply at the platform implies BG will be building the pipeline and all the infrastructure to transport the gas, which means much lower capital expenditure and lower risk for the Leviathan partners."

The partners signed their non-binding letter of intent on June 27, according to today's filing by Delek Drilling-LP, Avner Oil Exploration LLP and Ratio Oil Exploration 1992. Noble Energy, Inc. of Houston, Texas, is the fourth and biggest partner in Leviathan, with a 39.7 percent stake. Noble said May 5 that it signed a non-binding agreement of intent to sell gas from the Tamar field to Union Fenosa Gas SA's liquefied natural gas plant in Egypt. Shares of Delek Drilling-LP and Avner Oil Exploration advanced 1.2 percent and 1.8 percent, respectively, at the close in Tel Aviv.

Ratio Oil Exploration 1992 gained 3.3 percent, the most since Feb. 2. Delek Group, which has stakes in Delek Drilling (DEDRL) and Avner, added 0.4 percent. Delek and Noble already have gas-supply agreements with Jordan and the Palestinian Authority. "We expect more export deals for Leviathan, including Turkey, Cyprus island and Jordan," Bashan said. Australia's Woodside Petroleum Ltd. (WPL) scrapped an agreement last month to buy a quarter of Leviathan, Israel's largest gas field, for as much as $2.6 billion. Aside from Noble's stake in the field, Delek Drilling and Avner hold 22.7 percent each and Ratio Oil Exploration has 15 percent.

Greece promises tax cut to attract oil and gas majors

Rigzone, *01.07.2014*

Greece is planning to cut tax rates for oil and gas companies as it wants to attract them to help exploit its untapped offshore hydrocarbon resources, its energy minister said on Tuesday. Under the plan, oil and gas explorers will pay 25 percent tax, down from 40 percent currently and 5 percent of the tax will go to local communities.

"We have done this in order to incentivise our investors to invest in the future of Greece," Ioannis Maniatis said at a conference in London. He did not say when the new tax rates would come into effect. Debt-laden Greece, which spent 15.6 billion euros to import fuel last year.

It has been inspired by large gas finds offshore from nearby Israel and island of Cyprus. Maniatis also announced the tender of Greece's first large-scale oil and gas exploration licenses after several fruitless attempts over the past decades to make big oil discoveries. A group of Greek government oil and gas experts was meeting representatives from BP, Shell, Total and ExxonMobil and other oil companies in London on Tuesday and Wednesday, a Greek government source said.

Once the tender is officially published in the coming weeks, oil and gas producers will be able to bid for licences covering 20 blocks located south of Crete and in the Ionian Sea. "We will evaluate all the available data regarding the 20 offshore blocks which will be included in Greece's new concession round," said Mathios Rigas, chief executive of Energean Oil & Gas, currently Greece's sole oil producer.

Sapping Europe's energy security

Natural Gas Europe, *02.07.2014*

The European Union's energy security is under threat — one of its largest suppliers of natural gas has gone rogue. If Vladimir Putin's efforts to destabilize Ukraine had culminated in an invasion, up to 15 percent of Western Europe's total supply would have been immediately cut off.

Ukraine has the world's largest gas-transit system. Even if the risk of a conflict there eventually dissolves, Mr. Putin's Kremlin still presents the EU with a major energy security problem. The EU needs to develop emergency plans that focus on quick replacement of lost energy sources — and long-term strategies that free it of dependence on Russia.

In all, Gazprom provides 27 percent of Europe's gas supply. Fifteen percent via Ukraine, and the rest through the Nord Stream pipeline under the Baltic Sea and the Yamal pipeline through Belarus and Poland. That 15 percent is much more significant than it might appear because some European Union member states, such as Bulgaria, Romania and Slovakia, are largely isolated from the rest of the market and would have difficulty replacing any losses quickly. Moreover, supplies cannot easily be redirected to the Yamal and Nord Stream pipelines. Even if that were so, they would not be able to replace all 80 billion cubic meters transited across Ukraine in 2013.

