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Turkey needs private sector to become energy hub

Anadolu Agency, *19.03.2015*

Turkey needs the participation of the private sector to become an energy hub, said Ridvan Ucar, member of the board of PETFORM.

During his speech at the 14th Turkish International Oil and Gas Conference in Ankara, Ucar said, "Turkey needs a long-term strategy to develop into a center for natural gas. That is why we should start to work from today." According to Ucar, if Turkey wants to be a hub and decide the price of natural gas, it will need 400 million cubic meters of natural gas in the Turkish market, and for this, the participation of the private sector is required.

"It seems likely it will be costly for Turkey but to ensure natural gas supply security and stable natural gas prices, these steps should be taken," he added. According to Ucar, as well as piped natural gas, Turkey should also use liquefied natural gas, LNG, terminals. Turkey has two operational LNG terminals - in Marmara Ereglisi, located in the west of Istanbul and in Aliaga located in Izmir, the western extremity of Anatolia. Ucar said Turkey needs to diversity its natural gas sources and not just be reliant on LNG terminals. He explained the private sector's share is really important for this if Turkey wants competitiveness and cheap natural gas.

Turkey imports natural gas from Russia, Iran, Azerbaijan and Algeria. Most of Turkey's natural gas imports are transported via pipelines, including those from Russia, Iran, and Azerbaijan. Turkey also imports LNG, particularly from Algeria and Qatar. "In the future we will need more natural gas and we must not forget this; we are in a competitive environment," said Fatih Baltaci, chairman of the Akfel Holding. "Lower oil prices are big advantages for countries like Turkey. Turkey should take advantage of these lower prices and start a new energy period for the country," Baltaci said, adding that he hopes oil prices will remain at the same level of $50-60.

Turkey on its way to becoming energy hub

Anadolu Agency, *19.03.2015*

Turkey is on the way to becoming an energy hub with new projects from supplier countries to European markets, said BOTAS - Turkey's Petroleum Pipeline Corporation's head of international department.

During his speech at the 14th Turkish International Oil and Gas Conference in Ankara, BOTAS's head of international department, Emre Gungor spoke about BOTAS' projects in the context of Turkey becoming an energy hub while shaping the east-west energy corridor. Gungor underlined the importance and role of Trans Anatolian Pipeline, TANAP, in the region to meet the energy needs of European markets.

TANAP is part of a project that will carry natural gas from Azerbaijan's sector on the Caspian Sea, passing through Turkish territory to enter western Greece, to further travel to Albania and then Italy to reach Europe. When completed, TANAP will carry around 16 billion cubic meters of gas per year to Europe.

Secretary General of Petroleum Platform Association, PETFORM, Eser Ozdil, discussed the planned Turkish natural gas pipeline; the Turkish Stream and its benefits to the country's natural gas market. "The significance of the Turkish Stream is in its provision of energy supply security and diversity of energy supply routes," Ozdil said.

TANAP secures first step with groundbreaking ceremony

Natural Gas Europe, *18.03.2015*

TANAP has become a beacon light in both the Caspian region and Eastern Europe's energy sectors. The 1.850 km long, key unit in the Southern Gas Corridor, which will enable a decrease in the European Union's dependence of Russian natural gas, will ship 16 billion cubic meters (BCM) of natural gas per year from Azerbaijan's Shah Deniz field to Turkey's western border.

The groundbreaking ceremony took place in Kars, Turkey. In attendance was Turkish President Recep Tayyip Erdogan, Azeri President Ilham Aliyev and Georgian President Giorgi Margvelashvili.

The TANAP project, which is expected to cost $10 billion, is set to commence shipments of natural gas from June 2018. Turkey will buy 6 BCM gas from the pipeline. The later part of 10 BCM will ship to Trans-Adriatic Pipeline (TAP) for the European customers from 2020. TANAP’s shipping capacity will eventually rise to 23 BCM per year by 2023, and 31 BCM per year by 2026. According to the agreement signed last Friday, Turkey’s state-owned pipeline operator BOTAŞ will take a 30% stake in TANAP, while SOCAR holds 58% and BP, 12%.

Turkey’s President Recep Tayyip Erdogan said that there’s no alternative project against TANAP. “TANAP has a special importance because of its route and its goal and is not an alternative project to others and there is not an alternative to it. TANAP will link Europe with Caspian by the help of Southern Gas Corridor,” Erdogan said. “We plan to establish Turkey as the energy distribution hub of the region.” The Southern Gas Corridor has been ongoing for decades and comprises pipelines already operating, those planned and others under evaluation. The project is designed to create infrastructure that will bring gas from the Caspian and Middle Eastern regions to Europe. Countries including Azerbaijan, Turkey, Georgia, Turkmenistan, Kazakhstan, Iraq and Egypt have been identified as potential key suppliers.

“The project is going well, right on time as planned. We have already signed contracts for $3.4 billion. In coming months, we’ll sign new agreements for building stations, compression units as well as off-shore contracts,” TANAP General Manager Saltuk Duzyol said. “We’re not expecting any delays in our timetable for linking with TAP in 2020,” he said. “TANAP will help to realise the Southern Energy Corridor to enable energy supply security for Europe,” Turkish Energy Minister Taner Yildiz said. He also said that the project, which will traverse some 20 cities, will generate 5,000 jobs in Turkey.

The European Commission has strongly supported the project. Maroš Šefčovič, the Commission’s Vice President in charge of the Energy Union, stated that TANAP has a strategic importance for Europe as well as Caspian region. “We are ready to support and help to realise the TANAP project,” Šefčovič said in a speech at the ceremony. Last November, Turkey and Turkmenistan signed an outline agreement to supply Turkmen gas to TANAP. Turkmenistan, a Central Asian nation of 5.5 million, holds the world’s fourth-largest reserves of natural gas. Since independence in 1991 the reclusive desert nation has sought to break its reliance on gas exports to Russia. To join the TANAP project, Turkmenistan will have to lay another pipeline across the Caspian Sea. Russia has strongly opposed this initiative by Turkmenistan, citing ecological concerns in the Caspian Sea.

Wood Mackenzie: TANAP's success depends on expansion

Anadolu Agency, *17.03.2015*

Wood Mackenzie warns that a number of challenges for TANAP, could impact future expansion plans, which are key to the pipeline's commercial attractiveness.

TANAP's groundbreaking ceremony marks a critical step in the 15 years process to bring Caspian gas to central and western Europe, said Wood Mackenzie. "Today's ceremony confirms the Southern Gas Corridor is on schedule. The TANAP pipeline provides Europe with a new supply option from 2019. It also opens new markets, beyond Turkey, for Azerbaijan and operators in the Caspian Sea," said Samuel Lussac, research manager at Wood Mackenzie.

TANAP is providing an alternative to reliance on Russian gas exports however a number of challenges could impact future expansion plans. When completed, TANAP will carry around 16 billion cubic meters of gas per year to Europe amd Azerbaijani SOCAR plans to increase the pipeline's capacity from 16 bcm to 31 bcm by 2026. According to Wood Mackenzie, the cost of TANAP's construction will be significant - at around US$12 billion – meaning its commercial attractiveness relies upon future expansion. "Future supply beyond Shah Deniz will take time to develop and the project will have to face up to Gazprom's clear intent to retain its market share in Europe through the Turkish Stream project," he added.

Gazprom's recent alternative to cancelled South Stream project, Turkish Stream, poses further risks to TANAP expansion, according to Wood Mackenzie. TANAP and Turkish Stream are planned to end at Ipsala, where the Tans-Adriatic Pipeline, TAP starts. TAP's capacity is exempt from third party access for the next 25 years. "The European Commission has already ruled out third party access exemption for future TAP expansion. This means that any upstream project willing to capitalize on TANAP expansion is therefore likely to compete with Russian gas to access infrastructure west of Turkey," stated Wood Mackenzie. TANAP will transfer 16 bcm of Shah Deniz Phase Two natural gas from 2019. Six bcm is destined for Turkey while 10 bcm will go further west via TAP. SOCAR holds 58 percent while BOTAS has 30 percent and BP owns 12 percent stake in TANAP.

Turkey, EU agree to expand energy cooperation

Natural Gas Europe, *18.03.2015*

The European Union is trying to expand its cooperation to counter Russia's dominant position in energy sector. The last step in this direction was realized with a cooperation agreement between Turkey and EU in the energy sector.

Turkey and the EU, both parties have signed an agreement to set-up a High Level Energy mechanism for expanding cooperation in the energy sector. "Turkey is a natural energy bridge and an energy hub between energy sources in the Middle Eastern and Caspian Regions and EU energy markets. Turkey's development as an energy hub will be to the benefit of both Turkey and the EU," reads the statement.

Turkey and the EU, represented by Minister for Energy and Natural Resources, Taner Yildiz, and Vice-President of the European Commission for Energy Union, Maros Sefcovic, launched the High Level Energy Dialogue. They have agreed to hold the High Level Energy Dialogue at a ministerial level on a more regular basis, at least once a year. Within this initiative, Turkey and the EU will hold talks about natural gas, electricity, nuclear, renewables and climate change. "Turkey and the European Union will continue to support the Southern Gas Corridor. TANAP is of vital importance for the EU and Turkey's security of supply and for the realization of the Southern Gas Corridor,"according to the statement. On Tuesday, the TANAP project held a groundbreaking ceremony in Kars,Turkey. TANAP will ship 16 BCM per year of Azeri natural gas from Shah Deniz field in the Caspian Sea to Turkey's western border.

Separately, Turkey's Energy Minister Taner Yildiz said that the deal to import gas with a 10.25% discount from Russia will continue. At a press conference held during an oil an gas conference in Ankara, he said that the announcement came first to be followed by a signature. He also said that the price of Azeri gas will be lower than Russian gas, cause of the country's involvement in TANAP project as a 30% stakeholder via BOTAS. Turkey has the contracts with Russia to supply 20 BCM of gas per year.

Minister: Trust is more crucial than signatures with Russia

Daily Sabah, *18.03.2015*

Energy Minister Taner Yıldız claimed the allegation regarding the 10.25 percent discount agreement reached with Russian state-owned energy giant Gazprom was not real.

It was rumored that the problems encountered in the implementation of the 10.25 percent discount in natural gas prices according to the agreement between Turkey's state-owned energy company BOTAŞ and Gazprom were due to the Russians requesting certain exemptions for the Turkish Stream natural gas pipeline project. Turkish Stream will transfer Russian natural gas to Europe via Turkey from the Turkish-Greek border.

Answering the press's questions at the 14th Turkish International Oil and Gas Summit in Ankara yesterday, Yıldız said that the discount has been achieved and the signatures are to follow. "We approved the deal. Trust between Russia and Turkey is as important as the written statements. If I say so [that a 10.25 percent discount will be provided], you heard the news from the source," Yıldız said, and further stressed that he was very pleased with the discount rate and that it will be reflected in consumer prices. He also highlighted that Turkey currently is one of the top five countries with the cheapest natural gas and the cheapest electricity in both industrial and residential areas.

