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# Pipe dreams? Turkey aims to be gas transit hub

Daily Sabah, *23.03.2015*


**Turkey has staked a claim to become a major transit hub with two new pipelines to pump gas from Azerbaijan and Russia to Europe, but boasting may prove easier than fulfilling the ambitious projects. Turkey and Azerbaijan last week started work on the new 1,850 kilometer overland Trans-Anatolian Natural Gas Pipeline (TANAP) which by 2018 aims to provide 10 billion cubic meters of gas per year (bcma) to European consumers and 6 bcma to Turkish customers.**

**At the same time Turkish and Russian officials are in intense negotiations to agree terms for a brand new Turkish Stream pipeline under the Black Sea.**

With the EU backing TANAP and Russia behind Turkish Stream, Turkey is now placed in a hugely strategic position in the intensifying rivalry between Brussels and Moscow over gas supply. Turkey's dream is to turn the region on the western side of the country into a gas hub, where multiple pipelines will meet to pump gas to EU consumers. The EU-backed TANAP appears sure to be built, as finding returns on the $40-$45 billion investment in Azerbaijan's Shah Deniz 2 gas field depends on the pipeline.

Turkish Stream however is a far less stable proposition. Questions remain over whether Turkey has sufficient capacity to become a genuine gas hub, which requires far more than the building of pipeline infrastructure. "To be an energy hub there are a number of ingredients that are necessary, none of which exist as yet in Turkey," said Edward Chow, senior fellow at the Center for Strategic and International Studies. He pointed to the lack of a strong international banking system, a solid legal system to resolve normal commercial disputes and sufficient storage facilities. "Turkey has the advantage of location, it's near a lot of oil and gas producing countries. Being a hub takes time," he said.

The $10 billion TANAP project – whose construction was launched by President Recep Tayyip Erdogan and his Azerbaijani counterpart Ilham Aliyev – is firmly backed by the European Union, which hopes it will help Europe reduce its dependence on Russian gas. But analysts say Turkey will need to ramp up its total capacity from the initial plan of 16 bcma for it to make any major impact on the EU's goal of diversifying supplies away from President Vladimir Putin's Russia. "In the longer term if TANAP carries much more that will start to give it greater significance. That is something that will probably happen but will not be imminent," said Laurent Ruseckas, senior adviser in global gas at IHS Energy.

The plan to build Turkish Stream was dramatically announced by Putin in December in Ankara, as a replacement for the South Stream pipeline and to bypass Ukraine. But Russia and Turkey, who already operate the undersea Blue Stream pipeline, have yet to agree a final accord on Turkish Stream. In exchange for agreeing to host the pipeline, Turkey secured from Russia a reduction on its own gas imports of 10.25 percent, a welcome concession for a country with slowing growth and pressured currency. Yet Russian daily Kommersant reported last week that the negotiations had reached a “dead end’ over the pricing terms. But Turkish Energy Minister Taner Yildiz insisted that the two sides were in agreement.

Even once the agreements are signed, political will and financial backing will be needed to build the four pipelines required to create the envisaged capacity, which like South Stream is 63 bcma. Still the plan to build Turkish Stream is a sign of the strengthening relations between Russia and Turkey. The two have managed to prevent disputes over the Syria and Ukraine conflicts from damaging their emerging alliance. While TANAP could be seen as a competing project to Turkish Stream, Erdogan with conspicuous timing telephoned Putin on the evening of the TANAP ceremony to discuss the Russian-Turkish pipeline plan, the Kremlin said.

# No change in Turkey’s gas prices

Anadolu Agency, *26.03.2015*

**Turkish Lira-Dollar exchange rate will not affect natural gas prices for consumers, said Taner Yildiz.**

**Natural gas is being imported in U.S. dollars but consumed in Turkish liras, any changes in the exchange rate is expected to affect natural gas prices for households or industry. “Despite the expectations that currency changes might affect the natural gas prices, the lira-dollar exchange rate will not affect the price of gas for Turkish consumers.” Yildiz explained. “Value of the US dollar increased against Turkish Lira by 17-18 percent as of Thursday, and it brings the expectation of an increase in the natural gas prices,” he said.**

# Turkey’s gas import increases in January

Anadolu Agency, *26.03.2015*

**Turkey’s natural gas import increased by 4.3 percent to 4.9 billion cubic meters in January 2015, compared to same month of last year, according to a new report by Turkey’s energy watchdog released.**

**Turkey imported 4.7 billion cubic meters, bcm, of natural gas in January of last year, according to data from Turkey’s Energy Market Regulatory Authority, EMRA. The country imported 2.6 bcm of gas from Russia. Iran is the second biggest exporter to Turkey with 810 million cubic meters, followed by 577 million cubic meters from Azerbaijan. LNG, imports totaled 920 million cubic meters in January.**

Natural gas production decreased by 26.2 percent to 35.4 million cubic meter during the same period, compared to last year. The largest producer was Tekirdag, a city in the Thrace region, with 23.5 million cubic meters, while the southeastern city of Adiyaman only produced 30,000 cubic meters. Consumpiton rose by 0.6 percent to 5.4 bcm despite a production fall in January. Residences consumed the most gas with 2.7 bcm and electricity plants followed with 1.1 bcm.

# Gas interconnectors key for Turkey becoming energy hub

Anadolu Agency, *24.03.2015*

**Gas interconnectors are key to Turkey becoming an energy hub, according to Arkin Akbay, director of power and gas group at Turcas Petrol. “If Turkey wants to be an energy hub, LNG terminals won’t be enough. The country also needs interconnection lines,” Akbay told.**

**“LNG terminals, natural gas prices etc. are all the little pieces of a big picture. When natural gas prices fall, some sectors in Turkey immediately use natural gas and that increases consumption. We can suddenly have either excess supplies or supply deficiencies. We should calculate the obstacles and we can handle it only with just price and diversity,” he said.**

Turkey's natural gas transmission system has third party access, meaning other countries can use Turkey's system to transfer natural gas. Akbay said that through this system of interconnections, Turkey will take a step towards its goal of becoming an energy hub. "LNG is not a long-term investment. Additionally it does not have the same capital outlay as pipelines. Turkey needs to play to its strengths and use its third party access. Natural gas trade should not be made between two countries anymore. Interconnections should be used more effectively for more international business. With this, the market will have more actors and it will bring security of supply," Akbay said.

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 liquefied natural gas, LNG, particularly from Algeria and Qatar, according to U.S.-based Energy Information Administration. The country has several natural gas projects, which will be active in the coming years. TANAP is part of the Southern Gas Corridor project that will carry natural gas from Azerbaijan on the Caspian Sea, passing through Turkish territory, and entering into western Greece. The pipeline will then travel to Albania and then to Italy in order to reach Europe. Russian President Vladimir Putin said in December that the Turkish Stream project will replace the cancelled South Stream Project. The Turkish Stream will have a capacity of 63 billion cubic meters of natural gas per year. While Turkey would get around 14 billion cubic meters annually for its domestic use from the project, the remaining gas would be exported to Europe.

# TANAP, Turkish Stream will target separate customers

Anadolu Agency, *23.03.2015*


**The Turkish Stream will mostly focus on the rerouting of existing Russian gas contracts from Ukraine rather than competing with TANAP.**

**"TANAP and the Turkish Stream will initially target separate customers; Turkish Stream phases 1-2 will generally be concerned with the re-direction of the transit of existing Russian gas contracts from Ukraine rather than competing for customers TANAP has secured," said Stephen O'Rourke. TANAP is part of the Southern Gas Corridor project that will carry gas from Azerbaijan on the Caspian Sea, passing through Turkish territory, and entering into western Greece.**

The pipeline will then travel to Albania and then to Italy in order to reach Europe. Any upstream project willing to capitalize on the expansion of the Trans-Anatolian Pipeline is likely to have to compete with Russian gas for market space in Turkey, said O'Rourke. When completed, TANAP will carry around 16 billion cubic meters of gas per year to Europe. TANAP and the Turkish Stream are planned to end at Ipsala, where the Trans-Adriatic Pipeline, TAP starts. TAP's capacity is exempt from third party access for the next 25 years.

According to Samuel Lussac on Tuesday, Caspian Upstream research manager at Wood Mackenzie, TAP will initially take 10 bcm of gas which has already been contracted in Bulgaria, Greece and Italy from the Shah Deniz Phase Two, the largest natural gas field in Azerbaijan. From 2019, 16 bcm of natural gas from the Shah Deniz Phase Two field will be transferred - six bcm will be destined for Turkey while 10 bcm will go further west via TAP. “TAP is not at risk and will proceed with commissioning expected in 2020,” Lussac said. SOCAR holds 58 percent stake in TANAP while BOTAS has a 30 percent share and BP owns a 12 percent interest.

# Turkey’s first seismic vessel to be launched

Anadolu Agency, *26.03.2015*


**The first Turkish-made seismic vessel, Turkuaz, is to be launched at the weekend in Istanbul, energy minister informed Anadolu Agency. Taner Yildiz said that the new vessel, with 300 million liras cost ($116 million), is highly important for the country’s economic and political interests.**

**“The vessel will increase our gas and oil search potential in the region, besides searching mine potential in our seas,” said Yildiz. In addition to oil and gas search activities, Turkuaz will also carry out climate change and ecologic researches, under the state owned-company Mineral Research and Exploration General Directorate.**

It will also perform comprehensive underwater search activities with remote controlled system. Turkuaz, with 86 meters length and 23 meters width, will serve for at least 30 years with 50 staffs. It has a capacity to endure its activities uninterruptedly for 35 days away from the land. Yildiz held a press conference with Fatih Birol, Executive Director of the International Energy Agency in Istanbul. “We made agreements 15 to 16 months ago with Baghdad and Northern Iraq to explore for oil in the Hindirin and Coman fields near Mount Qandil at the end of next year,” Yildiz said.