Russian gas supplies to Europe have always been based upon mutual dependency. But given the annexation of Crimea, the threat to Ukraine and the prospect of further aggression, mutual dependence is no longer a reliable principle for the European Union to count on. An aggressive Russia may begin to see natural gas more as a political lever than a source of revenue. During his annual phone-in program last month, President Putin himself pointed out that 2013 budget revenues from oil were $191 billion, whereas gas revenues were only $28 billion. This willingness to use European gas supplies as a political lever will have only been reinforced by the China-Russia gas agreement announced last week, which provides the Kremlin with an alternative customer for Russia's huge gas supplies.

In the short-to-medium-term there are only a few options for new supplies. The largest new source for Europe in the next five years is likely to be from the Trans-Anatolian and Trans-Adriatic pipelines running from Azerbaijan's offshore Caspian fields. Construction of the network, which would bring 10 billion cubic meters of new gas into Europe every year, is scheduled to begin next year and it can always be expanded. The European Union, with American support, would need to negotiate with Azerbaijan and Turkmenistan to gain access to further Caspian offshore resources and to Kurdish northern Iraq. An additional 10 billion cubic meters from any of these sources could undermine Gazprom's pricing power and market dominance. Complications from other potential sources abound: The Cyprus conflict and continuing tensions between Israel and Turkey mean that there is little hope of significant gas supplies from the east Mediterranean region before 2025. American liquid natural gas derived from fracking is unlikely to reach European shores in large quantities much before the middle of the next decade.

To obtain significant new energy supplies in the midterm, the European Union has three major options. The easiest — and potentially most polluting and controversial — is to make a dash for coal. There is plenty available from America, due to its displacement by shale gas. Coal-fired power stations that have been progressively taken out of service under a European Union directive to shut down the most polluting coal-fired power stations could be refurbished and brought back online. France and Britain, for instance, are in the process of closing down between approximately 3 to 6 gigawatts of coal-fired capacity. (Average British electrical power consumption in 2012 was 35 gigawatts.) Across the European Union, emergency reactivation of coal-fired power stations would add significantly to Europe's supply options. There would be tremendous political opposition but it could be overcome if the public can be convinced of its urgency.

The second option, also politically challenging, would be to reverse the trend against nuclear power, particularly in Germany, where Chancellor Angela Merkel has made the decision to close the country's nuclear power sector. This too, is a matter of convincing wary citizens of its necessity. The third and most green option would be to develop both domestic shale gas production and wind power. Both these sources face significant permitting and planning restrictions. But the European Union and its member states could opt for streamlined procedures on the grounds of energy security. There is an understandable reluctance in parts of the political and business establishment to disrupt economic ties in a period of economic austerity.

There is also the belief that, just as the Soviet Union did not disrupt energy supplies to Europe during the Cold War, the Russian Federation would not do so now. Though those views are understandable, they do not take account of Mr. Putin's penchant for regional destabilization to meet his own domestic ends. The Russian Federation sees benefits in a destabilized Europe. This may take the form of "soft" leverage — low gas prices for those who take a pro-Kremlin line, while squeezing those states it finds less amenable. In any case, Europeans can no longer rely on the comfortable principle of mutual dependence. The European Union has to focus sharply on supply security and take the right steps to protect all Europeans, and its own energy future.

CEE stocks ease Ukraine fears about disruptions

ICIS, *03.07.2014*

Gas stocks at key CEE gas hubs stood at 66% of capacity on 27 June, compared with 35% a year earlier, mitigating concerns about potential supply disruptions during winter as the Ukraine-Russia standoff over gas supply drags on.

The volume of gas in store in Austria, the Czech Republic, Germany, Hungary, Poland and Slovakia combined is 25.5 bcm, out of a maximum capacity of 38.6bcm, according to data collated by ICIS. Russian producer Gazprom suspended gas deliveries to the incumbent Naftogaz from 16 June because of the outstanding gas debts, provoking fears that the gas allocated for transit to Europe would be disrupted.