On whether the natural gas to be purchased from Azerbaijan and transported via the Trans Anatolian Natural Gas Pipeline (TANAP) project will be more expensive than the gas purchased from Russia, Yıldız noted that Azeri gas will be offered at more affordable prices because it is such a new project. The inaugurating ceremony for TANAP was held in the Selim district of Kars in northeastern Turkey on Tuesday, and was attended by President Recep Tayyip Erdoğan, Azeri President Ilham Aliyev and Georgian President Giorgi Margvelashvili.

When reminded of his meeting with the current vice president of the European Commission in charge of Energy, Yıldız said that the TANAP project was of utmost importance for European energy supply security, and upon their request, a dialogue concerning energy will be initiated. Moreover, Turkey is beginning the dialogue through official channels as of Wednesday. Yıldız said the dialogue process was between the EU and Russia to resolve conflict, and that Turkey should be able to replace the Western Stream and minimize risks. Yıldız underscored that the Turkish Stream project will not replace the TANAP; on the contrary, Turkey owns 30 percent of the shareholding rights to TANAP.

Yıldız emphasized that they different pipelines will be used in order to quickly resolve any problems that may arise in the TANAP project. Highlighting that the amount of natural gas delivered by BOTAŞ has been increasing, Yıldız said that if possible, they will try delivering gas through two different pipelines in the same country and on the same route. “If the crisis in Ukraine had not deepened and Turkey had not made an agreement with the EU, Turkey would have been adversely affected. Any kind of defects arising in the Western Stream, which carries 10 percent of Europe’s total gas, could not be recovered; therefore, such measures are necessary for the TANAP project as well as to prevent any kind of cuts,” Yıldız added.

Turkey is untouched in oil exploration

Anadolu Agency, *18.03.2015*

Turkey is a country considered to be virtually untouched in terms of oil exploration, said Selami Incedalci, general manager of Turkey’s General Directorate of Petroleum Affairs.

During his speech at the 14th Turkish International Oil and Gas Conference in Ankara, Incedalci said, less than 5,000 exploration rigs have been opened and the country’s oil and gas exploration needs to speed up. “Turkey should receive more global investments for oil exploration,” Incedalci said and added “Turkey’s possible shale oil areas are explored through various techniques and especially Southeastern and Thrace region is believed to be rich in this resource.”

During the event Umit Akin, the founder and managing partner of Akin Law Office said that Turkey’s energy sector used to be heavily regulated by the state, strict governmental rules eased for receiving more investments recently. Within the scope of the exploration activities, Turkey drilled around 4,600 wells since 1934. Seventy percent of the wells were located in southeastern Turkey, 22 percent were in the Thrace region and 8 percent were in other locations. Following the searches, Turkey discovered 130 crude oil fields and 56 natural gas fields. Crude oil is produced from nearly 1,300 wells and natural gas is produced from nearly 250 wells. During 2014, twenty-nine domestic and 17 foreign petroleum companies worked on natural gas and crude oil exploration in Turkey.

Global energy projects need commercial strength

Anadolu Agency, *20.03.2015*

Global energy projects need to be both politically and commercially strong in order to be viable for their realization, said former Vice President of BP Southern Gas Corridor.

"TANAP and Shah Deniz pipeline projects are commercially successful for Turkey and can turn the country into an energy hub," said John Baldwin. TANAP, will be part of a project that will carry natural gas from Azerbaijan, passing through Turkish territory to Greece, and Italy. When completed, TANAP will carry around 16 billion cubic meters of gas per year to Europe. TAP and TANAP are also part of The Southern Gas Corridor, supplying Europe with gas.

Baldwin said a pipeline project requires solid commercial roots and potential financial gains for its completion, rather than just being a politically strong project. He exemplified this importance citing the cancelled Nabucco project as an example. The Nabucco project, which required Azerbaijan and Turkmenistan gas, could not be realized because of the great amount of funding it required, Baldwin said, and explained the outcome could not have been avoided despite the EU's desire for the pipeline's success. "TANAP, TAP and Shah Deniz are great success stories," he said, and added that the projects have the necessary reserves to ensure their success.

Cyprus' onshore LNG terminal may be off the agenda

Natural Gas Europe, *16.03.2015*

The Atlantic Council hosted a public event focused on the natural gas developments in the Eastern Mediterranean and the challenges that Cyprus may face in its path towards gas production.

The event featured the Minister of Energy, Commerce, Industry, and Tourism of the Republic of Cyprus, Yiorgos Lakkotrypis, who delivered a keynote speech. The discussion was moderated by the Atlantic Council's Eurasian Energy Future Initiative Director David Koranyi. Natural Gas Europe had the pleasure to speak with David Koranyi for insights on the main takeaways of the meeting.

Minister Lakkotrypis' remarks at the event revealed a change of priority regarding Cyprus' export strategy. Koranyi explained that Minister Lakkotrypis stressed on the high probability of exporting Cypriot gas to neighbouring Egypt and using Egypt's unused export terminals to access far-reaching markets. Lakkotrypis also announced a Gulf interest to finance the pipeline that would carry the gas from the Aphrodite field offshore Cyprus to Egypt. Koranyi told Natural Gas Europe that the onshore LNG terminal project seems off the agenda for Cyprus due to the hitherto modest quantities of gas discovered in Cypriot waters. The Egyptian option is technically feasible and makes commercial sense for Cyprus, added Koranyi. The regulatory hurdles that Israel is facing also put Cyprus at an advantage in its negotiations with the Egyptians. The potential delays in the development of the Leviathan due to an ongoing dispute between the partners in the Leviathan and Israel's Antitrust Authority may prompt Egypt to look for alternative suppliers in the region, such as Cyprus.

The second takeaway of the event, explained Koranyi, is the Cypriot desire to enhance regional cooperation. Minister Lakkotrypis revealed Cyprus' master plan to initiate a regional dialogue around the optimal way to develop and monetise the offshore riches in the Eastern Mediterranean. Such a dialogue would involve regional players such as the Egyptians, the Israelis, the Lebanese and even possibly the Turks. Exploration activities off the island's coast will be halted in April for technical reasons for a few months; the break may allow a resumption of the UN-led peace negotiations between the Greek Cypriots and the Turkish Cypriots aimed at reunifying the island, said Minister Lakkotrypis. Koranyi said that the break in hydrocarbon activities may indicate a positive change and may eventually point to more openness by the RoC Government to allow for the introduction of a hydrocarbon element to the peace talks. Cyprus has good diplomatic relations with all its neighbours except Turkey, and a fair settlement must be achieved to allow for an optimum scenario in developing and monetizing Cyprus' energy resources.

Finally, and despite rumours that TOTAL may be withdrawing from Cyprus' Exclusive Economic Zone, Minister Lakkotrypis confirmed that the French giant and the Cypriot Government were in talks to extend TOTAL's presence in Cypriot waters. Koranyi explained that the Minister was optimistic about TOTAL's involvement in Cyprus and hopeful that the new seismic surveys will reveal drillable prospects that would encourage further drilling. The general tone of the event was positive: Cyprus is determined to pursue its exploration activities, with ENI and possibly TOTAL planning exploratory works off the island's coast in 2015; exporting gas via Egypt has replaced Cyprus' onshore LNG terminal as the island's top priority for the monetisation of its riches; Cyprus is determined to engage in a positive and constructive dialogue with all regional players to optimise the development of offshore resources.

South Pars biggest phase to come on stream by Mar. 20

Tehran Times, *15.03.2015*

Iran will inaugurate the biggest phase of the South Pars gas field, namely the phase 12, by March 20. President Hassan Rouhani will officially inaugurate the project, which cost over $7 billion to be implemented.

Rasoul Fallahnejad, the project manager of the phase 12, has said that the phase 12 will inject about 75 million cubic meters (mcm) of gas into the national gas network per annum. Iran is currently producing 300 mcm per day of gas from the South Pars. The project will bring in about $10 billion annually, which accounts for three percent of the country's GDP.

The South Pars gas field covers an area of 9,700 square kilometers, 3,700 square kilometers of which are in Iran's territorial waters in the Persian Gulf. The remaining 6,000 square kilometers, i.e. North Dome, are in Qatar's territorial waters. The Iranian gas field, which is divided into 29 phases, contains 14 trillion cubic meters of natural gas, about eight percent of the world's reserves, and more than 18 billion barrels of LNG resources. It ranked Iran as first in the world in terms of natural gas reserves, with 33.6 trillion cubic meters, replacing Russia as the country with the largest reserves.

NOBLE to declare Aphrodite's commerciality within weeks

Natural Gas Europe, *17.03.2015*

Noble intends to declare that the Aphrodite offshore field is commercially viable, Cyprus' Minister of Energy Yiorgos Lakkotrypis said.

"A few moments ago, the Senior Vice President of Noble Energy Mr Keith Elliott … met with the President of Cyprus and explained the company's plans to declare commerciality of the Aphrodite field and submit a Field Development and Production Plan to the Ministry, in a few weeks" Lakkotrypis said. The Minister welcomed the news, explaining that the announcement will mark the first time Cyprus will start development and exploitation of hydrocarbons.

He also explained that Nicosia will bet on regional cooperation to tap resources, mentioning Egypt, Greece, Israel, Jordan, Lebanon and Palestine. He also spoke about a possible pipeline connecting Cyprus and Egypt. According to Lakkotrypis, several companies will unveil their plans and their results in the coming months. He mentioned the consortium made up by ENI and KOGAS, explaining that the results for the exploration well Amathusa 1 in Block 9 will be announced "very soon."

"Total E & P Cyprus B.V… will continue exploration work with further geological and geochemical surveys in the area aiming at better understanding its exploration potential. A relevant updated agreement between the company and the Government of Cyprus will be signed soon, to better reflect the adjusted exploration obligations of the company" the Energy Minister commented, reminding that Total did not yet identify any drillable prospect on exploration blocks 10 and 11.

One third of Shah Deniz Stage 1 gas reserves extracted

Natural Gas Europe, *16.03.2015*

About one third of Shah Deniz Stage 1 (SD1) gas reserves, composed of the shallowest layers of the field has been extracted. Khoshbakht Yusifzaheh the Vice-President of SOCAR announced that some 60 bcm of the natural gas has been extracted from SD1 since 2006.

Yusifzadeh said during his speech at the International Caspian Energy Forum Conference that some 15 million tons of the gas condensate has been produced from SD1 as well. SD1 was commenced in 2006 and according to BP as well as the Azerbaijan's own statistics some 58.9 bcm of gas has been produced untill March 1, 2015 from this phase.