# Gazprom's realised prices to fall again in April

Argus, *27.03.2015*

**Gazprom's gas sales to EE and Turkey should increase in March, but its realised price is expected to fall this month and in April. Gazprom's average export price to the EU — excluding the Baltic states — and Turkey fell to $282/'000m³ in March from $292/'000m³ February and $305/'000m³ in January. April price is expected to fall to about $272/'000m³.**

**But the costs for EU buyers — at least those with contracts denominated in dollars or an exchange rate component — have been supported by the weaker euro. Gazprom's average export price rose to €24.62/MWh in March from €24.32/MWh in February as the euro slipped against the dollar.**

The firm's expected export price of $272/'000m³ would equate to €23.48/MWh at today's exchange rate, with the euro firming slightly against the dollar this week compared with the average so far this month. Oil-indexed import prices will continue falling over the coming months — given prevailing lower crude prices — and be will be considerably lower in the third quarter than in January-March. The Russian economic development ministry in February based its budget on an average export price of $222/'000m³. This would be an average realised price of €18.41/MWh given the euro's value against the dollar in mid-February, but €19.16/MWh at today's exchange rate.

European prompt gas markets have largely been below crude-linked prices, with the price of everyday gas at the Dutch TTF averaging €21.17/MWh so far this year. The TTF April contract was also below Gazprom's expected realised price next month, closing at €20.925/MWh yesterday. But the TTF front-summer market, which was at €20.775/MWh yesterday, and the fourth-quarter contract were above the ministry's forecast for average realised prices this year. This could encourage a strong European call on Russian gas supply, particularly later in the year when crude-linked prices should be lower than in the first quarter.

Gazprom expects sales to the EU and Turkey to increase to 13bn m³ this month, up from 10bn m³ in February and 11.1bn m³ in January. But March sales are expected to be 790mn m³ lower year on year. Russian deliveries to some customers were below nominations from early September until 6 March. But flows to western Europe — through the Nord Stream pipeline to Germany, at Mallnow on the German-Polish border and at the Ukraine-Slovakia border — have been broadly in line with a year earlier since 6 March and Gazprom has met orders.

But importers could load their Russian take to later in 2015, when Gazprom's average realised price is expected to be lower than at the start of the year. Gazprom's sales to Europe and Turkey were as high as 43bn m³ in the fourth quarter of 2013, when buyers also loaded their Russian take to the second half of the year as crude-linked prices fell. Similar volumes over the coming quarters would be a considerable increase from the expected 34.1bn m³ in January-March.

And there is some scope for higher European imports than the 43bn m³ received in the fourth quarter of 2013, although it would involve increasing transit through Ukraine. Deliveries to the Ukraine-Slovakia border were well below capacity in October-December 2013, as were flows further downstream to Germany at Waidhaus. But capacity to boost sales to some countries may be limited, particularly in parts of southern Europe. Flows to Italy through the Tag pipeline were close to capacity for much of November-December 2013, curbing the flexibility of some importers to boost their Russian receipts.

# BP sees TANAP gas pipeline project deal within two months

Reuters, *25.03.2015*

**BP expects to sign a deal with the TANAP project within two months to become a stakeholder in the multi-billion dollar project that aims to reduce Europe's reliance on Russian gas.**

**Chris Schlueter told that all main documents were signed. "We are very, very close ... That has been very good progress over the last week and a half ... I think within the next two months," Schlueter said on the sidelines of the Georgian Oil, Gas, Energy and Infrastructure conference. BP said in 2013 it wanted a 12 percent stake in the TANAP project. Azeri firm SOCAR holds a 58 percent stake in TANAP, while BOTAS raised its stake to 30 percent from 20 percent in 2014.**

TANAP envisages carrying 16 billion cubic metres (bcm) of gas a year from Azerbaijan's Shah Deniz II field in the Caspian Sea, one of the world's largest gas fields, which is being developed by a BP-led consortium. The pipeline will run from the Turkish-Georgian border to Turkey's border with Bulgaria and Greece. The preliminary cost of the pipeline has been estimated at $10-$11 billion. Schlueter said the BP-led consortium was on track in Georgia and Azerbaijan with its works on the project, despite the decline in global oil prices.

# Qatar to withstand drop in oil prices thanks to LNG

Anadolu Agency, *26.03.2015*

**Qatar, the world's lowest cost producer of LNG, is well placed to withstand lower oil prices, Standard Chartered said in a report released. With an output capacity of 77 million tons of LNG annually, Qatar accounts for almost one-third of the global LNG trade.**

**The economies of the Gulf countries seem to overcome the price shock in oil with their abundant financial resources while oil producers like Iraq, Yemen and Venezuela are more exposed to low prices. "We expect Qatar to be among the best insulated countries in the Gulf region, from a potential drop in oil prices," Standard Chartered's report stated.**

# Gazprom Neft to explore oil in northern Iraq's Halabja

Anadolu Agency, *25.03.2015*

**Gazprom Neft announced that it will conduct surveys to explore oil in northern Iraq's Halabja region. The company's operator on the region, Gazprom Neft Middle East, will conduct a 2D seismic survey on the south-eastern section of the Halabja block in northeast Iraq, according to an announcement on the company's website.**

**A 2D seismic survey was conducted on the block in 2014, which covered 130 linear kilometers. The first exploration well is expected to be drilled in Halabja in 2015 to 2016. "The Halabja block has until now undergone very little geological study," Mikhail Kholodov said in the statement.**

"Conducting seismological surveys is the first step towards identifying the optimal location for an exploration well and these provide a significant amount of new information on the structure of the block," he added. Gazprom Neft holds an 80 percent interest in the Halabja block, while the remaining 20 percent is held by the Kurdistan Regional Government, KRG. The Russian company is involved in four projects in Iraq, three of which are located in northern Iraq. In Aug. 2014, the drilling of two exploration wells began and the Shakal block, located near Halabja is currently undergoing testing.

The Shakal block has the same interest share percentage owned by the company and the KRG. In addition, Gazprom Neft also holds a 40 percent interest in the nearby Garmian block and says it will become the operator of the project in 2015, while the KRG is considering a preliminary plan for the block's development at the moment. The fourth project in Iraq is the Badra oilfield located in the Wasit province in eastern Iraq, located southeast of the capital Baghdad. Gazprom Neft estimates the Badra field's total oil reserves, which began production in Aug. 2014, at three billion barrels. Gazprom Neft holds a 30 percent interest in the field, the KRG holds a 25 percent stake and the remaining shares are held by other international energy companies.

# Lifting Iran sanctions to impact oil markets long-term

Tehran Times, *25.03.2015*

**Iranian oil will not be ready for deliveries in the short-term resulting in a limited impact on prices, according to experts. A flow of Iranian oil is feared to flood the already oversupplied market following the lifting of sanctions as a result of a possible nuclear deal with the six world powers.**

**Delegations are negotiating over Iran's nuclear program and the sanctions that have crippled the economy. The sanctions were also limiting the export of Iranian oil on the global market. The negotiators reconvened before a significant deadline at the end of March for a framework agreement before the final deal in June.**

Analysts consider a deal to be on the way despite the disputes in the technicalities. Jamie Webster, senior director of IHS Energy said that the impact of Iranian oil on the global market is overestimated in the short-term. "I would say it would take eight months or more before they would get even back close to the levels that they were in the pre-sanction era," said Webster, even if a deal is reached that enables Iran to export without any restriction.

Iran can currently only export around 1 million barrels per day, bpd, due to the sanctions, less than half of what it used to sell off before 2012, when the U.S. and EU sanctions hit the country's oil sector. Iran's oil field investments have been hampered by the sanctions as well as affecting the country's oil exports, Webster explained. He also pointed out it is up to Iran to manage their inventories that they have built up during the sanctions by either rushing the oil to the market quickly or introducing it to the market over a longer and sustained timeframe.

According to BMI Research's latest update, Iran has already 20 million barrels of crude stocked in floating storages, excluding its already swelling onshore storage. Julius Walker, an expert at JBC Energy, said Iran could increase its exports from its storage, but a substantial raise will not follow in the short term. According to the energy expert, Iran would not be able to increase its exports in less than a year, and disagreed with those who claim that on paper they could raise it by 1 million barrels today again very quickly. "In the short term ... it will not be much more than a couple of hundred thousand barrels per day of additional exports," Walker added, as it would take "a year or so" for Iran to reach pre-sanctions export levels. Iran, which holds the world's fourth-largest proved crude oil reserves with more than 157 billion barrels, used to export 2.5 million bpd in 2011, according to U.S. Energy Information Administration.

For Iran, to benefit from those large reserves, will be possible with an expected boom of foreign investments following a nuclear agreement, Walker says. However, BMI Research estimates that it would take three to four years for the country to accomplish the production level of 4 million bpd seen before the sanctions. The current production level is around 2.8 million bpd. “Still, the new volume available in an already oversupplied market will generate additional declines in world prices,” Eric Smith, deputy director of Tulane Energy Institute says. Smith also noted that major price changes would depend on the U.S. and Saudi Arabia’s crude oil production levels.

# Bulgaria in the energy doldrums

Natural Gas Europe, *23.03.2015*

**The Bulgarian government finds itself in a position where it needs to secure long-term reliable natural gas supplies, after two successive failures in the past few years to get involved in major infrastructure projects, namely the Nabucco and the South Stream pipelines.**

**During recent discussions with Slovakia and Central European countries, Bulgarian Foreign Affairs Minister Daniel Mitov initiated negotiations include his country in the so-called “EastRing” gas networking infrastructure. EastRing aims to interconnect all countries from the Black Sea up to the Baltic Sea to reduce uncertainties in the Eastern Europe.**

According to the Bulgarian point of view, Bulgaria will connect itself with the newly proposed Turkish Stream (Turk Stream) pipeline project, which will then shift north and eastwards, thus creating a natural gas hub in its territory, a long-sought goal. Moreover, stronger interconnections with Turkey would allow Bulgaria to diversify in the mid-term its overall supplies by acquiring not only Russian but also Azeri, Iranian and even LNG-sourced gas from the Turkish transmission system. Bulgaria, Slovakia, Romania and Hungary are close to signing a memorandum of cooperation for the EastRing project, which envisages a maximum capacity of 40 bcm per annum and can be classified as a large project in a pan-European level. Concurrently the Bulgarian administration strives to forge an solid alliance with Azerbaijan’s SOCAR and mulls that a resurrection of Nabucco is on the table, without specifying on the numbers and timetables likely involved.

