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Turkey approves EIA report for South Stream's offshore section

Natural Gas Europe, *26.07.2014*

Turkey gave the green light to South Stream's offshore section in its waters, approving the Environmental Impact Assessment (EIA) Report presented by Gazprom. 'The document concludes that the project will have no considerable effect on the Black Sea environment or the regional fishing industry.

The Report also proposes measures aimed at eliminating or mitigating any environmental impacts of the project. For example, the gas pipeline bypasses certain locations of shipwrecks. Such measures are already incorporated in the design documents for the gas pipeline construction.

Gazprom confirmed that first gas via South Stream will be supplied to European consumers in late 2015, also restating that the gas pipeline will reach its full capacity in 2018. Turkey is a key player in the Ukrainian crisis. It is still playing under the radar, but the control of the Bosphorus and the Dardanelles give Ankara a strong power. Recently, Turkish Energy Minister Taner Yildiz said that the country does not plan to increase its stake in Azeri-Turkish Trans Anatolian Natural Gas Pipeline Project (TANAP).

Wetter, hot autumn forecast may bring Turkey price doubts

ICIS, *29.07.2014*

It is possible that Turkey sees temperatures which are above the average combined with wetter weather in the autumn months coming ahead, a fact that could increase uncertainty over electricity prices at delivery, according to the predictions made by UK-based forecasters WSI.

In fact the country has been grappling with drought since the beginning of the year 2014, as hydro levels in reservoirs fell to just under 30% of the expected yearly average during the wettest time of the year, the months of April and May, according the information provided by the grid operators TEIAS.

Since then, stocks increased to around 66% of the expected value in July, bringing the average price at delivery for the month to TL176.00/MWh. Nevertheless, the July average out-turn on the exchange PMUM is still some TL10.00/MWh above the last assessed forward value of TL167.70/MWh, according to ICIS data. WSI now says the amount of rainfall may increase come September, although the effect of the cheap hydro production may by offset by an increase in consumption because of predicted hotter weather. September baseload prices are assessed at TL171.00/MWh. To compare, last year, the product delivered on the exchange PMUM at an average of TL156.40/MWh.

A marginal factor in deciding the price could be wind production, although judging by anecdotal evidence this year, supply has been rather subdued.
Closer in, August weather may see temperatures similar to those in July combined with localised flash floods, WSI say. “It’s been hot [in Turkey], although places that are supposed to see hot weather such as the far southeast actually had temperatures below the seasonal average,” WSI meteorologist Mark Stephens-Row told ICIS. “We expect many localised thunderstorms in the next 15 days, and normal hot temperatures for this time of year,” he added.

Prices, regulation disparities hold up Turkey-Greece gas trade

ICIS, *31.07.2014*

Turkey and Greece should work towards price and regulatory convergence before the two can start cross-border gas trading, a senior source in the Greek gas system told ICIS this week.

ICIS revealed in June that the two countries were mulling the possibility of trading natural gas and launching a border price in a bid to speed up the launch of energy hubs in both countries. Such a project would be favoured by the current oversupply of gas in Greece following recent regulatory changes related to gas-fired generation and upgrades in the country’s transmission system.

Gas-hungry Turkey, on the other hand, could be a natural outlet for the spare Greek gas. Despite the fact that the two markets could complement each other, a senior source in the Greek gas system said there were three hurdles that could block the proposed border exchanges. These relate to price discrepancies, regulatory issues and technical problems. Firstly, the source noted that the Greek state-owned company DEPA as holder of the long-term supply contracts into the country would have to weigh the price at which it would be selling gas volumes into Turkey. DEPA has been importing some 750 million cubic metres (mcm) per year of Azerbaijani gas through the Turkish transmission system operated by the incumbent BOTAS, could either consider selling the volumes back to BOTAS or to private shippers. The decision hinges on Turkey’s own pricing system.

BOTAS has been operating a basket of prices based on the purchase costs for Russian, Iranian, Azeri pipeline and Nigerian and Algerian LNG volumes. This basket price is reportedly higher than the prices paid for Russian volumes by private importers. On the other hand, Turkey upholds a cross-subsidies system which means that the wholesale gas price has been kept flat at Turkish lira (TL) 717.80 (€250)/thousand standard cubic metres (kscm) since October 2012, arguably much lower than BOTAS's basket price. “If the sales price were not subsidised, we [Turkey and Greece] would be roughly on a par,” the Greek source said. “Greece under current demand circumstances wants to share quantities with Turkey, but not at a price that would disadvantage the Greek market or subsidise the Turkish market,” the source added. If DEPA was to consider selling to BOTAS only, it may take BOTAS's basket price as a reference. If the Greek company were to opt for selling to private importers, it may benchmark the export price against the BOTAS wholesale price of TL717.80/kscm. This price, however, is thought to be much cheaper than the price DEPA pays for its basket of imported gas. Even day-ahead spot prices typically used by private shippers in Turkey when trading with each other may remain fractionally below the Azerbaijani import price. July day-ahead prices assessed by ICIS averaged TL729.65/kscm ($349.11/kscm).

Under these circumstances, it may be profitable for DEPA to sell only in winter when spot prices in Turkey soar on strong demand, though Greek demand follows a similar pattern in winter. A senior Turkish market source said representatives from BOTAS and DEPA were expected to meet in September to discuss matters further. A second problem that may hamper the development of cross-border trading refers to divergent regulations in the two countries. The source said Greece had been expecting Turkey to publish reverse flow tariffs to apply for 2014 onwards since the beginning of the year. “Instead the validity period of the existing, only forward flow tariffs was extended for two more years. This is a signal that reverse flow through the Interconnector Greece Turkey is not considered by Turkey as an option within 2014 and 2015,” the source said. A source at the Turkish regulator EPDK said the watchdog had not published reverse flows this years or at any point in the past. “In fact for the year 2014, the tariff for 2011-2013 period is updated with PPI (Producer Price Index) and no other changes are made. “The tariff for the period 2015 will be set this December and as far as I know, there is no tendency to set a different tariff for reverse flow. In the tariff regulation, it is written that [the] transmission company can propose different tariffs for reverse flows, BOTAS never proposed such a thing,” he concluded. The Greek source said it was important for both Turkey and Greece to harmonizes their regulations, and in particular for Turkey to scrap its subsidies system to allow the market to respond to demand and supply.

Turkey and Greece have the option to engage either in virtual or in physical gas flows. If the physical option is preferred, both Turkey and Greece would have to upgrade their systems to allow for more flexibility. Greece has already installed a compressor station at Nea Messimvria close to Thessaloniki, allowing the capacity of the Turkey-Greece interconnector at Kipi to increase to 1.6 billion cubic metres/year in the Greece-bound direction. However, it would require further significant compression to push the gas back from Greece into Turkey. Such a project may cost an estimated €60m. On the other hand, the Turkish system still requires fundamental upgrades including an increase in capacity of the Kirklareli compressor station on its own side of the border and the completion of the critical Kesan to Onerler loop in the northwestern Marmara region. The loop could help ease pressure on the Malkoclar entry point and bring gas to industrial zones such as Corlu in the northwest. In addition it will help distribute quantities flowing from Greece into the gas-hungry Thrace region. Nevertheless, the completion of the pipeline and the upgrade of the compressor station are unlikely to happen until the first half of 2015.

Israel's action in Gaza and the impact on Turkey energy relations

Natural Gas Europe, *31.07.2014*

Israel's export strategy has been the object of various speculation since the country's Supreme Court ratified in October 2013 a June 2013 decision by Netanyahu's cabinet to export about 40% of the country's offshore natural gas reserves.

Based on a total estimate of 900 billion cubic meters (BCM), the Israeli government in June 2014 decided to allocate 540 billion cubic meters (BCM) for the domestic market and allow the export of the remainder. But the question is, how will Israel reach export markets, via which route and using which technology?

Noble Energy, the operator of Israel's giant Leviathan field - which estimate was recently increased to 21.95 trillion cubic feet (Tcf) from 18.91 Tcf- has been studying various export options including LNG and pipeline scenarios. Israel has announced that it will start by exporting some of its natural gas to its immediate neighbours: Egypt, Jordan and the Palestinian Authority. Israel's neighbours are in fact in need of the product and could import Israeli natural gas via pipeline. Egypt had historically been the main natural gas supplier for both Israel and Jordan until the Arab uprising in 2011 that led to the sabotage of the pipeline transporting Egyptian gas to Jordan and Israel. Egypt is now suffering from domestic shortages due to increasing Egyptian consumption, ongoing export obligations and flat production. In the absence of Egyptian gas, Jordan too entered a severe energy crisis that forced the Kingdom to import expensive fuel products and implement efforts to develop indigenous resources that include wind and solar, shale oil, natural gas and nuclear.

Selling gas to its immediate surrounding via pipeline will only slightly reduce Israel's export quota. Israel will look to reach further markets with larger appetites: Europe and Asia. The Leviathan partners considered selling part of the Leviathan (25-30%) to the Australian firm Woodside in exchange of its LNG expertise, as LNG will offer Israel the flexibility to reach lucrative markets regardless for their geographical locations. However, the negotiations between Israel and Woodside failed to reach an agreement due to the Israeli authorities rigid positioning in regards to tax and the parties' failure to agree on the field development costs.

Using Greek Cyprus' planned LNG terminal at Vassilikos to reach export markets was also advanced as an option but Israel has not expressed a decision to pool costs with the island for the construction of the multi-billion dollar facility and seems to have opted for alternative routes. A pipeline from Israel to the Turkish coast would give Israel access to Turkey's internal market and Europe. Israel's March 2013 reconciliation with the Turks over the Mavi Marmara incident led to believe that the likelihood of a Leviathan-Turkey pipeline was increasing. Turkey, with a large and growing domestic demand and expiring contracts is an attractive customer. Turkey could also serve as a gateway to Europe.

However, various obstacles stand in the way of such a deal: the division of Greek Cyprus and the deteriorated relations between Turkey and Israel. Firstly, Cypriot officials repeatedly expressed their opposition to an Israeli-Turkish deal that would bypass their agreement given that such a pipeline would have to cross Greek Cyprus' EEZ (to avoid Lebanese and Syrian waters). Secondly, the historically strong diplomatic ties between Israel and Turkey soured in 2010 following the Mavi Marmara incident that led to the killing of nine Turks on board of the ship. The renewal of the friendship became contingent on three conditions set by the Turks: Israel's apology to Turkey, a financial compensation to the families of the victims and the lifting of the Gaza blockade. Netanyahu apologized to Turkey in March 2013 and promised to financially compensate the families of the victims. However, the ongoing Israeli assault on Gaza will no doubt impede the normalisation of the diplomatic relations between Israel and Turkey, and hence cause a major obstacle to the Leviathan-Turkey pipeline.

