

Turkey consumes second-cheapest gas in Europe

Anadolu Agency, 01.01.2015



Turkey had the second-cheapest natural gas in Europe during the first half of 2014, according to European data. The gas price per kilowatt hour in Turkey was €0.033 (\$0.039) for households, and €0.024 (\$0.029) for industry in the first half of last year, according to data from the European statistics agency Eurostat released.

This was a drop in price from 2013, when natural gas was €0.041 (\$0.050) per kilowatt hour for households and €0.031 (\$0.038) for industry. Energy Minister Taner Yildiz commented that Turkey has about the cheapest electricity and natural gas among the 28 EU countries.

Turkey imported over 44 billion cubic meters of natural gas from January to December in 2014. Of this amount, it imports around 30 billion cubic meters of natural gas from Russia, nearly 10 billion cubic meters from Iran and 6.6 billion cubic meters from Azerbaijan. Turkey uses most of its natural gas for its electric power sector which accounts for nearly half of the country's natural gas consumption. The industrial and residential sectors each account for approximately 20 percent. Romania pays the lowest price for natural gas in Europe. Natural gas per kilowatt hour was €0.031 (\$0.038) in households and €0.030 (\$0.036) in industry in 2014 in Romania.

Turkey seeking to increase gas imports from Iran

Fars News Agency, 31.12.2014



“Turkey has asked Iran to increase the volume of its gas supplies to that country,” Iranian Deputy Oil Minister Mansour Moazami said. He noted Iran is planning to export gas to Oman and also other countries interested in have supplies from Iran.

Moazami pointed to Iran's gas exports to Iraq, and said, “Because of Iraq's (unfavorable) conditions, we could not export gas to that country in the current year, but we will begin gas exports next year.” Under a contract signed in 1996, Turkey imports 10 billion cubic meters per year of gas from Iran.



The contract became active in 2001. Turkey depends on imports for almost all of its natural gas needs, estimated to hit 52 billion cubic meters this year. Turkey is keen to increase oil and gas imports from Tehran in anticipation of sanctions against Iran's huge energy sector being dismantled in the wake of an interim nuclear deal last year between Tehran and six big powers.

In July, former Iranian Deputy Oil Minister Ali Majedi underlined that Ankara was holding talks with Tehran to increase the volume of its gas imports irrespective of the two countries' row over the volume of earlier supplies. "The result of the arbitration might be announced in a six-month time, but the two countries' negotiations over increasing Iran's gas supplies to Turkey might end in result prior to that date, meaning that Iran might increase its gas exports to Turkey before the court ruling is issued, which shows that the current negotiations are not related to the two countries' row," Majedi told FNA at the time.

On January 30, 2014, Turkish Energy Minister Taner Yildiz said that his country could double the amount of natural gas it imports from Iran if the two countries can agree on a price. However, Managing Director of the National Iranian Gas Company (NIGC) Hamid Reza Araqi said that Iran would not decrease the price of the natural gas it exports to Turkey under the current agreement. "We can increase the amount of Iran's gas exports to Turkey under a new agreement," Araqi said. In May, Majedi underlined that the Turkish pipeline could be the best option for the European countries to import Iran's natural gas.

"Iran can export natural gas to Europe through three different ways, including via the Turkish pipeline which is considered the most cost-effective route under the current circumstances," Majedi told FN A at the time. The plan to transit Iran's gas to Europe through Turkey came after the failure of negotiations on the construction of the Nabucco gas pipeline, which prompted some European companies to officially ask for importing Iran's natural gas. The Nabucco pipeline is a proposed natural gas pipeline which starts from Turkey's Erzurum to end in Austria's Baumgarten an der March and aims to reduce Europe's gas dependence on Russia.

In September 2012, Iran announced that the necessary grounds had been paved for the export of the country's gas supplies to the European countries via Turkey, despite the then new EU sanctions against Tehran. "In addition to the agreement signed for the export of gas to Pakistan and Iraq, the needed agreement to export gas to Europe via Turkey has also been received," former Iranian Oil Minister Rostam Qassemi said at the time.

Russia-Turkey deal and geopolitics of gas

Eurasia Review, 30.12.2014



In early December this year, Russia sprang a huge surprise by signing a gas deal with Turkey that will enable Russia to pump natural gas into a Turkish hub, near the Turkey-Greece border and from there into the southern EU market.

Turkey, playing the role of facilitator, will cement energy ties with Russia, at time when the latter is facing Western sanctions and a proxy war on oil prices. Global oil prices have plunged to less than USD 60 a barrel, drastically reducing Russian revenues and undermining Russia's export earnings. Turkey's energy alliance with Russia is a signal of Turkey's pivot towards Eurasian integration.

Earlier, Turkey had rejected joining any sanctions regime against Russia. American silence on the Russia-Turkey gas deal is significant. It hobbles American objectives of undermining Russia and scuttles the chances of the Qatar-EU gas pipeline that was supposed to go through Syria and Turkey. On December 1, 2014, Russia announced that it was abandoning the South Stream project because the European Union had decided that it did not want it, having championed it earlier as a new route for Russian gas to the EU.

Russia has accused EU of bad faith in all aspects of the South Stream negotiations and construction process. The creeping restrictions and conditionality's imposed retroactively by the EU, contributed to Russia's decisively turning its back on the South Stream. The 3,600 kilometer long South Stream was to be completed by 2016. Russia's Gazprom owns 50 percent of it – along with Italy's ENI (20 percent), French EDF (15 percent) and German Wintershall, a subsidiary of BASF (15 percent). The USA and EU had opposed this project mainly because it was seen as a vehicle for cementing Russian influence over southern Europe and for bypassing Ukraine, via which Russian gas flows into central and northern Europe.

Russian effort to build an alternative route to the line going through Ukraine, stems from recent political developments in Ukraine, secession of Crimea and the overthrow of the Russia-friendly government and installation of a Western sponsored government. Russian-Ukraine relations have gone steadily downhill. The recent outbreak of internal hostilities has thrown Ukraine into turmoil, impelling the search for an alternative Russian gas route.

It was also about calling the EU's bluff. The EU assumed that it could change the legal framework by interpreting the Third Energy Package (TEP) in new and creative ways, to overload the already onerous and cumbersome restrictions. The EU's assumption that it could act with impunity and involve itself in training, arming, and equipping of neo-Nazis in Ukraine and staging a coup to frustrate Ukraine's integration into the Eurasian Customs Union. Then the EU sanctimoniously assumed that it could impose sanctions on Russia believing that Russian desperation on the TEP, Ukraine, sanctions, Russia paying for developing the project, but let Europe control the physical



infrastructures, revenues, and other critical aspects will bring Russia to its knees. The EU's bluff has boomeranged badly.

Russia will now build a pipeline under the Black Sea into Turkey and pump the same amount of gas South Stream had planned. Gazprom's biggest customer is Germany and the second biggest is Turkey. Russia is also building a unified gas distribution network that can deliver natural gas to any hub close to Russia's borders. Turkey will also benefit further since Russia has agreed to build Turkey's nuclear power infrastructure. Turkey could also be a full member of the Shanghai Cooperation Organization (SCO) soon. Thus, a Eurasian Economic zone with energy connectivity and the Chinese overland New Silk Routes is being crafted, further diluting American and European influence and hegemony.

Meanwhile, in another theatre, the east Mediterranean, two Turkish warships entered with an accompanying survey vessel in early November, to start prospecting 40 nautical miles off the Cyprus coast, even as an Italian-Korean consortium began drilling offshore in Cyprus' EEZ. Cyprus and Israel have also commenced joint military exercises in the region. Russia too joined in and began its naval exercises east of Cyprus, making the east Mediterranean an active hotspot of regional energy, political and maritime competition. The east Mediterranean region includes Cyprus, Israel, Jordan, Lebanon, Syria and Palestine, with Greece and Turkey to the north and Egypt to the south.