It has to be noted that SOCAR is determined so far to proceed with its supplies to Turkey and fill in the Trans-Anatolian Pipeline (TANAP) and Trans-Adriatic Pipeline (TAP), with the likely inclusion of the proposed Ionian-Adriatic Pipeline (IAP). Based on the amounts that can be extracted by the Azeri fields and also the domestic consumption trends, it is highly unlikely that the EastRing could have any meaningful supply by Azerbaijan and for the long-term. For the moment, Bulgaria has a pending 1 bcm per annum import contract with Azerbaijan to be enacted after 2020 that would be sourced mainly via the Interconnector Greece-Bulgaria (IGB) which is planned to be ready by that time. Other than that there are no secure supplies or even agreements for larger quantities.

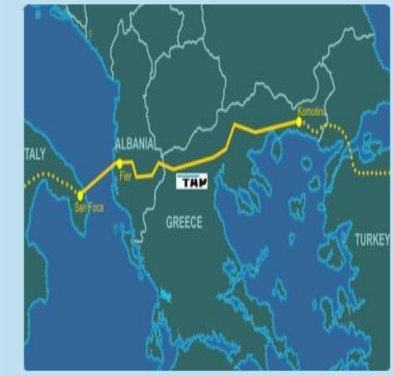
Furthermore, the EU Commission itself has left a window of opportunity open for Gazprom to fill in supplies for the TAP project, which basically means that Bulgaria would be heavily dependent on Russian gas in any case and for the long-term. Additionally, the project will require large-scale interconnection infrastructure and underground storage facilities in all participating counties, plus their immediate neighbours at least, something which requires significant capital and most importantly political will and consensus, which is hard to be achieved since there are many divergent energy interests. Croatia, for example, has its own national policy that aims to secure supplies via the proposed Krk LNG facility and the aforementioned IAP route. Serbia itself leans into getting involved in the Turkish Stream, hoping that a spur from Greece via FYROM will reach its territory. Hungary has already aligned itself with Gazprom and got an impressive gas price reduction, whilst Austria has a strategic aim to enhance the Baumgarten's gas hub significance which can only be achieved by pragmatic and grand pipeline projects.

All in all, Bulgaria is at a crucial stage where it has to get into terms that it is extremely difficult to achieve its role as a regional hub, while it does not participate physically in any project of tangible value. It is likely that sooner or later Sofia will raise its voice in order to involve itself in the Turkish Stream project, which is the only proposed pipeline that could terminate right at its doorstep and aims to bring about 40 bcm of gas per year for European deliveries. That potential move of course will not decrease Bulgaria's dependence on Russian imported gas, but there is only one alternative for Bulgaria to really diversify its imports. That is to align itself with Greece and head into the international LNG market by which Greek ports will be used for mass introduction of LNG into Bulgaria.

The above opportunity nevertheless is not really sought by Sofia for basically three reasons. Firstly, it will depend itself to Greece, instead of Russia and the former does not really have to offer any political-geostrategic advantages that potentially Moscow could offer. Secondly, LNG price tends to fluctuate and in particular periods it could be much more expensive than Russian pipeline transferred gas. Thus despite Greek DEPA's continuous and long-term offers to the Bulgarian side, the latter was reluctant to really get involved in such a project. Lastly, Greece itself views Turk Stream positively in principle, while it has already secured a place in TAP, leaving presently LNG option as a secondary one if all other plans go awry. It can be safely estimated that it is a matter of time, before Bulgaria officially acknowledges its intention of joining Turkish Stream either as an integral part or as a junior partner. In that sense both South Stream and Nabucco will be in sort resurrected and embodied into one single route.

# TAP issues contract notice for construction of receiving terminal in Italy

Natural Gas Europe, *25.03.2015*




**Amidst regional opposition in the Apulia region, TAP issued a contract notice for the construction of the PRT.**

**TAP explained that the work will cover engineering, procurement and construction of the terminal and the 8-kilometre long pipeline connecting the terminal to the first dry weld at the landfall in Italy. 'TAP is now in the market to secure EPC services for building the pipeline all the way from Kipoi, Greece, through to southern Italy. Our selection process remains transparent, rigorous and with particular an emphasis on meeting Health, Safety and Environment standards' Knut Steinar commented.**

The regional government of Apulia, whose environmental committee rejected the project, voiced concerns over the project, saying it is ready to do all it takes to stop the project that should arrive in Melendugno. "The Apulia region will be forced to confirm its opposition, reserving the right to do all it takes" Nich Vendola, governor of Apulia, commented in a note released on Tuesday evening, after a meeting with the Italian government in Rome.

# Ukraine: Russia will have to sharply lower gas price

Reuters, *21.03.2015*

**Ukraine is confident Russia will have to sharply lower the price it charges Kiev for gas as increased imports from the European Union have greatly reduced Ukraine's reliance on supplies from Gazprom, Ukraine's energy minister said.**

**Volodymyr Demchyshyn was speaking after gas supply talks in Brussels with Russia and the European Commission. As expected, the meeting stopped far short of a deal, but the three sides said the atmosphere was constructive and they would meet again next month. Under the current agreement, Ukraine pays $329 per tcm for gas in the first quarter and Russia has said the price will rise to $348 after that.**

Russia understood that “in order to be competitive they need to go below $250,” Demchyshyn told Reuters in an interview. “I estimate the reasonable price that we will end up (at will be) between $240 and $250.” With energy prices falling, he said he expected the gas price to fall to $210 to $220 in the third quarter. Russia has cut off gas supplies to Ukraine three times in a series of price disputes over the past decade. But Demchyshyn said increased imports from the EU, together with falling gas consumption in Ukraine and weak energy prices, had strengthened Kiev’s bargaining position. “The Russian side understands that they need to be price-competitive. As long as their price will be higher than the market price - the price for the gas that we can get from Europe - we won’t need Russian gas,” he said. The Commission, the EU executive, brokered an accord last October to keep gas flowing over the peak-demand winter months despite icy relations between Kiev and Moscow over the war in eastern Ukraine between government forces and pro-Russian rebels.

Russia and Ukraine are discussing a new pricing arrangement once the current package expires at the end of March. Ukraine and the Commission hope for an agreement that would include next winter. The EU relies on Russia for about a third of its gas, some 40 percent of which is shipped via Ukraine, meaning any disruption to Kiev’s supplies can affect the EU. Demchyshyn said Friday’s talks made “fairly reasonable progress” and his next meeting with Russian counterpart Alexander Novak would probably be in Berlin in mid-April. He said Ukraine had increased the volume of gas it could import from EU countries under so-called reverse flow arrangements “so now ... Ukraine can get through the winter without any specific large volume to be required from the Russian side.”

# Ukraine holds significant gas reserves in storage

Natural Gas Europe, *23.03.2015*

**Naftogaz reports that Ukraine holds the largest volume of natural gas reserves in underground storage in Europe.Ukranian reserves amounted to 7.74 billion cubic meters (bcm) as of March 22, compared to the next highest levels of 7.15 bcm in Germany and 6 bcm in Italy.**

**Naftogaz CEO Andriy Kobolyev commented: “Ukraine got through the winter heating season despite confrontation with Russia. We managed to significantly diversify our sources of imported gas by developing European partnerships, thus reducing our dependence on Russian imports from 92% in 2013 to approximately 30% this winter.”**

“Gas reserves in Ukrainian storages are now 11% higher than at this time last year. We are continuing to demonstrate that Ukraine is an efficient and fully reliable transit partner. We appreciate the ongoing assistance of the European Commission in both facilitating our negotiations with Russia and supporting Ukraine’s gas market reforms and integration with the EU gas market” continued Kobolyev.

# Naftogaz hopeful of follow up to winter gas package

Natural Gas Europe, *24.03.2015*

**Naftogaz of Ukraine is hopeful about the prospect of signing another gas deal with Gazprom when the the current "Winter Package" arrangement expires at the end of March.**

**Naftogaz CEO Andriy Kobolyev commented: "The trilateral meetings are a vital part of the process to agree conditions for Russian gas supplies to Ukraine after March 2015. Any temporary agreement is expected to be subject to the arbitral award in the on-going arbitration between Naftogaz and Gazprom under the auspices of the Arbitration Institute of the Stockholm Chamber of Commerce. We thank Vice-President Sefcovic for organizing the constructive meeting."**

Kobolyev added: "Gas from the EU is currently offered at a lower price than gas from Russia, so from a commercial point of view, it makes more sense to source imports from Europe. That being said, if we can negotiate a satisfactory deal with Gazprom that makes Russian gas financially attractive to us, then we will be interested to source our gas from there as well. From a Naftogaz perspective, any decision we take is based purely on commercial principles". Naftogaz has made significant strides in its attempts to diversified its gas supplies and reduce dependency on Russia. due in part to regular reverse gas flows, especially from Slovakia. The company reports that in 2013, gas sourced from Russia accounted for 92% of total imports, with Europe accounting for just 8%. In 2014, Europe's share of gas imports had risen to 26% of the total, with 74% coming from Russia.

According to the national gas transmission system operator Ukrtransgaz, imports from Europe during the first two months of 2015 jumped to  2.3 billion cubic meters from Europe, representing 56% of total imports of 4.1 billion cubic meters of natural gas. The same period in 2014 saw Ukraine importing a similar amount however, the entire volume of gas was imported from Russia.

# Ukraine relying less on Russian natural gas, hopes to become bigger European supplier

Forbes, *25.03.2015*

**On the natural gas front, Ukraine is moving farther away from Russia despite a decline in domestic production last year.**

**One of the reasons: Europe. Believe it or not, gas hungry Europe was a major exporter to Ukraine last year. Ukraine imports of E.U. natural gas rose 138% to five billion cubic meters (bcm) while Russian natural gas imports dropped by 44% to 14.5 bcm. Russia is still three times larger, but the share of Russian gas in Ukraine's domestic market fell by more than a third, accounting for 34% of the total recently. In the first half of March, European imports accounted for 81% of Ukraine's total.**

Private sector drillers are doing better these days in Ukraine. Private gas producers managed to increase production by 18% to 3.3 bcm last year while production by state-owned companies — namely Ukrnafta and Chernomorneftegaz — fell due to the occupation of Crimea. Nevertheless, Ukraine produced 20.5 bcm of gas in 2014, down 1.0 bcm compared to 2013. Private companies increased gas production by 18%, to 3.3 bcm. The volume of gas produced by state-owned Ukrgazvydobuvannya remained at the same level as 2013, or 15.1 bcm. Ukrnafta gas production fell by 10% to 1.7 bcm. And lastly, due to the occupation of Crimea, Cherno produced just 300 mcm of gas compared to 1.7 bcm in 2013, the company said. It was sanctioned by the U.S. last year, shortly after Crimea seceded from Ukraine.