Does Erdogan's harsh speech stem from noble principles or is it animated by populism and the desire to please Arab friends? And did Israel lose its interest in resuscitating its friendship with the Turks? Has Israel decided that it will use Egypt's export terminals instead and given up on pleasing Turkey? Currently, Egypt seems to be Israel's only access to energy markets. Israel's Tamar and Leviathan partners have signed letters of intent to sell respectively 4.4 BCM and 7 BCM annually to Union Fenosa and BG. The gas will be delivered to Egypt via pipeline and then headed to Asian markets. The deals are expected to be signed by the end of 2014.

Russian gas flow to EU, Turkey avoids Ukraine conflict zones

ICIS, *31.07.2014*

Natural gas travelling from Russia to Turkey and Europe via Ukraine has mainly flowed through the Sudzha and Pysarivka connection points throughout July, data available from grid operator Ukrtransgaz shows. The four pipelines which travel closest to border-fighting between Ukrainian and pro-Russian rebel forces has, however, been avoided completely.

Ukrainian production, transmission and storage information has historically not been available from Ukrtransgaz or oil and gas incumbent Naftogaz, which – unlike member states of the EU – is not obliged to publish transparency information.

Yet, much of this flow information is now being made available in an effort to meet the requirements of the EU's second and third energy packages. No announcements were made regarding the new information, which according to Ukrtransgaz has been available since 15 May. ICIS has found that detailed flow information from the grid operator does not appear until the beginning of July. Traders and sources close to the central and eastern European gas markets have told ICIS they were not previously aware of the information that is now available.

From 1-27 July, gas flowing through the connection point at Sudzha on the north-eastern Russian/Ukrainian border averaged 119.5 million cubic metres (mcm)/day. During the same period, flow through the Pysarivka border point averaged 33.5mcm/day. While Sudzha may have been the main entry point for gas flowing west to Europe, it is possible that Russian gas for Turkey has entered Ukraine through Pysarivka and Valuiky. Smaller volumes have also been flowing most days through the Valuyki border point with Russia and the northern Kobryn border point with Belarus, which is also a transit country for Russian gas.

No gas has flown through the four connection points which would transit gas close to the centre of conflict: Serebryanka, Sokhranovka, Prokhorovka and Platovo. Detailed data is not available on these connection points before 1 July. Fighting raging in south eastern Ukraine has been largely centred in the separatist stronghold of Donetsk. Daily information is now also available on how much the Ukrainian system is sending into Slovakia, Poland, Hungary, Romania's two border points and Moldova. Using the import and export data the Ukrainian operator publishes how long or short it is of Russian gas, with discrepancies sometimes recorded at around 1mcm or 2mcm each day. Ukrtransgaz started sending weekly stocks updates to Gas Storage Europe from the start of May, which was hailed at the time as a step towards more open dialogue between Ukraine and the European natural gas sector . Ukrtransgaz has also been updating this data on its website daily from 9 July.

Deliveries begin to oil reservoirs at the Badra oil field in Iraq

Oil & Gas Eurasia, *29.07.2014*

Gazprom Neft, the operator of the Badra oil field in Iraq, announces that deliveries of crude oil have started from the field to reservoirs of the Central Gathering Point (CGP). Two wells are currently producing oil at the deposit. Over the coming month, once the reservoirs have been filled, oil will be supplied into Iraq's main pipeline system which connects the deposit to the Basra export terminal.

Gazprom Neft began industrial oil production at the Badra oil field in May 2014. Comprehensive testing of the deposit's crude oil preparation and transportation systems began at the same time.

Commissioning and start-up operations have been completed at the CGP, on the export pipeline and the oil tank farm, with water and power supply systems and other industrial facilities also successfully completing the testing process. New infrastructure to facilitate full-scale development of the deposit has been built at the oil field, including the first phase of the CGP with a capacity of 60,000 barrels per day and a 165-kilometre pipeline connecting Badra to Iraq's main pipeline system, which was completed in March 2014. Two wells are currently in production at the deposit, a third is soon to begin production and drilling of a fourth well commenced in June.

KRI expects to switch fuel oil to gas for generation – source

ICIS, *31.07.2014*

The Kurdish Region of Iraq (KRI) is working to replace its existing fuel oil generation with cheaper natural gas-fired production as it grapples with the fallout from on-going political and economic turmoil, a source close to the region's government told ICIS this week.

KRI's total installed capacity stood at 3GW last year of which 235MW was fuel-oil-based. However, the government is now expecting to replace that portion of production with gas-fired generation because fuel oil supplies had been disrupted amid the siege of the Baiji oil refinery in the north of Iraq by the Islamic State of Iraq and Sham (ISIS) militants in June.

In the longer term, even if fuel oil supplies were to be restored to expected levels, the government would still seek to replace the expensive fuel oil with comparatively cheaper gas, the source said. KRI is grappling with financial problems following disputes with the federal government in Baghdad over its share of revenue from the central budget. KRI's natural gas resources are equally eyed by energy-hungry Turkey, which expects to start importing some 5 billion cubic metres/year from the region by 2015. Kurdish government officials previously said that the region would first cover its own demand for natural gas before exporting volumes to Turkey or elsewhere. KRI plans to increase its capacity to 6GW by 2016 and the planned investment in the power generation amounts to $1.5bn. Most of the newly-built capacity is expected to be gas-fired. Kurdish's Ministry of Electricity was unavailable for comment.

Iraqi Kurdish oil nears Texas port for likely offloading

Reuters, *26.07.2014*

A tanker carrying crude oil from Iraqi KRG is hours away from the Port of Galveston in Texas, according to Reuters ship tracking data and the U.S. Coast Guard, its arrival imminent despite Washington's concerns about independent oil sales from the autonomous region.

The Marshall Islands-flagged tanker United Kalavrvta, which left the Turkish port of Ceyhan in June carrying oil from a new Kurdish pipeline, is slated to approach the port on Saturday evening and has issued a notice of pre-arrival. But Coast Guard Petty Officer Andy Kendrick said the ship is too large to enter the Galveston port, near Houston.

That means it would have to offload its cargo onto smaller ships offshore before the oil is delivered to the U.S. mainland. It could possibly start offloading the oil as soon as Sunday, after Coast Guard officials carry out routine safety inspections of the vessel. Kendrick also said the Coast Guard was in contact with the U.S. State Department, the National Security Council and the Department of Homeland Security about the ship's arrival. Trading sources in Texas, New York, London and Geneva have been unable to identify the buyer of the United Kalavrvta's cargo. The oil could go to any one of the many refineries located along the U.S. Gulf Coast.

The ship carries approximately 1 million barrels of crude, which would fetch more than $100 million at international prices. Any sale of Kurdish crude oil to a U.S. refinery would infuriate Baghdad, which sees such deals as smuggling, raising questions about Washington's commitment to preventing oil sales from the autonomous region. The U.S. government has expressed fears that independent oil sales from KRG could contribute to the break-up of Iraq as the government in Baghdad struggles to contain ultra-hardline Islamic State, a group of Sunni Islamist insurgents who have captured vast areas of the country. But it also has grown frustrated with Iraqi Prime Minister Nuri al-Maliki's handling of the crisis.

Washington has pressured companies and governments not to buy crude from the Kurdish Regional Government (KRG), but it has stopped short of banning U.S. firms from buying it outright.
The KRG has renewed its push for an independent state amid the latest violence roiling Iraq. Its relationship with Baghdad has deteriorated over what it sees as Maliki's role in stoking the crisis and the long-running dispute over oil sales. On Thursday, Carlos Pascual, head of the U.S. State Department's Energy Bureau, told Reuters that there had been no change of policy in Washington toward Kurdish independent oil sales, but he said he hoped the central government and the region could reach an agreement in time. Baghdad has threatened to sue anyone that buys Kurdish oil.

LyondellBasell seen as mystery U.S. buyer of Kurdish oil in May

Reuters, *31.07.2014*

Chemicals firm LyondellBasell, owned by Ukraine-born billionaire Leonard Blavatnik, appears to be the mystery American buyer of two cargoes of Kurdish crude delivered in May, according to U.S. government data and industry sources.

Nearly two months prior to this week's standoff between the central government of Iraq and KRG over a tanker near Texas with $100 million of Kurdish crude, a smaller ship with Kurdish oil discharged its cargo of heavy, sour Shaikan crude in Houston without any legal tangles, Reuters had reported. A second ship arrived later in May, data show.

The ultimate buyer of those cargoes had remained a mystery - until now. According to data from the U.S. Energy Information Administration released on Wednesday, Houston Refining LP, owned by LyondellBasell, imported two cargoes of what was labeled Iraqi crude that match the size of the May shipments and had the distinct quality specifications of Kurdish Shaikan. The data show two shipments of 266,000 and 267,000 barrels of crude oil, both with 4.6 percent sulfur content, far higher than typical Iraqi imports but in line with the Kurdish Shaikan variety, according to market sources familiar with the oil. The Houston Refining imports were also significantly more dense, or heavier, than standard Iraqi crude, with API ratings of 16.7 and 21.4, similar to Kurdish Shaikan, the data show. Almost all Iraqi crude imported since 2012 has been lighter, at 28 API or more.

LyondellBasell did not respond to emails and phone messages from Reuters asking if it had contracted to buy Kurdish oil. A spokesman for Blavatnik's global conglomerate Access Industries, which has a stake in Lyondell, did not comment. Blavatnik, a U.S. citizen who was born in Odessa to Russian-speaking parents, is now the world's 33rd richest man after selling his stake in TNK-BP to Russian oil giant Rosneft, according to Forbes. The data highlight the difficulty Baghdad has had in blocking KRG's ability to sell its crude as its leaders push for greater political and economic autonomy. Both Iraq's oil marketers and the U.S. government have warned those who do business with the Kurdish government, including oil sales, that they risk legal action from Baghdad.

For the most part, however, Baghdad has done little to discourage KRG from selling piecemeal shipments hauled to Turkey via truck. In total almost 20 million barrels of combined Kurdish crude oil and condensate has been sold to international customers over two years, including refineries in Italy, Germany, the Netherlands, France, Israel and Brazil. But Baghdad has shown new legal vigilance toward large-scale tanker sales that began this summer, causing buyers to balk. This week it filed a lawsuit in Texas to try to gain control of 1 million barrels of Kurdish crude on the United Kalavrvta tanker anchored in the Gulf of Mexico. The State Department said it has no information on who bought the May cargoes.

Only a few times in the past two and a half years has the United States imported Iraqi crude with characteristics similar to the cargoes that arrived in May, the EIA data show. One of those was imported by Houston Refining in November 2012 - the same year that KRG first began selling oil independently of the central government in Baghdad. It was not immediately clear whether this shipment also originated from KRG. Another shipment with the characteristics of Kurdish oil arrived at Marathon Petroleum Corp's Galveston Bay refinery in April 2013. It was 19.3 API with sulfur at 3.84 percent. Marathon declined to comment.