The pressure of gas in SD1's layers are still very high, with producing 1.5 to bcm per annum (bcm/a) from each well. It was projected that some 178 bcm of natural gas be extracted from SD1, then according to BP and SOCAR's vice president's announced figures, one third of the reserves of SD1 has been extracted. Currently, Azerbaijan produces 29 million cubic meters per day from SD1's layers at the depth of approximately 6800 meters.

Currently Shah Deniz consortium is developing the Shad Deniz Stage 2 (SD2) layers at the depth of 7100 meters. It's expected that some 400 bcm of natural gas be extracted from SD2 in 25 years. Azerbaijan projected to export 6 bcm/a and 10 bcm/d of gas to Turkey and Europe in 2019-2020 respectively. Azerbaijan also says that the development of third phase of Shah Deniz gas field would start in 2020. Yusifzadeh said that some 32 bcm of produced gas from SD1 was exported to Turkey and 4.5 bcm to Georgia since 2006. Therefore, 22.5 bcm of the produced gas – or 38.2 percent- from this phase was consumed domestically. Some $8.5 billion has been invested in SD1. The reserves of Shah Deniz field is about 1.2 trillion cubic meters.

Timing is key for Lebanese gas, production unlikely before 2025

Natural Gas Europe, *18.03.2015*

The political complexities within Lebanon are the major factors likely to postpone offshore gas production to at least 2025. At the same time, external factors are further worsening the prospects of the Mediterranean country as a gas producer - border disputes with Israel and Syria would slow down even the most resolute and united Lebanese government, Bassam Fattouh, Director of the Oxford Institute for Energy Studies, said.

"It is unlikely that we will start production by early 2020s… I would say 2025 if we are lucky, if things really start to moving" Fattouh commented.

Reminding that Lebanese parliament failed to elect a new president and that the "unstable government" has paralysed the decision-making process, he does not see any bidding round by the end of 2015. He also dismissed the idea of gas imports in the next months - Lebanon will continue to rely on fuel oil at least for the next 2-3 years. According to the expert who took part in the debate organised by German Marshall Fund of the United States in Brussels, these uncertainties in timing will bring along additional difficulties, as strategies to develop the offshore resources also rely on partnerships with other countries and markets that, in the meanwhile, will probably find alternative sources of gas. "By mid 2020s, there will be a lot of competition from new exporters like East Africa, Australia, and the US" he added, referring to LNG, the most flexible solution to export gas.

Fattouh reminded that the gas markets will look very different in 2025-2030. Turkey, which would be the easiest export destination given the existing pipeline, is likely to meet its demand through contracts with third countries. Against this backdrop, delays with two decrees essential for the bidding round do not come in handy - companies need to know the Lebanon's territorial sea and exclusive economic zone (first decree), and the provisions of future Exploration and Production Agreements (second decree). This slow approach could end up taking the appetite of big international companies away. Especially given the current market conditions, not many cannot embark on overly risky activities. Following the pre-qualification round launched at the beginning of 2013, 50 international companies registered interest, including majors like Total, ENI, Shell, Statoil, Chevron, and ExxonMobil. At the moment, nobody really knows how many of these 50 firms would be still interested.

Mentioning blocks 8, 9, and 10, Fattouh warned Beirut to avoid falling prey to its constituencies, which are likely to put pressure on Lebanese authorities to grant some blocks in disputed areas. Eventual arm-wrestling over contested waters with Israel would complicate future exploration and exploitation efforts. In this sense, there is no need to add more detrimental ramifications - there are already enough clashing interests.

Despite the grim picture, the Director of the Oxford Institute for Energy Studies said that Beirut can find its way out of the deadlock, capitalising on the existing expertise of the Lebanese Petroleum Administration (LPA) - the body responsible for the management, monitoring, and supervision of petroleum activities.

‘The LPA, however, is not an autonomous body and falls under the tutelage of the Ministry of Energy and Water Resources and, indirectly, is reliant on the Council of Ministers for key decisions regarding the hydrocarbon sector’ reads a recent paper written by Fattouh and Laura El-Katiri. The take-home message here is that Lebanon has to wiggle its way out of the pressure coming from success stories of other gas-rich countries, while avoiding the mistakes already made by some net gas exporters (or former net exporters like Egypt). ‘Once energy subsidies are introduced, they are very difficult to reverse, reducing macroeconomic policy flexibility’ Fattouh and El-Katiri wrote in their paper.

In conclusion, politicians are called on to avoid using gas as campaign instrument and avoid false hopes - the billboards along Lebanese highways promising big changes funded by hydrocarbons could easily backlash. Despite the political difficulties ranging from strong local interests to cumbersome neighbours passing through internal religious diversity, the “Paris of the Middle East” has to find its own receipt to cut its imports of oil - which represent 11.4% of its GDP - and to use its gas in its two combined cycle gas turbine (CCGT) plants. Then, after knowing whether the recoverable offshore gas reserves are closer to 25.4 Tcf estimated by Norway’s Spectrum or to 95.5 Tcf envisaged by former acting minister of energy Jibran Basil, the country will be able to understand whether and how to export. Exports could be of great help to reduce the state’s debt, estimated at 146% of GDP in 2014. But, as said, the time is not come to understand the future prospects of Lebanese gas. Now it is the right moment to understand Lebanese politics, and whether they will be able to overcome incredible problems to find a solution for everybody.

Cooperation, environment in focus at Adriatic Event

Natural Gas Europe, *17.03.2015*

The Transparency, regional cooperation, environmental protection and fostering competition are crucial principles in defining the Balkan Governments’ approach to the oil and natural gas industry.

This was emphasised by officials from Montenegro, Croatia and Albania who gathered in Budva, Montenegro at the Adriatic Oil & Gas Summit. Montenegrin Minister of Economy, Vladimir Kavaric, said that transparency, which is reflected in defining the rules of the game, through laws and enabling regulations and publicly available documents, should be exercised to the maximum extent possible.

He added that Montenegro is aware that it has to compete with other countries devoted to responsible management and efficient use of hydrocarbons. “We are trying to create the best environment that will attract the best, and we are striving to encourage competition in this business, as we also know that private companies show their best in terms of innovation, approach and delivery, when facing competitive pressure,” Kavaric underlined. He said that this activity does not recognise national frontiers, as geology does not understand borders.

The officials agreed that success of neighbouring countries was only going to amplify opportunities for each other in attracting companies to take part in this sector. Exploration of oil and gas in Montenegro so far, as well as activities in the Adriatic, indicate large prospectivity of the region. The basic prerequisites are proven for oil and gas production to take place in the south Adriatic geological basin, while direct confirmation of this fact is the production in Albanian, Croatian and Italian part of the basin. When it comes to hydrocarbons, there is a requirement for exploration in the Balkans to complement other development policies in place, including in fields such as tourism and environmental protection. Officials emphasized that economic development is not possible without energy development.

Croatian Economy Minister Ivan Vrdoljak indicated that – as an EU member state – Croatia strongly supports the region on its European path, fully aware that the progress is achievable only if there are no outstanding issues with its neighbours. Minister Vrdoljak commented on the current demands for a referendum on oil and gas exploration, noting that he would support a referendum on how to reduce the number of tankers with imported oil entering the Adriatic, as Croatia wishes to reduce risks and protect the environment, adding there is no possibility to hold a referendum before signing contracts with companies.

Speaking of tourism, the Croatian Economy Minister said that Istra is the most famous tourist destination in Croatia, and that the most gas has been pumped from these areas. He reiterated that Croatia has researched the oil potential of the Adriatic for 40 years, and that the best technologies in the field of environmental protection would be implemented. Croatia’s obligation, as a member of the EU, was under obligation to implement strict environmental protection standards. If there is any solution from the EU legislation, we will include it, Vrdoljak emphasized. Albanian Deputy Minister of Energy and Resources Iljir Bejtja told attendees that this country is in the process of introducing hydrocarbon laws which will regulate this area in more detail. He also emphasized that Albania is open to cooperation with all neighboring countries when it comes to natural gas. “We do not want to be recognized by self-situated philosophy anymore. Albania is lagging behind in the exploration of gas, but the situation will soon be improved”, Bejtja added.

Delegates to the Summit were met by protesters from environmental NGO’s from Montenegro and Croatia, carrying banners “Stop the drilling of the Adriatic”, “Montenegro Oil Beauty”, etc. Critics say that the benefits of oil and gas development are outweighed by the potential risks to the environment and the tourism sector. Natasha Kovacevic, president of the Montenegrin “Green Home” said that the protesters do not want someone to destroy the idea of an ecological Montenegro. “We do not want to destroy our environment, our fishing and tourism, for which we have advocated for decades. We do not want to destroy the idea of an ecological Montenegro”, Kovacevic said.

Foreign Minister: Bulgaria can play key role in EU gas distribution

Balkan News Agency, *18.03.2015*

Bulgaria's Foreign Minister has re-affirmed Sofia's goal to play a bigger role in the European energy sector, despite the cancellation of South Stream, the Russian gas pipeline that would have crossed Bulgaria on its way to other EU markets.

Mitov said that the EU had an interest in Bulgaria's proposal to build a gas hub a plan put forth last year by Boiko Borissov after Russia scrapped the 63 bcm South Stream, claiming the European Commission was throwing obstacles in the pipeline's way. Under Borissov's plan, Russia would build the underwater stretch of the pipeline and sell the gas from the hub in Bulgaria.

Slovakia has proposed Eastring as an option for diversifying gas supply infrastructure in Europe. Russian president Vladimir Putin, in announcing the cancellation of South Stream in Ankara on December 1 2014, blamed Bulgaria for delays in the issuing of necessary permits for the pipeline. Bulgarian officials reacted strongly to the accusations, saying that Sofia was only following procedures and could not be held responsible. In his meeting with MEPs, Mitov re-iterated the government's stance that Bulgaria should not be punished for following EU rules and emphasised that it was not up to Russia alone to decide the route along which gas would flow into the EU, rather it should be an issue discussed with the EU.

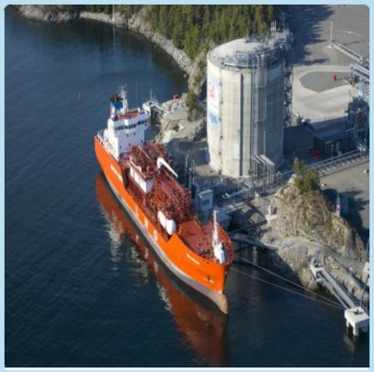
Sofia was continuing work on issuing the necessary permits for South Stream and awaited Russia to meet its commitments as well. "If this project has been halted at all, it was for political reasons – there has been no formal stoppage and the intergovernmental agreement has not been denounced. Bulgaria continues issuing the necessary permits and the company continues to work," Mitov said, as quoted by Bulgarian National Radio. Moscow has been unable to rush through preparations for the re-routed pipeline, despite a flurry of meetings between Russian and Turkish officials in recent months, which have resulted in a 10 per cent discount in the price of Russian gas for Turkey, the second-largest foreign gas market for Russia's state-owned gas company Gazprom.