The main reason for the divergence of performance, however, was the selling price of gas. State owned gas companies sell for around $20 per thousand cubic meters below the market rate. Most of Ukraine's natural gas stays in the country to heat homes and power industry. The country is not yet an exporter, and may not be until it can develop some of its shale oil fields. Gas that gets shipped out of Ukraine is all Russian, traveling through three pipelines that eventually wind up in Ukraine or in European markets. Ukraine's dependence on that natural gas is dwindling. In fact, in 2013, Gazprom accounted for 92% of Ukraine's gas imports. In 2014, it was 74%. Naftogaz's contract is exclusive with Gazprom. It cannot import gas from any other company there. Of course, this is a problem for Naftogaz, and ultimately Ukraine, because the two have been at loggerheads for years. A Stockholm arbitration court is currently trying to weigh whether Gazprom overcharged Naftogaz on its 10 year deal. The troubled relationship threatens Gazprom's foothold in Ukraine.

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. "We are rather trying to bring it to normal commercial, market-based terms," Naftogaz says about Gazprom. On Tuesday, Naftogaz said it was "hopeful" it could sign another gas deal with Gazprom following the expiration of the so-called Winter Package later this month. The European Commission will have to mediate.

Naftogaz CEO Andriy Kobolyev said, "The trilateral meetings are a vital part of the process to agree conditions for Russian gas supplies to Ukraine after March." Although the situation this year is better than the previous year, not least due to regular reverse gas flows, especially from Slovakia to Ukraine, a gas deal with Gazprom is still important, Naftogaz said. Gazprom adds liquidity and diversification to the local gas market. "Gas from the European Union is currently offered at a lower price than gas from Russia, so from a commercial point of view, it makes more sense to source imports from Europe," said Kobolyev. "If we can negotiate a satisfactory deal with Gazprom that makes Russian gas financially attractive to us, then we will be interested to source our gas from there as well. From a Naftogaz perspective, any decision we take is based purely on commercial principles."

Recent discoveries of shale gas deposits in Ukraine provide the country with a possible means to diversify its natural gas supplies away from Russia, the U.S. Energy Information Administration says. In January 2013, Shell agreed to explore an area which the government estimates holds about 4 trillion cubic feet of shale natural gas in reserves. That project is on hold because of the political crisis now. Nevertheless, Kyiv energy plans include development of shale gas resources for domestic consumption and exports to Western Europe within five years.

# The slow erosion of Gazprom's grip over Europe

Cernegie Europe, *23.03.2015*

**The idea was that the European Union would establish a single market for electricity and gas and would build interconnectors to enable energy to flow between networks.**

**Above all, Tusk wanted transparency over gas supply contracts so that Gazprom, Russia's giant state-owned gas company, could not arbitrarily set prices for its European customers and thus wield political power over them. After a summit of EU leaders, Tusk won a small victory. "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 said.**

But the biggest prize—the disclosure of contracts—was omitted from the leaders' final text. Instead, the summit conclusions stated: "As regards commercial gas supply contracts, the confidentiality of commercially sensitive information needs to be guaranteed." That must have pleased, among others, Viktor Orbán, Hungary's prime minister. In January, he signed a contract with Vladimir Putin, the Russian president, to finance and build a second nuclear power plant at the Hungarian town of Paks. The Hungarian parliament later voted to ban for thirty years the release of any details of the deal. It was precisely that secrecy that Tusk wanted to end. Yet even if EU leaders ducked the sensitive issue of confidentiality, Tusk and leaders from the Baltic states, Poland, and other countries that are seeking more transparency and security in Europe's energy sector have a powerful ally: the European Commission's Directorate General for Competition.

This is the body, not the commission's energy department or EU leaders, that is proving a highly effective force in reining in Gazprom's hold on Europe's energy sector. The commission is doing this by taking the EU's Third Energy Package literally. Passed in 2011, the package is aimed at creating a liberalized gas market in the EU. Once fully implemented, it will unbundle or break up vertically integrated gas companies that until recently could enjoy near monopolies over the production, purchase, and distribution of gas. Furthermore, the package included third-party access to pipelines and the publicity of tariffs to create competition (and lower prices) in the sector. The EU's antitrust authorities didn't waste much time in testing compliance with the Third Energy Package, even if some EU member states had dragged their feet in pushing it through. In 2012, the commission opened an investigation into Gazprom's pricing practices in several Eastern and Central European member states.

One of the countries, Lithuania, had complained to the commission that Gazprom was blocking competition by virtue of its monopoly. As a result, Gazprom could charge very high prices for its gas exports to these countries. In doing so, Russia could use its state-owned energy company as a political instrument. Margrethe Vestager, the European competition commissioner, told the Wall Street Journal on February 18 that the results of the antimonopoly investigation could be presented in a matter of weeks. She added that it was "very important for me to make sure that any company in the European market is being faced with the same set of rules and the same effort of enforcement." And that's not all. The EU's competition authorities put a stop to Gazprom's plans to build the South Stream pipeline, which would have run from Russia under the Black Sea to Bulgaria and on to Central Europe. Besides weakening Moscow's dependence on Ukraine as the major transit country for Russian gas to Europe, South Stream would have given Russia direct access and a grip over the energy markets in Southeastern Europe.

Gazprom abandoned the project after the European Commission insisted on third-party access and warned Bulgaria, one of Gazprom's partners in South Stream, that it would face heavy penalties if it did not abide by the Third Energy Package legislation. The competition authorities also stepped in over OPAL. This is the onshore pipeline in Germany that transmits gas inland from Nord Stream, the Gazprom pipeline that runs from Northwest Russia to Germany via the Baltic Sea. The commission opposes Gazprom monopolizing OPAL and has argued it should limit its usage of the pipeline to 50 percent. The upshot is that Gazprom has postponed the building of another Nord Stream spur. And in another blow to Gazprom, BASF, the German chemicals group, pulled out of a deal with the Russian energy giant. Wingas, BASF's gas marketing company, had signed a deal that would have increased Gazprom's stake in Wingas from 50 to 100 percent.

In return, Wintershall, BASF's oil and gas unit, would have gained more access to Siberian gas fields. More importantly, the deal would have given Gazprom substantial access to gas trading and storage in Germany. Announcing the cancellation of the asset swap, BASF blamed the political tensions between the EU and Russia over Russia's annexation of Crimea and its invasion of eastern Ukraine. "Due to the currently difficult political environment, BASF and Gazprom have decided not to complete the asset swap," the German company said. The EU sanctions against Russia also contributed to BASF's decision. But there is little doubt that the commission's competition arm was looking at the case. The European Commission's work doesn't come easy, especially since some EU countries still stick to Gazprom rather than diversify their suppliers. But the commission's zeal in pursuing antitrust cases proves how Gazprom's once omnipotent grip over Europe's gas sector is being loosened.

# Statoil sees Britain, Germany helping revive gas demand

Natural Gas Europe, *25.03.2015*


**Stricter emission rules in key European nations are more likely to boost natural gas consumption than stalled EU efforts to reform its carbon market, the head of marketing and trading at Norway's Statoil told.**

**EU carbon prices have plummeted due to an oversupply of quotas, making low-emitting gas less competitive than cheap, higher-emitting coal. Statoil believes it is unlikely Brussels will be able to change that designed to reform the carbon market and boost prices. Speaking to Reuters while EU diplomats were still trying to hammer out a reform deal, Rune Bjoernsen said change is instead coming from elsewhere.**

"We are seeing some positive signs as we speak, such as the recent German proposal to put an additional cost on emissions prices, somewhere between 18 and 20 euros per tonne, to make it more expensive to burn coal," he said.The German government has also proposed imposing fines on emissions exceeding a set quota to reduce output from its oldest and most polluting plants, although this would require legislative approval. "If Germany, which has excluded the nuclear power option, puts in place stricter regulations that pushes coal out, gas will remain the only option to be developed alongside renewables," Bjoernsen said.

Gas is seen as well suited to balance intermittent power supply from renewables such as wind and solar as turbines can be started at short notice. Bjoernsen said Britain's decision to impose a carbon tax has already helped boost gas demand there. "This might in itself be more important than what's being discussed at the EU level," he said, referring to the steps taken in Germany and Britain, Statoil's two biggest markets.

While EU energy policies will have a long-term impact on gas demand in Europe, changes in temperatures and economic growth were key factors in the short run, he said. “If we get temperatures back to normal ... and the economy starts to pick up, we will see a tighter market,” Bjoernsen said, though this would also benefit Statoil’s main rival Gazprom. While Statoil sells 75-80 percent of its gas at prices indexed to spot prices at European gas trading hubs, oil indexation still dominates in Gazprom’s contracts. “(The fall in oil) prices would suggest that Russian gas is again competitive in the market more than it was before, and we see the flows increasing significantly from the beginning of March,” Bjoernsen said.

# Eurogas: European gas demand fell 11% on year in 2014 to 409 bcm

Platts, *25.03.2015*

**European gas demand fell 11.2% on the year in 2014 to 409 Bcm, because of “exceptionally warm” weather, industry association Eurogas said. The weather was the warmest in Dutch and German recorded history, and the warmest in 50 years for the Czech Republic, the organization said.**

**This reduced the need for heating. The size of the year-on-year change was further boosted by the fact that 2013’s winter had been colder than average. Eurogas said that “notably low coal prices” had also reduced gas consumption in the power generation sector, combined with competition from increased renewable energy sources.**

It also pointed to “a sluggish economic situation,” although in some countries, such as Germany and Ireland, industrial demand for gas increased. In the Eurogas figures, covering the EU 28 countries, the biggest single consumer was Germany with 2014 demand of 76.2 Bcm, down 12.6% on the year. The second biggest consumer was the UK at 71.5 Bcm, down 9.1% on the year. Italy comes third at 60.7 Bcm, down 11.6% on the year.