The United States has not formerly banned purchases of Kurdish crude oil, but in recent months it has pressured companies - both at home and abroad - not to buy Iraqi crude from outside Baghdad's central oil sales system. Still, a number of major U.S. companies, including ExxonMobil Corp, Chevron Corp, Marathon Oil Corp, and Hess Corp are operating in Iraqi KRG, despite objections from Baghdad and occasional disquiet in Washington. Baghdad has increased opposition to Kurdish sales since the launch of the KRG Regional Government's own pipeline to Turkey in January that could bring the Kurds greater revenues.

Minister Lakkotrypis reveals names of new cypriot fields

Natural Gas Europe, *31.07.2014*

Greek Cyprus' Minister of Energy Yiorgos Lakkotrypis revealed the names of six new potential reserves in Blocks 2, 3 and 9. They are Onasagoras, Zenonas, Kinyras, Amathusa, Evagoras and Praxandros. The first four potential reserves have already been approved for drilling, while the others are being processed and hopefully will be approved very soon.

Drilling will begin with Onasagoras in Block 9. Minister Lakkotrypis said that such activities involve uncertainty and that despite encouraging indications, only drilling will reveal if there are in fact deposits of natural gas in the explored fields and the quality of the natural gas encountered.

The ENI/KOGAS consortium is set to commence its drilling activities by the end of summer 2014. The four first fields will proceed for sure, said the minister, and depending on the results, and if it is deemed necessary, the consortium has expressed a willingness to move to more drilling. Should there be a discovery, confirmatory drillings will also take place. ENI/KOGAS holds exploration licenses for Blocks 2, 3 and 9 with ENI holding an 80% interest in the blocks and Kogas 20%. TOTAL received the concession for Blocks 10 and 11 of Greek Cyprus' waters and will begin exploration activities in 2015. Noble Energy will also be conducting further drilling activities in Block 12.The Aphrodite field was the first to be discovered in 2011 in Block 12 of Greek Cyprus' EEZ. The field was named Aphrodite, after the Greek Goddess of love. Aphrodite is believed to hold between 3.6 and 6.1 Tcf of natural gas with a gross mean resource of 5 Tcf which is operated by Noble Energy.

Greek Cyprus' had adopted an onshore LNG terminal as its national strategic project. Greek Cyprus has not yet discovered sufficient amounts of natural gas to justify the commercial viability of the multi-billion dollar project. The 5 Tcf Aphrodite field does not justify alone the endeavour. Additional quantities of natural gas will allow a final investment decision for the construction of the LNG terminal. The completion of the project will highly depend on the results of ENI/KOGAS, TOTAL and Noble Energy. Lakkotrypis said that the results of the first drilling towards the end of the year will be key in determining the viability of the terminal.

Greek Cyprus offshore gas drilling to start before fall

The Associated Press, *30.07.2014*

Greek Cyprus' energy minister said that exploratory drilling in the first of six potential gas fields off the east Mediterranean island's coast is slated to begin before the end of summer. Lakkotrypis said the fields lie in three sections where a consortium made up of Italy's Eni and South Korea's Kogas is licensed to drill.

Lakkotrypis said a rig will start heading to Greek Cyprus from Mozambique and that drilling will start on the "Onasagoras" field, named after an ancient Cypriot king. He said the fields show "encouraging signs" of containing gas, but stressed that nothing is certain until actual drilling is done.

The minister said Greek Cyprus has agreed with Eni and Kogas to cooperate on an onshore gas processing facility as the top option of developing the country's gas reserves. Greek Cyprus has signed similar deals with France's Total and U.S. firm Noble Energy. Noble and Israel's Delek and Avner are partners in a Cypriot gas field that's estimated to contain between 3.6 trillion and 6 trillion cubic feet of gas. Lakkotrypis said the multibillion euro (dollar) facility that would convert the gas into liquid for easier transport remains the best option for Greek Cyprus to export excess supply, but its construction depends on additional gas quantities being found.

Bulgarian government approves South Stream loan from Gazprom in its last days

Natural Gas Europe, *26.07.2014*

The state-owned Bulgarian Energy Holding (BEH) will approve the EUR 620 m loan it was offered by Russia's Gazprom for the construction of South Stream in Bulgaria. The news comes as the government of Plamen Oresharski is expected to resign on Tuesday, the resignation being set for parliament voting on Thursday.

The amount however would not be enough for BEH to cover its 15-percent share, as the contract with Stroytransgaz Consortium is estimated at EUR 3.8 m rather than the initial EUR 3.5 m, thus obliging BEH to put EUR 68 m more of own financing on the table.

BEH will pay back the loan with the future dividends from the pipeline.The newspaper also informed that the capital of South Stream Bulgaria will be increased with 10 percent so that it could make the required advanced payment of 10 percent (EUR 380 m) to the consortium.This news is just one of a series of rumours pointing to the fact that Bulgaria has not actually stopped working on South Stream despite promises to the EU for the opposite. Bulgarian liberal political formation the "Reformist Block" alarmed on Monday that the Bulgarian government is preparing to issue an EUR 100 million bank guarantee via the Bulgarian Development Bank (BDB) and the Bulgarian Export Insurance Agency (BEIA) for the construction of South Stream gas pipeline despite earlier signals that the project has been put on hold in accordance with the EU's grievances.

Ex-energy minister during the GERB government and current member of the Reformists Traicho Traikov stated that the state intends to make its participation in the South Stream project irreversible through the issuance of a state guarantee via the DBD and the BEIA despite the fact that the construction of the pipeline might not happen in the end. "If the project is to be stopped, delayed or modified, these 100 million euros will be paid by the Bulgarian taxpayers", Traikov said. This statement follows earlier evidence uncovered by the Reformists which suggested planned amendments to Bulgaria's Energy Act in favour of South Stream's construction were directly adopted from a series of Gazprom letters to the BEH, both partnering with equal shares in the joint venture and future pipeline operator South Stream Bulgaria. Meanwhile the rumoured tacit replacing of U.S.-sanctioned Stroytransgaz in the construction of the Bulgarian stretch of South Stream with the Gazprom subsidiary Centrgaz was confirmed by Bulgaria's energy minister Dragomir Stoinev in an interview for bTV. Centrgaz will partner with five Bulgarian companies reported by Bulgarian media as close to the current socialists-led government. Last week Centrgaz was announced as construction of the pipeline in Serbia.

CSE coupling timed for 2015, but Greece ‘to wait’

ICIS, *31.07.2014*

Central and southern European countries are expecting to couple their electricity day-ahead markets by February 2015, although there are growing concerns that Greece may not be able to stick to the proposed timetable, sources have said.

A document leaked from the Greek transmission system operator ADMIE shows that Austria, France, Greece, Italy, Slovenia and Switzerland have now reached a consensus regarding the market gate closure time which is set at 12:00 central European time (CET). Regulatory changes in regards to the gate closing time, where necessary, have been going on for the past six month, the document states.

Already coupled, Italy and Slovenia, are said to be technically ready for the project as early as December 2014. However, Greece may lag behind the proposed timeline as the country needs to launch a day-ahead power exchange first before actually proceding to coupling it with neighbouring platforms. As a matter of priority, Greece plans to sell ADMIE by the end of the year and proceed with the unbundling of the electricity incumbent PPC. “Adding to [the current planned energy reforms], the very strong conflicting interests and the prospect of elections before March 2015, the possibility of market coupling taking place as announced is unlikely,” one Greek trader said. A second trader added: “I would say mid-2015 would be reasonable to expect some progress on the matter and maybe not the live coupling itself.” The first source expected a one year delay from the announced date.

“Until then there are much more important things to be changed in Greece,” he noted. The impact on Greek prices following the coupling was difficult to assess, traders said, pointing to the wide range of imminent changes in the country’s energy sector which are already adding uncertainty to prices. Meanwhile, further concerns surround some of the remaining neighbouring countries. It is unclear when Switzerland will get involved in the project. This is due to an ongoing political discussion between Switzerland and the EU, following restrictions on EU immigration through the interruption of bilateral negotiations on a number of energy related matters in February. The Austrian power exchange and shipping agent due to take part in the market coupling are yet to be known.

A closer look at the Gaza marine offshore field

Natural Gas Europe, *26.07.2014*

A statement of the Israeli defence minister leads to believe so. Israel's attack on Gaza would be to control the gas and prevent Gaza from developing its offshore resources and hence strengthening economically. Does Israel need to attack Gaza to control its natural gas?

This article will not discuss the motives of Israel's assault or assess the veracity of the various allegations but will rather give a closer look at Gaza's offshore riches. USGS estimated the Levant basin to contain as much as 122 Tcf. A lot has been said about Israel's giant 19 Tcf Leviathan field (recently even upped further) and Tamar 10 Tcf field.

A lot has been said about Greek Greek Greek Cyprus 5 Tcf (in gross mean resource) Aphrodite field and the island's efforts to develop an onshore LNG facility to export the gas via LNG and attract neighbouring countries' gas for processing and shipping. A lot has also been said about Lebanon's struggle to launch its first licensing round and begin the exploration of its waters believed to contain as much as 95 Tcf of natural gas (and 850 million barrels of oil). Very little has been said about Gaza, however located in the same agitated Eastern Mediterranean currently experiencing a gas bonanza. Gaza borders Israel and Egypt. The area is considered rich in natural gas. In 1999, BG Group was awarded by the Palestinian Authority a 25 year exploration licence for the marine area off the Gaza Strip. The licence is operated by BG and shared with the Athens-based Consolidated Contractor Company (CCC) that holds 10 percent of the licence. The Gaza marine field was discovered by BG in 2000, about 36 kilometers offshore in waters 600 meters deep.

An appraisal well confirmed that the field was 'commercially viable', estimated at 1 Tcf of natural gas and close enough to the shore. In commercial terms, and according to the 2012 report of the Palestine Investment Fund notes, the exploitation of the field would translate in savings of over USD 560 million in the energy bill of the PA and USD 2.5 billion in direct revenues over the lifetime of the project1. The discovery was considered a 'gift from God' by the political leaders. They saw in the field the beginning of Palestine's recovery and the promise of a better future. But since, the development of the field failed to happen. Various export scenarios were discussed, including exporting the gas to Egypt for liquefaction and shipping. Building a pipeline to transport the gas from the field to an onshore processing terminal to allow the sale of the gas to Israel was then considered the optimal export scenario. The Israelis refused to buy the gas, preferring imports from Egypt instead. In 2005 and 2006, BG opted to send the gas to its LNG plant in Idku Egypt. This was followed by further negotiations with Israel but to no avail, due to a failure to agree on commercial terms and the various political events that constituted an obstacle to any constructive deal between Israel and the PA.The discovery by Israel of the giant Leviathan and Tamar off its shores has changed the whole landscape. Israel's energy security has increased and its energy independence is expected for decades to come.