So far, flows via Ukraine have continued as normal, while government and industry figures from CEE have said that their countries would remain well supplied, even in the event of a reduction in flows from Ukraine to the rest of Europe, emphasising the role of gas storage in minimising risk. Walter Boltz, head of Austrian regulator E-control, said in a statement that customers in Austria and across Europe could be confident they would remain securely supplied with gas. “Austria and the EU are well-prepared for any gas crisis, as many lessons were learned from the gas crises of 2006 and 2009 and corresponding improvements carried out,” said Boltz. These improvements included increasing storage capacity in underground sites across the EU and developing transport networks so that flows can be reversed according to where the need for gas is greatest, Boltz said.

“The amount of gas in storage is at a level that last year we only reached by the middle of October,” he added. Worries that Europe could face supply disruptions may have increased the urgency to inject gas into storage in some cases, but shippers throughout the continent are mainly responding to economic signals. Mild weather conditions this year have pushed down summer gas prices dramatically, widening their discount to contracts for gas delivered in winter 2014. This makes it profitable to put gas into storage. In 2013, the opposite was true – small spreads made using storage uneconomic, resulting in relatively low stocks going into winter. The importance of well-filled storage sites was also stressed by Czech Prime Minister Bohuslav Sobotka, who pointed out that stocks in the Czech Republic could keep the country adequately supplied for at least three months.

Austrian, German and Czech facilities are currently all more than 70% full, while Polish stocks are close to 100% of capacity. However, Hungary’s stock levels give some cause for concern, standing at just 19% of capacity on 27 June. Miklos Sesztak, the Hungarian minister for national development, said gas was being transited via Ukraine to Hungary according to contract and was helping to fill Hungary’s strategic reserves. Sesztak also said that the operator of the Szoreg-1 strategic storage facility, MMBF, was on course to meet the obliged 915 million cubic metres (mcm) volume of gas by a 30 June deadline and that current Hungarian reserve would be enough for several months of consumption, including the winter.

In fact, strategic stocks have already exceeded the obligatory level and on 27 June totalled 1.2 billion cubic metres (bcm), up from 999mcm at the same time last year. In addition, state-owned power company MVM said on 30 June it was set to purchase Hungarian forint 100 billion (€323m) worth of gas for storage to shore up security of supply. The purchase will be made using a loan from by state holding company MNV. MVM said its gas reserves would be close to 2bcm following the planned purchase. The company holds 4.23bcm of storage capacity via a subsidiary. Although Gazprom has halted deliveries of gas to Ukraine for its internal supply, transit flows have not been affected, according to Slovakian transmission system operator (TSO) Eustream.

Flows into Velke Kapusany on the Ukraine-Slovakian border, the delivery point for Gazprom contracts with many European shippers, have remained at normal pressure and volume according to daily statements posted by the TSO. However, weekly updates on Ukrainian storage levels show that the volume of gas injected into facilities has declined two weeks running. In the week to 27 June, just 142mcm was put into store, compared with 600mcm the previous week, bringing stocks to just over 14.2bcm or 45% of capacity. The amount of gas in Ukrainian storage sites is important for the movement of Russian gas to Europe during winter. According to analysts polled by ICIS last year, Ukraine would need at least 19bcm in store at the beginning of the winter season to enable smooth transit of Russian gas to Europe.

Ukraine is now reliant on gas supplies from Europe via its western border. Gas flowing from Hungary into Ukraine increased during the week beginning 16 June, when Gazprom supplies to Ukraine ceased, peaking at 9.2mcm/day on 19 June, compared with an average of 8mcm the previous week, according to data from Hungarian TSO FGSZ. However, volumes delivered then fell back to below 7mcm/day during the week beginning 23 June. Gas flows from Poland into Ukraine have remained stable since 16 June, according to Polish system operator GAZ-SYSTEM. Flow from Poland has averaged 3.6mcm/day throughout June.

German supplier RWE is currently contracted to send gas to Ukraine via Hungary and Poland. In addition, French utility GDF SUEZ confirmed on 25 June that it had signed a commercial agreement to supply gas to Ukraine at the Hungarian border point. GDF SUEZ said the deal was for “limited volumes of natural gas during a determined period”, and did not give any further details.