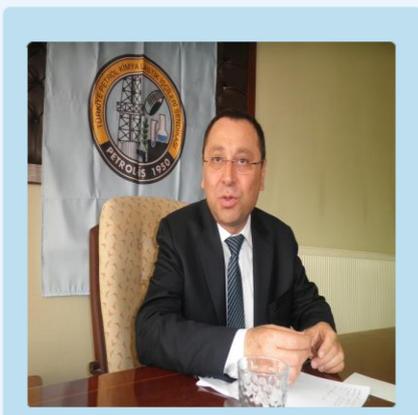
A 2010 US Geological Survey report estimated recoverable natural gas of 122 trillion cubic feet (tcf), equal to 3,455 billion cubic metres (bcm), as also oil reserves of 1.7 billion barrels in this basin. This gas potential is huge and Israel has been active in developing this potential. Israel announced its most significant gas find in 2010, in a field named Leviathan, which has estimated reserves of 22tcf. With this and earlier discoveries, Israel will be self-sufficient in gas for several decades and could even be able to export. In 2011, Cyprus discovered gas in the Aphrodite field which has reserves of about 5 tcf. A small gas field is also offshore off Gaza; there are also indications of gas offshore from Lebanon and Syria. The region, however, is volatile with many pending disputes. The Israel-Palestine issue and unresolved Israel-Lebanon problems have stymied any development of the Gaza offshore field. Lebanon has contested Israel's exploration in areas it considers its own EEZ. The Cyprus issue, with Turkish occupation of northern Cyprus in 1974, effectively dividing the island, has been the cause of bad blood between Turkey on one side and Cyprus and Greece on the other.

The Syrian civil war has complicated the regional scenario even further and halted development of Syria's oil and gas potential. Syria's allies, Russian and Iran have propped up the Bashar al-Assad regime to protect their respective strategic interests. Israel finds itself bereft of its traditional friendly relations with Egypt and Turkey, the US in a retreat mode and Russia and Iran extending their reach into the region. Encouraged by the EU, keen to reduce dependence on Russian gas, Israel and Cyprus had planned to export gas via an undersea pipeline into Greece and then onto Europe. This plan has fallen off the table because the pipeline has to pass through Turkish EEZ which Cyprus does not want. Nor does it want the pipeline to go directly via Turkey, the logical route, given Turkey's role as an important consumer, regional hub and NATO member. Israel's option, therefore, is to divert the gas to its domestic market, Palestine and Jordan, creating a regional grid and interdependence that might eventually help political Israel-Palestine reconciliation.

Rosneft, Russia's largest oil producer, signed a deal during President Putin's recent visit to India to supply 10 million tonnes of oil to Essar. Russia is also exploring an oil-for-goods deal with Iran. It is clear that energy is driving geo-politics in Eurasia and the east Mediterranean as the price of oil is pushed southwards by the US and its ally Saudi Arabia, in their strategy to weaken Russia and Iran. Russia's riposte to this policy is to pivot eastwards and south, lessening its dependence on the European market. East Mediterranean gas too can be tapped as a supply source by India for its burgeoning energy needs. India has good relations with all countries in the region and could explore energy tie-ups to access gas. India can become a player in the geo-politics of energy as an important consumer and good relations with the countries in this region.

No layoffs in Turkish oil industry: union official

Anadolu Agency, 29.12.2014



The drop in oil prices will not result in layoffs in Turkey, but it may impact new oil exploration operations and technical studies, president of a Turkish petroleum workers' union said recently.

Oil companies are cancelling some of their high-cost offshore and deep sea projects ever since oil prices nearly halved during the last few months. "Layoffs are usually seen in oil producing countries after fall of oil prices. However, no layoffs in Turkey's oil industry have taken place, neither in the country's national oil company Turkish Petroleum nor the private companies," Mustafa Oztaskin said.

Petrol-İs is a Turkish labor union for workers of oil, petrochemical and tire industries. Oztaskin said that a decrease in investments on new oil explorations, drillings, and technical operations for new wells was expected in the country. He added, however, that the impact of low oil prices on Turkish small-scale oil production would only become noticeable in the long term. Brent crude oil prices have fallen almost 50 percent since June, from \$116 to \$58 per barrel mark in mid-December, its lowest point in the last five-and-a-half years. On Monday, Brent crude oil price fell to \$57.36 per barrel, its lowest level since May 2009. Selami Uras, vice president Transatlantic Petroleum Ltd, said the drop forces the oil industry to walk on eggshells because returns on investment become longer. Transatlantic Petroleum Ltd. is a Texas-based company that actively operates in oil and gas upstream sector in Turkey. It is also the third biggest oil producer in Turkey.

Halliburton, the world's second biggest oil company with around 80,000 employees announced on Nov. 8 that it would lay off 1,000 employees at the company's operations outside the U.S. Hercules Offshore, a Houston-based energy company, told regulators in early November that the company would lay off 324 employees, or about 15 percent of its workforce and shut down four rigs which were operating in the Gulf of Mexico because of market conditions. British Petroleum, with 84,000 employees around the world, reconsidered its upstream and production projects after oil prices fell.

The common parameter that designates the relationship between oil income and fall of oil prices is the marginal cost of oil production. If the marginal cost of oil production is high in a region, the country or the company starts to profit less or makes loss. According to Goldman Sachs' analysis in the middle of December, almost one trillion U.S. dollars in investments are at risk in future oil projects if global benchmark Brent crude oil prices continue to plummet.

Turkey's crude oil import rose in October

Anadolu Agency, 29.12.2014



Turkey's crude oil import increased in October by 40.4 percent year-on-year, reaching 1.891.587 tons, said Turkey's Energy Market Regulatory Authority.

While Turkey imported 15.370.759 tons of crude oil in the first 10 months of 2013, this amount decreased by 6.6 percent to reach 14.351.496 tons in the same period of 2014, according to EPDK's Oil Market Sector Report for October. Refinery production rose to 1.708.182 tons in October, an 18.9 percent increase year-on-year, while it decreased 9.1 percent in the first 10 months in 2014, compared to last year, reaching 13.837.625 tons, said the report.

Diesel import, excluding biodiesel, grew by 25.9 percent to reach 9.689.218 tons, while biodiesel import increased by 82.9 percent to reach 61.661 tons between January and October, compared to the same period last year. While refinery licence holders' total imports fell to 40,859 tons in October, a 55.2 percent decrease year-on-year, these imports rose by 36.3 percent between January and October, compared to same period of last year, to reach 320.895 tons in 2014. According to the report, fuel oil exports decreased in October by 7.74 percent year-on-year, falling to 199.571 tons, while they went down by 22.78 percent during the first 10 months of 2014 reaching 1.640.215 tons, compared to same period of last year.

Gas change-of-mind has BlueStar, artemis dubious

Bloomberg, 28.12.2014



Foreign investors are starting to abandon Israeli stocks after the antitrust regulator backtracked on an agreement underpinning the country's largest energy project.

The Tel Aviv Oil & Gas Index fell to the lowest in more than two years, the day the regulator said it would reconsider a March 2014 agreement to let a partnership retain its stakes in Israel's two largest natural gas reserves. The announcement echoed last year's government policy change on potash royalties that sent Israel Chemicals shares tumbling. "Investors with other places to put their cash may say it's not worth the effort, let's invest our money" BlueStar said.

The concern about regulatory shifts threatens to cloud the outlook for a market struggling to boost trading after MSCI Inc. (MSCI) upgraded Israel's status to developed from emerging markets in 2010. Foreign investment in equities for the first 10 months of 2014 was \$1.05 billion compared with \$695 million in all of 2013, though it's still 40 percent lower than the \$1.75 billion figure for 2009, according to the Bank of Israel. Average equity daily trading volumes dropped 27 percent in 2013 from 2010, and were down 2.4 percent in 2014 through Dec. 25, data compiled by Bloomberg show.

The regulator's decision "puts the recent recovery in trading volume at risk," Steven Shein, an equity trader at Psagot Investment House in Tel Aviv, said by phone on Dec. 25. Orna Goren, a spokeswoman for the Tel-Aviv Stock Exchange, had no comment. Last year's figure for foreign investment came amid investor concern over the regulator's decision to re-examine government policy on royalties and taxes paid by companies that use natural resources. Shares of Israel Chemicals (ICL), which harvests potash from the Dead Sea, have declined 29 percent since the June 17, 2013 decision. "Israel is increasingly impossible to invest in," Jacob de Tusch-Lec, who helps oversee 19 billion pounds (\$30 billion) in equities at London-based Artemis Investment Management LLP, wrote in an e-mail Dec. 25. "The regulatory and political environment over a number of years in different sectors has provided a changing, challenging and inconsistent environment," he said, adding that he has decreased investments in the country. Mark Schon, a spokesman for the Jerusalem-based Israel Antitrust Authority, declined to comment on Dec. 25 other than to say that investors around the globe are obliged to comply with antitrust laws.