Instead, Turkey has moved forward with construction of the Trans-Anatolian Pipeline (TANAP), which started on March 17. The proposed pipeline would pump gas from the Shah Deniz field in Azerbaijan, with Turkey buying six billion cubic metres of gas and 10 billion cubic metres shipped to Europe. Ankara owns 30 per cent in the project, with Azeri state-owned Socar holding 68 per cent and British Petroleum the remaining 12 per cent. Bulgaria is one of the countries that will buy gas shipped through TANAP, having signed an agreement for one billion cubic metres a year. The pipeline will link to the planned Trans-Adriatic Pipeline (TAP) shipping most of the gas for Europe into Italy, which also gave Bulgaria the opportunity to play a bigger role in gas transportation.

TANAP and TAP are part of the EU's plans to build a "southern gas corridor" shipping Caspian Sea and Central Asian gas into Europe. Other gas projects in the area were still far from entering the construction stage, but Mitov said that should the "southern gas corridor" pass through Greece, as it is currently planned, the gas currently being shipped through Turkey to the EU will have to be re-directed and Bulgaria was the obvious choice in such a scenario.

Malta and Azerbaijan to build Mediterranean LNG hub

Anadolu Agency, *16.03.2015*



Malta and Azerbaijan have signed an agreement to bolster energy cooperation between the two countries; a Maltese news agency cited the Maltese Ministry of Energy. The new memorandum of understanding aims to increase collaboration in oil and gas research and exploration, as well as developing a liquefied natural gas, LNG, hub in Malta, reported the Times of Malta newspaper.

Baku and Valletta plan to work together in the exploration and production, sourcing and distributing of petroleum products, as well as strategic collaboration in trading energy commodities in the Mediterranean region.

Official: Hungarian gas deliveries to Ukraine jump

Budapest Business Journal, *16.03.2015*

Daily gas deliveries to Ukraine via Hungary reached 7.4 mln cubic meters, up sharply from 720,000 cubic meters per day on March 7-12, Ukraine's gas transmission system operator Ukrtransgaz said. Hungary resumed gas deliveries to Ukraine in January. FGSZ decided to suspend gas deliveries to Ukraine on September 25, 2014, in order to top up domestic reserves.

In the first half of March, Hungarian gas imports to Ukraine reached 52 mln cubic meters, Ukrtransgaz said. Last year, Ukraine imported a total of 600 mln cubic meters of gas from Hungary.

Expert: Natural gas supplies from Poland can be increased by 500%

Ukrinform, *16.03.2015*

Ukraine may increase natural gas supplies from Poland by 400%. Director of the department for International Centre Energy Policy Studies Natalia Slobodyan told.

"We can increase natural gas supplies from Poland at least 5 fold. This requires the construction of a corresponding infrastructure, but it will contribute greatly to the independence of the natural gas supplies in future," the expert said. "Ukraine obtains natural gas from Poland, Slovakia and Hungary reverse transfer points. The largest reverse natural gas supplies volumes come from Slovak Republic," she noted.

As a background note, Ukraine imported from Russia 95% of its natural gas in 2013. Last year, the breakdown of natural gas imports was as follows: Europe supplied 67%, and Russia delivered 33%.

Gazprom: Ukraine's gas payment enough for only a week

Anadolu Agency, *18.03.2015*

Ukraine's $15 million to Russia's Gazprom for March gas deliveries is only enough to cover one week, Gazprom's spokesperson Sergey Kupriyanov was reported.

"The payment will be enough only for approximately a week," he said. The amount paid by Ukraine's Naftogaz corresponds to around 45.6 million cubic meters of gas, which, according to current consumption figures, corresponds to seven days of natural gas for Ukraine, Gazprom said in an official statement. Ukraine hopes to hold negotiations with European countries and Russia to reach a deal on the supply of Russian natural gas for the summer.

Putin’s pipeline predicament

Huffington Post, *18.03.2015*

As Russia and Ukraine approach yet another confrontation over natural gas, the recent demise of Putin’s flagship South Stream pipeline casts doubt on his strategic acumen.

In December 2014, Russian President Vladimir Putin surprised even Gazprom’s close business partners by announcing that Russia would abandon the South Stream pipeline project. South Stream was Putin’s strategic flagship project, a controversial pipeline through the Black Sea to South-Eastern Europe, and while its commercial profitability had always seemed questionable, few observers doubted that it would proceed.

Markets reacted to the news with a slight rise in Gazprom’s stock, confirming the primarily strategic nature of the pipeline project. What the project reflects, instead, is a broader geoeconomic struggle between Russia and the EU in which economic means are used to advocate geopolitical goals. In the aftermath of the Cold War in Europe in the 1990s, there was a widespread hope that liberalized commerce, especially in important strategic commodities such as natural gas, would become the cornerstone of a mutually beneficial and interdependent relationship between the two regional powers. As events unfolded, however, the natural gas trade evolved into a strategic playing field for power politics. Memories of the Russian cut-offs of gas to Ukraine in 2006 and 2009 are still fresh in the EU, heightening concern about energy security and attempts to utilize natural gas trade for political purposes.

For Russia, the decision to abandon South Stream comes at a considerable price: Gazprom’s stranded investment is estimated to exceed $4.5 billion, not counting the significant political capital spent by the Russian president. Has Putin, described by some commentators as a master strategist after his nearly unopposed takeover of Crimea, overplayed his hand? Russia had hoped to pursue several objectives with South Stream. First, the pipeline would have decreased the importance of Ukraine as a transit state and denied it leverage in Moscow. Second, Russia stood to increase its influence in the countries of Central and Eastern Europe, thereby weakening exposed EU member states and further undermining the EU’s Eastern Neighborhood Policy with others. Third, the project would have effectively stymied competing plans to bring gas from Azerbaijan through Turkey into the EU market.

But it didn’t happen. The West may still be searching for a common overall policy to confront Russian aggression in Ukraine, but in the energy arena Putin seems to have succeeded in unifying the objects of his policy. For some time, Brussels had unsuccessfully prodded Gazprom and its partners to comply with EU rules on energy markets and competition. Among the concerns it flagged were third party access to pipelines, unbundling of network ownership and gas supply, and the tariff structure for pipeline use.

Yet Russia proceeded with its plans, apparently confident that it would be given the same generous waivers enjoyed by a previous pipeline project, Nord Stream. And indeed, early in 2014, it still seemed likely that the European Commission would bow to pressure from several member states and afford Gazprom a range of exemptions from EU rules. When the Russian invasion of Ukraine began, however, the EU quickly tightened its stance on the question of South Stream. Ongoing negotiations about regulatory exemptions came to a complete standstill in March 2014.

Putin and Gazprom CEO Alexei Miller toured Austria, Bulgaria, Italy and Croatia to raise support for the project, signing lucrative new contracts with European construction companies and industrial suppliers. Brussels, however, countered with an unusually strong message to Bulgaria and Serbia: construction work was to cease immediately until all pending legal issues had been addressed. As the plot thickened, Gazprom was still shipping pipes to the Bulgarian coast as late as summer 2014. Among industry insiders, the prevailing assumption was that business would resume after a few weeks of hard talk between Brussels and the Kremlin, as it had so often in the past.

In the end, Putin seems to have underestimated the deep anxiety created by his aggression in Ukraine. Whereas European Union foreign policy had typically been weakened by a cacophony of voices from various member states, it was now able to harden its line in the negotiations over South Stream. The changing global energy context, including the precipitous drop in the price of oil, more liquefied natural gas, and spot trading, cannot fully account for the shift in positions on South Stream across Europe. After years of planning and significant investment, South Stream became a victim of Putin's Ukraine adventurism.

The last 15 years have shown, however, that Putin does not give up easily. Looking at the domestic and foreign policy difficulties of Turkish President Recep Tayyip Erdoğan, he sensed an opportunity to resuscitate his pipeline dream and concurrently increase his influence with a country of pivotal regional importance. While in Ankara in December 2014, Putin abruptly unveiled a new project, a second undersea pipeline from Russia to Turkey. For now, this project -- branded "Turkish Stream" -- is not much more than a blueprint. Both parties have signed a Memorandum of Understanding, and will negotiate prices and quantities in due course. But market analysts have expressed doubt about the prospects of gas exports to the EU via Turkey, which would require substantial investment in new infrastructure in Southeastern Europe by many of the same countries that are still smarting over the demise of South Stream. Turkey's own gas market is growing, but not nearly fast enough to accommodate gas imports on a scale comparable to what South Stream was intended to mobilize. The geoeconomic wrangling over energy in Europe is far from over: it continues in negotiations between Brussels and the Kremlin, in national election campaigns in several EU member states, in corporate boardrooms, and in civil ligation across Europe. Although the ultimate outcome remains in doubt, the aura of Russian energy invincibility has been seriously compromised.

Russia's Gazprom braces for tough year as demand slumps

The Moscow Times, *17.03.2015*

Gazprom, the giant natural gas company that traditionally provides around a fifth of Russia's budget revenue, is facing a challenging year.The state-owned company is confronting slumping revenues from its key European export market, a "black hole" in Ukraine and massive debt inflation due to the steep devaluation of Russia's ruble over the past year.

Sanctions imposed over Moscow's actions in Ukraine have restricted Gazprom's access to Western capital and advanced equipment, just as the company embarks on a massive infrastructure development drive aimed at restructuring its approach to Europe and entering the rising Asian market.

As a result analysts expect the firm to see its earnings continue to slide well into 2016. Still, Gazprom is unlikely to suffer long-term losses, thanks to a $400 billion gas deal penned with China last year. The company will remain what President Vladimir Putin described as "a powerful lever of political and economic influence in the world" — although its clout may be diminished for some time.

Gas prices to Europe, Gazprom's core market, are set to decline 35 percent this year, severely narrowing the company's sales margins. Regulation forces Gazprom to sell gas inside Russia cheaply, so the company earns most of its cash through exports. The bulk of Gazprom's supply contracts are linked to oil prices, with a typical delay of six to nine months. Since last summer Brent crude oil has halved in value from a high of $115 per barrel to around $55 per barrel. Oil's steepest falls came toward the end of last year, meaning the full effect on Gazprom's sales will strike only later this year and continue into 2016, Alfa Bank analyst Alexander Kornilov said.