This means that the unnamed shipper referenced by Naftogaz in May when it announced a deal to begin importing gas from Hungary, is likely to have been GDF SUEZ. Ukrainian TSO Ukrtransgaz said on 25 June it is ready to provide European TSO officials access to Ukrainian gas metering stations, in order for them to directly monitor transit gas from Russia to Europe through Ukraine. The proposals have been sent to the European Network of Transmission Systems Operators for Gas and the Energy Community body based in Austria, the company added. Ukrtransgaz does not currently make flow or transit data public.

New Oil & Gas cybersecurity group forms

Rigzone, *27.06.2014*

Shell has blamed strikes by the government in Kiev against its own citizens in southern Ukraine as the reason it decided to declare a halt to its shale oil projects. In reality, the truth may be closer to the fact that company is disappointed with the economic viability of what it once thought was a large shale deposit and is looking for a way out.

After a series of dramatic statements and the signing of a $410-million letter of intent, a veil of uncertainty is being drawn around the Ukrainian shale. Royal Dutch Shell CFO said in an interview that the decision was prompted by the need to protect the company's business interests in Ukraine.

By walking away, Shell will be able to "freeze" its involvement in the failed initiative while simultaneously minimizing the damage to its reputation. In accordance with the contract, Shell's Ukrainian counterparts will, in the end, have to wait another 50 years to get their hands on that long-awaited "freedom gas." Shell will also be able to demonstrate its concern for its employees who work in the region where a brutal civil war is on the verge of breaking out. "Shell is in the East, and there's a security risk there," said Anders Aslund, a senior fellow at the Peterson Institute for International Economics. According to a recent statement by the former head of Royal Dutch Shell, Peter Voser, "the company is now analyzing its business in shale," which, translated from the streamlined language of press releases, means: The project is not earning its keep and we need to do something.

A little background: In January, 2013, Shell, along with Nadra Yuzivska, LLC and the Ukrainian government, signed a production-sharing agreement for the exploration, development, and extraction of hydrocarbons from the Yuzivska site (8,000 sq. km), a geological formation located in the Kharkiv and Donetsk regions. By the middle of that same year, the company had lost $2.4 billion on shale gas deposits in the U.S. and was forced to document a very large drop in profits -- 60 percent over the same period in 2012. Shell's first disappointment in the Ukrainian gas market turned out to be related to the quality of the metal in the pipes that Ukrainian post-Soviet industry was capable of providing.

At the time, company spokesmen claimed, "We have repeatedly stated that we are prepared to use Ukrainian goods, provided that the price and quality can meet that of foreign equipment. But at this stage, those pipes do not yet exist in Ukraine. Shell lobbied Ukraine's Interdepartmental Commission on International Trade to have seamless steel casing pipes and production tubings with an outside diameter of up to 406.4 mm. brought in from Japan. Of course it was impossible to avoid having all this reflected in the final price of the project. In March of 2014, it became clear that the Belyaevskaya-400 well Shell had drilled in the Pervomaysk district of the Kharkiv region in search of shale gas was not going to return a profit. Not only were there no pipes, there was no gas.

"Gas was not found in our district. Exploration work proved that it wasn't there," the head of the Pervomaisk district state administration of the Kharkiv region, Viktor Namchuk, admitted on Feb. 28, 2014. As in many other Eastern European countries, optimistic predictions about the amount of recoverable shale gas turned out to be several times higher than the realistic assessment of the reserves. Likewise, Ukraine's neighbors - Lithuania, Bulgaria, and Poland - have also seen shale projects shut down because they turned out to be less than economically viable. By the spring of 2014, Total, Chevron and Eni had also abandoned many shale projects in Eastern Europe for various reasons.

Russia Asks UN to stop Syrian terrorist oil sales

The Associated Press, *01.07.2014*

Russia is asking the U.N. Security Council to condemn the illegal sale of Syrian oil by terrorist groups and encourage all countries to take "necessary measures" to prevent it.

A draft presidential statement circulated to council members and obtained Monday by The Associated Press expresses "grave concern" at the seizure of oilfields in Syria by the Islamic State of Iraq and the Levant or ISIL and Jabhat al-Nusra and stresses that any export or import of crude oil without authorization of a sovereign state is illegal. Presidential statements are a step below resolutions and must be approved by all 15 council members.