What Lebanon’s delayed entry in the energy game actually means

Natural Gas Europe, *28.07.2014*

Lebanon’s repeated postponement of its first licensing round is cause for concern. The bidding round was set to be launched in August 2014, after three previous missed dates, and it is no surprise that it will be delayed - again. The failure of the country’s decision-makers to agree on crucial issues is threatening Lebanon’s gas ambitions.

However two decrees remain to be issued yet, one of the decrees that will elimitate the blocks that will be open for bidding and the second of the decrees that will lay out a model sharing exploration and production sharing agreement.

Lebanon had started well: an ambitious schedule, precise dates and deadlines, and the interest of major oil and gas companies to participate in the country’s search for offshore hydrocarbon. But investors are losing patience. The neighbouring countries have moved ahead, with problems of their own, but progress is ongoing. ENI and Total will be drilling offshore Greek Cyprus and the feasibility of the island’s planned LNG facility will largely depend on their results. Israel, after a long debate around exports and exports quotas has taken in June 2013 the political decision to export gas. Israel is now in the stage of finalising its export strategy. Egypt is once again an attractive place for Israel, this time not as a source of natural gas, but as an export route. The partners in Israel’s largest offshore fields Tamar and Leviathan have signed letter of intents with companies operating in Egypt to use Egypt’s unused LNG export facilities and reach export markets.

Asia is a target, with lucrative prices, higher than anywhere else in the world. Using Egypt’s LNG facilities mean that Israel will not have to invest in its own terminal. Such a deal would allow Israel a fast, easy and relatively cheap access to the LNG market. Israel will also be on the side supplying small quantities of gas to its immediate neighbours via pipeline. Europe is an attractive place for the Eastern Mediterranean. Diversifying natural gas sources and routes is the EU’s strategic goal. While the Eastern Mediterranean gas will not allow the EU to achieve complete independence from Russian gas, it will at least contribute in the diversification of the EU’s natural gas portfolio.

Will Lebanon make it in time to participate in the Eastern Mediterranean’s region energy story? Lebanon must first agree on the regulatory framework around its oil and gas sector. Secondly, the country must stick to deadlines to avoid deterring oil and gas majors from exploring its waters and participating in its energy industry. By the time natural gas is eventually encountered in Lebanese waters, the access to LNG markets will be more tricky than it is today. The entry of new players will tremendously affect LNG prices. Then again, it will all depend on how much gas Lebanon will find, whether the 95 Tcf estimates advanced by politicians is a reality or a fantasy and whether Lebanon will ever launch its exploration phase.

Yukos owners win $50 billion in 10-year fight with Russia

Bloomberg, *28.07.2014*

Former majority owners of Yukos Oil Co. won a landmark $50 billion ruling against Russia for the confiscation of what was once the nation's largest oil producer and now face another lengthy legal battle to claim their award.

The Permanent Court of Arbitration in The Hague found that Russia is liable to pay just under half of the $114 billion sought, GML Ltd., the holding company for Yukos's main owners. The decision showed the campaign against Yukos was "politically motivated," GML head Tim Osborne said in London. The ruling marks a fresh headache for President Vladimir Putin.

Putin faces intensifying U.S. and European sanctions aimed at forcing him to help end the separatist war in neighboring Ukraine, which has claimed more than 1,000 lives. "Russia has the money to hire the best international lawyers who won't give up without a fight," Dmitry Gololobov, former chief attorney for Yukos, said by e-mail. "So the Yukos affair could easily go on for another 10 years." Russia will appeal the ruling in the Dutch courts, the Finance Ministry said on its website, adding that it expects a fair decision. The ministry criticized what it termed a "politically biased" judgment, saying it had "serious flaws" and describing the damages as "unprecedented." Russia must pay the award by mid-January or face penalties, according to GML. The possibility for appeal in the Netherlands is limited to "technical" issues, Emmanuel Gaillard, one of GML's lawyers, said in London.

"It will take a long while to collect $50 billion but we didn't go into this to get a Pyrrhic victory," Osborne said in an interview with Bloomberg Television. "We went into it to get compensation for our shareholders." The decision risks dragging Russia's two biggest corporations by market value, oil producer OAO Rosneft (ROSN) and natural gas exporter OAO Gazprom (OGZD), into extended legal wrangling. The state-run companies may be targeted because they were beneficiaries of expropriated Yukos assets, said another GML lawyer, Yas Banifatemi. Rosneft and Gazprom both declined about 3 percent in Moscow trading, before paring losses. Putin's government dismantled Yukos in 2004 to 2007 over $27 billion in tax charges after imprisoning Chief Executive Officer Mikhail Khodorkovsky.

The former owner, who isn't party to the award, said in a statement today that it was "fantastic that the company shareholders are being given a chance to recover their damages." Most of Yukos's largest assets were acquired in a series of forced sales by Rosneft, which has since become the world's largest publicly traded oil company by output. Gazprom bought stakes in former Yukos natural gas assets that Eni SpA and Enel SpA won at auction in 2007. Rosneft complied with the law in acquiring Yukos subsidiaries and doesn't expect the decision to "negatively affect its commercial activity or assets," the oil producer said in a website statement.

Gazprom declined to comment. The Yukos shareholders have the right to go after state assets around the world if Russia doesn't pay, Osborne said. "I don't think that Rosneft can be 100 percent confident that all their assets in the West will be secure," he said. Russia has refused to pay damages in similar rulings before and seizing state assets abroad is a difficult task. Noga Import & Export SA, a Geneva-based trading company, won a series of court rulings in Europe to enforce payment for goods including baby food and pesticides that it supplied to Russia in exchange for oil in 1991 and 1992. Over the course of a decade, Noga won the temporary seizure of Russian assets abroad including fighter jets at the Paris Air Show and Pushkin State Museum artworks on loan in Switzerland over what it claimed was $680 million of debt. "Russia will use all available legal means to defend its position," Foreign Minister Sergei Lavrov said at a televised briefing after the Yukos ruling. Khodorkovsky, once Russia's richest man with a fortune of $15 billion, was freed in December by a presidential pardon after serving a decade in prison camps. He has called the charges against him revenge for his financing of opposition parties. The Kremlin denies the claim, saying the case was purely a matter for the courts.

The ruling found that "that the primary objective of the Russian Federation was not to collect taxes but to bankrupt Yukos and appropriate its underlying assets for the benefit of the state in the guise of Rosneft," Osborne said. Khodorkovsky, who's living in Switzerland, said he isn't entitled to any part of the damages because he transferred his Yukos stake to fellow shareholder Leonid Nevzlin to protect the company when he became a target of the Russian courts. Nevzlin is the beneficial owner of about 70 percent of GML, while four other partners -- Platon Lebedev, Mikhail Brudno, Vladimir Dubov and Vasily Shakhnovsky -- each have a about 7.5 percent. GML used to own 60 percent of Yukos. Nevzlin, who now lives in Israel, along with Brudno and Dubov, said he was "very pleased" that the tribunal had recognized that Russia acted "in breach of international law and illegally expropriated Yukos Oil Co.," according to an e-mailed statement. GML initiated its case in 2005 under the Energy Charter Treaty, an international agreement that in part regulates investments in the energy industry. Russia signed but never ratified the treaty. The Hague tribunal ruled in 2009 that it would hear the case.

The Yukos plaintiffs will have the right to go to arbitration courts in about 100 countries that are party to the 1958 New York Convention to enforce the ruling, according to Gus Van Harten, a professor specializing in arbitration at York University's Osgoode Hall Law School in Canada. Because it will be hard to seize Russian government assets, which are mostly protected by diplomatic immunity, state companies such as Rosneft and Gazprom would make easier targets, Van Harten said. Putin is confronting mounting international pressure after the downing of a Malaysian passenger jet in eastern Ukraine, which killed 298 passengers and crew. The Obama administration has accused pro-Moscow rebels of shooting the plane down with a Russian-supplied launcher. They deny involvement, and Russia is pointing the finger at Ukraine.

Putin has said his opponents are using the crash for "selfish political gains." The EU last week warned that it may restrict the country's access to capital markets and sensitive energy and defense technologies. The bloc is considering banning European purchases of bonds or shares sold by Russia's state-owned banks, according to a proposal presented to the 28 member states. The European Court of Human Rights will decide this week on a $38 billion claim for "just satisfaction" filed by former Yukos managers that would benefit all former shareholders, Claire Davidson, a spokeswoman for the former managers, said by phone today.

Ukrainian parliament again rejects grid privatisation plan

ICIS, *31.07.2014*

The Ukrainian parliament voted against plans to part-privatise the country's natural gas transmission system. However the Ukrainian prime minster Yatsenyuk said further revisions to the draft legislation will be made, so that it can be presented to parliament once more.

When the draft legislation could be considered for a third time is not clear. The Ukrainian state would retain at least 51% in any new system operator, while the other 49% of shareholders would be owned and controlled by residents of the EU, the US or member countries of the European energy community.

This is a clear move to keep Russian major Gazprom out of pipeline ownership in Ukraine. According to the proposals, the final list of shareholders in the new transmission system operator would have to be approved by the cabinet of ministers. The legislation would allow the new operator to lease the Ukrainian transmission grid and operate it as a concession. Ukrainian law, as it stands, does not allow the transfer of ownership or leasing of the gas transmission system to non-state owned companies. At the moment the transmission system is operated by grid operator Uktrtransgaz, a wholly-owned affiliate of state-owned oil and gas incumbent Naftogaz. Earlier this year, the Ukrainian government decided to separate the transport and storage activities of Ukrtransgaz but to keep the two businesses under state ownership.

Shell 'force majeure' in Ukraine

Upstream Online, *31.07.2014*

Shell has reportedly declared force majeure on an exploration project in Ukraine that is close to the site where Malaysia Airlines flight MH17 crashed, although it was too early to assess the impact of sanctions on Russia on the company.

The Anglo-Dutch oil and gas company has been exploring for shale gas in Ukraine and its assets in Russia include a stake in Sakhalin-2, one of the world's largest liquefied natural gas projects. "I think it is relatively close. We were in roughly the same region," chief executive Ben van Beurden was quoted as saying by Reuters at a news conference, referring to the location of the MH17 crash site.

"The operation that we had on the unconventional exploration programme in that general area is on hold, as a matter of fact it was technically on hold for evaluation purposes." "We've also declared force majeure as you can imagine simply because we cannot continue the operations there." Speaking on a conference call to discuss Shell's earnings, van Beurden said it was too soon to assess what the impact of Western sanctions on Russia would be. "It is easy to think of what has happened and all the events that have followed on from it as a bit of a game changer," he said. "But it is a bit early to say how this will all play out. We are not as exposed to Russia as some of our competitors."