KRG expects to produce 500,000 barrels of oil per day

Anadolu Agency, 27.12.2014



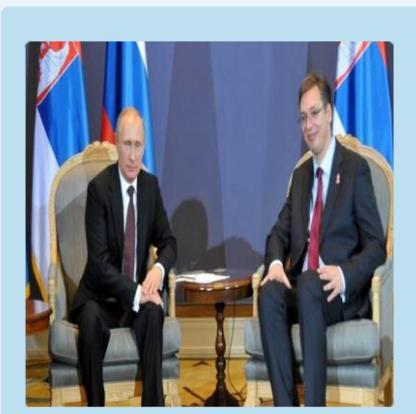
Iraq's Kurdish region plans to increase its oil production to 500,000 barrels per day by the end of the first quarter of 2015, according to a report published recently.

Kurdish gross oil production hit 125,094,778 Barrels of Oil Equivalent as of August 2014, the natural resources ministry of the Kurdish Regional Government of Iraq said in a report, which also outlined crude oil and natural gas production, refining, local sales and export sales. The report, which focuses on 2014 statistics and 2015 goals, provides a summary of exports via trucking and the KRG pipeline that carries Kurdish crude oil to Ceyhan port in southern Turkey.

According to the ministry, KRG is exporting approximately 400,000 barrels of oil per day as of December 2014 and that figure is expected to rise to 500,000 barrels of oil per day by the end of the first quarter of 2015. Kurdish gross oil production, which stood at just 395,945 BOE in 2003, has seen a slow but steady rise through the years till 2009, when it increased to more than 15 million barrels.

Serbia begins paying gas debt to Russia

Anadolu Agency, 01.01.2015



Serbia paid \$100 million, the first part of the debt it owed to Russia, for natural gas purchases, the Serbian media network B92 reported.

Russia initially asked Serbia to fully pay the total debt of \$224 million by March 2015, however Serbian Prime Minister Aleksandar Vucic and Russian President Vladimir Putin agreed on a three-installment model of payment in early November, said B92. The total debt reached \$224 million, and the Russian side initially asked to be fully repaid by March 2015, according to B92. The next 100 million will be paid by the end of 2015, and the remaining 24 million during 2016.

In late October, Russian gas to Serbia was reduced by 28 percent, however gas deliveries were normalized after the November agreement, B92 said. Serbia imports 1.75 billion cubic meters of natural gas annually, while it had a total demand of 3.36 billion cubic meters of gas in 2014,

according to Ministry of Mining and Energy of Serbia. Serbia's foreign minister expressed disappointment on Dec.19 after Russia scrapped the planned South Stream pipeline, which would have passed through Serbia to carry gas from Russia to Europe.

Hungary to resume gas transit to Ukraine

Natural Gas Europe, 29.12.2014



Hungary's gas transport system operator FGSZ will resume reverse-mode gas supplies to Ukraine as January 1, 2015. On September 25th, gas flows from Hungary to Ukraine were halted with Ukrtransgaz for technical reasons "until further notice".

Technically speaking, Hungary halted deliveries to Ukraine to receive significant quantities of western bound Gazprom gas to be stored in Hungary. However, the unexpected disruption came a few days after a meeting between Gazprom CEO Alexei Miller and Hungarian Prime Minister Viktor Orban, further tightening gas supply to Ukraine.

Gazprom agrees to buy European partners out of South Stream pipeline

Rigzone, 29.12.2014



Gazprom has agreed to buy its European partners Wintershall, EDF and Eni out of the scrapped South Stream gas pipeline project, the companies said in statements.

Russia in early December abandoned the South Stream project, which was to supply gas to southern Europe without crossing Ukraine, citing European Union objections. It instead proposed an undersea pipeline to Turkey. Before the deals announced on Monday, Eni held 20 percent of South Stream Transport, a holding company based in the Netherlands, with BASF unit Wintershall and France's EDF each owning 15 percent.

BASF said the purchase price reimburses the company for the cash it has invested in the project. A spokeswoman declined to comment on how much it has invested. EDF too said it would recover the capital invested to date, but like BASF said the companies had agreed not to disclose financial details. BASF and Gazprom also 10 days ago abandoned a gas assets swap deal planned for this

year as companies across Europe continue to suffer from growing tensions between Moscow and the West.

Russia aims to use ruble in energy deals

Anadolu Agency, 01.01.2015



Russia considers using ruble, its own currency, for energy deals with other countries, said Russia's Deputy Foreign Minister Vasily Nebenzya, according to Itar-Tass.

“Changing the settlement currency used in firm long-term oil and gas contracts would require fundamental revision of the contractual base and consent by each individual recipient of Russian fuels,” the agency quoted Nebenzya saying. “During the period of the ruble’s high volatility, this would be not only hard to achieve, but inexpedient as well,” he added. Losing over 50 percent of its value this year, ruble saw its value drop by more than 20 percent in a single day on Dec.16.

Last week, the Russian government sent an order to the country’s largest exporters, like energy giants Gazprom and Rosneft, to swap some of their revenue for rubles, and to have their net foreign currency assets at October 1 levels by next March. “I hope, we will be gradually achieving a situation where we will be trading fuel for rubles — at first with individual countries,” Nebenzya said.

The senior diplomat stressed that the procedure is a long-term issue and will require efforts by the contracting parties. Russia is a major producer and exporter of oil and natural gas, and its economy largely depends on energy exports. According to U.S.’ Energy Information Administration, Russia’s oil and gas revenues account for more than 50 percent of its federal budget revenues.

Russian Deputy Prime Minister Arkady Dvorkovich announced last Thursday that Russia may cut its oil production in 2015 due to low prices and lack of investments in domestic energy sector. On December, Russian Economic Development Ministry forecasted that the country’s oil exports will fall by 2.19 percent to 1.63 billion barrels in 2015. Oil prices have been in steep decline since June because of excess oil supply and low demand for oil in world markets.

Russia may cut oil production in 2015: Deputy PM

Anadolu Agency, 27.12.2014



Russia may cut its oil production in 2015 due to low prices and lack of investments in domestic energy sector, said Russian Deputy Prime Minister Arkady Dvorkovich.

According to Xinhua, the Chinese news agency, Dvorkovich reportedly said on Russian TV channel Rossiya-24 that Russia's oil production levels may decrease by 10 percent in the next two or three years. The global benchmark Brent crude oil price has fallen almost 50 percent since June, affecting major oil producing and exporting countries, like Russia, who are dependent on oil revenues for their economies.

Russian Economic Development Ministry forecasted in the beginning of December that the country's oil exports will fall by 2.19 percent to 1.63 billion barrels in 2015. Dvorkovich added that the weak global demand for oil is a result of slow economic growth in Russia and EU, on top of rising supply in the markets with increasing crude oil production in the U.S. and member states of the Organization for Petroleum Exporting Countries, OPEC. While oil prices reached its lowest level since July 2009 on Dec.16, it stabilized at \$60 per barrel mark in late December. Dvorkovich also predicted that oil prices will reach \$80 per barrel after falling for a few more months. "New balance may be within a range of \$80 per barrel," said Dvorkovich according to Itar-Tass, Russian news agency.

In addition, Russian Economic Development Minister Alexei Ulyukayev predicts that if oil prices would fluctuate around \$60 per barrel, the country's economic recession would cause gross domestic product, GDP, to diminish by 3 percent in 2015. "Very rough estimates show the recession might total 3 percent of the GDP amid the market situation of this kind," Itar-Tass reported Ulyukayev as saying. The Russian news agency also reported that the Economic Development Ministry forecasts the GDP to reduce by 0.8 percent in 2015 if oil prices rise to \$80 per barrel. "We expected a further decrease in the first quarter of next year, primarily due to flagging demand," said Russian Deputy Minister Alexei Vedev about the economy on Thursday, according to Itar-Tass.