Diplomats said council experts would likely meet Tuesday to discuss the draft. If approved, it would not require countries to take action, and there would be no enforcement, but it would reflect the view of the U.N.'s most powerful body. Russia's U.N. Ambassador Vitaly Churkin said Thursday that as ISIL advances there is a real prospect of a terrorist state springing up from Syria's second-largest city Aleppo to Iraq's capital Baghdad. He said there are many reports that ISIL is selling oil from captured fields and indicated this was taking place in both Syria and Iraq — but the draft does not mention Iraq. Some diplomats said they want to see what evidence Russia has of ISIL and other terrorist groups selling oil, and whether this has spread into Iraq as well.

ISIL made significant headway recently in Syria's eastern oil-rich province of Deir el-Zour, seizing towns and villages in heavy fighting against the al-Qaida-affiliated Nusra Front and other Islamic rebel groups. In the past weeks, it has also captured huge tracts of neighboring Iraq. The draft statement recalls the resolution adopted by the Security Council in March condemning the illicit export of crude oil from Libya and authorizing U.N. member states to board suspect vessels and return illegally seized oil to the Libyan government. The council acted three days after U.S. Navy SEAL commandos seized a tanker off Cyprus island containing Libyan oil that a militia controlling the country's oil terminals was trying to export in defiance of the central government.

Gazprom surprises with new head of exports as Medvedev steps aside

Reuters, *02.07.2014*

Burmistrova's appointment ended the 12-year tenure in the post of Alexander Medvedev, criticised for his tough style, in a surprise change of gear for Gazprom, the world's biggest conventional gas producer and widely seen as an instrument of Kremlin foreign policy.

Gazprom is enmeshed in a fresh gas pricing dispute with Ukraine, which has increased friction with the European Union following similar spats over the past decade which resulted in supply cuts to many European states. Russia's Prime Minister Dmitry Medvedev on Wednesday said he saw the situation escalating to a "full-scale gas crisis" by autumn.

Alexander Medvedev, 58, widely credited for Gazprom's speedy expansion in the West but criticised for clashes with Ukraine, will keep his role as deputy chairman of the state-controlled company. One industry source suggested he might continue to run Gazprom Export from behind the scenes, but there was no indication Medvedev was present at meeting with Putin and Burmistrova on Wednesday. Burmistrova, 43, started her career in 1992 at Glencore, one of the world's biggest mining and trading houses. She joined Gazprom Export in 2003 and had been Medvedev's deputy overseeing LNG and new gas markets, as well as having other duties, since 2011.

Industry sources described her as an ally of Medvedev. "They prepared the China contract together. She contributed a lot to preparations," one said. The deal to supply China with gas over 30 years underlined the importance of winning contracts with Asia as Europe tries to reduce reliance on Russian gas. "Gazprom's ambitious plans for external markets call for new structural and functional decisions," Miller said in a statement that gave few details. Medvedev had been considered a leading candidate for chief executive to replace Miller, who has been absent from work, sometimes for months, due to health problems. But he has been criticised for his tough negotiating technique at a time when more flexibility was thought necessary to secure deals in both new and old markets, industry analysts said.

"Medvedev ... has been criticised by investors for his overly tough negotiating position and pricing policy with key European customers, especially after 2008, when Gazprom began losing market power in Europe," Alexander Kornilov, an analyst with Alfa Bank, said. "Investors would prefer Gazprom to be more flexible in talks with important European gas buyers," he said. Gazprom accounts for a third of European gas needs but is in dispute with some of its European buyers over prices. Its long-term contracts are traditionally linked to the price of oil but buyers want more emphasis on spot gas prices to reduce bills. Medvedev managed Gazprom's speedy expansion in the West, including in LNG markets, but was also linked to the decision last month to cut supplies to Ukraine in a pricing dispute - a move that prompted Western countries to accuse Moscow of using gas as a political weapon.