European customers are also better able to negotiate price cuts, thanks to efforts to limit Europe's energy dependence on Russia. Liquefied natural gas imports to Europe will cap Gazprom's sales growth and drive down prices further, according to a January report by Credit Suisse. Many European consumers are seeking to restructure Gazprom contracts around hub-based spot pricing, which is currently cheaper than oil-indexed contracts. Added to the mix is Ukraine, which Kornilov called "a black hole" in terms of forecasting. It is unclear how much gas Ukraine will purchase off Russia this year and at what price. Ukraine's economic crisis and civil war in the east saw demand drop by one-fifth by the end of last year, and a pricing and debt repayment dispute between Kiev and Gazprom could lead to Russia cutting Ukraine's gas supply, as it did last summer.

On the upside, Gazprom's sales abroad, which are denominated mostly in foreign currencies, will inflate due to ruble depreciation, at least in the short term. But a Gazprom return to pre-2014 earnings will be slow and depend greatly on when oil prices rise.

Competition from the United States, which is gearing up to become a key supplier of LNG in Europe, will also limit any significant gains the company receives from its traditional market. Contracts with China will be essential for a recovery, Kornilov notes, although they won’t have a serious impact on revenues for at least another five years, as it will take time to raise exports to the full-contract level of 38 billion cubic meters a year.

Last month, Gazprom announced a 21 percent cut in 2015 capital expenditure to $30 billion, echoing similar reductions in investment across the global energy sector due to cheap oil. But the company has claimed to investors this will have little impacts on planned projects in the upcoming year. Gazprom CFO Andrei Kruglov told television station Rossia-24 last month that the firm would be able to fund projects even if oil prices dipped to between $30 and $40 per barrel. “The company will be ready to implement all of its investment plans even at such oil prices” he said.

A key reason for this is the fall of the ruble, which has tumbled over 40 percent against the U.S. dollar since last summer. Gazprom says 80 percent of its operational costs are ruble-denominated, so looking at the dollar price of oil is “misleading,” said Yevgeny Solovyov, an analyst at Societe Generale. Gazprom is building the Power of Siberia pipeline to China after signing a 30-year gas supply deal worth $400 billion in Beijing last May. Construction is set to start this year and will cost over $20 billion. Meanwhile, work on a “Turkish Stream,” pipeline connecting Russia to Turkey via the Black Sea could also start as early as the end of 2015, depending on the length of the planning phase. “I don’t expect to see any significant spending cuts on these projects,” said Kornilov, although he warned that smaller projects could be delayed.

But if ruble devaluation softens the effect of export price falls, it has inflated Gazprom’s debt, which is mostly denominated in U.S. dollars and euros. At the end of September, Gazprom’s net debt stood at 1.27 trillion rubles ($20 billion), a 14 percent rise in ruble terms from the end of 2013. But the Russian currency has since lost one-third of its value, meaning the company’s debt could climb far higher as measured in rubles. Yet Gazprom’s core EBITDA earnings are estimated to total $43.8 billion last year, according to Credit Suisse, putting the company in a far better position than Rosneft, the state-owned Russian oil giant, which is struggling with a $60 billion debt mountain that is higher than the company’s net market value.

Gazprom, excluding its oil-focused subsidiary Gazprom Neft, also benefits from easier access to Western financial markets than Rosneft and other Russian energy firms that have been targeted by sanctions. “Foreign markets are still pretty open for Gazprom,” said Kornilov, as evidenced by the signing of short-term loan agreements with two Italian banks late last year. Loans worth 740 million euros ($785 million) were agreed with UniCredit in December and Milan-based Intesa Sanpaolo in January. But although Gazprom has not been sanctioned, it still faces higher costs due to market wariness of Russia. “All Russian companies are facing a lot more delays, scrutiny and diligence with Western bankers in agreeing to new loans, so there will be delays and increased costs,” said Societe Generale’s Solovyov.

Oil tycoon: Russians financed The U.S. anti-fracking movement

Forbes, *14.03.2015*

Russians financed the anti-fracking movement in the United States, an American oil tycoon alleged during the Forbes Reinventing America Summit in Chicago.

"Russia's spent a great deal of money over here to cause a panic in the US over fracking to stop it, because suddenly their market share is going away," Continental Resources CLR -2.75% Chairman and CEO Harold Hamm said, the southwest bureau chief for Forbes Media. "There was a lot of money spent in the U.S. to send people into a panic over fracking because they wanted to stop what we were doing. They saw this coming,"

Hamm's comments bring to American soil an allegation made last year by NATO chief Anders Fogh Rasmussen, who charged that Russians were funding anti-fracking movements in Europe and the former Soviet Union. Like Hamm, Rasmussen offered no smoking gun, though Foreign Policy magazine found some credibility in the charge: "Well-organized and well-funded environmental opposition to fracking in Europe sprang up suddenly in countries such as Bulgaria and Ukraine, which had shown little prior concern for the environment but which are heavily dependent on Russia for energy supplies. Similar movements have also targeted Europe's plans to build pipelines that would offer an alternative to reliance on Moscow."

Hamm pioneered development of the Bakken shale formation in North Dakota, using horizontal drilling and hydraulic fracturing to extract oil from deep shale deposits. Oil production in the Bakken has boomed from less than 200,000 barrels a day in 2007 to more than 1.3 million this year, according to the U.S. Energy Information Agency. So dramatic has been the impact of resources like the Bakken in the international market that the Heritage Foundation's chief economist recommended Hamm for the Nobel Peace Prize, in part for weakening Russia's stronghold on European energy supplies.

Hamm brought up the Russians after Helman asked him to clarify the difference between horizontal drilling and hydraulic fracturing, or fracking. "It's horizontal drilling" that's new, Hamm said. "Fracking's been around for 60 years. 1947 was the first time Erle P. Halliburton fracked a well in Oklahoma." Fracking is "a method to open up the natural fractures in the formation to where they will produce," Hamm said, while horizontal drilling allows wells to extend 3 miles sideways into the earth. Nonetheless, and perhaps with the aid of the Russians, it's the fracking label that sticks. Forbes has called Hamm a "fracking pioneer" and "fracking king" (See Helman's profile of Hamm here), and both ABC and NBC called him a "fracking tycoon" earlier this year when he wrote a $975 million check to settle a divorce.

A shift under way in Gazprom's relations with Europe

The Financial Times, *15.03.2015*

For all its reputation as a monolith, Gazprom has not sat still in the three and a half years since the EU investigation started. The Russian company has renegotiated many of its major European contracts to lower prices and give greater weighting to spot pricing.

And in the past year, Gazprom has begun a more drastic reassessment of its relations with Europe: in May it signed a $400bn contract to deliver gas to China and turned its focus to building new Asian markets for its gas. It has also given up on its strategy of controlling the full supply chain, a longstanding bone of contention with Brussels.

It late last year cancelled the South Stream project and pulled out of a planned asset swap with Germany's BASF. Nonetheless, Gazprom remains highly dependent on Europe, which accounts for more than 60 per cent of its revenues from gas sales. As such, a settlement with the commission may be an appealing solution for the company, according to a person with knowledge of its thinking. Some in Brussels may think the same way given Europe's continued dependence on Russian gas.

The question is whether, with the biggest security crisis since the cold war in Ukraine, the two sides will have the legal and political space to do so. One potential hitch to a deal is legal. Every presentation slide used by Gazprom includes a disclaimer: "nothing here implies that Russia or Gazprom recognises the EU's jurisdiction." This is no trifle. Even if Gazprom were to agree terms with the commission the settlement would have to be legally binding. Brussels would insist on the use of a "monitoring trustee", empowered to pry and hold Gazprom to its word. But politics may prove an even greater barrier, with the Russian government, Gazprom's controlling shareholder, unlikely to accept any perceived loss of face. "This cliché that everything was decided by the Kremlin — it wasn't much true going into the crisis," says one person familiar with Gazprom's thinking. "[But] increasingly it is."

Russian government courts western investors

Natural Gas Europe, *15.03.2015*

Russian Energy Minister Alexander Novak continues negotiations and diplomatic meetings with oil and gas companies, promoting their investments in domestic fields. For the moment, the government wants to avoid early exits and expensive confrontations with majors.

Novak met with Rex Tillerson, ExxonMobil's CEO. Rumours indicate that the company could ask Moscow to reimburse taxes, as the US-headquartered major considers it has paid too many taxes for the Sakhalin-1 project. Meanwhile, the Russian Government continued talking about energy issues, discussing ways to remain competitive on a global scale.

"We must maintain our leading positions in global energy production. It is imperative that we pursue a flexible export policy, expand the energy exports list, minimise costs and improve transport infrastructure for developing new fields and expanding exports. We must increase our presence in new fast-growing markets, primarily, the Asia-Pacific region, while honouring all our obligations to our European customers" Prime Minister Dmitry Medvedev said. He added that foreign investors should be presented with clear instructions regarding taxation and customs regulations, increasing transparency and long-term attractiveness. .

EU leaders want more transparency over Russian gas contracts

Anadolu Agency, *20.03.2015*

European Union leaders agreed to reinforce transparency in natural gas contracts with external suppliers such as Russia. The European Council said in a statement that the bloc is committed to "ensuring full compliance with EU law of all agreements related to the buying of gas from external suppliers, notably by reinforcing transparency of such agreements and compatibility with EU energy security provisions."

"As regards commercial gas supply contracts, the confidentiality of commercially sensitive information needs to be guaranteed," the statement said.

European Council President Donald Tusk said after the talks on Thursday: “An effective energy union can fundamentally improve the situation in Europe by ensuring cheap, safe and sustainable energy for all.” “We have just taken a big step forward,” he added. EU heads of government held discussions for the first time on developing closer energy ties on Thursday in Brussels. “It was a good first discussion, and a tough discussion, about a project that has great potential,” Tusk said. “All leaders agreed to reinforce transparency in the gas market so suppliers cannot abuse their position to break EU law and reduce our energy security,” Tusk added.

The decisison is part of an energy union deal, aiming to reduce the 28-nation bloc’s energy dependency on its main gas supplier Russia amid the crisis in Ukraine. The European Union announced on Feb.25 its energy union plan, which includes pushing for increasing the security of the bloc’s energy supply, reducing energyprices and shifting to low-carbon technologies. Part of the energy union project involves establishing a more competitive and stable legal framework in Europe for the energy market. Another part calls for providing increased choice of energy suppliers for consumers. Still another part of the union agreement calls for the full integration of Europe’s energy supply and operations. Under the energy union, the EU wants member states to allow at least 10 percent of their electricity to be transported across borders to their neighboring countries by 2020, in a move which is expected to reduce electricity prices for consumers.

The European Union has imposed sanctions on Russia for its role in the conflict in Ukraine, and for its annexation of the Ukrainian region of the Crimea. There is concern that Russia will use its position as principal supplier of gas to Europe as political leverage. The EU seeks to reduce its dependence on Russia as a consequence. The EU, the largest energy importer in the world, imports 53 percent of its energy at an annual cost of around €400 billion ($426.8 billion), according to the European Commission.

