Oil & Gas Bulletin
▸ 09.10.2015

Sofia 'Not reliable partner about Turkish Stream'

Novinite, *07.10.2015*

It isn't worth holding negotiations with Bulgaria over its prospective inclusion in the Turkish Stream project after the country showed itself to be unpredictable, a Russian expert says.

Referring to reports that emerged earlier this week about a Bulgarian Deputy Minister saying Bulgaria should be connected to Turkish Stream to turn into a hub for Russian gas, Anna Bodrova, Senior Analyst at the Alpari financial consultancy, reminds Bulgaria "blocked" the South Stream pipeline, a gas project which was envisaged to deliver gas to Central Europe via the country's territory.

South Stream was ditched early in December after a surprising announcement by Russian President Vladimir Putin, who cited Bulgaria's reluctance to issue construction permits for the pipeline's offshore section. RIA Novosti quotes Anna Bodrova as telling Sputnik radio (Sputnik is the agency's international branding) that Russia is evidently "not ready to discuss any interaction with Bulgaria since it showed itself an unpredictable enough partner"."Russia hasn't yet discussed all these questions in detail, while Bulgaria has already put a draft plan to interact with the Greek side and is ready to discuss this with Russia," Bodrova also noted.

She also warned Brussels would never allow Bulgaria to be a hub for gas distribution to Europe, adding "if the project comes to Bulgaria it would fall under the anti-monopoly Third Energy Package". It was non-compliance of South Stream with the Third Energy Package that mostly drew fire from the EU, with Brussels finally demanding that Sofia freeze the project. Bulgaria was to be the first EU member state for South Stream to cross. "It is hardly worth involving ourselves in this game," Bodrova opined.

Gazprom halves Turkish Stream capacity because of Nord Stream II

Natural Gas Europe, *06.10.2015*

Gazprom said it plans to halve the capacity of its Turkish Stream gas pipeline project to 32 bcm, explaining that the change of mind has to do with the expansion of its Nord Stream gas pipeline from Russia to Germany. "Speaking about capacity we can say that it will have a capacity of up to 32 bcm," Miller said.

Gazprom Chief Executive Officer Miller added that the company plans to sign a contract with China for the "western route export pipeline". The news is pretty much in line with article published by Natural Gas Europe, saying that the third and the fourth string are totally unrealistic.

Reading through the lines of his intervention on Tuesday, Miller did indeed suggest that there will not be four strings as previously suggested, but two at most. While underlining the efforts of Moscow to continue in its import substitution scheme, Russian newspapers wrote that Gazprom decided to work with Germany's midstream company Linde.

Week 40 Overview

Natural Gas Europe, *04.10.2015*

The evolving dynamic in Syria has been the global focus of the week, with Russia's increased (and controversial) involvement. Quite interestingly, German Chancellor Angela Merkel said a political solution to Syria's turmoil requires the involvement of the current regime of Syria. Could this play in favour of stronger ties between Germany and Russia in the gas industry, and an even stronger bargaining power of Berlin as the European decision maker?

European Commissioners continue speaking about the negative repercussions of the Nord Stream II project, suggesting there are some tensions simmering in continent.

On more military matters and potential implications on energy, a recent article by Die Welt reported that Russia is building new military facilities on Arctic Ocean islands where it plans to deploy air defence units aimed at strengthening its position in the Arctic and gaining access to the region's energy resources.

Finally, US Secretary of State John Kerry spoke of the key role of the Trans Adriatic Pipeline (TAP) and the Interconnector Greece Bulgaria (IGB) with recently re-elected Greek Prime Minister Alexis Tsipras, highlighting Washington's worries for the Balkans and its intention to step up cooperation with countries in the region, in a moment when Moscow is increasingly looking at the Caucasus.

Royal Dutch Shell was selected by Bulgaria to explore a 7,000 square km area of its Black Sea coast, Energy Minister Temenuzhka Petkova said on Tuesday, adding that the parties are expected to sign a contract in October. “This is a very serious success for us and one of the most important steps towards diversifying our gas supplies,” Petkova explained, as reported by Reuters.