BP's production begins in Kinnoull

Anadolu Agency, 31.12.2014



BP announced the beginning of oil production from Kinnoull reservoir in North Sea. The Kinnoull reservoir is a part of Andrew oilfield located in the UK sector of the North Sea.

“Production is now carried from the Kinnoull field to the Andrew platform via a 28 kilometre subsea pipeline bundle for processing and onward export via the Forties pipeline system and the CATS pipeline system” stated BP’s press release. Production from Andrew and Kinnoull is forecast to peak at over 50.000 barrels of oil equivalent per day, and is expected to make a significant contribution to company’s commitment to grow its operating cash flow BP stated.

BP operates and has a 77.06 percent, JX Nippon Exploration and Production 22.94 percent shares in Kinnoull. Andrew is operated by BP, with a 62.75 percent interest, JX Nippon 27.39 percent and Talisman-Sinopec 9.86 percent stakes.

European energy security in the wake of the Russia-Ukraine crisis

Natural Gas Europe, 30.12.2014



Russia’s confrontational approach towards Ukraine and the West has made energy security bells ring in many European capitals and in Brussels. This is perfectly understandable because Russia is the most important external supplier of energy to the EU, and Ukraine is the country through which more than 50 per cent of Russian gas destined for the EU is shipped.

The EU learnt earlier, in 2006 and 2009, how tensions in gas relations between Russia and Ukraine may influence the situation on the European gas market. This time, the EU is on course to change its energy policy and relations with Russia.

Russia’s energy cooperation with the EU has created strong interdependence between the two—the EU needs Russian energy supplies, and Russia depends on access to the EU energy market that generates the lion’s share of Russia’s revenue from the sale of energy commodities. Such a strong interdependence should result in better political relations and smoother cooperation in other fields, but it has not prevented the outbreak of the current crisis. Rather, it has created a set of negative

incentives that prompted Russia to intervene militarily in Ukraine and annex Crimea, which in turn has forced the EU to react to this blatant violation of international law and Russia's undermining of the existing international order. Since both Russia and the EU have apparently very high political stakes in Ukraine, the crisis has already had a negative impact on the form and the content of Russian energy cooperation with the EU.

On 22 January 2014, only one month before the fall of Viktor Yanukovich and the beginning of the most intense phase of the Russian–Ukrainian crisis, Alexander Novak, the Russian minister of energy, and Gunther Oettinger, EU commissioner for energy, published the 13th joint report on the state of energy cooperation between Russia and the EU. This document presents data on the volume of energy trade between the two.¹ According to this official statement, 62% of Russian export of mineral products went to the EU. Russia's share in the import of gas and oil to the EU reached 29%. At the same time, more than 50% of gas exported by Russia, 66 per cent of oil and petroleum products, and almost 50% of coal went to the EU. According to preliminary data for 2013, Russia exported 153.9 million tonnes of oil, 139 bcm of natural gas and 60.5 million tonnes of coal to the EU. The value of Russian mineral product exports reached \$377 billion in 2013. At the same time, approximately 50% of Russia's state budget revenues are generated from the production, sale and export of energy commodities, and Russia needs an oil price higher than \$117 in order to balance the state budget. Most of Russia's energy export revenue has been generated from trade with the EU, which spent, according to its own estimates, \$1 billion per day on importing energy resources from beyond its borders. In 2012, the EU paid \$300 billion to external suppliers of oil, and \$85 billion to external suppliers of gas—Russia supplied a third of the oil and 39% of gas imports to the EU.

In order to understand how the current crisis can influence the EU's energy security and energy policy in the long-term, it is important to examine the elements of EU energy security that have been at risk since the outbreak of the open conflict in March 2014, and how this situation may evolve in the future. Energy security in general is about four things: availability, affordability, stewardship—or sustainability of energy supply and use—and finally about energy efficiency. Availability relates to the relative independence of and diversification of energy fuels and services; affordability means not just lower, but also stable, prices, and equitable access to energy services. Stewardship focuses on the question of sustainability, ensuring that energy systems are socially acceptable and not harmful to the environment. Efficiency has to do with improved performance and the deployment of more efficient energy equipment and changes in the behavior of producers and consumers.

The EU's energy policy in general is to address three key concerns. First is the question of the impact of energy use on the competitiveness of the EU's economy. Second is the question of the sustainability of energy production and use. Last is the question of security of supply, which is understandable in the case of a player that has to import 53% of energy to cover its own energy needs. It is evident that, in the case of the ongoing crisis, the question of energy availability—especially of gas—is central, but other elements of the EU's energy security may also be affected. Russian actions in Ukraine may help the EU to promote renewable energy as an alternative to the sources supplied by Russia, improving the overall sustainability of the future European energy mix. More focus on LNG supplies to Europe as an alternative to Russian gas may in the medium and long-term perspective change the European gas market, making more players compete for shares and resulting in lower gas prices for European consumers. This in turn could make energy more affordable and improve the competitiveness of the European economy. The EU and Member States

may also pay more attention to improving the energy efficiency of the economy as a response to the tension in energy relations with Russia—it is said that saved energy is the cheapest and most environmental friendly form of energy use, and this is also promoted strongly by the EU. Finally, the tension in relations with Russia may also boost the work on building a single energy market and development of energy infrastructure in Europe, improving both the affordability and availability of energy to European customers, and facilitating diversification of energy supplies.

The Ukrainian crisis has had a negative impact on the EU's energy security, as it has contributed to severely damaging relations between the EU and Russia. Gas supplies from Russia are particularly at risk, as more than 50% of gas exported from Russia to the EU has to be shipped through Ukraine, a country that has been de facto at war with Russia since Russia's military intervention in Crimea, and its direct and indirect support to the anti-Kyiv armed rebellion in Donbas. What made the situation on the gas market even worse was the lack of agreement on future supplies of gas from Russia to Ukraine, and the argument about pricing principles and the size of the Ukrainian gas debt to Russia. The lack of agreement on those issues resulted in Russia stopping gas supplies to Ukraine on 15 June 2014. There was also a real danger that gas supplies to the EU could also be disrupted, as in the previous Ukrainian–Russian gas crises in 2006 and 2009. In particular, six EU Member States that depend on Russia for their entire gas imports—Finland, Slovakia, Bulgaria, Estonia, Latvia and Lithuania—could be affected, with Slovakia and Bulgaria facing the most critical situation as they receive all their Russian gas through Ukraine.

The Russian–Ukrainian crisis that broke out in February 2014 has lifted the issue of energy security higher on the EU political agenda. As a result, on 28 May 2014, the EU published its European Energy Security Strategy, accompanied by an In-depth study of European Energy Security, discussing these issues in detail.³ These documents mapped the energy security situation in Europe at the moment when political tensions between the EU and Russia were reaching new heights after Russian intervention in Ukraine, and proposed the following measures to help deal with the EU's energy vulnerabilities:

Immediate actions aimed at increasing the EU's capacity to overcome a major disruption during the winter of 2014/2015, Strengthening emergency/solidarity mechanisms, including coordination of risk assessments and contingency plans, protecting strategic infrastructure, Moderating energy demand, Building a well-functioning and fully integrated internal market, Increasing energy production within the European Union, Further developing energy technologies, Diversifying external supplies and related infrastructure, Improving coordination of national energy policies and speaking with one voice in external energy policy.

Another factor influencing current and future energy relations between Russia and the EU is the imposition of restrictive measures by the EU and the U.S. on some elements of energy cooperation between Russian and Western energy companies working in the deep-water and offshore areas of the Russian Arctic. Restrictions on access to Western capital and credit for Russian energy sector companies are also a factor to be reckoned with. These restrictive measures are aimed primarily at new projects in the Russian oil sector, for which Russian partners need Western funding, expertise and technology. Such measures do not, for the time being, have a direct impact on oil flows between Russia and the EU, but may delay completion of projects that are to help Russia maintain the current level of oil production and replace falling oil production from current fields with production from new, more technologically demanding fields offshore and in the Arctic areas.