He oversaw construction of the Nord Stream undersea pipeline that carries Russian gas to Europe without going through Ukraine, and was also behind the unfinished South Stream pipeline and Gazprom's LNG strategy. Gazprom is now at odds with the European Commission over both those pipelines, which the EU says violate its laws. "Gazprom's negative image abroad is mostly linked to Medvedev's stance, who was trying to defend a tough position (in negotiations)," said Valery Nesterov, a veteran analyst at Sberbank CIB. "Gazprom's export policy is changing but not because of its will but because of its clients."

OMV's small find boosts hopes for more Arctic oil

Reuters, *03.07.2014*

Austrian oil and gas firm OMV has made a small oil discovery in the Norwegian Arctic, boosting hopes there is more oil to be found in the area. The find, which is estimated to hold between 20 and 50 million barrels of oil recoverable oil, was made seven kilometres (4.3 miles) away from an oil discovery OMV made last year, called Wisting Central.

That discovery, one of the northermost oil finds in the world, is estimated to contain between 63 million and 164 million barrels of recoverable oil. "This boosts hopes for more oil to be found in the Hoop area," said Sveen Nielsen referring to the geological area where the latest oil find was made.

"But the combined volumes found so far are not enough for commercial production ... You need to have at least 500 million barrels to start the production in the Barents Sea." OMV said on Thursday that the area around Wisting could potentially contain 200-500 million barrels of oil equivalent. OMV is the operator of the license where the two discoveries were made, called production license 537. It has a stake of 25 percent. The other partners in the discovery are Idemitsu Petroleum of Japan, Norwegian state-owned firm Petoro, London-listed Tullow Oil with each holding 20 percent, and Norway's Statoil with 15 percent.

Libya declares oil crisis over after state reclaims ports

Hurriyet Daily News, *03.07.2014*

Libya's acting Prime Minister Abdullah al-Thinni said the government had reached a deal with a rebel leader controlling oil ports to hand over the last two terminals and end a blockade that crippled the OPEC nation's petroleum industry.

"We have successfully reached an agreement to solve the oil crisis. We have received today Ras Lanuf and Es Sider oil ports thankfully without the use of force," Thinni said at Ras Lanuf terminal in eastern Libya. "I officially declare this is the end of the oil crisis." Thinni said the ports had been reclaimed after an agreement with Ibrahim Jathran, whose fighters had seized the terminals almost a year ago.

Jathran told reporters that he had handed over the ports as a "goodwill gesture" to the new parliament, which was elected last month. Taking back the two major eastern oil terminals could make around 500,000 more barrels a day of crude available for export, a major breakthrough for the North African state whose coffers have been hit hard by oil revenue losses. The end of the blockade would also see a final chapter of a crisis that included failed negotiations, threats to bombard rebels and even an attempt by Jathran to dispatch an oil tanker that was later boarded on the high seas by U.S. commandos. Disputes over Libya's vast oil resources have been among the many triggers for conflict between rival brigades of former rebels and allied political factions since civil war ended four decades of Muammar Gaddafi's one-man rule in 2011.

The announcement by Thinni and Jathran appeared to show a more solid agreement to end the oil standoff, but shipments may still face technical delays and past negotiations have been slowed by subsequent political disagreements. World oil fell below $112 a barrel on Wednesday on a possible substantial recovery in Libyan exports. Libya produced around 1.4 million bpd before a wave of protests, strikes and blockades reduced the output to as low as 150,000 bpd. As of Tuesday, national crude output stood at 321,000 bpd. Jathran's rebels and their allies, who were all former state oil protection guards before their mutiny, had agreed in April to reopen the two smaller ports, Zueitina and Hariga, and then gradually free up Es Sider and Ras Lanuf.

After that deal, shipments from Zueitina were delayed because of technical damage from the blockade, while Hariga terminal loaded a tanker of crude at the end of last month. Storage tanks at seized ports are likely full, and loading initial crude will be straightforward, but getting resupplies from oilfields may be complicated. Separate protests have also curtailed production at some oilfields, and other groups may still target pipelines and oil facilities to make political or financial demands on a government that struggles to control many parts of the country. Three years after the fall of Gaddafi in the NATO-backed war on his regime, Libya is far from stable, with brigades of former rebels allied with competing political factions still powerbrokers in the face of a weak state.