Shell is also pulling out of Bosnia, in a moment the Russian energy sector is actively cooperating in Macedonia. The Anglo-Dutch company said that its $700 million exploration program in Bosnia will come to an end because of a changed oil and gas environment, while Russia's Stroytransgaz released an update about its work on a gas pipeline in Macedonia known as “Klechovtse – Negotino”, claiming that its project is 1,5 months ahead of schedule. Against this backdrop, Serbia's Prime Minister Aleksandar Vucic wrote an article in The Washington Times arguing that Serbia and the Western Balkans need a renewed political attention of the United States.

It comes as little surprise that many are looking at the Ionian Adriatic Pipeline (IAP), which would involve Croatia and Montenegro. According to Fabio Indeo, its annual capacity of five bcm of gas would be allocated in the following way: for Albania one bcm/y, for Montenegro 0.5 bcm/y, for Bosnia and Herzegovina one bcm/y and for Croatia and neighbouring countries 2.5 bcm/y. This pipeline could be key part of the envisaged North–South Gas Corridor.

European Commission Vice President Maroš Šefčovič emphasised the role of this gas project in connecting Central European markets, and increasing energy security in the region. Šefčovič already made it clear. His point is that the Nord Stream II project would have a negative impact on Eastern European countries, and Brussels has to do something; the North-South Corridor is one of his favourite options.

Germany's BASF and Russia's Gazprom completed the swap of assets with equivalent value effective at the end of September 30, 2015, financially retroactive to April 1, 2013. As a consequence, the gas trading companies WINGAS, WIEH, WIEE as well as the storage operator astora are an entirely part of the Gazprom group.

Though being a thorny trading partner, Russia is practically viewed as a good, if not the best, energy supplier for Europe, especially taking into account the costly alternatives currently under consideration. Logically, internal EU division and competing voices among Member States help Moscow maintain the status quo and undermine EU bargaining power.

For instance, the Netherlands collected enough signatures to promote a non-binding plebiscite on the EU's integration pact with Ukraine, casting doubts on Europe's ability to create a common front to help Ukraine. Although it would be just “advisory” in nature, the referendum would indeed indicate that citizens across the EU could not be in favour of spending resources to assist Ukraine in its transition.

Despite the possible threat, Ukrainian state-run energy company Naftogaz posted a first-half net loss of 4.5 billion hryvnia ($214 million), less than one-seventh of the loss it registered in the first 6 months of 2014. According to the company, the losses were in part offset by profit from services related to natural gas transportation, and profits of subsidiaries and associated companies. Russia is not working just in the EU and in Ukraine. Moscow is also trying to increase or keep its influence in the Baltic and in the Arctic.

For what concerns the Baltic region, according to Greta Monika Tuckute, Director at Center for Geopolitical Studies, Russia is still using this influence in order to strengthen its own political goals and influence in Lithuania, Latvia and Estonia. “However,” she said, “energy-wise, they’re still kind of separate and they’re dependent very strongly on one monopoly and one energy resource coming from Russia.”

Speaking about the Arctic, Gazprom said it would continue in its efforts to minimise dependence on the foreign equipment supply, moving forward with its import substitution policy, while eyeing opportunities related to its Sakhalin-2 LNG plant and considering the possibility of returning to international capital markets next week. Indeed, the attempt to achieve technological independence does not translate into a financial independence as the state-run company could kick-start Russian Eurobond sales, looking to raise 1 billion euros in bonds with a 4-5 maturity.

On other hand, Anglo-Dutch Royal Dutch Shell announced that it would stop exploration off the coast of Alaska “for the foreseeable future”. The company, which holds a 100% working interest in 275 Outer Continental Shelf blocks in the Chukchi Sea, expects to take financial charges as a result of this announcement. Shell’s decision seems not to have affected ENI, which committed to press ahead with oil production in the Arctic by the end of the year.