Russian reactions to the West's sanctions have also contributed to raising the stakes in energy relations. The increasing tension between Russia and the West has clearly boosted the Russian leadership's work on diversification of Russian energy markets—a number of energy deals with China have been concluded, in order to increase the share of the Asian market in Russian energy exports and thus reduce Russia's dependence on the European gas market. The first deal, for the supply of 30 bcm/year of gas from eastern Siberia—the Sila Siberii project—was concluded in May 2014. The second, relating to the construction of the Altai gas pipeline linking Russian gas fields in western Siberia with the Chinese market, which will increase Russian gas exports to China by another 30 bcm/year, was reached in November 2014. In addition, Russia's president, Vladimir Putin, announced in December 2014 that the South Stream project that was to supply the EU with 63 bcm of Russian gas and reduce both Russia's and the EU's transit dependence on Ukraine was to be shelved, in response to the EU's policy. However, Russia is trying to offset this decision by creating a gas hub in Turkey close to the border with Greece, which would open the way for an alternative access route to the EU in the future.

The EU official statements on energy security, made during the Ukrainian crisis, proposed a set of measures to be taken to map and reduce the risks to energy security. The European Commission carried out energy security stress tests to simulate a disruption in the gas supply for the coming winter, and to check how EU's energy system could cope with such risks.⁴ The EU was also to develop emergency plans and back-up mechanisms, including increasing gas stocks, developing emergency infrastructure such as reverse flows, reducing short-term energy demand, and switching to alternative fuels as possible replacements for Russian gas.

The stress tests were conducted in 38 countries—EU Member States and members of the Energy Community—during this summer and autumn, following the European Commission's launch of the European Energy Security Strategy in May 2014, and at the request of the European Council in June. Four scenarios were considered during this exercise—a complete halt to Russian gas imports to the EU for a period of one month, and of six months; and a disruption of Russian gas imports through Ukrainian territory for the same periods. The tests demonstrated that supply disruption would have a substantial impact on the EU, and particularly on EU countries in Eastern Europe, and other members of the Energy Community. However, protected consumers would receive the supplies required even in the event of a six-month disruption, provided that all countries cooperated with each other.

The stress tests also resulted in some recommendations on how to deal with the situation in the months to come, to help ensure secure supplies and a better functioning internal energy market. More specifically, it was recommended that countries should follow a market-based approach, avoid interventionist measures, and increase energy coordination with each other, including through the maximisation of interconnector capacity and the removal of restrictions to cross-border energy trade. In addition, public authorities and industry should share responsibility through the implementation of the EU's Security of Gas Regulation, while short-term behavioural changes should be encouraged to boost energy efficiency and lower demand, and the EU's Gas Coordination Group should monitor developments in the gas supply continuously.

The EU was also to engage with its international partners to develop new solidarity mechanisms for sharing natural gas and the use of gas storage facilities.

In order to reduce the risk of gas supply disruption, the EU also decided to play a role in making Russia and Ukraine sign a new deal on gas supplies. The deal concluded on 30 October 2014 solved some of the most burning short-term issues in their gas relations, without solving the most crucial medium and long-term questions. This deal, signed under the auspices of the EU, has reduced the immediate risks to the EU's gas supplies, but the most crucial medium and long-term risks to EU energy security, caused by the EU's strong energy dependence on Russia, are yet to be properly addressed.

Finally, partly in response to the Ukrainian crisis, the EU also decided to improve its energy governance by making energy policy one of the areas on which the new European Commission is to focus. This new approach is reflected in a new structure and new goals assigned to those responsible for designing and implementing the common EU energy policy. Maroš Šefčovič, the former Slovak ambassador to the EU, and graduate of the prestigious Moscow State Institute of International Relations (MGIMO), was appointed new vice-president of the Commission for Energy Union. He is to steer and coordinate the work of several commissioners, whose cooperation is crucial for making the EU's common energy policy both more comprehensive and more efficient. In particular, his cooperation with the commissioners for climate action and energy, transport, the internal market, industry, entrepreneurship and SMEs, the environment, maritime affairs and fisheries, and research, science and innovation, will be crucial for the EU's future energy policy and security. In order to make the EU more energy resilient, the new commission will have to pay special attention to areas identified as most crucial in the recently published study on energy security. Šefčovič has already presented his views on how to address the most critical questions facing the EU in the field of energy. In his speeches on 13 and 17 November 2014 he promised to focus his work on Energy Union on five issues: 1) security, solidarity and trust 2) completing the internal market for energy 3) moderation of demand 4) decarbonisation of the EU energy mix 5) research and innovation in the field of energy .

Russian actions in Ukraine have, over the last ten months, challenged the very basic norms promoted by the EU, and have gravely undermined the existing international order. Russia has breached international law and invaded a neighbouring country to punish it for its pro-Western choice. Russia's violation of international norms in Ukraine has had consequences for the EU's thinking about energy cooperation with Russia. The Russian-Ukrainian crisis has also made the EU more aware of the risks to which its energy security is exposed, partly due to the lack of diversification of suppliers and supply routes, and even more so because of its increasing dependence on imports from Russia. However, more action is needed to translate those new ideas into an efficient energy policy towards Russia, which is re-emerging as a power in Europe.

Even before the outbreak of the current crisis, the EU had apparently almost lost hope that its energy interests could converge with those of Russia. Russia's decision to withdraw from the Energy Charter Treaty in 2009 was a clear sign that the EU's policy of building a common legal space for energy cooperation between producers and consumers had not been successful. It was however hoped that Russia could still be persuaded to act in a rational manner and see energy cooperation with the EU as a win-win game. In order to make Russian and other players who wanted to have access to the highly profitable EU energy market play by the rules regulating its single market, the EU launched its Third Energy Package and tried to project its regulatory power in that manner. The increasingly assertive Russia, ruled since 2012 by Putin, with his agenda of

restoring his country's status as a great power, was not very receptive to those attempts and decided to act as a revisionist power, undermining the stability of the existing post- Cold War order.

Russian actions in Ukraine have therefore forced the EU and many Member States to seriously reconsider their energy relations with Russia, and to design and implement measures to address short, medium and long-term energy-related challenges. The EU decided that the time was ripe to improve its energy governance, as a response to new energy security challenges emerging from the Russian–Ukrainian crisis. The EU institutional machinery has been reset and the new energy policy towards Russia is being designed. The trust upon which attempts to build relations between the two over the past 20 years seems to be dead and gone, and the EU is therefore being forced to reinvent its energy partnership with Russia. The EU will most probably seek to reduce its energy dependence on Russia further, by trying to attract new suppliers, reducing its energy consumption, and replacing Russian supplies with other sources of energy available locally, most probably renewables and other more environmentally friendly and less politically challenging types of energy.

There is no doubt whatsoever that the Russian–Ukrainian crisis has dealt a heavy blow to EU–Russian political relations, nor that it has already had an impact on their energy cooperation and will continue to have a mostly negative impact on these relations in years to come. The shape of the new EU energy policy is still unclear, but the crisis has given a new lease of life to the European debate on the future of the European energy system and the role that external energy suppliers are to play in this new setting.

RWE offers safeguards to ensure North Sea deal goes through

Financial Times, 30.12.2014



RWE is seeking to insert safeguards into a €5.1bn contract to sell North Sea gasfields to a Russian billionaire that would ensure the assets remain operational in the event of further sanctions. The move by the German energy group is aimed at reassuring the British government, which has blocked the deal following US and EU sanctions on Russia's financial services, defence and energy sectors.

Peter Terium, RWE chief executive, said: “We have understood where the worries of the UK government are coming from and I think we will be able to offer a solution in which those worries are being taken care of.”

Russian billionaire Mikhail Fridman's investment fund LetterOne announced in March that it was buying RWE Dea, which has oil and gas operations in 14 countries. The transaction was approved by the German government in August, but the Financial Times disclosed in October that the UK's energy secretary Ed Davey was “not minded” to clear the deal because of concerns over sanctions.

The setback was an indication of the difficulties sanctions were causing even for Russian companies with no connection to President Vladimir Putin's inner circle. RWE and LetterOne were seeking assurances from the UK that it would not seize control of the North Sea assets if Russian companies were targeted by additional sanctions. They are trying to avoid the fate similar to that of BP's Rhum gasfield in the North Sea, partly owned by the Iranian government, which was shut down after western sanctions were imposed against Tehran in 2010.