Over the last two years, heavily armed militias have seized ministries, attacked the congress, kidnapped diplomats, and even briefly abducted a prime minister from his hotel room to pressure the government to meet their demands. Many of those former rebels are on the government payroll to co-opt them. Often though, their loyalties are stronger to tribe, political faction, region or rebel commander than to the nascent Libyan state.

Jathran's seizure of three major ports and the taking of a fourth by his allies since last summer clearly illustrated Libya's fragile democracy and cost Libya billions of dollars in petroleum revenue. On Wednesday, the rebel leader blamed the former parliament, which was known as the General National Congress or GNC, for delays in handing over the oil ports. The GNC was paralyzed by infighting among Islamist factions including a Muslim Brotherhood-linked Justice and Construction Party, a more liberal-leaning National Forces Alliance movement and scores of independents.

Kazakhstan negotiates with Russia on supply of fuel oil to border regions

AFP, *04.07.2014*

The Kazakh Ministry of Oil and Gas holds negotiations with Russian counterparts on organizing fuel oil supplies to the border regions of the country, the Kazakh Oil and Gas Minister Uzakbai Karabalin said.

"We agree with our Russian colleagues that a certain amount of oil should be supplied to the borderland. It is cheaper to bring from Russia to Kazakhstan, rather than to transport oil from Kazakh oil refineries, which are separated by a distance of two thousand kilometers each. And, it is cheaper to bring Kazakh oil into some Russian regions," he said. The signing of the Treaty establishing the EAEC allows solving issues.

As the Kazakh minister said, such a notion as targeted imports of fuels and lubricants will disappear over time with the creation of common market of oil and oil products within the EAU. Karabalin recalled that Kazakhstan imports about 30 percent of petroleum products from neighboring Russia, as the capacity of three Kazakh oil refineries is not sufficient to meet the needs of the country`s growing economy. At present, the construction of three Kazakh oil refineries is being conducted with about $1 billion of investment. With the completion of reconstruction by 2016, Kazakhstan will be able to produce fuel of Euro-4 and Euro-5 standards in sufficient volume.

Oil declines, despite bullish oil inventory data

The Associated Press, *02.07.2014*

The price of oil slipped Wednesday despite a report from the U.S. Department of Energy that showed stockpiles of crude fell more than expected last week. Benchmark U.S. crude for August delivery fell 86 cents to $104.48 a barrel on the New York Mercantile Exchange, its fifth day of declines. The contract closed at a 10-month high of $107.26 on June 20. Brent crude, a benchmark for international oils, fell $1.05 to $111.24 a barrel in London.

The Energy Department said of the Unites States of America. crude oil stockpiles fell by 3.2 million barrels last week to 384.9 million barrels.

Analysts had expected a drop of 1.7 million barrels. Oil quickly rose on the news, but sold off as the afternoon progressed. Oil prices have risen in recent weeks on concerns that violence in Iraq, OPEC's second-largest exporter, would disrupt supplies. They stabilized late last week as the stunning initial advance by insurgents lost momentum. In other energy futures trading on the Nymex: Wholesale gasoline fell a penny to $3.02 a gallon. Natural gas fell 9 cents to $4.36 per 1,000 cubic feet. Heating oil fell three cents to $2.95 a gallon.

Brent holds above $112

Upstream Online, *01.07.2014*

Brent futures held above $112 a barrel on Tuesday as investor attention shifted back to demand after China's factory growth rose to a six-month high, adding to signs the economy of the world's second-biggest oil consumer is regaining strength.

Oil markets have for weeks been rattled by supply concerns due to the Ukraine crisis and as a takeover of large areas of Iraq by Sunni militants of Islamic State stoked fears of disruption in exports from Opec's (Organization of the Petroleum Exporting Countries) second-biggest producer amid unsteady shipments from Libya and others.