BP's risky Rosneft relationship: 'We work in countries with ups and downs

The Guardian, *31.07.2014*

In a week when BP's involvement in Russia raised concern among investors, chief executive Bob Dudley is a veteran of the country's perilous politics. In 2008 Bob Dudley was the boss of the oil and gas group's joint venture, TNK-BP: an alliance with four Russian oligarchs.

He fled the country as he warned of an "orchestrated campaign of harassment" amid expectations he could be seized on visa charges. Dudley faces questions over the BP's near-20% stake in Rosneft, the oil group that was subject to EU sanctions through restrictions on the export to Russia of hi-tech equipment for extracting fossil fuels.

The shareholding in Russia's largest oil group is a legacy of BP's exit from TNK-BP, when BP sold its shareholding in the joint venture to Rosneft. Fadel Gheit, an oil analyst at the New York-based Oppenheimer brokerage, says that Russia has been one of the best investments ever made by BP. But the investment community is always wary of the place. "The fact is that BP has always been willing to take calculated risks whether its going into Russia, through its extensive trading activities or running its balance sheet at a high level. It works for them. It's a spicy food. Some like it hot." Dudley, who was raised in Mississippi but experienced many ice cold Moscow winters.

In the wake of his Moscow flight, Dudley not only stayed with BP outside Russia but ended up winning the top job inside the company. He replaced Tony Hayward following the Deepwater Horizon accident in the Gulf of Mexico of 2010, then went on to mastermind an astonishing rapprochement with Russia through the TNK-BP share deal with Rosneft. If that move – consummated last year – looked then like a brave personal and corporate move for Dudley and BP then it looks today like an dangerous gamble, some would argue. On top of the sanctions threat, this week Europe's most senior arbitration court ruled that a significant amount of the assets held by Rosneft had fallen into its hands following an illegal expropriation of holdings belonging to another privately-owned oil group in Russia, Yukos.

A group of investors, who have been awarded $50bn (£30bn) worth of damages by the court in the Hague court, has already warned it may come looking for BP to secure payment. On Thursday the European court of human rights ordered that a further €1.9bn (£1.5bn) in compensation should be paid to former shareholders in Yukos. But Russia has always held a great allure for BP. The group's first half financial results this week gave a glimpse why, with a profit share and dividend payment from Rosneft worth over £1.3bn. And Dudley remains convinced that his move to sell up the stake in TNK-BP and accept some of the proceeds through a stake in Rosneft was the right thing to do. "We absolutely stand by strategically what we have done. We are very, very long-term investors. We work in countries that have ups and downs." But at the same time the company spelled out the risks facing it.

“If further international sanctions are imposed on Rosneft or new sanctions are imposed on Russia or other Russian individuals or entities, this could have a materially adverse impact on our relationship with and investment in Rosneft, our business and strategic objectives in Russia and our financial position and results of operations,” it said in a statement. BP is not alone in its interest in Russia with ExxonMobil, Total and many other of the western oil “majors” holding joint ventures or other important ties with either Rosneft, Gazprom or another local players. Russia after all holds the largest gas reserves in the world and the third largest producer of oil after Saudi Arabia and the US.

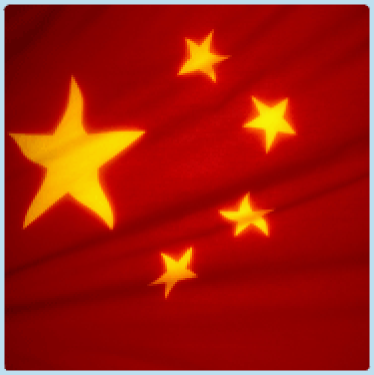
Shell has a major commitment to the country, not least through its liquefied natural gas (LNG) scheme at Sakhalin in eastern Russia but other companies have recently signed deals to explore for shale in Siberia and search for hydrocarbons in the Arctic. Shell has had its own difficult experience in Russia when it faced a series of claims by the environmental watchdog that it had broken a variety of regulations at Sakhalin. These claims stopped after it gave in to pressure from Gazprom to sell off part of its stake leaving many Western commentators to conclude the Anglo-Dutch group was being harassed for political reasons, something the Kremlin denied.

BP was encouraged to sell its stake in TNK-BP for an initial $12.5bn in cash plus an 18.5% stake – now raised to 20% – when its private sector partners succumbed to its own pressure from Rosneft. BP pointed out that it bought its original half share in TNK for $8bn and took $19bn in dividends over the years. But there were those who wondered whether the tie-up with Rosneft was a good idea and whether it would have been done if BP had more options. The company was still reeling from the impact of the Macondo blowout and the billions of dollars that it had been forced to pay out for clean up and compensation. North America is still its single most important region – as well as a key investor base – and yet BP had seriously damaged its reputation with the fire at the Texas City refinery, a nasty pipeline fracture in Alaska and then the Deepwater Horizon accident which created the worst environmental disaster.

While many companies such as Shell have moved into the Arctic as a new frontier for oil and gas, BP pulled out of Greenland amid speculation that its involvement would be inflammatory in the eyes of Greenpeace and others. Instead the group, whose share price yet to fully recover from Deepwater accident, has concentrated its fire power on places such as Azerbaijan, Angola and Iraq as well as rebuilding operations in the Gulf of Mexico where it remains the biggest single operator. BP shares are still trading on a near 20% discount to the rest of the sector but City analysts said project delivery and the threat of sanctions against Moscow remain key risks. Neil Morton, at Investec Securities, noted drily after the cheerfully good first half figures that “reading BP’s quarterly results is arguably a more useful exercise for law students than for financial investors. Russia has now been added to the litany of (mostly Macondo) legal risks.”

Russia sanctions threaten to rebound on western energy firms, help China

Reuters, *31.07.2014*



U.S. and European companies dominate the global market in oil exploration and production, in projects requiring complex engineering and reservoir management, but they will face increasing competition from China. Exxon, BP, Chevron, Shell, Total, Statoil and ENI currently lead the international oil industry. The only rivals are Petronas (Malaysia), Petrobras (Brazil), CNPC and Sinopec (China).

Western firms are more dominant in the services industry, where Halliburton, Schlumberger and Baker Hughes handle most contracts for high-end engineering and field development projects.

Western, specifically North American, companies have a complete monopoly on the expertise involved in developing shale. Exploration and production companies like Whiting and Continental Resources, as well as service companies like Frac Tech, now known as FTS International, entirely dominate unconventional oil and gas production.The United States and the EU hope to use their technological advantage as a source of leverage with Russia in the current dispute over Ukraine. The latest round of sanctions will prohibit U.S. and EU companies from transferring advanced technology, including software, to help develop Russia's shale, deep water and Arctic oil resources. By prohibiting western companies from transferring advanced technology, the United States and EU will attempt to prevent Russia from exploiting its vast unconventional oil resources to offset declining output from the country's aging conventional fields, unless Russia's government "de-escalates" the conflict in Ukraine.

But that technological advantage and the leverage it is thought to confer could prove to be weaker than sanctions advocates believe. Sanctions are more likely to accelerate the development of an advanced petroleum industry outside North America and Western Europe, especially in China, which will emerge as an important alternative supplier of both capital and knowledge over the next 5-10 years. China's indigenous petroleum industry is robust and growing stronger. The country remains the world's fourth-largest oil producer (behind the United States, Saudi Arabia and Russia). China's two large state-owned onshore oil companies, CNPC and Sinopec, have successfully employed advanced secondary and tertiary recovery techniques, including flooding oil fields with polymers, steam and alkaline surfactants, to reverse declining output from the country's ageing oil fields, putting them on the cutting edge of complex technology ("Enhanced oil recovery: field case studies" 2013). CNPC and Sinopec have both struggled to develop shale gas in the Sichuan basin, owing to complex geology, but have sought international help from Shell and Chevron, and Sinopec recently concluded a 15-year joint venture agreement to develop oilfield services with FTS International, a leading technology supplier.

Crucially, China is producing an enormous number of petroleum engineers and other oil industry professionals, who will help grow the country's production base in future, and potentially take their expertise abroad. China is graduating more than ten times as many qualified petroleum professionals each year as the United States, based on university enrolments compiled by the U.S. Department of Education. Even if the average quality of degrees is still higher in the United States, which is arguable, the numerical imbalance is striking. China University of Petroleum (CUP), with branches in Beijing and Huadong, is by far the world's largest institution for research and learning about all aspects of the oil and gas industry.

The University of Petroleum's Beijing branch alone has almost 500 full and associate professors, and more than 12,000 registered students - including 744 doctoral candidates, 4,600 postgraduate students and nearly 7,000 undergraduates, according to its website.The University of Petroleum's Huadong branch, located at Qingdao and Dongying, both in Shandong province, near to the country's main oil fields, is even larger, with more than 800 full and associate professors. Both branches have been identified as "Project 211" institutions by the central government. The project was launched in 1995 with the aim of developing around 100 elite research and teaching institutions to boost China's economic and social development in the 21st century (hence 211). National Key Universities are funded directly by the central ministry of education.

Other Project 211 institutions graduating thousands of students each year in disciplines relevant to oil and gas include the Beijing and Wuhan branches of the University of Geosciences, and several other technical and engineering schools.Engineers have dominated the upper levels of the Communist Party and government in recent decades. Former premier Wen Jiabao is the most famous alumnus from the Geosciences University, while Zhou Yongkang, another former member of the Politburo Standing Committee, now under investigation for "serious disciplinary violations", is the most famous graduate from the University of Petroleum. In fact, Zhou's last public appearance in October 2013 was at a Petroleum University alumni reunion. Developing shale oil and gas resources requires experience and intelligent innovation more than super-advanced learning. Hydraulic fracturing and especially horizontal drilling are sophisticated techniques but do not require a Nobel Prize.

Offshore drilling is arguably more complicated, especially for high pressure high temperature wells, but again the technology is well within the capabilities of Chinese firms like China National Offshore Oil Corporation (CNOOC). Reservoir surveying, modeling and visualization probably require the most advanced technology, including powerful software and supercomputers, but again they are within the future grasp of Chinese companies.There is nothing inherently difficult about petroleum engineering that puts it beyond the reach of China's giant oil companies and rapidly developing service sector. And as China's oil companies, service companies and universities grow, they are rapidly forging links with their western counterparts that will accelerate the transfer of technology and know-how. For example, Frac Tech's joint venture with Sinopec is explicitly designed "to bring FTSI's hydraulic stimulation capabilities and expertise to China". While it will initially focus on Sinopec's exploration plays in the Sichuan basin, it is explicitly intended to create a specialist fracking firm that will operate across the country on behalf of third parties. For now, U.S. and European companies will remain undisputed technology leaders in oil and gas, especially the development of unconventional resources like shale and deepwater. But that advantage will not necessarily last forever.