ENTSOG opens consultation process

Natural Gas Europe, *16.03.2015*

European decision-makers should send appropriate signals to the market to promote investments and avoid further delays that could leave the Continent unprepared to cope with the growing dependency on gas imports, said the European Networks of Transmission System Operators for Gas (ENTSOG).

According to the Ten Year Network Development Plan (TYNDP) report, construction works are normally on time. On the other hand, the Final Investment Decision for many projects have been postponed on barriers related to regulatory frameworks.

‘In some cases these stem from a lack of implementation of European regulation preventing a well-functioning market which is a major prerequisite for investment decisions. In other cases, some national frameworks are perceived as excessively focusing on the reduction of the regulated tariff, not recognizing the economic benefits of further market integration and therefore granting unsufficient rate of return’ reads the report. While saying that over the next two decades the evolution of European gas demand is ‘likely to be driven mostly by the use of gas in the power generation sector’, ENTSOG confirmed there are projects that would increase energy security across Europe.

‘As in previous editions, this TYNDP confirms that market integration in Europe can be achieved if necessary projects are decided. From a regulatory perspective, such decisions will require a full and timely implementation of European regulation taking into consideration the economic benefit of well-developed infrastructures.’ The organisation also opened a three-month consultation process, which will lead it to the final document to be submitted to ACER. In an analysis published in November 2014, ENTSOG said that there are no countries set to experience a decreased interconnection with their neighbours in the next 5 years. The only exception comes from a possible decline in capacity from Slovakia to Czech Republic.

How’s European gas race going?

Azer News, *17.03.2015*

Looking at developments the European Union has given the impression that it is working to solve both the Ukrainian crisis and find a solution to its energy problem. Coming next winter, the EU would need to have all its ducks in a row if it is to extract itself from under Russia’s control.

Energy officials from Brussels to Sofia are pushing forward to secure more Caspian volumes against Russian gas leverage in an effort to secure gas for both their nationals and their businesses. As it happens, the EU officials could just have found the solution they were looking for as they turned east to the Caspian region to solve their energy conundrum.

Europe first considered Azerbaijan, the initiator of the only Caspian gas supply route in Western direction, and energy-rich Turkmenistan, but later turned to Moscow with a new proposal to join the TAP. “Russia can use the Trans Adriatic Pipeline from a regulatory and political perspective, for shipping its gas to the EU countries, if the country builds the “Turkish Stream” pipeline,” Brendan Devlin, advisor in the European Commission’s DG energy told EurActiv. “It doesn’t matter who the shipper is, and we don’t care if it is Russian gas, Libyan gas and Azerbaijani gas. The internal market works like that. It’s the rules that we have set up for Russia, or for Gazprom,” Devlin said. “And as we require them to implement those rules, they are free and welcome to use pipelines in the European Union on the same basis.

TAP, one of the core links of the Southern Gas Corridor designed to Supply Shah-Deniz gas to Europe, has been granted an exemption from Third Party Access. But, beyond this exemption, TAP is subject to TPA as any other pipeline in the EU under the EU legislation. However, this does not nullify pipeline's commitment to transport Azerbaijani Shah Deniz-2 gas to the European market. It seems now that not only Russia has changed its tactics—using third parties as Turkey to bring gas to the EU borders, it looks Europe has tried to win more discounts. Chi Kong Chyong, the research associate at the Judge Business School and director of the Energy Policy Forum at the University of Cambridge, believes it was a rather intelligent decision by regulators to exempt only the first phase of the TAP from TPA, since a fair competition should be applied to all suppliers who would like to use extra capacity, including shippers with Russian gas. "This is exactly what the Russians are pointing to if you analyze their proposal for inland pipeline connecting the Turkish Stream offshore with Greece-Turkey border – the end point of this onshore pipeline is just 10km away from the entry point of TAP," he wrote in an e-mail to AzerNews.

The expert notes that if Russia wants a 'free ride' and use the capacity of TAP they can do this by just lowering the price. "Hence, price competition might emerge between Russia and say Azerbaijan. This is exactly what Europe needs, as a consumer," the expert notes. The EU officials earlier insisted that the South Stream could not bring gas into Europe unless it confirmed to European energy competition rules, which would include allowing other suppliers to put gas into the pipeline. While some analysts doubt the feasibility of the Turkish Stream, which replaced the South Stream, others say a route to Turkey makes strategic sense.

Chi Kong Chyong said the European Commission has officially stated in its recent European Energy Union Strategy that it welcomes both supply and route diversification. "Russia is only mentioned once in the context of revising Europe-Russia energy relations when the 'time is right'. What one can tell from this is that there is a political will from the European Commission to diversify away from Russia. This, of course makes the Turkish Stream politically unpalatable for Europe, at least for the time being and this of course is a function of Russian-Ukrainian conflict," he wrote. The expert notes that should Europe welcome the Turkish Stream, the latest version of Russia's pipeline politics, it could potentially drive down Europe's gas import bill. "The Turkish Stream is as about bypassing Ukraine as it is about foreclosing competition from Caspian gas, particular coming from Azerbaijan and potentially from Turkmenistan, Iran, Iraq and Eastern Mediterranean Sea – Turkish Stream is Russia's policy insurance against supply disruption on the Ukrainian route but more importantly against a potential loss of market share to other supplies in that region."

Studies have predicted the use of natural gas in Europe to increase 1.5% annually, and the consumption to hit 550 billion cubic meters in Europe in 2020. At present, 160 billion cubic meters of the gas consumed in Europe comes from Europe, but this will fall to 140 billion cubic meters by 2020. As domestic production falls, EU states are increasingly dependent on imports from other regions in the world to meet their growing natural gas requirements. Speaking about what could be Europe's choice for supply routes, Chi Kong Chyong notes that Europe, as a net importer of energy, should have a strong interest in having well-functioning internal market so that to minimize market power and distortions – "a rational policy would be of course to welcome supply and route diversification, as it is officially stated in Europe's policy documents".

However, the expert does not exclude LNG both in terms of quantity and cost as other supply option in the long-term, saying “unless magic happens and shale gas potential can be unlocked in Europe, which I am skeptical about, especially observing the direction of the European energy policy – a strong call for further efficiency and more renewable.” “There is indeed a more serious concern which goes much deeper than the question about energy security and supply diversification - a more problematic question, which affects all gas supply options to Europe is the wider future of natural gas in Europe over the 2025–2030 time horizon,” the expert concluded. Gas should represent about 31% of the world energy demand growth between 2005 and 2020 (coal 25% and oil 22%), according to Enerdata. The European gas consumption should increase by 40% until 2020. The power sector is the main driver of this growth, capturing 53% of this increase.

European business: Gas a key issue

Natural Gas Europe, *17.03.2015*

Energy – specifically gas – is a key issue for European business, according to Markus Beyrer, Director General, Business Europe.

“If the crisis has told us one thing, it’s that we won’t be able to be successful without a strong and competitive industry in Europe,” he said. “We know we won’t be able to have a strong industrial base in Europe without secure energy supplies at a competitive price – this is why it’s key for us.” He noted that natural gas is the main fuel for 200 million European citizens, who use it to warm their households, but it’s also crucial for European industry which uses 150 BCM/a.

Production costs in many sectors, he said, heavily depend on natural gas prices, which is why Business Europe is weighing in on the debate. Despite overall demand declining, Mr. Beyrer said he expects the share of gas to go upwards. “This will, of course, depend on the decisions we are taking. We are convinced we need a strong European strategy in this field,” he said. “We will need a new European energy policy more focused on the security of supply, more focused on competitiveness,” he added, admitting some progress has been made on liberalization of the market.

Meanwhile, he said, Europe is much less dependent on oil-linked contracts, overall a positive development despite the low oil price at present. “We see that the hub-based system is improving the situation,” he observed. Still, he offered that some believe that Europe is dependent upon too few gas suppliers, and that European industry is is struggling with many things, among them high prices. Mr. Beyrer stated: “This is something undermining our competitiveness.” To illustrate his point, he explained that gas cost $4/mmBtu in the US, while in Rotterdam it runs about double that, at $8/mmBtu. “It used to be $10, but the low oil prices have started to play into this. It means that we have a ration of more or less half the price, and you can see this in investments of certain industrial branches no longer happening in Europe but other parts of the world, notably in the US,” he explained.

The higher cost of environmental issues in Europe in regards to climate action, he said, adds to the energy price phenomenon. According to Mr. Beyrer, Europe's priorities should include improvement of the physical network for gas, which he said is about interconnection and making sure the European network is sufficiently fuelled. Progress, he said, has been seen there and in steps towards the single market.

Diversifying suppliers, he said, means both externally and internally. "Aside from building relations with existing suppliers, there are other possibilities."If you look west, you have LNG. This is very much part of the negotiations we are having with the US on the Transatlantic Trade and Investment Partnership (TTIP) to make sure their export bans on gas are lifted," he explained. Secure ways of delivering Russian gas, he said, are also important. "We also need a decent route to Central Europe, because otherwise we'll have a missing link there." Options in Central Asia and the Middle East for gas, said Mr. Beyrer, also need to be explored. "We also need secure ways of bringing gas from the Black Sea and Eastern Mediterranean to Europe," he explained, saying that required a correct framework.

Some hope, according to him, may be found in the Juncker Plan on investment as well as the efforts of the Energy Union. "More needs to be done and the right incentives need to be found." Of indigenous resources, he said it is not the right moment to be speaking of shale gas, which he still believes needs to be explored in Europe. Regarding the regulatory environment, Mr. Beyrer stated that tax and fee surcharges on gas are burdening competitiveness. "Politicians shouldn't see energy as an alternative source of taxation," he opined. "We are committed to the climate policy goals, but we need to stop thinking we'll be able, at 10% of global emissions, to solve a global problem," he continued, explaining that global warming needs to be addressed at a worldwide level, according to which Europe can adapt its ambitions. The European business community, he said, is absorbing many of the negative consequences of the difficult geopolitical climate in connection with EU-Russia relations.

Ineos seeks to convince Scots over shale gas fracking

The Financial Times, *17.03.2015*

A charm offensive has been launched to convince Scots of the benefits of shale gas "fracking", with chemicals group Ineos promising to pump hundreds of millions of pounds into communities where the controversial technology is used.

The campaign underscores the company's determination to tap unconventional gas to secure the future of its Grangemouth refinery complex despite a fracking moratorium announced by the Scottish government. Ineos would be seeking to "get the public onside" by persuading communities that fracking was safe, first in areas where the company already has fracking licences said Tom Crotty.