One possible solution could be the creation of a special purpose vehicle that would hold cash generated by Dea in the event its new owner becomes the target of sanctions. Referring to the British government, Mr Terium said: "Their worry is that in a future situation of sanctions on the buyers there's a danger that these activities in the North Sea cannot be operated. "Even if it is very unlikely because our buyers are not Russians that are very close to the Russian government or the Russian president . . . there are contractual remedies to take care of that situation if it happens," he said. The chief executive said he remained confident the deal would be closed, despite the complications in the UK. Mr Terium, who was recently in London for talks with the government about the deal, said: "For me, quality of the deal is more important than speed." A spokesman for the UK Department of Energy and Climate Change said: "We can't comment on ongoing negotiations." However, a person familiar with the matter said the British government remained concerned about the potential impact of sanctions on the operation of Dea's North Sea assets. The chill in relations between Moscow and the west has also led to the cancellation of a multibillion-euro asset swap between BASF and Gazprom. That deal would have given Gazprom full control of a jointly operated European gas trading and storage business. The Dea deal is the first big acquisition for LetterOne, which was set up by Mr Fridmann and his partner German Khan to invest some of the €14bn proceeds from the sale of their stake in Russian oil producer TNK-BP to Rosneft.

Egypt nears deal to import LNG from Algeria

Reuters, 30.12.2014



Egypt expects to agree a deal to import LNG from Algeria as early as this week, ministry sources said, as the country seeks to ease a chronic energy shortage.

The agreement for six Algerian cargoes of 145,000 cubic metres of LNG each could be signed on Monday or Tuesday during Minister Sherif Ismail's visit to Algiers, a ministry source told Reuters. Egypt struck a deal in November with Norway's Hoegh LNG for a floating storage and regasification unit that will allow the country to begin importing LNG, a natural gas chilled to minus 162 degrees Celsius into a liquid state.

After repeated delays, it is expected to launch at the end of March. Securing supplies from gas-exporter Algeria is one option Egypt is pursuing to ease its worst energy crunch in decades. The

country of 86 million relies heavily on gas to generate power for households and industry. Egypt's mainly oil-producing Gulf Arab allies cannot provide LNG. The delegation will negotiate the price of the natural gas, "which will fall more than before after the drop in global oil prices," the source said.

Rovuma partners find more gas

Natural Gas Asia, 29.12.2014



Anandrako and partners have made a gas discovery at Tembo-1 well in Rovuma basin onshore Mozambique. Wentworth Resources, East Africa-focused oil & gas company, announced that drilling operations of the Tembo-1 well have now completed.

Petrophysical analysis of the Cretaceous section indicates 11 meters of natural gas net pay, Wentworth said. "The Onshore Rovuma Partners do not plan any further evaluation of the Tembo well at this time but will assess all the data recovered from this well to determine the potential commerciality of this discovery," Wentworth added.

The Tembo-1 well has been plugged and abandoned and the drilling rig is now being mobilized to the Kifaru-1 well location. It is expected that the Kifaru-1 well, which is approximately 10 kilometers south of Wentworth's Mnazi Bay Concession in Tanzania, will spud in the first quarter of 2015.

Algeria says results of first shale gas pilot promising

Natural Gas Asia, 28.12.2014



Algeria has successfully completed its first pilot drilling of shale gas in the Ahnet Basin which is "very promising," Algeria Press Service quoted Minister of Energy Youcef Yousfi as saying.

This first pilot well drilled by Sonatrach has confirmed the existence of substantial reserves of shale gas in the Ahnet basin said Yousfi adding that the well would be instrumental in process of moving forward in the possible exploitation of these unconventional gas resources. According to Sonatrach the entire basin could hold total reserves of 200,000 bcm of gas of which 10% can be extracted.

Pakistan Minister denies newspaper report about Iran gas pipeline project

Natural Gas Asia, 28.12.2014



Pakistan's Federal Minister for Petroleum and Natural Resources Shahid Khaqan Abbasi has rejected statements attributed to him by the Financial Times newspaper on Iran-Pakistan gas pipeline, reported IRNA news agency.

The UK based newspaper reported that Pakistan has convinced Iran to step back from demanding \$200 mn a month from January 1 to compensate for Islamabad's failure to begin receiving gas from Iran's South Pars gas field. In an exclusive interview with IRNA on Saturday Abbasi reiterated that he had never made such a statement in his recent interview with the FT.

Abbasi told IRNA that officials from Iran's NIOC would visit Islamabad in the next few days to meet officials of Pakistan's Inter State Gas Systems (ISGS) to discuss the way to implement the Iran-Pakistan gas pipeline project and talk about outstanding issues.

Cue Energy sells PNG gas assets

Natural Gas Asia, 28.12.2014



Cue Energy Resources Limited (CUE) announced the sale of its interests in Papua New Guinea to the National Petroleum Company of PNG for \$7 million.

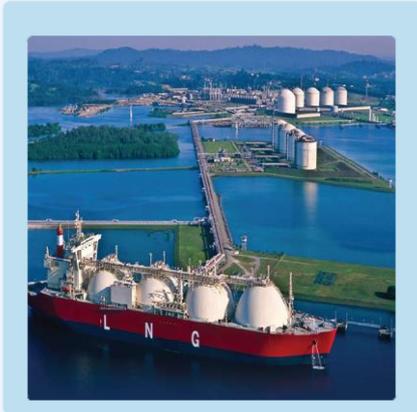
The company sold 100 percent of the shares in its wholly-owned subsidiary, Cue PNG Oil Company effective 20 November 2014. "The sale follows a strategic review of the company's PNG assets and immediately allows CUE to realise value from its share of the declining reserves and contingent gas resources and releases CUE from a potential substantial well commitment of up to \$10m, delivering a material saving over the short to medium term," CUE said.

The sale aligns with the company's strategy of operating in lower cost areas with near term development options and enables CUE to re-allocate capital to other opportunities more closely aligned with its strategy, including the recently increased 100 percent participating interest in the Mahakam Hilir PSC and farm-in to the highly prospective Mahato PSC, both located in Indonesia, the company added.



Petronet, Shell, Mitsui shortlisted for Bangladesh LNG terminal

The Economic Times, 28.12.2014



Petronet LNG Ltd, India's biggest importer of liquefied natural gas (LNG), is among five global energy firms that have been shortlisted for setting up an LNG import terminal in Bangladesh.

Bangladesh is looking at setting up a 3.5 million tons a year LNG import facility at Matar Bari in Moheshkhali Island of Cox's Bazar district or Anwara, Chittagong. The terminal, which is to be set up on the build-own-operate basis, will supply gas to power plants. In all 15 firms responded to Bangladesh's tender seeking expression of interest by June 30.

Of these, five Petronet LNG, Anglo-Dutch super-major Shell, China's Huanqiu Contracting & Engineering, Tractebel Engineering of Belgium and Japan's Mitsui have been shortlisted, industry sources said. Bangladesh is looking at importing gas to ease its energy crisis in southeastern Chittagong region, which was once almost self-reliant in natural gas but started facing a supply crisis in 2006 as output diminished from the Sangu gas field. Bangladesh's sole offshore gas well, Sangu-11, was permanently closed in October 2013. As a result, some plants are running below the capacity and a few have been shut due to non-availability of gas. Sources said the LNG terminal will supply gas to a proposed 1,000 MW combined cycle power plant as well as the existing power plants in Raozan and Sikalbaha through a planned pipeline. Of the five shortlisted firms, Bangladesh will select a company that will build and operate the terminal as well as procure LNG internationally and transport it to the facility. It will sell the regassified-LNG to a Government of Bangladesh entity on take-or-pay basis, they said. Bangladesh is also looking at setting up a floating LNG import facility in Bay of Bengal. The Floating Storage and Regasification Unit (FSRU) of 500 million cubic feet a day capacity can however meet only a part of the growing demand for gas in power, fertilizer, factory and industry. Petrobangla is planning a floating LNG import terminal with a capacity to handle 5 million tons a year of LNG and a regasification capacity of at least 500 million cubic feet per day at Moheshkhali Island in the Bay of Bengal. It would have berthing and mooring facilities for LNG vessels with a capacity of 138,000-260,000 cubic meters, with Petrobangla looking to award the construction contract on a build-own-operate-transfer basis for 15 years. Bangladesh has already extended its memorandum of understanding with Qatar for the import of 4 million tons per annum of LNG, which expired in March 2013, until June 2015. It expects the floating LNG terminal project to be completed by then.