If exploration and production companies like Exxon and BP, and service companies like Schlumberger and Halliburton, are prevented from operating in countries like Russia by sanctions, Chinese companies will eventually step into the gap. Certainly it is not beyond the capabilities of Russian and Chinese companies to master the pressure pumping and horizontal drilling techniques needed to develop giant onshore resources like the Bazhenov shale ("The Big One: Russia's Bazhenov shale" July 16). Western firms are already barred by sanctions from operating in Iran, another country with promising oil and gas resources, and find it increasingly difficult to operate in a long list of countries from Nigeria, Algeria and Libya to Egypt and Iraq, while struggling to win permission to drill in the Arctic or build pipelines across North America. Sanctions on new investment and technology transfer can make a difference to Russia's oil production - but only over the medium and long term (in practice a horizon of 5-10 years). Over that sort of time scale, alternative investors and technology suppliers will likely emerge, most probably from China or from within Russia itself. For that reason, sanctions must be employed with care, or they could end up harming western energy firms rather than providing leverage over the Russian government.

OMV Petrom finalizes modernization of Petrobrazi refinery

Oil & Gas Eurasia, *26.07.2014*

OMV Petrom, the largest oil and gas producer in South-Eastern Europe, has announced the successful finalization of the modernization process of Petrobrazi refinery, performed during 2010-2014. Total investment in the modernization process amounted to around EUR 600 mn. The main target of the investment program was to increase competitiveness.

OMV Petrom is now able to process the entire Romanian crude production of OMV Petrom in a single refinery. The adjustment of Petrobrazi refinery's capacity up to 4.2 mn tonnes/year ensures the efficient processing of the crude, capitalizing on OMV Petrom's integrated company model.

The refinery is now in a position to produce according to market needs. Following the modernization process, diesel and jet fuel will have a share of up to 45% in the products yield structure of Petrobrazi refinery. While Petrobrazi refinery was capable of producing around 900,000 tonnes of diesel per year in 2009, presently the refinery's diesel production capacity has increased to more than 1,500,000 tonnes. Neil Anthony Morgan, OMV Petrom Executive Board member, responsible for Refining and Marketing: "The increase of the diesel share in Petrobrazi refinery's production will enable a better response to the demand on the Romanian market. In the past, when the refinery was designed, gasoline consumption exceeded that of diesel but in recent years this trend has reversed." In addition, the commissioning of modern equipment and adjustment of refining capacity will have a positive impact on the refinery's efficiency. The refinery's total energy consumption will be reduced by 25% against 2009. Following the completion of the modernization program, the refinery now has a Nelson Index1 of 11.28, above competitors.

Centrica first-half profits fall 35 pct on weather woes

Reuters, *31.07.2014*

British utility Centrica posted a 35 percent fall in operating profit for the first half of the year as a mild winter led to reduced energy demand and extreme weather in North America increased costs. Centrica made 1.032 billion pounds ($1.75 billion) in operating profit, down from 1.583 billion a year earlier.

Centrica was also hit by 65 million pounds of costs relating to the polar vortex cold snap that hit North America earlier this year, which affected the company. It also posted write-offs of 40 million pounds relating to the cancelled Celtic Array windfarm project.

“The first half of the year has seen challenging market conditions across the group, both as a result of the weather and reflecting the wider political environment,” Centrica chairman Rick Haythornwaite said in a statement. Revenues increased by 15 percent to 15.7 billion pounds, which the company attributed mainly to a more than doubling in turnover at its North American Direct Energy subsidiary, boosted by the near $1 billion acquisition of Hess Corp’s energy marketing business. Basic first-half earnings per share (EPS) fell 29 percent to 10.5 pence and the company said it expected full-year EPS to be in the 21-22 pence range. Operating profits at Centrica’s British Gas arm fell 20 percent to 455 million pounds in the first half as a mild winter led to lower-than-usual energy consumption. Centrica said it did not expect any changes to residential prices in 2014 but noted average household bills are likely to be around 90 pounds lower for the full year, or down 7 percent compared with 2013, as customers used less energy. Britain’s big six energy suppliers - SSE, Scottish Power, Centrica, RWE npower, E.ON and EDF Energy - control around 96 percent of the market and are under scrutiny ahead of a national election next year because of public outrage over rising bills.

Britain’s competition authority launched an investigation in June after industry regulator Ofgem said the market was not competitive enough. Centrica is “not fearful of the process in any way” and the company welcomes the independent investigation, chief financial officer Nick Luff said in a conference call on Thursday. The Competition and Markets Authority is expected to report its findings by Dec. 25, 2015 and could go as far as enforcing a break-up of energy suppliers if it finds they are breaching competition rules. Centrica has put three power plants at Langage, Killingholme and Humber - accounting for the majority of the utility’s conventional generation capacity at 2.7 gigawatts - up for sale, a process Luff said could take some time.Mark Hanafin, managing director of international upstream at Centrica, said the company was “clearly struggling” with gas-fired power generation, which makes up the core of its business, as it has zero or negative margins. However, its renewables and nuclear divisions were performing well.

Luff said Centrica still expects to receive its first supplies of gas from Russia in October this year despite an escalation in sanctions placed on Russia by Europe following the downing of a Malaysian airliner in Ukraine. “We expect to take delivery of that gas and if anything changes then we will have to deal with that,” he said, adding that the volumes involved are a small portion of Centrica’s overall gas supply. Centrica signed a deal in 2012 with Russian state-controlled Gazprom to import 2.4 billion cubic metres of gas over three years, starting in October 2014.The European Union and the United States on Tuesday announced further sanctions against Russia, targeting its energy, banking and defence sectors, but the measures stayed clear of disrupting Russian energy flows to Europe.The utility said on Tuesday it had appointed former BP head of refining Iain Conn as its new chief executive.

Statoil cut 1,000 jobs during 2Q

Rigzone, *26.07.2014*

Norway’s Statoil confirmed that it reduced its headcount by approximately 1,000 employees during the second quarter as part of a cost-reduction program. 1,400 people lost their jobs at the company. “We continue progressing our programs to reduce cost and improve capital efficiency.

In the quarter, we have announced a potential to reduce between 1,100 and 1,400 positions. Reductions of around 1000 positions in our staffs and support services are already implemented. We have also established six specific high-impact projects addressing technical efficiency across the company, and we are now executing the first wave.

We are on track, and will provide an updated status when we report our results for the full year,” Statoil CEO Helge Lund said in the company’s 2Q results announcement. The news of redundancies comes weeks after Aker Solutions, a key supplier to Statoil, reported that it is trying to find roles for more than 200 of its employees amid a slowdown in Norway’s offshore maintenance and modifications market. During the quarter Statoil made progress with its Johan Sverdrup field development project, including the award of a letter of intent for two steel jackets for the first phase of development. The firm also saw the CLOV deep-water development come on stream in Angola, which was in line with the original project schedule. The firm made a high-impact discovery offshore Tanzania at the Piri field, which it described as the world’s largest gas discovery so far in 2014. Meanwhile, Statoil and Thailand’s PTTEP completed an agreement to divide their interests in Canadian oil sands, while the firm also completed the farm downs of its Shah Deniz and South Caucasus Pipeline assets. The firm’s production during the quarter was 1.8 million barrels of oil equivalent per day, which was down nine percent compared to 2Q 2013. Statoil said that the start up and ramp up of new fields such as Skarv in Norway, Marcellus and Eagle Ford in the US and the PSVM and CLOV developments in Angola contributed positively to the production, but that this increase was offset by divestments and other facts such as seasonal effects and gas production optimization. Statoil’s net income for 2Q 2014 was $1.92 billion, compared with $688 million in 2Q 2013.

Libya says its oilfields are safe from the fighting

Reuters, *29.07.2014*

Libya is pumping crude oil at around 500,000 barrels per day and all its oilfields are secure despite continued violence, an official from the Libyan Oil Ministry said on Tuesday. Intense fighting in the eastern city of Benghazi, where many oil ports are based, and battles between rival militias in the capital Tripoli have pushed Libya deeper into chaos after two weeks of the fiercest violence since the 2011 civil war ousted Muammar Gaddafi.

"I can confirm that all the oilfields are safe and the production is still around 500,000 bpd," Samir Salim Kamal, director of planning at the Libyan Oil Ministry, told Reuters.

He declined to say from which day the figure was or to give further details. Two weeks ago, Libya's oil production has risen to 588,000 bpd but it has fallen since the clashes have started over the capital's international airport. It was unclear if the Brega oil port has started operating after the government had reached a deal with protesting security guards to end strikes. A rocket hit a fuel depot near Tripoli airport two days ago, igniting a huge blaze that Libyan fire-fighters on Tuesday were fighting to put out. The blazing tanks are owned by Brega oil company, a subsidiary of state National Oil Company, and store oil for local consumption in Tripoli.

Oil storage depot hit near Tripoli

UPI, *28.07.2014*

The Libyan government said Monday it needed outside help to control new clashes in the capital, near where several oil storage tankers were hit by rocket fire. The severity of new clashes in Libya prompted the U.S. State Department to suspend diplomatic activities at its embassy in the Libyan capital.

U.S. Secretary of State John Kerry said the precautionary move was made in response to the "free-wheeling militia violence that is taking place in Tripoli." The Libyan government said Monday it needed outside help to stem the violence in the country.

Eni makes ‘significant’ gas and condensate find in Gabon

Rigzone, *31.07.2014*

Italy’s Eni announced Thursday that it has made a significant gas and condensate discovery in the Nyonie Deep exploration prospect that is located in block D4, approximately eight miles from the coast of Gabon and 30 miles from its capital city, Libreville.

Eni said that preliminary estimates suggest hydrocarbons in place at the discovery could amount to 500 million barrels of oil equivalent. The discovery was made in the pre-salt layer of Gabon through the NFW Nyonie Deep 1 well, which was drilled to a depth of approximately 14,150 feet in shallow water.

The well encountered a thick hydrocarbon-bearing section of 1,050 feet in the pre-salt clastic sequence of Aptian age. The structure, which extends over an area of more than 15 square miles, covers two offshore exploration blocks that are both operated by Eni. Thursday also saw Eni report its results for the second quarter of 2014. The firm’s adjusted net profit of $1.2 billion was around 10 percent short of consensus forecasts, according to Jefferies analyst Marc Kofler, in part due to a weaker upstream performance. The firm produced 1.58 million barrels of oil equivalent per day during the quarter, compared to 1.65 million boepd during 2Q 2013.

India drops sea claim to seek offshore oil in China contrast

Bloomberg, *31.07.2014*

India took a step toward tighter ties with Bangladesh this month in surrendering its four-decade claim to a swathe of the Bay of Bengal, opting to heed a United Nations-backed ruling. Bangladesh praised its neighbor’s move, with the head of state-run oil monopoly Petrobangla saying the newfound clarity will unlock drilling opportunities.