“That will be involving us in drinking a lot of tea in a lot of village halls,” Mr Crotty said. The Scottish moratorium and a simultaneous tightening of controls south of the border were a response to public doubts about the safety and environmental impact of fracking, in which high pressure fluids are used to fracture rock and extract gas. Ineos has said the sprawling Grangemouth plant, Scotland’s most important industrial complex, may not survive in the long term without access to local shale gas. A scheme to replace dwindling supplies of North Sea gas with imported US shale gas has secured Grangemouth for the next “15 plus” years, Mr Crotty said. “Beyond that period is an unknown,” he said. “The only way to be sure of the future . . . is for Scotland to have its own gas.”

Ineos’s Scottish fracking plans have prompted a range of often fierce objections, including opposition from climate campaigners opposed to the tapping of new fossil fuel resources, environmental activists worried about the impact on water quality and local groups concerned about the industrialisation of rural areas. “Fracking is a dangerous, dirty industry and all the money in the world can’t hide that,” said Mary Church, of environmental group Friends of the Earth Scotland. “No amount of slick roadshows are going to allay the concerns of communities,” she said. Ms Church also dismissed as “pie in the sky” Ineos’s promise of large payments for communities where fracking goes ahead. The company announced last year that it would pay 4 per cent of shale gas revenues to landowners and homeowners and 2 per cent to community projects.

A typical “shale gas community” spread over 100 square kilometres would be host to about 200 wells, generating a total of £375m in payments over their life including a potential £125m towards projects such as new schools, parks or community centres, Ineos said.
The Scottish moratorium had not had any impact on Ineos’s preparations to extract shale gas as it was still engaged in preparatory work and was confident any review would support the use of fracking, Mr Crotty said. “We have a very steady process that we need to go through over the next year to make sure what we are doing is safe and that it gets approvals,” he said.

Poland may have more tight gas than conventional fuel

Bloomberg, *17.03.2015*

Poland’s estimated recoverable reserves of so-called tight gas are probably higher than its proven conventional deposits of the fuel.

The nation may be able to recover about 10 percent of as much as 2 tcm of undiscovered gas in place in tight fuel reservoirs, the institute said in Warsaw. That compares with conventional proven reserves of 134 bcm of gas. Exploration of tight gas, which is trapped in impermeable rocks and requires techniques including hydraulic fracturing to extract, may revive the nation’s hopes to boost gas output and cut dependence on Russian fuel.

Recoverable shale reserves estimated at as much as 768 billion cubic meters by the PGI have failed to lead to increased production, leading foreign investors from Chevron Corp. to Exxon Mobil Corp. to abandon shale gas projects in the nation. While production of tight gas is technically easier than breaking into shale deposits, layers can be as deep as 6,000 meters (20,000 feet), potentially hurting the viability of drilling, Hubert Kiersnowski, a co-author of the PGI report, said at a news briefing. “These estimates are good news for investors,” Marcin Zieba, general director at the Polish Exploration and Production Industry Organization, told Bloomberg News. “Depth like any problem can be overcome.”

Debate on gas contract secrecy overshadows EU quest for energy union

Reuters, *18.03.2015*

A push to make gas contracts agreed with countries such as Russia more transparent has pitched Poland against Germany ahead of energy talks among European Union leaders. The Brussels summit is meant to advance progress towards a single energy union in which power and gas would flow freely across borders, reducing the bloc’s reliance on Russian gas and countering Gazprom’s divide-and-rule tendency.

But the danger is the focus will be on a clash between Germany, which has negotiated successfully with Gazprom, and Poland, which pays higher prices, EU sources say.

They said Hungary, whose nuclear contract with Russia has led to objections from EU regulators, also has reservations. A draft prepared for the summit, seen by Reuters, calls for greater transparency on the gas market by ensuring “all agreements with external suppliers that may affect EU energy security” conform to EU law. “Confidentiality of commercially sensitive information will be safeguarded,” it says. EU sources, speaking on condition of anonymity, made clear this would relate only to intergovernmental agreements. These have involved gas-buying by East European governments or cover pipelines between nations, such as Russia’s abandoned South Stream project, whose failure was linked to its non-compliance with EU law. There are around 40 intergovernmental contracts, compared with some 300 commercial gas-supply contracts with companies, whose terms are closely guarded.

Gazprom, which supplies about a third of EU gas, is the target of an EU antitrust investigation for allegedly overcharging customers in Eastern Europe, thwarting rival suppliers and blocking the free flow of gas. The prices Gazprom charges are not public. Industry estimates have found Poland pays $370 (252 pounds) per thousand cubic metres compared with $310 for Germany. Even with commercial deals excluded, EU diplomats said Germany was opposed and that more transparency could lead to the disclosure of sensitive data.

Claudio de Vincenti, Italy's deputy industry minister, told reporters he favoured "an ex-ante interaction between the European Commission and member states" on energy contracts. Other nations say EU executive involvement could lead to lower prices. However, analyst Tim Boersma of the Brookings Institution in Washington said transparency alone would not solve the problem. "The focus should be on increasing competition, foremost by (infrastructure) investments to integrate markets," he said. Cheaper oil LCOc1, which has knock-on effects for gas prices, has improved the position of Poland's state-run PGNiG PGW.WA. The company is renegotiating with Gazprom, as are German utilities such as RWE. Industry association IOGP, which represents oil and gas producers, welcomed EU diplomatic support in negotiations, but said the Commission "should not have a role in markets where contracts are agreed on a commercial basis".

Norway industry sends good energy security news to Brussels

Natural Gas Europe, *18.03.2015*

While the Dutch gas industry continues suffering, recent developments in Norway are good news, with a mix of positive explorations results and production coming on stream hinting at a stable production levels.

Statoil announced a gas discovery in the Snefrid Nord prospect in the Norwegian Sea. According to the company, the discovery will contribute to the Aasta Hansteen field development. "The Snefrid Nord discovery increases the resource base for the Aasta Hansteen field development project by around 15%" Irene Rummelhoff, senior vice president exploration Norway in Statoil, commented in a note.

The discovery well proved a 105-metre gas column in the Nise Formation, with estimates ranging between 31 and 57 millions of recoverable oil equivalent. "Near-field exploration is the main focus of our Norwegian continental shelf exploration programme in 2015," Rummelhoff added. According to the Norwegian Petroleum Directorate, this is the fifth exploration well in production licence 218, which was awarded on 2 February 1996 in the 15th licensing round.

Knarr, a gas and oil field about 100 kilometres (62.14 miles) north of the Statfjord field in the North Sea, started oil production. 'BG Group today announced the Petrojarl Knarr floating production, storage and offloading (FPSO) vessel had started production from the Knarr oil field in the North Sea, offshore Norway' reads a communiqué published by the UK-based company. Norway-headquartered Aker Solutions reiterated its commitment to subsea and field design markets, explaining that the split in two companies announced in September will help it reducing complexity and bringing down costs.

‘Aker Solutions yesterday won a contract from Statoil to deliver a concept study for future phases of the North Sea Johan Sverdrup development,’ Aker Solutions wrote on its website. Meanwhile, Dutch gas trading company GasTerra announced a decrease in gas volumes and revenues. ‘This decrease has two main causes. Firstly, the volume reduced due to higher average temperatures and the decision by the Dutch government to limit the gas production in Groningen to a maximum of 42.5 billion cubic meters’ GasTerra reported.

U.S. : Europe needs eastern gas links to curb Russian dominance

Reuters, *19.03.2015*

U.S. energy envoy Amos Hochstein urged southeast European states to build new gas links and focus on smaller projects to curb reliance on supplies from Russia.

States in the region such as Hungary and Serbia are looking to boost energy security following the collapse of the Kremlin-backed South Stream gas project that would have carried Russian gas through a pipeline bypassing Ukraine. An alternative floated, the region’s dominant supplier, would be Turkish Stream. It would pump gas originally planned for South Stream into Turkey and then possibly north into southeast and central Europe via new gas links.

“It is hard for me to understand the difference between Turkish Stream and South Stream outside the name and a slight deviation of the route,” Hochstein told an energy conference. He said the region, which depends on Russia for almost all its gas, faced risks by looking for “easy magic bullets” which distracted attention from separate, smaller projects. Hochstein said Russia would remain a “critical player” in European gas supplies, but other energy sources and routes were needed to boost security. He said improvements in infrastructure were needed, possibly with European Union help, to ensure gas from elsewhere, such the Trans Adriatic Gas Pipeline (TAP) scheduled to carry Azeri gas to Europe by 2020, gets to the region.

Connections between Greece, Bulgaria and north into Romania, Hungary and Serbia via pipelines capable of so-called reverse flows of gas were far cheaper than rival “mega projects” and were “eminently doable,” Hochstein said. He said U.S. officials have had several discussions with the new Greek government about putting a floating liquefied natural gas terminal in Thessaloniki, so the link between Greece and Bulgaria does not depend on the Southern Corridor project. The Southern Corridor is designed to improve the security of the European Union’s energy supply by bringing natural gas from the Caspian region. Hochstein also urged Croatia to build an LNG terminal on Krk island, which he said should be a top priority for Europe.

Wintershall continues organic growth, maintains focus on Russia, Norway

Natural Gas Europe, *19.03.2015*

Wintershall reported better results than its peers, registering a slight year-on-year decline, but better financial performances than the average of the last five years.

“Despite the low oil price, especially in the fourth quarter, in 2014 we achieved the second-best result in the company’s history,” Rainer Seele, Wintershall Chairman of the Executive Board, commented. The BASF’s subsidiary said it increased production in Russia and Norway, which partially offset the interruptions in Libya. The company said it wants to increase production, capitalising on projects in Siberia, Norway and Argentina.

“Wintershall will invest at least four billion euros in expanding its oil and gas activities during the next five years, in particular in Norway, Argentina and Russia. The strategy remains the same: we want to achieve more profitable growth at the source and continue our focused diversification.” Seele said that the company wants to maintain domestic production at current levels. “Crude oil and natural gas production in Germany must not be endangered due to confusion between tight and shale gas as well as a result of inaccurate and uninformed discussions,” he argued.

ENI announces discovery in Libya, EU discusses crisis in North African Country

Natural Gas Europe, *16.03.2015*

Milan-headquartered ENI announced a discovery of gas and condensates offshore Libya in the Bahr Essalam South exploration prospect in Area D, adding that the proximity to existing infrastructures will accelerate developments despite the current geopolitical complexities.

‘This exploration success further confirms the enormous potential of Libyan gas resources. The future development of Libyan resources will allow supporting the growth of the domestic consumption and industry, while maintaining Libya’s position as a strategic supplier for Italy and Europe’ reads the note released.

The company, which holds 100% working interest in the exploration phase of Contract Area D, explained that the discovery is 82 kilometres from the coast. Over the last hours, the European Union increased its focus on the crisis in Libya, with European Commission Vice-President Federica Mogherini speaking about it with the Secretary-General of the United Nations Bank Ki-moon. On Monday, the Foreign Affairs Council also discussed the topic.