The fight for China's gas market

The Diplomat, 27.12.2014



China's natural gas demand grew by 7.1 percent year on year in the first 10 months of 2014 and the country currently faces a 45 percent supply deficit relative to demand.

Complicating matters, China's shale gas sector is struggling to achieve desired production targets. Sinopec data show that China produced 6.8 billion cubic feet (BCF) of shale gas in 2013 and with approximately 400 wells now drilled, could produce between 35 and 53 BCF of shale gas in 2014. Yet this is only enough to fuel two to three 500 MW gas-fired power plants for a year – a drop in the bucket in a massive energy economy like China's.

So if shale and other domestic production can't close China's gas supply gap, what can? The short answer is more pipeline gas from Central Asia, especially Turkmenistan, seaborne LNG, and additional pipeline gas from Myanmar, and eventually, Russia.

Russia's competitive position in the Chinese gas market is significantly weaker than the states of Central Asia, and much of this weakness is self-inflicted. Russia's recent decision to cancel the South Stream gas pipeline, its continuing support for "separatists" in Ukraine and hostile behavior towards many European countries, stagnating European energy demand, and an impending US LNG export push are putting Russia further into a weak position for negotiating with China over gas import terms. A decade ago, Gazprom used the prospect of building pipelines to China to bully its European customers but never actually seriously pursued a gas deal with China National Petroleum Corporation (CNPC). Unfortunately for Gazprom, it now increasingly needs Chinese gas customers but while it dallied for the past 10 years, Turkmenistan, Uzbekistan, and Kazakhstan moved aggressively to grab gas market share in China as the country's hunger for imports rose.

New type of methane hydrate confirmed in Japan Sea

The Wall Street Journal, 27.12.2014



Japan has confirmed offshore reserves of methane hydrate—natural gas trapped in frozen deposits—in the Sea of Japan, the government said.

Methane hydrate exists in highly pressurized, low-temperature environments such as in underwater deposits and the Arctic. Japan, which lacks major reserves of oil or natural gas on land, has been spending hundreds of millions of dollars a year since 2001 on research into methane hydrate. It has already confirmed significant reserves on the Pacific Ocean side of the country and is developing ways to extract them.

The latest findings are in the Sea of Japan, on the opposite side of the country, and the reserves exist in shallow layers of the seabed. The Pacific side methane hydrate also lurks under the seabed but is found in sandy deposits, according to a report from the Ministry of Economy, Trade and Industry. A government official said it wasn't possible yet to estimate the size of the reserves but more data are expected next year.

In recent years, underwater energy reserves have contributed to territorial disputes in the South China Sea and elsewhere, but the official said the Sea of Japan reserves, about 800 meters deep, are well within the boundaries of Japan's territory.

The biggest challenge for methane hydrate is the high cost of extracting, at a time when new technologies are contributing to a boom in gas production in North America. Currently, Japan is aiming to begin commercial production of methane hydrate by 2030. Mitsubishi UFJ Research & Consulting analyst Tomomichi Akuta said given abundant global natural-gas supplies, it would take a long time until businesses have an incentive to exploit methane hydrate.



Indonesia approves KrisEnergy's gas project development plan

Natural Gas Asia, 29.12.2014



KrisEnergy Ltd.'s plan of development (POD) for the Lengo gas field in the Bulu PSC offshore East Java has been approved by the Indonesian government plan of development (POD), the company announced.

Approval of the POD paves the way for the company, as operator, to pursue formal negotiations for gas sales agreements with potential offtakers. The Bulu PSC covers 697 sq. km in three separate areas – Bulu A, Bulu B and Bulu C – over the East Java Basin in water depths of 50 to 60 metres. The Lengo gas discovery is located in the Bulu A area and will be developed via four development wells.

A 20-inch, 65-km export pipeline will transport the gas directly to shore. Production is anticipated to commence approximately 24 months after the joint-venture partners declare final investment decision and is expected to plateau at 70 million cubic feet per day.

The Bulu PSC lies adjacent to the Kris Energy-operated East Muriah PSC, which contains the East Lengo gas discovery. The company plans to drill an appraisal well in the East Muriah PSC and, if successful, to develop East Lengo gas via a single well tied back to the Lengo facilities. KrisEnergy also operates the Sakti PSC, an exploration block adjacent to the Bulu. A area, where the company completed 1,202 km 2D and 401 sq. km 3D seismic acquisition programs earlier this year.

Chris Gibson-Robinson, Director Exploration & Production commented: "This is our first development as the operator in Indonesia and we have been building up our technical and project management competencies in Jakarta to be ready for this moment. When on stream, the Lengo field will bring the group's production mix to approximately 52% gas versus 48% oil. Demand for gas continues to grow strongly across Indonesia and long-term pipeline prices are holding firm despite volatility in the international oil markets. Bulu is the potential aggregation hub for gas into East Java if we are successful in the appraisal of East Lengo and exploration in Sakti." KrisEnergy holds a 42.5% operated working interest in the Bulu PSC and is partnered by AWE Limited with 42.5%, PT Satria Energindo with 10% and PT Satria Wijayakusuma with 5%.

China to cut largest field's oil production

Anadolu Agency, 29.12.2014



Petro China, China's main oil and gas producer, is expected to decrease its oil production from country's Daqing field in 2015, according to state media in Beijing. Petro China decided to reduce oil production from the Daqing, the largest oil field in China, due to limited oil reserves, high cost of development and declining international oil prices, an official quoted as saying by Xinhua.

Oil production from Daqing field is going to be reduced by 1.5 million tons next year. As China's largest inland oilfield, Daqing has produced more than 2.1 billion tons of crude oil since production started in 1960, according to Xinhua.

China's biggest oil producer, Petro China, is a subsidiary of state-owned China National Petroleum Corporation, CNPC, headquartered in Dongcheng District, Beijing. China is the largest energy consumer and producer in the world. Increasing energy demand, especially for liquid fuels, has made China extremely influential in world energy markets, according to the U.S. Energy Information Administration. China devoted half of its global investments in the last 10 years to energy sector alone.

CNPC, Guizhou government could together explore for Shale Gas

Natural Gas Asia, 30.12.2014



中国石油天然气集团公司
CHINA NATIONAL PETROLEUM CORPORATION

China's state owned energy major CNPC has expressed interest in exploring for shale gas in Guizhou in cooperation with the Guizhou government, reported China Daily quoting a company official.

Xu Bo, a researcher from the economic and technology research institute of CNPC made these remarks at a shale gas development and prospect seminar held in Guiyang in Guizhou province on December 27. According to the data from the Ministry of Land and Resources, Guizhou shale gas reserves rank in the top three in China and accounts for 12.79 percent of country's shale gas reserves, China Daily said.

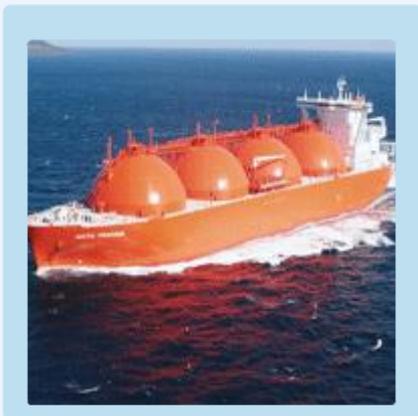
Some 80% of China's shale gas resources are controlled by state owned oil and gas giants such as CNPC and Sinopec. The government in its 2011-2015 shale gas development plan aimed to turn



out more than 60 billion cubic meters of shale gas by 2020, but the goal was later cut by half to 30 billion cubic meters.