The decision provides a contrast with China, which declines to acknowledge any UN jurisdiction in its dispute with the Philippines over maritime claims. The difference in approach shows why tensions are rising in the South China Sea as companies ramp up oil and gas investment.

“This is a showcase judgment of how countries can reach an amicable agreement,” said S. Chandrasekharan, New Delhi-based director of the South Asia Analysis Group, referring to India and Bangladesh. “The South China Sea is a glaring example of how one intransigent country can hold up everything.” The Permanent Court of Arbitration on July 7 awarded about 19,500 square kilometers (7,500 square miles) to Bangladesh, some 76 percent of the area under dispute with India. The move followed a decision last year that clarified Bangladesh’s sea border with Myanmar.

“The award puts an end to a long standing issue between India and Bangladesh which has impeded the ability of both countries to fully exploit the resources in that part of the Bay of Bengal,” V.K. Singh, junior minister in India’s Ministry of External Affairs, told lawmakers yesterday. “The peaceful settlement of this issue on the basis of international law symbolizes friendship, mutual understanding and goodwill between the two countries.” The cooperation has opened up access to energy exploration for India and Bangladesh, which now account for less than 1 percent of the world’s proven gas reserves, according to estimates by BP Plc. By year’s end, Bangladesh plans to auction 18 oil and gas blocks in the Bay of Bengal, including 10 previously claimed by India, according to Hossain Mansur, chairman of state-run Petrobangla. “It’s now a big opportunity for us to explore sea blocks for oil and gas without disruptions,” Mansur said by phone from Dhaka on July 23.

Oil & Natural Gas Corp. (ONGC), India’s biggest energy explorer, will study the blocks and may make a bid, according to D.K. Sarraf, its New Delhi-based chairman. “It’s good for the oil and gas industry,” Sarraf said by phone of the Bangladesh ruling. “This should increase activity in the region.” In the South China Sea, oil and gas exploration has been contentious. Chinese ships have cut the cables of survey vessels working for Vietnam and the Philippines, while state-run China National Petroleum Corp. this year moved a deepwater rig into a disputed area despite objections from its neighbors. Paul Reichler, a Washington-based lawyer for Foley Hoag LLP who represented Bangladesh in its case against India, is also working for the Philippines as it seeks a ruling from the same court on China’s claims. China has declined to participate, telling the court last year it “does not accept the arbitration initiated by the Philippines.”

“The fact India has accepted this judgment without question puts a little pressure on China,” Reichler said, adding that China is the first country to refuse to participate in arbitration under the UN law of the sea. “It makes China look that much more like the odd man out.” The South China Sea is estimated to have as much as 30 billion metric tons of oil and 16 trillion cubic meters of gas, which would account for about one-third of China’s oil and gas resources, according to the official Xinhua news agency. Vietnam and the Philippines reject China’s “nine-dash map” of the waters as a basis for joint oil and gas development. “India, Bangladesh and Myanmar have all demonstrated that countries can successfully settle their disputes through impartial third-party arbitration,” Philippine Foreign Secretary Albert del Rosario said in a text message.

“We are confident that the tribunal will find in favor of our position against China’s Nine-Dash Line. I am sure the international community will receive such a development positively and that China will appreciate its value in the long run.” Vietnam has prepared evidence and is awaiting the “appropriate timing” to take legal action against China, Prime Minister Nguyen Tan Dung told Bloomberg News on May 30. Vietnam’s foreign ministry didn’t respond to e-mailed questions. Without some sort of international settlement, tensions between the two countries will flare again, Le Hong Hiep, a lecturer at Vietnam National University in Ho Chi Minh City, said by phone.

India’s acceptance of the UN’s ruling gives Vietnam more ammunition in its “public opinion warfare” with China over disputed territory, Hiep said. Bikram Singh, India’s retiring army chief, told reporters today that a land border dispute with China would be resolved peacefully, building on goodwill from a meeting earlier this month in Brazil between Indian Prime Minister Narendra Modi and Chinese President Xi Jinping. Xi said then the two countries should work together to give developing countries a stronger voice in setting global rules, Xinhua said.

“The Chinese leadership around Xi Jinping is ready to get into difficulties with its neighbors in order to consolidate its preeminence in the region and to rebalance its power vis-a-vis other players including the United States,” said Jean-Pierre Cabestan, director of government and international studies at Hong Kong Baptist University. China’s foreign ministry in March repeated its rejection of the Philippines arbitration case, saying it prefers direct negotiations to resolve the dispute. The Philippines is illegally occupying some of China’s islands and reefs in the South China Sea, Foreign Ministry spokesman Hong Lei said on March 30. “If you’re a big power and know you’re more powerful, you don’t want to be constrained by international law,” said Li Mingjiang, associate professor and coordinator of the China program at the S. Rajaratnam School of International Studies in Singapore. “You want to use political and other means to resolve the dispute.”

BP and Shell: are we on the cusp of the oil mega mergers?

The Telegraph, *26.07.2014*

Ten years ago, Lord Browne, the then chief executive of BP, flew to Virginia, for a board meeting, where he planned to outline detailed proposals for a mega-merger with Royal Dutch Shell. The radical tie-up had been discussed in secret weeks earlier with Jeroen van Der Veer, his counterpart at Shell, during a stroll around Lake Como in Italy.

With an estimated $9bn (£5.3bn) of synergies from the deal and Browne’s conviction that he had the backing of his own executive team, including his eventual successor Tony Hayward, the BP chief was ready to deliver the grand plan. But on the flight out of the UK, he suddenly got cold feet.

“I knew the answer even before the meeting started. The sentiment was ‘why rock the boat?’ The Shell merger was not discussed. It was not going to be done and that was that… In the end we did not rock the boat; we missed it,” he recounted in his memoirs four years ago. Browne, who stepped down in 2007, was among a generation of buccaneering oil major executives who had overseen a wave of mega-mergers at the end of the nineties that totally reshaped the industry. BP moved first, merging with Amoco and kicking off a flurry of tie-ups including Exxon and Mobil, Texaco and Chevron, and TotalFina and Elf, that created the so-called supermajors. More than a decade and a half on from those unions, could we be on the cusp of another round of mega-mergers?

Not immediately, but some senior City sources think falling fortunes could force the giants into each other's arms in the next year or two. Their central argument for a fresh flurry of deal-making is a problem affecting the whole industry: a slump in profits. In January, Shell issued a shock quarterly profit warning and weeks later posted a 23pc fall in annual earnings from $25.3bn the year before to £19.5bn in 2013. In April, BP followed suit, reporting a similar drop in profits for 2013 and the first quarter of 2014. Their US rivals are similarly struggling. In May, Exxon Mobil, the titan of the world's oil majors, reported falling profits for the fourth quarter in a row.

ConocoPhilips also posted a dip. The industry is being hit by a perfect storm of headwinds: lower oil and gas prices which mean falling margins in their downstream businesses, which make petrol, diesel, and other finished products; as well as higher exploration expenses and dwindling reserves. Oil executives say their profits are pinched because, as many fields around the world age and produce less oil, they are forced to drill in deeper oceans and more remote places such as the Arctic to keep up with production. The days of easy discoveries seem to be over and widening the search costs more money. There is certainly plenty of rationale for a further round of mega deals such as that led by Browne in the late Nineties. And there may be appetite from investors too.

Some of Shell's big shareholders are said to be frustrated by the company's continued spending on expensive far-flung projects that fail to yield healthy returns. Alongside its profit warning at the start of this year, Shell announced that it was halting a controversial exploration programme off the coast of Alaska because the costs had far outweighed the results. Some $4.5bn had been ploughed into exploring in the region since 2005. Rumours continue to swirl that an activist investor is circling Shell with a view to taking a stake and forcing it to adopt a more radical strategy. One senior banker joked that if you got the six oil majors into a room at the same time you could quickly get each one to find $50bn of costs to take out of their respective businesses. Nor should size be an impediment.

Dealmakers claim that if ExxonMobil merged with one of its biggest rivals the enlarged company would still only account for around 6pc of global oil production, hardly the sort of level to trigger serious competition concerns. The Texas-based behemoth currently has a stockmarket value of £440bn. Doubling its size is far from unthinkable, they say. That said, there are several barriers to further activity. In 12 years at the helm of BP, Browne oversaw a £48bn bid for Amoco and the creation of its Russian joint venture TNK-BP, which opened up the gates to Russia's vast reserves. He also seriously flirted with approaches for Yukos and Shell, his memoirs revealed. However, his tenure came during a golden era of expansion. Today, there is an industry trend to shrink by selling off assets that are no longer commercially viable.

Political opposition may also be a problem. According to high level City sources, the primary reason that Exxon never went ahead with a rumoured bid for BP in the months after the Deepwater Horizon disaster was opposition from Washington to Exxon getting any bigger and exerting more influence over the oil industry. But perhaps the biggest hurdle of all is that the current crop of executives lack the daring to spearhead a game-changing acquisition, despite a general shift across boardrooms and in investor sentiment towards taking greater risks. The stars may be slowly moving into place but it could take a number of years before they are aligned. In his book, Browne said that the search for a partner began in 1995. Eventually he found one — in 1998.

Shell profit rises on higher U.S. oil and gas prices

Bloomberg, *31.07.2014*

Profit excluding one-time items and inventory changes gained to $6.1 billion from $4.6 billion a year earlier. That beat the $5.6 billion average estimate of 18 analysts surveyed by Bloomberg. “Our assumption is that improved pricing and reduced Americas losses will see a marked uptick in year-on-year profits,” Lucas Herrmann, analyst at Deutsche Bank AG.

Chief Executive Officer Ben van Beurden, who took over from Peter Voser at the start of the year, is accelerating asset sales and reviewing spending plans to win investor support. He needs a return to profit in the Americas’ operation, where the company is deploying about $80 billion.

U.S. natural gas prices rose 14 percent and oil climbed 9.4 percent in the second quarter from last year on higher demand for fuels. Net income rose to $5.3 billion from $1.7 billion a year earlier, according to Shell’s statement. The company pumped 3.077 million barrels of oil equivalent a day in the quarter, compared with 3.062 million barrels a year earlier. BP Plc this week said second-quarter adjusted profit rose 34 percent after the London-based company started new projects in the Gulf of Mexico and Angola. France’s Total SA yesterday said earnings fell 12 percent amid record low production and a slump in refining margins.

Exxon Mobil Corp. based in Irving, Texas and Houston-based ConocoPhillips report later today. “The new CEO set a multi-year journey at Shell to improve returns,” Bertrand Hodee, an analyst at Raymond James Financials Inc. in Paris, said before the earnings release. “Within the ‘Fix or Divest’ approach, we expect more write-offs” and “tough portfolio choices on development options.” Van Beurden has already agreed to sell more than $10 billion in assets including the latest plan to trim its holding in Australia’s Woodside Petroleum Ltd. Shell has set a disposal program of about $15 billion through 2015.