Eurogas also provides gas consumption figures for Turkey, although these are not included in its 409 Bcm total. Turkey, in contrast to Europe, is growing. Turkey’s 2014 consumption of 47.5 Bcm was up 7.0% from the year before. Looking back over past Eurogas data, and adjusting the figures to the EU 27 countries (Croatia, a small gas consumer, joined the EU in mid-2013 as the 28th member state), demand has shown a general downtrend in recent years. EU 27 consumption in 2009 was 487 Bcm. There was an increase in 2010 to 527 Bcm, but then year-on-year falls to 477 Bcm in 2011, 465 Bcm in 2012, 458 Bcm in 2013 and 407 Bcm in 2014.

# Europe: When will LNG come back home?

Natural Gas Europe, *24.03.2015*


**In a speech about LNG perspectives on the supply side for the European gas sector, Laurent Vivier, SVP Strategy, Markets & LNG, TOTAL Gas & Power, commented that energy security was the "white elephant in the room."**

**His presentation included a chart displaying gas supply-demand balance for the EU 28 plus Norway and Switzerland, which stacked up various sources of supply and showed the delineation between flexible supplies and inflexible supplies. The demand trajectory in the figure showed a slight uptick around 2022, the time when he said it will be necessary to balance supply with demand.**

"When we talk about security of supply, there is enough gas to supply Europe," commented Mr. Vivier. As for the prospect of whether LNG can play a credible alternative in the context of energy security, he observed, "Europe has a lot of developing infrastructure, has a lot of import regasification terminals – the logistics are there. What we need to keep in mind is that all the flows are being directed to Asia which has contracted most of the flows – those which have been re routed from Europe to Asia have been contracted with asia and are just waiting for Europe to call them back."

Europe, he said, must send a price signal towards this end. "When you know that the prices in Asia – even spot – are between $9-10/mmBtu, they are much higher than Europe, and long-term contract prices are at above $10/mmBtu, so this security, if it comes from LNG, will come at a cost," he opined. According to him, Europe is lucky to be surrounded by an ample supply of gas, whether from the North Sea, Russia, new pipelines traversing Turkey or from North Africa. Total, he said, sees the concept of gas restabilizing at current levels and does see an increasing demand for natural gas in Europe, just pass 2020.

However, noting the chronic state of low demand in Europe, he recalled, "For 5 years we've heard 'it's a bit worse than the previous year, but we've hit bottom and it's going to be better next year.'" But past 2020, Mr. Vivier said, there are now reasons to believe that European demand will indeed grow. Showing a diagram, he explained: "It's basically decreasing all the time, a bit lower than last year, but it's going to increase in the future." The reasons? For one, he said gas-fired generation has bottomed out. His presentation showed a multitude of factors affecting gas demand in power, like nuclear phase-out, environmental regulations and their impact on coal, and the need for flexible renewables back up. He offered, "We hope we are right thanks to the impact of new regulations, and we will start feeling the impacts of new regulations, maybe a new CO2 reduction initiative, which should help gas go back into the power mix."

A few years ago, he said, gas was being presented as the best friend of renewables. He admitted, it has not exactly been the reality, “but we do hope in the future that the increasing share of renewables and their variability of wind or solar that the intrinsic value of gas will at some point be recognized. It is the most flexible way to ensure back up for variable sources of electricity.” Meanwhile, while gas is still gloomy in Europe, it certainly isn’t outside of Europe. Mr. Vivier showed the LNG supply-demand balance in North America, Europe and Asia. He commented, “You see a demand which is growing steadily, in all sectors.” Industry, for one, transport and export projects. “All the conventional and unconventional production will allow the US to keep prices which are much lower than anywhere else in the world in terms of Henry Hub being around $4-5 mmBtu, which should allow for exports.”

Showing Asia’s residential demand, as well as industry and power generation, he said: “The supply of Asia in general will be met by increasing domestic production. China, for example, will see a massive increase in unconventional gas.” LNG, according to Mr. Vivier, will provide the balance in Asia. “Asia has been the driving force behind all the development of LNG in the past 5 years,” he commented. For the time being, that LNG will definitely not be coming to Europe, he opined. Post-2020 Europe’s increase in demand can be met by domestic production and pipeline imports, he showed. But he noted the uncertainty in gas demand, and that 50% of contracts are linked to oil (whose price has dropped precipitously).

Meanwhile, in Europe gas is struggling with three layers of subsidies, according to him: CO2 price, feed-in tariffs and capacity mechanisms, all of which the gas industry is still struggling. While Mr. Vivier said he believes the objective of CO2 reductions is for the common good, he said that when it gets mixed up with renewables policies and efficiency measures, market signals are weakened. The parameters for the ETS and target for 2030, he offered, will definitely harm some industries and their profitability. Showing the three main prices for natural gas – Henry Hub, NBP and JKM – he observed that the past year had been troubled and complacency had set in the three years previous. “We are just back to a highly volatile market,” he said, but added that oil companies are used to big swings so they won’t jeopardize their entire investment programs. “It is not the right time today for any actor to launch a massive energy plant, which are increasingly complex and costly,” he commented. LNG plants, he said, needed $20-30 billion, so decision on such will be weighed carefully.

The low price of oil, he said, is also likely to freeze US LNG exports, of which he said, “are now uncompetitive in Europe and are just barely competitive in Asia.” According to Total, US exports will be at levels just contracted, about 75 BCM. He opined that further projects might not see FID unless a change in the economic situation is seen. Of Total’s global LNG position, he said it is set to grow. “Total is a bit of a frontrunner in LNG, but we are seeing that other companies are also trying to build an international portfolio with sources of LNG worldwide,” he observed, mentioning Austria, the US and the Middle East. Total, he reported, has LNG plants being built in Australia and Yamal in Russia; the latter project, he said, is going forward despite the obstacle of sanctions against Russia. “LNG plants usually have a habit of slightly being lat and overrunning cost,” he said. “Yamal is the exception. It’s going very smoothly with the suport of Novatek and CNPC, construction of the terminal is going very well.” Sanctions, he admitted, are an obstacle to the project’s financial planning. Meanhwhile, Mr. Vivier said that Total recently announced that it is now producing more gas than oil.

# The flight from the North Sea continues

The Telegraph, *21.03.2015*

**E.on is preparing to pull out of the North Sea, exacerbating an exodus of explorers from the region as it battles a slump.**

**The company is planning to offload around £1bn worth of fields off the coasts of Scotland, England, the Shetland Islands and Norway. More than £6bn worth of North Sea assets are already up for sale, according to oil and gas consultancy group 1 Derrick, with major oil groups Total, ConocoPhillips, BP and Shell already working on plans to pull out in the wake of slumping oil prices. E.on has instructed Bank of America Merrill Lynch to find potential buyers for the assets.**

It is understood the company is still deciding whether to sell them in one chunk, or take a more piecemeal approach. E.on is keen to keep its interests in Russia, sources say. Sources say potential buyers include new UK exploration & production company Siccar Point Energy, led by Jonathan Roger, Centrica's former oil chief. The vehicle, set up last year to pursue opportunities in the UK continental shelf, has financial backing from Wall Street private equity giant Blackstone and Singapore's sovereign wealth fund GIC.

KKR and Warburg Pincus, which raised $4bn last October for a fund dedicated to investments in the energy sindustry, are said to be scouring the opportunities in the North Sea. In November, E.on announced a radical shake-up of its sprawling empire and said it would split the company in two by spinning-off its fossil-fuel power plants into a separate company. The reorganisation came after E.on's chief executive said that its existing business model could "no longer properly address" the challenges of weak energy demand, low wholesale prices and Germany's switch to wind and solar power. The move follows a deal by German rival RWE to sell its €5.1bn oil and gas unit to Russian billionaire Mikhail Fridman. Total is looking to sell a 20pc stake in its flagship Laggan-Tormore deepwater gas field west of the Shetland, Shell is looking at selling "significant parts" of its Anasuria, Nelson and Sean Fields, ConocoPhillips is considering options for its 24pc stake in BP-operated Clair field while independent EnQuest is offloading a 20pc stake in Kraken, according to 1Derrick.

# EU wants to revive gas pipeline project from Turkmenistan

Reuters, *25.03.2015*

**The EU is seeking to revive a gas pipeline project from Turkmenistan to Europe and involve European energy companies, an EU diplomat in Turkmenistan said. The Crimea crisis has added urgency to the EU's search for gas from sources other than Russia.**

**Denis Daniilidis told that Maros Sefcovic was going to visit Turkmenistan in coming months to restart talks about the TransCaspian pipeline. The project, which is meant to bring gas from Turkmenistan to Europe across the Caspian Sea, Azerbaijan and Turkey, has been stuck for years due to political, ecological and financial uncertainties.**

"In the course of talks with our Turkmen partners, we came to the point when we had to figure out how we would structure the involvement of EU companies willing to buy Turkmen gas for the European market," he said. While he did not provide other details, Turkmen officials said earlier this month that "active" negotiations were under way to supply Europe with between 10 and 30 billion cubic metres of gas per year.

Last year, Turkmenistan and Turkey signed a framework agreement to supply gas to the proposed Trans-Anatolian natural gas pipeline project (TANAP), which will offtake gas from Azerbaijan's Shah Deniz II field in the Caspian Sea. To connect to TANAP, Turkmenistan needs to build its own link under the Caspian Sea, a disputed area between Russia, Kazakhstan, Turkmenistan, Iran and Azerbaijan. TANAP will be built from the Turkish-Georgian border to Turkey's frontier with Bulgaria and Greece. Its construction is expected to be completed by the end of 2018 in order to start deliveries of gas from Shah Deniz II in 2019. Russia's Gazprom has drastically cut Turkmenistan gas imports over the last couple of years, with the latter now exporting around 30-35 billion cubic metres of gas to China annually - the figure set to double by 2020. Gazprom plans to start gas supplies to China close to the end of this decade.