Oil markets have for weeks been rattled by supply concerns due to the Ukraine crisis and as a takeover of large areas of Iraq by Sunni militants stoked fears of disruption in exports from Opec's second-biggest producer amid unsteady shipments from Libya and others. As those fears recede somewhat, investors are looking for fresh clues to gauge the direction of the market. Brent crude gained 7 cents to $112.43 a barrel early on Tuesday, after ending down 94 cents at its lowest settlement since the rally spurred by the Iraqi crisis started on 12 June. US oil rose 17 cents to $105.54 a barrel. "Markets are looking for a catalyst to see where prices are headed from here," said Ben Le Brun, a markets analyst at OptionsXpress in Sydney.

"We certainly need to keep an eye on Iraq and see what is happening in Ukraine. But overall economic data, including those from the United States, seems to suggest the global economy is improving." China's official Purchasing Managers' Index (PMI) stood at 51 in June, the National Bureau of Statistics said, quickening from May's reading of 50.8 and in line with market expectations on improving domestic and foreign demand. Oil, particularly the US benchmark, drew additional support from forecasts US commercial crude inventories dropped 2.3 million barrels in the week to 27 June, while product stockpiles rose, a preliminary Reuters poll showed. It also estimated distillate stockpiles rose 600,000 barrels, while gasoline inventories increased 800,000 barrels. A slide in Opec's output also supported prices. The producer group's output fell in June from May's three-month high, a Reuters survey found, as fighting in Iraq closed its largest refinery and technical problems slowed its southern exports, underlining how unrest and outages in the Middle East and Africa are taking their toll on Opec supply.

Fears of disruption in Iraqi supplies and unrest in Ukraine just as shipments from Libya and other producers remain unsteady have kept oil at elevated levels despite a weak demand outlook. A Reuters monthly poll of 26 analysts forecast Brent crude would average $108.00 a barrel in 2014, the highest average forecast of a Reuters poll so far this year and well above the $105.90 average projected in last month's poll. The North Sea benchmark has averaged $108.72 so far this year, little changed from the average last year. US crude, would average $100.40 in 2014, above the $98.05 average in 2013. WTI has averaged $100.72 so far this year. Looking ahead, investors are now awaiting the crucial US jobs growth numbers due on Thursday.

Announcements & Reports

► *Quarterly Coal Report*

Source : U.S. Energy Information Administration
Weblink : http://www.eia.gov/coal/production/quarterly/

► *Gulf of Mexico Fact Sheet*

Source : U.S. Energy Information Administration
Weblink : http://www.eia.gov/special/gulf_of_mexico/data.cfm

► *Energy Efficiency Indicators: Essentials for Policy Making*

Source : International Energy Agency
Weblink : http://www.iea.org/publications/freepublications/publication/name-48398-en.html

► *Energy Efficiency Indicators: Fundamentals on Statistics*

Source : International Energy Agency
Weblink : http://www.iea.org/publications/freepublications/publication/name-50522-en.html

► *Energy Supply Security: The Emergency Response of IEA Countries - 2014 Edition*

Source : International Energy Agency
Weblink : http://www.iea.org/publications/freepublications/publication/name-113501-en.html

► *Monthly Oil Market Report*

Source : OPEC
Weblink : http://www.opec.org/opec_web/en/publications/338.htm

Upcoming Events

► 2014 EIA Energy Conference

Date : 14-15 July 2014
Place : Washington – USA
Website : http://www.fbcinc.com/e/eia/?src=home-b1

►3rd International Conference on Smart Grid Systems (ICSGS 2014)

Date : 17 – 18 July June 2014
Place : Bangkok, Thailand
Website : http://www.icsgs.org/

►International Conference on Energy (ICOE) 2014

Date : 12 – 13 August 2014
Place : Colombo – Sri Lanka
Website : http://www.energyconference.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

Supported by PETFORM

► All Energy Turkey- 2014 *(in Turkey)*

Date : 24 – 25 September 2014
Place : Istanbul – Turkey
Website : http://www.all-energy-turkey.com/?lang=tr

All Energy Turkey
The leading marketplace for energy trading & sales

► *Turkey International Underground Gas Storage Conference*

Date : **2**9 – 31 October 2014
Place : Ankara – Turkey
Website : http://tugs2014.org/

►*6th OPEC International Seminar*

Date : 03-04 June 2015
Place : Vienna, Austria
Website : http://www.opec.org/opec_web/en/