Forecasts for higher oil prices misjudge the shale boom

Reuters, *28.07.2014*

"The world of energy may have changed forever," according to Professor James Hamilton of the University of California. "Hundred dollar oil is here to stay." Hamilton, who is one of the most respected economists writing about oil, made his bold prediction in a paper on "The Changing Face of World Oil Markets", published on July 20.

"Old hands in the oil patch may view recent developments as a continuation of the same old story, wondering if the high prices of the last decade will prove another transient cycle with which technological advances will eventually catch up," he wrote.

"But there have been dramatic changes over the last decade that could mark a major turning point." The shale revolution will turn out to be only a pause in the upward trend in prices, Hamilton argues, as growing demand from emerging economies and stagnant supplies from conventional oil fields push prices higher in the long term. "Rather than a force pushing oil prices back to historical lows, it seems more accurate to view the emerging tight oil plays as a factor that can mitigate for a while what would otherwise be the tendency for prices to continue to rise."

Shell’s Pearl GTL: the largest gas-to-liquids plant in the world

Rigzone, *30.07.2014*

In 2008, Shell announced it would partner with Qatar Petroleum and build Pearl GTL in order to produce cleaner-burning diesel and kerosene, base oils for lubricants, a chemical feedstock called naphtha and normal paraffin, which is used to produce detergents. Today, the plant in Qatar, is the largest gas-to-liquids plant in the world.

At the peak of construction 52,000 workers from 65 countries were deployed on the site and it took the team 500 million man-hours to design and build. Pearl GTL is the biggest and most complex and challenging energy projects in the world – the GTL technology alone has 3,500 patents.

The statistics are staggering: to build Pearl GTL a total of 750,000 cubic metres of concrete was poured. That’s enough to construct two Burj Khalifas (the world’s tallest building). It is truly a tale of human ingenuity. “The story of Pearl GTL is an inspiring one,” agrees Wael Sawan, Director and Chairman of Qatar Shell Companies. “Not just because of its pioneering technology and innovation, and not simply because of its sheer scale and complexity, but also because of the extraordinary diversity of talented men and women who came together to deliver and operate this remarkable project.”

The plant uses technology that is a culmination of 40 years of R&D innovation at Shell and builds on the company’s experience, including building the world’s first commercial-scale GTL plant in Bintulu, Malaysia in 1993. Pearl GTL draws on gas from Qatar’s North Field, estimated to hold 900 trillion cubic feet of gas. That’s an estimated 13% of the world’s total. Neil Gilmour, Vice President of Development in Shell’s Global Integrated Gas Business, sums up Pearl GTL’s significance: “Whatever level you look at it, from worker welfare to safety, from the contribution to the Qatari nation to the range of products and the impact the products have, Pearl is incomparable.”

BP reports second quarter 2014 results

Oil & Gas Eurasia, *29.07.2014*

BP today announced its financial results for the second quarter of 2014. Underlying replacement cost profit1 for the quarter of 2014 was $3.6 billion, 34% higher than the $2.7 billion reported for the same period in 2013 and 13% higher than the $3.2 billion result for the first quarter of 2014.

The company also announced a quarterly dividend of 9.75 cents per ordinary share, the same level as the previous quarter but 8.3% higher than a year earlier. BP's board will review the level of the dividend with the first and third quarter results each year. "This was another successful quarter, delivering both operational progress and robust cash flow.

"We are continuing to ramp up the major new projects that drive delivery of cash flow and are also now seeing benefits from our focus on operating with greater reliability and efficiency," said Bob Dudley, BP group chief executive. "This operational momentum keeps us well on track to meet our 2014 targets and underpins our longer-term commitment to grow distributions to our shareholders." Rising oil and gas production from new and recently-started higher-margin upstream projects and increased processing of heavy crude oil by the newly-modernised Whiting refinery contributed to operating cash flow of $7.9 billion in the quarter. Total operating cash flow for the first half of 2014 was $16.1 billion. Divestments with a cumulative value of $3.4 billion have now been agreed towards BP's expected total of $10 billion divestments agreed by the end of 2015.

Most recently BP agreed the sale of its Hugoton gas assets in Texas for $390 million. BP plans to use the post-tax proceeds from these divestments predominantly for shareholder distributions, with a bias to share buybacks. In mid-July BP completed the $8 billion share buyback programme introduced following the sale of its interest in TNK-BP, and the divestment programme is now supporting a continuation of buybacks. In the second quarter, BP's Upstream segment reported $4.7 billion underlying pre-tax replacement cost profit, compared with $4.3 billion a year earlier and $4.4 billion in the first quarter of 2014. Compared to a year earlier, the Upstream result reflected the benefits of higher production in key regions and higher oil and gas realisations. This was partly offset by the impact of divestments and higher non-cash costs.

Increasing output from the key regions, primarily the Gulf of Mexico, drove overall underlying production of oil and gas, excluding Russia, up by over 3% compared to a year earlier. The end of the Abu Dhabi concession in January 2014 together with divestment impacts, however, meant that reported Upstream production, at 2.1 million barrels of oil equivalent a day (mmboed), was 6% lower. Reported production in the third quarter is expected to be lower due primarily to turnaround and seasonal maintenance activities. Including Russia, reported group oil and gas production averaged 3.1 mmboed. Reported underlying net income from Rosneft for the quarter was $1.0 billion. BP received a dividend payment of approximately $700 million earlier in July.

Announcements & Reports

► *Natural gas monthly*

Source : EIA
Weblink : http://www.eia.gov/naturalgas/monthly/pdf/ngm_all.pdf

► *The global energy architecture performance index report 2014*

Source : Accenture
Weblink : http://nstore.accenture.com/acn_com/PDF/Accenture-Global-Energy-Architecture-Performance-Index-Report-2014.pdf

► *The role of oil and gas industry in tackling energy poverty*

Source : Accenture
Weblink : http://www.accenture.com/SiteCollectionDocuments/PDF/Accenture-Role-Oil-Gas-Industry-Tackling-Energy-Poverty.pdf

► *Distributed Energy: A Disruptive Force*

Source : Boston Consulting Group
Weblink : https://www.bcgperspectives.com/content/articles/Energy_Environment_Distributed_Energy_Disruptive_Force/

Upcoming Events

►*International Conference on Energy (ICOE) 2014*

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

►*Downstream, Midstream and Chemicals Forum Singapore*

Date : 19 August 2014
Place : Singapore
Website : http://www.woodmac.com/public/events/content/12226738

► *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 Greek Greek Greek Cyprus
Website : http://www.eastmed-og.com/Home.aspx

► *Oil & Gas Producer Hedging and Marketing Forum*

Date : 11 September 2014
Place : Dallas - USA
Website : http://www.mercatusenergy.com/oil-gas-hedging-marketing-conference/

► *4th Annual LNG Global Changes*

Date : 16 - 19 September 2014
Place : London – United Kingdom
Website : http://www.lnggc.com/?xtssot=0

► *Conference on Sustainable Development of Energy, Water and Environment*

Date : 20 - 27 September 2014
Place : Venice – Italy to Istanbul – Turkey
Website : http://www.mediterranean2014.sdewes.org/index.php

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

► *2nd European Shale Gas and Oil Summit 2014*

Date : 29 – 30 September 2014
Place : London – United Kingdom
Website : http://www.esgos.eu/

► *Midwest Energy Policy Conference*

Date : 30 September - 01 October 2014
Place : St Louis - USA
Website : http://www.moenergy.org/mepc

► *USEA 7th Annual Energy Supply Forum*

Date : 02 October 2014
Place : Washington - USA
Website : http://www.usea.org/

► *Energy and Economic Competitiveness*

Date : 06 – 07 October 2014
Place : London – United Kingdom
Website : http://www.chathamhouse.org/events?field_event_flags_tid=conference

► *Canada Europe roundtable for business – 2014 Calgary energy roundtable*

Date : 15 October 2014
Place : London – United Kingdom
Website : http://www.energyroundtable.org/london.php

► *Energy Hedging, Risk Management & Trading Seminar*

Date : 15 – 16 October 2014
Place : Houston - USA
Website : http://www.mercatusenergy.com/energy-hedging-trading-risk-management-events/

► *FT European Gas Summit: New Supplies for Europe: Feast or Famine*

Date : 23 October 2014
Place : London – United Kingdom
Website : http://event.ft-live.com/ehome/index.php?eventid=87259&&reference=twittertweet

► *European Automn Gas Conference*

Date : 28 – 30 October 2014
Place : London – United Kingdom
Website : http://www.theeagc.com/

► *Turkey International Underground Gas Storage Conference*

Date : 29 – 31 October 2014
Place : Ankara – Turkey
Website : http://tugs2014.org/

► *Gas to Liquids*

Date : 29 – 30 October 2014
Place : London – United Kingdom
Website : http://www.smi-online.co.uk/energy/uk/conference/gas-to-liquids

► *Climate Change: Raising Ambition, Delivering Results*

Date : 03 – 04 November 2014
Place : London – United Kingdom
Website : http://www.chathamhouse.org/ClimateChange14?campaign=ngfe

► *Iran Oil & Gas Summit*

Date : 03 – 05 November 2014
Place : London – United Kingdom
Website : http://www.iranoilgas-summit.com/

► *Turkmenistan International Oil & Gas Conference and Exhibition*

Date : 18 - 20 November 2014
Place : Ashgabat - Turkmenistan
Website : http://www.oilgasturkmenistan.com/

► *Securing Europe's Competitive Energy Future*

Date : 19 November 2014
Place : Brussels - Belgium
Website :https://www.entsoe.eu/news-events/events/Pages/Events/entsoe-conference-securing-europes-competitive-energy-future.aspx?EventWorkshopId=154

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► *Oil & Gas Cyber Security*

Date : 24 – 25 November 2014
Place : London - United Kingdom
Website : http://www.smi-online.co.uk/energy/uk/conference

► *166th (ordinary) OPEC meeting*

Date : 27 November 2014
Place : Vienna - Austria
Website : http://www.opec.org/opec_web/en/311.htm

► *Middle East and North Africa Energy*

Date : 18 – 21 Feburary 2015
Place : London – United Kingdom
Website : http://www.chathamhouse.org/node/15232

► *4th Erbil Oil & Gas International Exhibition*

Date : 18 – 21 Feburary 2015
Place : Erbil – Iraq
Website : http://www.erbiloilgas.com/

► *6th OPEC International Seminar*

Date : 03 – 04 June 2015
Place : Vienna - Austria
Website : http://www.opec.org/opec_web/en/press_room/2793.htm

► *OGA 2015*

Date : 02 – 05 June 2015
Place : Kuala Lumpur - Malaysia
Website : http://www.oilandgas-asia.com/home/index.php