# Germany unlikely to be gas self-sufficient if fracking ban lifted

Sputnik, *25.03.2015*

**Germany produces only 10 percent of the gas it consumes. The country has to import gas from Russia, the Netherlands and Norway to meet its total demand.**

**Since 2010, when Germany imposed a moratorium on the use of fracking (hydraulic fracturing) in shale gas extraction, German gas companies have been lobbying for the ban to be lifted. "Lifting a ban on fracking in Germany is unlikely to have any significant impact on the country's domestic gas production in the foreseeable future. Obstacles abound, including opposition to drilling and uncertainty about the levels of reserves," Fitch Ratings concluded.**

Last July Germany started to draft legislation to allow shale gas fracking at depths of over 3,000 meters (9,842 feet). The proposed law will be discussed in the Bundestag (Germany's parliament) in May. According to Fitch, even if the law is passed, it will hardly help the country to reduce its reliance on gas imports. The rating agency explained that because of the decline in gas prices in 2014, global shale gas exploration was reduced. Wide-scale shale production remains limited to the United States and Canada.

Germany is estimated to have up to 2.3 trillion cubic meters of shale gas reserves. If fracking is allowed, Germany could become less dependent on energy supplies from Russia and would be more competitive with the United States in securing energy supplies. The drilling technology, which involves pumping a highly-toxic mix of chemicals into the ground at high pressure to break up rocks and release natural gas and crude oil, increases the danger of earthquakes and can lead to significant ground water pollution, according to a recent study by the Berlin-based Energy Watch Group.

# European Commission to publish study on common EU gas buying options this fall

Platts, *24.03.2015*

**The European Commission expects to publish the results of a commissioned study into possible common EU gas buying options this fall, an EC press officer said. EC vice-president for energy union Maros Sefcovic had told the European Parliament's energy committee that the study would assess how such options could be developed in a way that respected World Trade Organization and EU competition rules.**

**The EC is looking at how such options could be used, particularly in a supply crisis, to give the EU another tool to negotiate better with its external gas suppliers and to cope better if there were a crisis, Sefcovic said.**

The EC said in its EU energy union strategy paper last month that it would asses options for voluntary demand aggregations mechanisms to be used in a supply crisis, and also by the six EU countries in eastern Europe which are dependent on Russia for all their gas imports. EU leaders backed the EC's plans to explore these options at a meeting last week. The EU gas industry, however, is clearly against common buying mechanisms, according to Francois-Regis Mouton, chairman of gas industry advocate group Gasnaturally. "This could prompt a common gas selling organization, and that would make the situation much worse than today," he said earlier this month.

# Lithuanian energy group calls for rule change on LNG imports

Reuters, *23.03.2015*

**Lithuania's state-owned energy group Lietuvos Energija said national rules had to be changed to allow it to sell some LNG cargoes it had contracted from Norway's Statoil in the global market as domestic demand falls.**

**Lithuania opened an LNG import terminal last year seeking to reduce its dependence on former Soviet master Russia and to diversify supplies, including buying LNG from the United States in the future. To prevent Russia's Gazprom from dumping prices and keeping the terminal idle, the government has imposed a minimum level of LNG the country's regulated heat and power producers have to buy.**

But even this minimum volume -- 540 million cubic metres (mcm) per year or the equivalent of six or seven cargoes -- appears too big as consumption falls. “In order to have more flexibility to balance the terminal’s operations with gas consumption and to use opportunities in the market to get the best value for consumers while ensuring energy security, we need to adjust the legal basis (for LNG imports),” Dalius Misiunas, chief executive of Lietuvos Energija, said.

A company spokeswoman said flexibility was needed to have an opportunity to sell some LNG cargoes elsewhere if necessary. Natural gas consumption fell to 2.5 billion cubic metres (bcm) last year in Lithuania from 2.7 bcm in 2013, partly due to warmer weather and increased use of biomass for heating. LNG importer Litgas, a subsidiary of Lietuvos Energija, could end with a surplus of 150-200 mcm of gas this year, and it could rise to 240 mcm next year, Baltic news agency BNS reported last week, citing sources. Litgas signed a five-year contract with Statoil last year to import 540 mcm of natural gas annually. It received the first cargo in December. Another three cargoes are scheduled to arrive by October.

# The UK may lose a large part of its gas storage, but does it matter?

Platts, *24.03.2015*

**It went largely unnoticed by the general media, but last week there was a significant announcement for the UK gas industry: the country’s main gas storage site may have its capacity cut by around a quarter, reducing the volumes that can be held in reserve next winter.**

**Just two years ago, during a cold winter, there were warnings that the country “was just six hours away from running out of gas.” So why would storage capacity be cut now, and does it matter? The UK’s main gas storage site is the Rough storage facility, operated by Centrica Storage, a unit of the company’s biggest domestic gas supplier, Centrica.**

Rough is an offshore gas field, located in the North Sea some 29 km off the coast of Yorkshire. There are two offshore platforms that pump gas into and out of the subsea Rough reservoir, and a pipeline running to a beach terminal on the shore near the village of Easington. Rough began producing gas in 1975 and was converted into a storage facility in 1985, allowing gas to be pumped back offshore in the warmer summer months ready for withdrawal during the higher heating demand periods of winter.

According to National Grid's latest Ten Year Statement on the national gas network, Rough alone makes up 72% of the UK's existing gas storage capacity. Centrica Storage says that during a recent routine inspection of the facility, it "identified a potential issue with well integrity that could affect all Rough wells." The company says it is "still evaluating if the well integrity issue can be remedied and, if so, how long this would take." But it warned that as a result it may have to cut the amount of stock that can be held in Rough by around a quarter, from a maximum 41.1 TWh achieved in 2014 to a new capacity of around 29-32 TWh (from around 3.9 billion cubic meters to around 2.7-3.0 Bcm).

If the company is concerned about the integrity of the wells that pump gas into and out of the subsea reservoir, then it could increase the safety of its operations by reducing the pressure at which gas flows through the wells. But that means reducing the maximum amount of gas that can be put into the storage site, since the more gas is pumped under the sea, the more the pressure builds up in the reservoir. With the company still investigating, details remain limited. But since it is asking "if" the well integrity issue can be remedied, it seems possible there could be a permanent reduction to Rough's capacity. Even if work is possible to restore normal functions, with the injection season due to begin soon, it would seem almost certain to impact next winter's stock levels at least.

However, the market should be able to cope if Rough's capacity is reduced. The newspaper headlines that appear from time to time — such as in 2009 and 2013 — warning that national stocks are just a few hours from empty need to be taken with a pinch of salt. While true in numerical terms (dividing the volume of gas in storage by the country's hourly consumption rate) the warnings may fail to make clear that storage is not the only source of supply. It's like saying there is only one pint of milk in the fridge, but neglecting to mention the milkman is due to deliver two more on the doorstep, and that there is a 24 hour supermarket across the road.

The UK draws its gas from its own offshore production, from storage facilities off and onshore, from major pipeline connections with Norway, the Netherlands and Belgium, and from global producers such as Qatar via sea-borne tankers of LNG, with no single supply source responsible for meeting all demand on any given day. If the UK has a billion cubic meters less gas in stock next winter, then over the six month October-to-March period, it would have around 5-6 million cu m/day less gas available from storage, a fairly small volume, and far less than the spare import capacity available in the UK's interconnector pipelines and LNG terminals, which have rarely been used at full capacity in recent years.

The global markets have the potential to compensate for major disruptions to energy supply, as demonstrated by the way Japan managed to cope with the closure of its entire nuclear power sector after the Fukushima disaster in 2011 by stepping up its own imports of fuel oil and LNG. But ensuring physical supply remains secure comes at a cost. Competing for imports can mean paying higher prices, as in April 2013, when spot markets soared to draw in gas from German storage facilities across Dutch and Belgian connections to the UK. The tricky question for industry and government is weighing whether it would be more cost-effective in the long-term to invest in the insurance of building extra storage capacity, or just to accept the risk of difficult days and price spikes arising from time to time.

# UK government launches consultation on design of levy for oil and gas authority

Natural Gas Europe, *23.03.2015*

**The British government continues in its effort to support domestic oil and gas production, launching a consultation on the design of the levy to fund the new Oil and Gas Authority.**

**"We are working at a great pace to establish and empower the OGA to be a strong and influential regulator, equipped with the necessary powers to regulate and steward the UK Continental Shelf" Secretary of State Edward Davey commented. Davey confirmed the government's commitment to contribute £3 million per year commencing April 2016, adding that the OGA will the be funded by a combination of the extant fees and a new levy on the industry.**

"We intend that the OGA will begin collecting the levy in October 2015, subject to regulations" he explained, adding that the consultation will be open for four weeks. In his 2015 Budget Speech, Chancellor George Osborne committed to a £1.3 billion support to the oil and gas industry. UK onshore-focused Europa Oil And Gas reported that its Kiln Lane-1 conventional exploration well will be plugged and abandoned, as the sandstones encountered are water wet. The well is on Licence PEDL 181 in Northeast Lincolnshire.

# Total aims to attract $15 billion from Chinese investors

Anadolu Agency, *25.03.2015*


**Total seeks financial support from Chinese investors for its natural gas project in Russia's Yamal region, the head of the company said. The company is to invest $27 billion in Yamal, where several liquefied natural gas, LNG, facilities will be constructed to produce gas in the region.**

**Total is partnered with Novatek in the project - Russia's second-largest independent natural gas producer -and also with China National Petroleum Corp., CNPC. "It's not an easy task, to be clear. We would have preferred to do it with dollars," Total's CEO Patrick Pouyanne was quoted as saying by Iran's official news agency, IRNA.**

According to Pouyanne, Total aims to attract around $15 billion from Chinese investors. Pouyanne's announcement came during a time where sanctions are preventing many Western companies from investing in Russia or finding financial aid from Western financial institutions. The punitive measures in the form of sanctions imposed by the West came after Russia annexed Crimea in March 2014 after holding a referendum on Crimea's future.