Australia based QCLNG loads first cargo

Natural Gas Asia, 28.12.2014



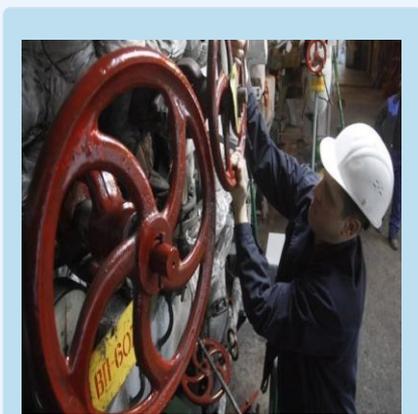
BG Group announced that it has been loading the first cargo of LNG from its Queensland Curtis LNG (QCLNG) facility. The vessel being loaded is the Methane Rita Andrea which would deliver the cargo to China. The second cargo of LNG from the facility will be loaded onto the Methane Mickie Harper which is expected in Gladstone in the first week of January.

QCLNG is the world's first LNG project to be supplied by coal seam gas. "This is an immense achievement which demonstrates the company's ability to deliver a highly complex LNG project," Andrew Gould, interim Executive Chairman commented.

The project will expand further with the start-up of the second train in the third quarter of 2015. At plateau production, expected during 2016, QCLNG will have an output of around 8 million tonnes of LNG a year. Earlier this month, BG Group agreed to sell its wholly-owned subsidiary QCLNG Pipeline Pty Ltd to Australia's APA Group for about \$5 billion.

Shale gas to more than double its share by 2040

Anadolu Agency, 30.12.2014



Shale gas which accounts for around 15 percent of global natural gas production will rise to 35 percent by 2040, according to report released by ExxonMobil.

The "2015 Outlook for Energy: A View to 2040" reported that in next 25 years, natural gas production in North America will grow by 75 percent to 140 billion cubic feet per day. North America's gas production will surpass Middle East's within a few years and by 2020, it will exceed Russia and Caspian, the report said. Shale gas production triggered a boost in U.S. total natural gas production. The U.S. total gross natural gas production hit 2.3 billion cubic meters (82 billion cubic feet).

ExxonMobil also estimates that, without gains from energy efficiency, the global energy demand will grow by 140 percent in the same period. The report also states that China, India and key growth countries-Brazil, Mexico, South Africa, Nigeria, Egypt, Turkey, Saudi Arabia, Iran, Thailand and Indonesia- will be the fastest growing economies. The company expects that the global energy consumption will increase by 70 percent in 2040.

Oil prices fall more than \$1, dropping to five-year lows

Reuters, 29.12.2014



Crude oil prices on tumbled with global grades settling down more than \$1 a barrel after an early rally fizzled and prices fell to their lowest levels since May 2009. News of further damage Libya's oil infrastructure prompted the early rally that was quickly erased as pervasive fears of global oversupply trumped concerns about output curtailment from the OPEC producer.

Phil Flynn of Price Futures Group said the rally may have triggered sell stops. Then once the Brent dropped below \$54, a previous low, more stops may have been triggered. "It just shows you that the market is very heavy," Flynn said.

Global benchmark Brent crude LCOc1 settled down \$1.57 at \$57.88. U.S. crude settled down \$1.12 at \$53.61 a barrel, following Brent downward. The rally followed by the steep drop showed the market's fears about oversupply are not going away, said Gene McGillian, senior analyst at Tradition Energy in Stamford, Connecticut. "Every time the market tries to pick itself up, it's just another wave of selling," he said. The number of rigs drilling for oil in the United States dipped in the latest week, data from oil services firm Baker Hughes Inc (BHI.N) showed. But the count for U.S. oil rigs remained up from a year ago, indicating production would remain robust. Oil tanks at Es Sider in Libya have been on fire for days after a rocket hit one of them, officials said.

The OPEC member nation is producing 128,000 barrels a day, an official said, down from the 1.6 million it produced prior to Muammar Gaddafi's ouster in 2011. The market may test technical support at \$50 a barrel, said Brian LaRose, a technical analyst at United-ICAP. Flynn noted that trading was lighter than average. Nearly 400,000 lots of WTI crude oil futures traded on Monday, about a third less than the 30-day average but double Friday's volume. Oil prices this year are on track for the biggest decline since 2008 and the second-biggest annual fall since futures started trading in the 1980s. OPEC has been reluctant to give up market share to boost tumbling oil prices, with Saudi Arabia stepping back from its historic role as a swing producer.



Announcements & Reports

► *This Week in Petroleum*

Source : EIA
Weblink : <http://www.eia.gov/petroleum/weekly/>

► *Weekly Petroleum Status Report*

Source : EIA
Weblink : <http://www.eia.gov/petroleum/supply/weekly/>

► *Natural Gas Weekly Update*

Source : EIA
Weblink : <http://www.eia.gov/naturalgas/weekly/>

► *Recent Developments in LNG Markets*

Source : Baker Institute
Weblink : <http://bakerinstitute.org/research/recent-developments-lng-markets/>

Upcoming Events

► *Middle East and North Africa Energy*

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

► *4th Erbil Oil & Gas International Exhibition*

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

► *Ukrainian Energy Forum*

Date : 02 – 05 March 2015
Place : Kyiv – Ukraine
Website : <http://www.ukrainianenergy.com/>



► **14th Turkish International Oil & Gas Conference**

Date : 18 – 19 March 2015
Place : Ankara – Turkey
Website : <http://www.turoge.com/Home.aspx>

► **14th Georgian International Oil, Gas, Infrastructure & Energy Conference**

Date : 25 – 26 March 2015
Place : Tbilisi – Georgia
Website : [http://www.worldoils.com/showevents.php?id=3945&event_name=14th%20Georgian%20International%20Oil,%20Gas,%20Infrastructure%20&%20Energy%20Conference%20\(GIOGIE\)](http://www.worldoils.com/showevents.php?id=3945&event_name=14th%20Georgian%20International%20Oil,%20Gas,%20Infrastructure%20&%20Energy%20Conference%20(GIOGIE))

► **9th Atyrau Regional Petroleum Technology Conference**

Date : 14 – 15 April 2015
Place : Atyrau – Kazakhstan
Website : <http://www.oiltech-atyrau.com/About.aspx>

► **14th North Caspian Regional Atyrau Oil & Gas Exhibition**

Date : 14 – 16 April 2015
Place : Atyrau – Kazakhstan
Website : <http://oil-gas.kz/en/>

Supported by PETFORM

► **6th World Forum on Energy Regulation (in Turkey)**

Date : 25 – 28 May 2015
Place : Istanbul – Turkey
Website : <http://www.wfer2015.org/>



► **OGA 2015**

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

► **22nd International Caspian Oil & Gas Exhibition and Conference**

Date : 02 – 05 June 2015
Place : Baku – Azerbaijan
Website : <http://www.caspianoilgas.az/2015/>



► **6th OPEC International Seminar**

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

► **12th Russian Petroleum & Gas Congress**

Date : 23 – 25 June 2015
Place : Moscow – Russia
Website : <http://www.mioge.com/RPGC-Congress/About-the-Conference.aspx>

► **13th Moscow International Oil & Gas Exhibition**

Date : 23 – 26 June 2015
Place : Moscow – Russia
Website : <http://www.mioge.com/mioge-exhibition/about-the-exhibition.aspx>

► **7th South Russia International Oil & Gas Exhibition**

Date : 02 – 04 September 2015
Place : Krasnodar – Russia
Website : <http://www.oilgas-expo.su/en-GB>

► **22nd Annual India Oil & Gas Review Summit and International Exhibition**

Date : 09 – 10 September 2015
Place : Mumbai – India
Website : <http://www.oilgas-events.com/india-oil-gas>

► **The Energy Event 15**

Date : 15 – 16 September 2015
Place : Birmingham – United Kingdom
Website : <http://www.theenergyevent.com/Content/MAIN-SF-W2L-enquiry-form>

► **3rd East Mediterranean Gas Conference**

Date : 22 – 23 September 2015
Place : Paphos – Greek Cyprus
Website : <http://www.oilgas-events.com/East-Med-Oil-Gas>



► **23rd Kazakhstan International Oil & Gas Exhibition and Conference**

Date : 06 – 09 October 2015

Place : Almaty – Kazkhstan

Website : <http://www.kioge.kz/en/conference/about-conference>