'As you know, it is a crisis that affects very much the region, but also directly the European Union, all of the European Union' Mogherini commented. After announcing plans in Egypt over the weekend, the six-legged dog also upgraded estimates for Merakes-1 gas finding in Indonesia from 1.3 Tcf to 2 Tcf of gas in place, trying to react to the share price plunge registered on the Milan Exchange.

Egypt eyeing Tamar and Aphrodite

Natural Gas Europe, *19.03.2015*

Noble Energy will soon announce the Aphrodite field commercially viable. The field was discovered by the Texan company in Block 12 of Cyprus' Exclusive Economic Zone in 2011 and is estimated to hold 4.54 Tcf. The Cypriot government was originally planning the construction of an onshore LNG terminal on the Vassilikos coast to export its offshore hydrocarbon.

However, such undertaking requires large investments and given that no other discovery was made in Cypriot waters, the island is now exploring alternative options for the commercialisation of its offshore riches.

Cyprus Hydrocarbon Company recently signed an MOU with Egypt's natural gas holding company to begin talks to export Cypriot gas via an undersea pipeline to Egypt. Exporting the gas to Egypt will allow the development of Cyprus' offshore field. Cyprus could also use Egypt's unused export terminals to reach far-reaching markets. Egypt is looking for regional suppliers of natural gas as it is undergoing a severe energy crisis at home due to a flat production and ongoing export obligations. Cyprus is not the only potential supplier. Israel too could provide Egypt with the needed gas. Egypt was once Israel's main natural gas supplier and the two countries are not engaged in talks to enter a gas deal, but this time the gas will flow in the opposite direction, from Israel to Egypt.

According to a press release published by Israel's Delek Drilling, one of the partners to the Tamar field, a letter intent to export natural gas from the Tamar field to Egypt was signed with Dolphinus Holdings Limited. According to the agreement, the volume of natural gas that will be exported is expected to be based on the volume of surplus gas available to the Tamar Partners from the Tamar Project, on an interruptible basis, over a period of 7 years. The contract provides that the Tamar Partners will offer to supply the Buyer a minimum cumulative volume of 5 BCM for the first 3 years of the contract, subject to the daily limit of up to 250,000 MMBtu per day.

Egypt's role is increasingly important in the region, not only as a potential customer for East Med gas but also as a route to reach lucrative markets. Cyprus' change of priorities, the LNG option being off the agenda in the near future and Israel's opting for a pipeline strategy have put Egypt in a strategic position. It is yet unclear whether Cypriot or Israeli gas will reach Egypt first, but given that Israel is already producing gas from the Tamar field, and despite the regulatory hurdles that may impede regional deals, it is expected that Israeli gas will be delivered to the Egyptian neighbour before the development of Aphrodite.

Egypt signs MoC with BP on oil and gas projects

Anadolu Agency, *17.03.2015*

Egypt and British Petroleum signed a Memorandum of Commencement on new projects worth $12 billion to develop oil and natural gas in Egypt. "This will include the execution of the West Nile Delta project, exploration and resource appraisal activities, East Nile Delta operations and future activities and Gulf of Suez operations and future activities," BP told.

The West Nile Delta project aims to develop 5 trillion cubic feet (141.5 billion cubic meters) of natural gas, which is expected to reach up to 1.2 billion cubic feet (36 million cubic meters) of production per day.

This amount is equivalent to more than 25 percent of Egypt's current production and will be directed fully to the domestic market, BP said in their statement. The exploration and appraisal program includes furthering BP's previously announced discoveries in Salamat and Atoll, in addition to the company's activities in its newly-awarded blocks offshore and onshore. The British oil giant said on March 9 that it discovered natural gas in Egypt's offshore at the Atoll-1 deepwater exploration well, while it had announced on Sep. 2013 that it made a natural gas discovery in the East Nile Delta in the deepwater exploration well named Salamat.

For the Gulf of Suez operations and future activities, BP said it will continue development and exploration activities to maintain production despite the decline of the mature fields. "We appreciate the strong relationship we have with BP and consider this Memorandum another key achievement in our long term partnership with the company," said Egypt's Minister of Petroleum and Mineral Resources Sherif Ismail. Noting that BP has a record of more than 50 years in the country, Dudley said his company is keen to play a key role in securing the country's energy future. "BP also intends to continue to invest in our existing oil operations, as well as progressing our recently discovered resources to allow for the next new major development after the West Nile Delta," BP North Africa Regional President Hesham Mekawi said.

China’s energy consumption, oil and gas imports on rise

Anadolu Agency, *18.03.2015*

China’s energy consumption is growing fast, while its crude oil and natural gas imports are on the rise, a Chinese official said.

“There is rapid growth in China’s energy consumption, while crude oil and natural gas imports are also increasing,” said Zhao Xianliang, the director general of Oil and Gas Strategic Research Center at China’s Ministry of Land and Resources. According to the U.S.’ Energy Information Administration, the world’s second biggest oil importer’s crude intake rose in 2013 to 5.84 million barrels a day from 5.61 million barrels per day in 2012.

Moreover, China’s crude oil imports increased to 6.18 million barrels a day in 2014, Joint Organizations Data Initiative, JODI, figures show. Speaking at the 14th Turkish International Oil and Gas Conference in Ankara, Xianliang talked about China’s oil and gas development and cooperation opportunities. He said the country’s recoverable reserves continue to grow as China is providing new supply systems for its increasing energy demand. “The Ministry of Land and Resources actively promotes upstream oil and gas activities,” Xianliang said. “However, it is difficult to adjust carbon-intensive models. China is facing serious deterioration of its environment,” he said.

The world’s second biggest economy is the largest coal consumer in the globe, and the country aims for non-fossil usage with its new energy program to reduce carbon emission rates and air pollution which is rife in the country. Although consuming more than half of the 7.8 billion tons of global coal production in 2013, China’s coal imports fell nine percent in February to reach 15.3 million tons, compared to January, and declined 33 percent from a year ago, according to the General Administration of Customs. In January, coal imports fell more than 50 percent year-on-year, while the country’s coal usage declined 2.9 percent in 2014, as it consumed some 3.5 billion tons of coal in 2013.

US oil growth expected to fall gradually in 2015

Anadolu Agency, *18.03.2015*

U.S. oil production growth is expected to decline gradually towards the end of the year with falling oil rigs, said Goldman Sachs. "The current rig count is pointing to U.S. production declining sequentially in 2Q15," said the U.S. multinational investment banking firm on its weekly rig monitor published.

According to Baker Hughes, the number of oil drilling rigs in the U.S. dropped last week by 56 to reach 866, marking a decrease over 14 consecutive weeks. This also represents a 46 percent fall since October when the number of rigs was at an all-time high at 1,609, and also indicates a negative effect on oil output.

Goldman Sachs expects U.S. year-on-year oil production growth to fall in each quarter towards the end of the year and decline further at the beginning of 2016. The year-on-year oil production growth in the U.S. was 1.2 million barrels a day in the first quarter of 2015, while the investment bank expects this to fall to 850,000 in the second quarter and 504,000 barrels per day in the third quarter. Moreover, the multinational firm projects the year-on-year oil output growth in the U.S. to 228,000 barrels a day in the final quarter of 2015 and further decline to 84,000 barrels per day in the first quarter of 2016 before it gradually increases for the remainder of next year.

With the 2008 shale revolution, the U.S. oil production increased exponentially to average 7.45 million barrels a day in 2013, and 8.7 million barrels per day in 2014. The U.S.' Energy Information Administration expects domestic crude oil production to climb to 9.3 million barrels a day in 2015 and to 9.5 million barrels a day in 2016 -- which almost matches the record level of output in U.S history which was set in 1970 with 9.6 million barrels.

Announcements & Reports

► *Welfare and Distributional Implications of Shale Gas*

Source : Brookings
Weblink : http://www.brookings.edu/~/media/projects/bpea/spring-2015/2015a_hausman.pdf

► *Oil Market Dynamics: Saudi Arabia Oil Policies and US Shale Supply Response*

Source : Oxford Energy Institute
Weblink : http://www.oxfordenergy.org/wpcms/wp-content/uploads/2015/03/Oil-Market-Dynamics-Saudi-Arabia-Oil-Policies-and-US-Shale-Supply-Response-.pdf

► *Monthly Oil Market Report*

Source : OPEC
Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMR_March_2015.pdf

► *This Week in Petroleum*

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

► *This Week in Natural Gas*

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

Upcoming Events

► *The 8th Annual European Gas Transport & Storage Summit (GTS)*

Date : 23 - 24 March 2015
Place : München - Germany
Website : http://www.gtsevent.com/

► *Rio Gas & Power Forum*

Date : 25 March 2015
Place : Rio - Brazil
Website : http://www.woodmac.com/public/events/12526327

► *Gasification 2015*

Date : 25 March 2015
Place : Prague – Czech Republic
Website : http://www.wplgroup.com/aci/conferences/eu-ecg4.asp

► *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)

► *LNG Congress Russia 2015*

Date : 31 March – 02 April 2015
Place : Moscow - Russia
Website : http://www.lngrussiacongress.com/

► *Flame 2015*

Date : 13 – 16 April 2015
Place : Amsterdam - Netherlands
Website : http://www.icbi-flame.com/?xtssot=0

► *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/

► *International SAP Conference for Oil&Gas*

Date : 14 – 16 April 2015
Place : Berlin - Germany
Website : http://uk.tacook.com/sapoilandgas

► ERTC Energy Efficiency Conference

Date : 16 April 2015
Place : Brussels - Belgium
Website : http://events.gtforum.com/energy-efficiency

► Madrid Forum

Date : 20 – 21 April 2015
Place : Madrid - Spain
Website : http://ec.europa.eu/energy/en/events/madrid-forum

► 9th Edition Global Procurement and Supply Chain Management for the Oil and Gas Industry

Date : 22 - 24 April 2015
Place : Amsterdam - Netherlands
Website : http://www.gulfoilandgas.com/WEBPRO1/Events/event_details.asp?id=2023

► FT Energy Strategies Summit

Date : 14 May 2015
Place : New York - USA
Website : https://live.ft.com/Events/2015/FT-Energy-Strategies-Summit

► Wood Mackenzie 11th Annual Exploration Summit

Date : 26 – 29 May 2015
Place : Johannesburg - South Africa
Website : http://www.woodmac.com/public/events/12526247

Supported by PETFORM

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

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

► Offshore Production Technology Summit

Date : 01 - 02 June 2015
Place : London – United Kingdom
Website : http://offshore-summit.com/

► *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/

► *World Gas Conference*

Date : 01 – 05 June 2015
Place : Paris - France
Website : http://www.wgc2015.org/

► *6th OPEC International Seminar*

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

► *FLNG*

Date : 11 - 12 June 2015
Place : London – United Kingdom
Website : http://www.mioge.com/RPGC-Congress/About-the-Conference.aspx

► *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 Inernational 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