The measures target Russian banks, its arms industry and oil companies, as well prohibiting Western companies from selling high-tech drilling equipment to Russia. The U.S. and EU imposed sanctions on Russian energy companies that prevent them borrowing from western financial institutions. Some of the Russian oil and gas companies have asked the country's sovereign wealth fund to finance their projects as a last resort, and most of the funding requests have been accepted, Fitch reported.

# Yousfi: National companies should to be more efficient than Chinese firms

Natural Gas Europe, *23.03.2015*

**Algeria's Minister of Energy Yousfi called on energy companies to improve their competitiveness, saying that the country needs to mobilise all its industrial potential.**

**Asking companies to be more competitive than Chinese firms in terms of quality and costs, Yousfi also spoke about Sonatrach's plans. 'The development program designed by Sonatrach group for the period 2015-2019 encompasses about thirty treatment projects, 18 for natural gas and 11 for crude oil, drilling of 260 wells per year and that the completion of 26,000 km²/ year 3D seismic and 10,000 square kilometers of 2D seismic' Algeria Press Service reported.**

Yousfi also spoke about domestic renewable energy, and plans to increase energy efficiency. Algerian officials met with Italy's Deputy Minister for Foreign Affairs Lapo Pistelli, on the sideline of the Italy-Algeria contact group meant to discuss ways to fight terrorism. "We intend to confront the terrorist threat together by implementing a concrete programme over the coming months" Pistelli commented as reported by the website of the Ministry for Foreign Affairs.

# Egypt's petroleum minister increases purchase price of gas from new developments

Natural Gas Europe, *24.03.2015*

**Egypt's Minister of Petroleum and Mineral Resources Sherif Ismail signed a deal to increase by 40% the purchase price of gas extracted from onshore Nile Delta Disouq.**

**'Under the agreement, the purchase price of the new extracted gas was raised from $2.50 per million British thermal units to $ 3.50 per million British thermal units' reads a note realized. In this way, Egypt expects to support natural gas production rates, which are expected to jump from 145 mcf per day to 210 mcf by the summer of 2015. The Ministry expects an additional rise in the following 12 months, with production rates seen at 300 mcf per day.**

'It' s worth mentioning that, by signing this agreement, the number of petroleum agreements signed up since November 2013 till now are 56 agreements with investments exceeding $ 12 billion.' As a consequence, RWE Dea has pledged to raise production. DEA Egypt elected Hans-Hermann Ecke new General Manager. "With our Disouq natural gas project, we have recently been able to more than double our oil and gas production in Egypt. Being the operator, we are working intensively on the further development of this project" he commented on that occasion.

According to BG Group, the London-based company will receive US$3.95 per million British thermal unit (btu) for natural gas from new developments in Egypt, up from its previous terms of $2.65 per million btu. The North African country holds an estimated 77 trillion cubic feet (Tcf) of proven natural gas reserves, up 30.5 per cent from 2010, according to the US Energy Information Administration. Amid growing tensions in North Africa, Egypt is trying to mitigate risks stemming from Libya.

# Chinese oil imports from Russia may rise in 2015

Anadolu Agency, *25.03.2015*

**China's crude oil imports from Russia may increase in 2015 depending on the performance of its economy in the second half of the year, said a Chinese official. "Russia's crude oil supplies to China will be slightly higher in 2015 or approximately be the same as 2014 level," Chen Bo, the president of Unipec, a subsidiary of Chinese state-owned oil giant Sinopec, was quoted as saying by Russian news agency Itar-Tass.**

**"Since the scope of China-Russia oil trade is expanding, we hope that more Russian crude will be exported to China via the ESPO pipeline," Bo said.**

The East Siberian Pacific Ocean, ESPO, oil export pipeline is one of the gateways of Chinese oil imports from Russia via Kazakhstan. Although the current capacity of pipeline is 600,000 barrels a day, it is expected to increase to a million barrels a day in 2016 and to 1.6 million barrels per day in 2025. Bo added that he could not give a more definite estimate since it is unclear how his country's economy will be performing in the second half of 2015.

The world's second-biggest economy had an annual gross domestic production growth of 7.4 percent in 2014 - the lowest since 1990 - thus, it is expected to lower its own, also pushing down the average global oil demand in 2015. In addition, China's Manufacturing PMI value, an indicator of the well-being of the economy, reached an eleven-month, falling from February's figure of 50.7 to stand at 49.2 in March. In 2014, Russia was the third largest crude oil seller to China with 664,000 barrels of oil per day, coming behind Saudi Arabia and Angola, London-based Energy Aspects' Fundamentals report showed on February. Itar-Tass reported that China imported 33 million tons of oil from Russia, which is a 35.4 percent increase from a year earlier. The Chinese total crude import was 308 million tons of oil against the total domestic demand of 530 million tons in 2014.

# Another pipe dream?

Natural Gas Europe, *25.03.2015*

**Backed by the Asian Development Bank, TAPI aims to export up to 33 billion cubic metres (bcm) of natural gas through a proposed pipeline from Turkmenistan to Afghanistan, Pakistan and India. The promise of TAPI was based on the growing energy deficit in South Asia, high hydrocarbon prices and an abundance of natural gas reserves in the neighbouring country of Turkmenistan.**

**There is a need for both India and Pakistan to find long-term sustainable solutions for their ever-growing energy demands. A shortage of supply, especially for power generation, is slowing these two countries' economic growth considerably.**

In South Asia, natural gas is rapidly gaining importance as the key fuel for power generation. Gas-based power generation plants are more economical to build than alternatives such as nuclear, hydropower and coal-fired plants. Gas-fired combined-cycle turbines are flexible and able to respond quickly to peak electricity demand. Gas-based generation is also significantly cheaper than fuel oil or diesel, often used to produce electricity in India and Pakistan. The most efficient way to address the energy deficit in South Asia is, therefore, based on the construction of gas-fired power plants. Gas is abundant in neighbouring countries such as Iran, Qatar and Turkmenistan, but the energy reality on the ground is often shaped by obstacles, which overweigh the advantages that geographical conditions offer. Iran is still under sanctions, Afghanistan remains unstable and only Qatar offers new hopes with cheaper oil-linked LNG supplies, which could counter-balance the pricing advantages offered by TAPI.

Oil prices offer little incentive for South Asian energy producers to switch from oil- or diesel-based power generation to natural gas Gas as the fuel of choice seems to be under (a temporary) threat as well. Lower oil prices offer little incentive for South. Asian energy producers to switch from fuel oil- or diesel-based power generation to natural gas. For instance, gas has traditionally dominated Pakistan's thermal generation. However, stagnation of domestic production and increased competition for gas from the country's transport sector and fertiliser producers have led to a considerable decline in the usage of gas for energy production in Pakistan. However, the sharp rise in power generation costs has increased the appetite of companies to switch back to gas. But with the fall in oil prices, there is a risk that this trend might reverse and decrease Pakistani energy companies' commercial interest in imported LNG or pipeline gas.

A combination of factors such as the oil price fall and uncertainty about transit via Afghanistan is likely to delay the launch of the TAPI further. The estimated cost of the gas pipeline has increased from $7.6 billion to $10 billion, and the estimated price based on oil-linked formula dropped from $10-$11 per MMBtu ($360-$380 per 1,000cm) to $7 per MMBtu ($250 per 1,000cm). While the price range of $6 per MMBtu ($220-$230 per 1,000cm) on the Turkmenistan-Afghanistan border is acceptable for Turkmengaz, it's still unclear who will lead and finance the TAPI project. According to the agreed timelines, the selection of the consortium leader should be finalised before the end of October. Needless to say, the leader has to have sufficient financial and technological clout to lead the project. An increase in the cost of the pipeline and decreased gas prices have reduced the interest of major players in TAPI. Furthermore, Turkmenistan's legislation does not allow the granting of large scale onshore concessions/PSAs to foreign companies, which, in turn, reduces their interest in TAPI. Granting access to onshore deposits to the consortium leader.

# Astana offers Moscow alternative gas route for China

Anadolu Agency, *24.03.2015*

**Kazakhstan offered Russia the use of its route to transfer natural gas to China, said Sauat Mynbayevi, head of KazMunayGas.**

**Mynbayev said that Russia's Gazprom could use the existing supply route from Russia to Kazakhstan through Kazakhstan's two pipelines, Bukhara-Ural and Bozoi-Shymkent to export gas to China. Gazprom sends natural gas to the southern regions of Kazakhstan through the Bukhara-Ural pipeline, and then pumps gas into the Bozoi-Shymkent pipeline. This is then connected with the Central Asia-China main gas pipeline through.**

"As for the possibility of gas supplies to China on this route, potentially, interest for this definitely exists. However, at the moment the gas from the Bozoi-Shymkent pipeline cannot be pumped to the Central Asia-China pipeline due to low pressure in the pipe," said Mynbayev. Kazakhstan wants to increase the capacity of the Bozoi-Shymkent pipeline from 2.5 billion to 10 billion cubic meters by building three new compressor stations. The country plans to overcome the pressure problem with this plan. Russia's Gazprom and China National Petroleum Corp. signed a $400 billion gas supply deal in May 2014, which allows Russia to supply natural gas to China for the next 30 years.

# Japan’s LNG import rises

Anadolu Agency, *22.03.2015*

**World’s largest liquefied natural gas, LNG, importer Japan, received 7.73 million tonnes of LNG in February, according to the data released by the country’s Ministry of Finance. Japan’s LNG imports on February increased 2.9 percent compared to the same month last year. Country paid $5.3 billion during February for LNG imports.**

**Middle East supplied most of Japan’s LNG needs during the same period. LNG’s demand had increased in Japan’s power generation plants after the Fukushima accident in 2011, and according to EIA, Japan accounted for about 37 percent of the global LNG purchases since 2012.**

Japan is the world’s largest liquefied natural gas importer, the second-largest coal importer, and third-largest net importer of crude oil and oil products, according to the U.S. Energy Information Administration, EIA. According to the U.S. EIA about 30 percent of Japan’s LNG imports originate from regional suppliers in Southeast Asia, although the country has a fairly balanced portfolio with supplies coming from other regions.

# Western Australia’s longest gas pipeline operational

Anadolu Agency, *22.03.2015*

**The longest gas pipeline, Fortescue River Gas Pipeline, in Western Australia is completed by TransAlta Corporation and joint venture partner with DBP Development Group, announced the company.**

**Fortescue River Gas Pipeline also TransAlta’s first pipeline project completed for an estimated total cost of $142.7 million U.S. within a nine month timeframe which will deliver gas to TransAlta’s Solomon power station which services Fortescue Metals Group’s mining operations at the Solomon Hub. The power station will now operate on natural gas, improving reliability and efficiency, said the company statement.**

The joint venture had agreement to build, own, and operate the 270-kilometre, 16-inch natural gas pipeline from the Dampier to Bunbury Natural Gas Pipeline to TransAlta's 125 MW dual-fuel power station at Fortescue's Solomon Hub. The Fortescue will supply gas for the Solomon gas-fired facilities under a 20-year agreement. TransAlta holds a 43 per cent interest in the joint venture.

Meanwhile, TransAlta has been operating in Western Australia for more than 20 years. With six facilities totaling 425 MW of net generating capacity and the 150MW South Hedland power station currently under construction. TransAlta is a power generation and wholesale marketing company focused on creating long-term shareholder value. TransAlta maintains a low-to-moderate risk profile by operating a highly contracted portfolio of assets in Canada, the United States and Australia.

# New fracking rules deliver progress and controversy

Scientific American, *23.03.2015*

**The new rules announced by the Obama administration governing how energy companies frack for oil and gas on federal lands managed to anger environmentalists and the industry alike, but represent a significant step toward protecting drinking water resources in some of the most heavily drilled parts of the country.**

**The rules mark the first time the federal government has stepped in to enact protections to limit risks posed by a technology that has been both criticized for causing environmental harm and credited with making the nation one of the leading producers of oil and gas.**

Fracking involves injecting large volumes of water, sand and toxic chemicals underground with explosive force that fractures the rock and helps it release trapped hydrocarbons. It has been associated with water and air pollution almost every place that it is practiced, and become a lighting rod for environmental opposition to domestic energy production. ProPublica has been covering issues related to fracking since 2008, including the gaps in federal oversight and the government's consideration of ways to address it.

The rules exclude drilling on private land and apply only to lands or mineral resources directly managed by the U.S. Department of Interior, including tribal lands, which make up a relative minority of all the wells drilled in the United States. They fall short of some of the most stringent fracking regulations already in place in some states, but establish a baseline of best practices and update arcane federal drilling rules almost three decades old. "Many of the regulations on the books at the Interior Department have not kept pace with advances in technology and modern drilling methods," said Sally Jewell, Secretary of the Interior and a former petroleum engineer, in her statement announcing the new policy. "Our decades-old regulations do not contemplate current techniques in which hydraulic fracturing is increasingly complex."

The new rules promise to improve basic protections for drinking water by requiring drilling procedures that have long been standard on waste injection wells used by the drilling industry, but which have not been applied to new oil and gas wells used to extract resources. They are lengthy and complicated, but an initial review of documents released by the Interior Department shows they address four important areas: They will require drilling companies to encase their wells in cement through vulnerable areas where they could leak into groundwater, and will require testing of that cement to ensure it is properly in place. Pressure tests, called mechanical integrity tests, will be required in order to confirm that the wells can contain the extraordinary forces of fracking, before the fracking process itself can be performed. A geological analysis of a well site will be required before fracking takes place, so that the reach of those fractures and their potential to intersect with water sources or other wells can be predicted. The temporary use of open waste pits – large ponds containing water and pollutants removed from the wells after fracking – will be prohibited except in rare circumstances.

These core requirements directly address many of the known causes of water pollution associated with new drilling efforts and fracking across the country. Where methane and other pollutants have escaped wells into water supplies, it has often been because the cement encapsulation of the wells was incomplete, or the pressure of fracking caused them to fail. Waste pits have been documented sources of drinking water contamination in hundreds of cases. There are other components to the rules as well. They will enhance transparency by establishing a record of tests and making public details about which wells are fracked and what condition those wells are in. Drillers will also be required to release more information about what chemicals they inject underground.

Still, the rules are unlikely to satisfy some of the industry's most ardent critics, in large part because they are less stringent than versions that the government had been considering earlier in its drafting process, and they fall short of what several states already do to oversee fracking. Among other issues, they continue to allow drilling companies to protect trade secrets and not disclose all of the chemicals they use to the public or to doctors. Some see the rules as both a welcome acknowledgement that the environmental risks of fracking need to be addressed and as a missed opportunity. "The bottom line is: these rules fail to protect the nation's public lands—home to our last wild places, and sources of drinking water for millions of people—from the risks of fracking," said Amy Mall, a senior policy analyst at the Natural Resources Defense Council, in a statement. "More than ever, this underscores the urgent need to get better protections in place around the country."

# Oil industry's exploration costs will fall by a third

Anadolu Agency, *27.03.2015*

**The oil and gas industry's exploration costs will fall by 33 percent on average by 2016, said the research and consulting company Wood Mackenzie. Despite the expectations of oil and gas industry having 30 percent budget cuts on average in 2015, the research company believes that the decline in exploration costs will soften the negative effects of those budget cuts.**

**Reminding that overall oil and gas well numbers will dip in 2015, the consulting company stated that drilling activity in 2016 is set to recover when many explorers will seize the opportunity to drill at lower costs.**

"Rising costs are not a new problem for explorers," said Wood Mackenzie's VP Exploration Research Dr. Andrew Latham in the report titled "Upstream cost deflation: how much could costs of exploration fall?" "In the short term, many explorers will react by simply spending less. What they really need is lower costs," he added. The report explained that the 33 percent fall in exploration costs will come with a combination of factors. Efficiency improvements and simplification of activities are expected to save 5 percent each, Wood Mackenzie says the U.S. dollar strength will save 4 percent overall and like-for-like costs will decline by 19 percent. Like-for-like costs is comparing a company's costs this year to last year, while taking into account that the activities are in effect in both years.

Latham said that Wood Mackenzie projects the full benefits to happen in 2016 if oil prices do not recover too quickly. "Only about half of these gains will be enjoyed during 2015 as contracts unwind and operators take time to adopt new practices," he explained. In addition, Corporate Upstream Research VP Tom Ellacott underlined that trimming exploration spendings is strategically important to respond low oil prices, although amount of cuts may vary among companies. "Some international explorers had to slash spending by up to 80 percent to conserve cash. Those that hold exploration spending flat or make only modest cuts could yet achieve 'more with less'," he explained. "Whilst overall well numbers will dip this year, we expect recovery in 2016 as many explorers seize their chance to drill at lower cost," he added.

Dr. Latham highlighted that lower costs of exploration will help reduce breakeven prices, but warns that exploration savings alone are "only a small part of the story, perhaps shaving $5 per barrel or less from typical breakeven prices." He urges that reductions should be made from the relatively much larger development and operating costs, by giving an example. "We've already seen rig owners and seismic contractors retiring rigs and vessels to remove older equipment and technology from the market resulting in a remaining fleet that is relatively newer and, crucially, more efficient," he concluded.

# EIA: US oil stocks, production rise as imports fall

Anadolu Agency, *26.03.2015*

**Both crude oil stocks and production in the U.S. continue to rise, while its oil imports fall, adding pressure on oversupply and low demand in the global oil market.**

**Commercial crude oil inventories rose by 8.2 million barrels, or 1.2 percent, in a single week in the U.S, the country's Energy Information Administration weekly data revealed. This is the 12th consecutive week that the oil stocks in the world's biggest economy has risen to reach a total of 466.7 million barrels. The total amount represents a 22 percent increase, or 84.2 million barrels additional build-up, compared to a the same period a year ago, according to the EIA data.**

Meanwhile, the country's Strategic Petroleum Reserves stay at 691 million barrels, but not included in the oil stocks. The U.S. domestic oil output increased to 9.42 million barrels a day, from 8.19 million barrels per day for the week ending March 21 in 2014. Commercial crude oil imports fell 225,000 barrels a day to 7.39 million barrels per day, from 7.61 million barrels a day a year ago.

As the biggest crude oil importer in the world lowers its crude intake, which may triger a further fall in the global oil demand and push the falling oil prices still lower. Low demand and sustained oversupply are the two major reasons for the downward pressure on oil prices. Oil prices fell more than 50 percent since June 2014, and sunk to its lowest level on Jan. 13 below the $46 per barrel mark - the lowest level in almost six years. The U.S. is one of the top contributors to the glut of oil supply in the market, which climbed to some 94.5 million barrels a day, following its groundbreaking fracking revolution. EIA says the U.S. crude oil production increased to an average of 8.7 million barrels per day in 2014 from the average of 7.45 million barrels a day in 2013. The administration expects crude oil production to climb to an average 9.3 million barrels a day in 2015 and to 9.5 million barrels a day in 2016.

# Announcements & Reports

## ► *Peace and Energy in Ukraine and Russia*

**Source** : Wilson Center
**Weblink** : http://www.wilsoncenter.org/sites/default/files/6-KENNAN%20CABLE-Kalicki.pdf

## ► *Saudi Arabia Moves Beyond Crude*

**Source** : Baker Institute
**Weblink** : http://bakerinstitute.org/media/files/files/95c3dd16/KRANE_KSA_refining_JEPO_2015.pdf

## ► *Evolution of Gas Pipeline Regulation in Russia*

**Source** : OIES
**Weblink** : http://www.oxfordenergy.org/wpcms/wp-content/uploads/2015/03/NG-95.pdf

## ► *The Politics of Oil, Gas Contract Negotiations in Sub-Saharan Africa*

**Source** : Dansk Institut for Internationale Studier
**Weblink** : http://www.diis.dk/files/media/publications/publikationer_2015/the_politics_of_oil_gas_contract_negotiations_web.pdf

## ► *Russia's Grand Gas Strategy:*

**Source** : The Polish Institute of International Affairs
**Weblink** : http://www.pism.pl/files/?id_plik=19367

## ► *Prime Supplier Report*

**Source** : EIA
**Weblink** : http://www.eia.gov/petroleum/marketing/prime/

## ► *Weekly Natural Gas Storage Report*

**Source** : EIA
**Weblink** : http://ir.eia.gov/ngs/ngs.html

# Upcoming Events

## ► *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

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## ► *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