Observers in Georgia pricked up their ears when Gazprom’s Chief Executive Officer Alexei Miller met Georgian Energy Minister Kakha Kaladze on September 25 in Brussels. Tsibilisi has a separate arrangement with Azerbaijan, which supplies 90% of its gas imports. Russia’s Gazprom has started the supply of 6 million cubic meters per day of gas to Azerbaijan as of September 29, the Magistral Gas Pipelines Department of SOCAR told Natural Gas Europe. The source said that the total gas transit capacity of this pipeline is 12 mcm/d. “Currently, the Russian gas is transited through this 220-km pipeline to AzMeCo,” he said.

The process of acquisition of a 66% stake in the Greece’s gas operator DESFA by SOCAR continues with little obstacles, Greek Energy Minister Panos Skourletis said, as reported by Greek and Azeri media. Is it true? Waiting for the transaction, State Oil Company of Azerbaijan Republic (SOCAR) is entering a new stage of cooperation with Total SA in the development of Azerbaijan’s second largest natural gas field. Eric Meyer, planning development manager at Total Exploration & Production Azerbaijan B.V., announced on September 28th that the French company has completed the preliminary Front End Engineering Design (FEED) for the Absheron gas condensate field in the Azerbaijani sector of the Caspian Sea. According to Gulmira Rzayeva, Visiting Research Fellow at the Oxford Institute for Energy Studies, SOCAR has big plans in Turkey too. Before the oil price crisis, SOCAR Energy Turkey planed to increase the total turnover in the country to USD15 billion by 2018.

This would include constriction of oil refinery, container port, power generations etc. Current low price environment can affect these projects but in general this may remain the long-term SOCAR's strategy towards Ankara. Speaking about negotiations and future projects, Turkey's Energy Minister Ali Riza Alaboyun has said that Turkish Stream negotiations will get a boost after the general elections on November 1st. At a press conference after the G20 Energy Ministers Meeting in Istanbul on October 2nd, Alaboyun said that both the Turkish and Russian sides may have enough common ground on Turkish Stream to start talks again.

Turkmenistan is another country that could have interest in the Turkish market. According to a Alexander Kim, Ashgabat could pass a law to force domestic consumers paying a market price for their electricity, natural gas and water, reversing a practice in place for over 20 years. Turkmenistan delivered 125 billion cubic meters of natural gas to China from 2009 to August 2015. The Ministry of Oil and Mineral Resources of Turkmenistan issued a statement on September 28th saying that, leading among other gas suppliers, Turkmenistan has become a strategic partner for China. Chinese CNPC also develops Turkmenistan's Bagtyyarlyk gas field on the bank of the Amu Darya.

The Iranian cabinet approved the Petroleum Ministry's draft for new international upstream oil and gas contracts by endorsing the documents known as Iran Petroleum Contract (IPC). According to a recent declaration of Minister of Petroleum Bijan Zangeneh, the new contracts will be more attractive. It emerges clear that, despite substantial divergences, Iran is trying to move closer to Europe, and Turkey. Italy is in the right condition to benefit from a thaw in Western ties with Iran. That is for several reasons other than technology: politics, Eni's discovery off the coasts of Egypt are key factors too.

Iran's archrival, Israel, is considering building a second offshore LNG terminal in order to reduce risks to local power generation and increase its energy security. According to the business daily Calcalist, the idea was floated last week at a meeting headed by Energy Minister Yuval Steinitz. The Energy Ministry is interested in doubling the number of LNG cargo Israel can receive. Israel also started negotiations with Cyprus and Egypt earlier this year.

Cyprus President Nicos Anastasiades met Egypt's President Abdel Fattah el-Sisi in New York on Monday. The two leaders discussed regional cooperation on the sidelines of the UN General Assembly. Apart from geopolitics, the gas industry is also about economics.

San Leon Energy announced that the Laayoune-4 well onshore Morocco has encountered gas, adding it intends to apply for a new eight year exploration licence with ONHYM. It seems clear that the company wants to send a message to its possible buyer. In its interim results, it indeed confirmed it has been approached for a possible buyout.

Speaking about other minor fields, Rockhopper Exploration explained on Monday that ENI found more gas at the sidetrack well in the Guendalina gas field, which the major operates in the Adriatic Sea offshore Italy, adding that production should commence in October. The field is off the coast of Italy. Rockhopper owns a 20% interest, while ENI controls the remaining 80%. While Italy's Saipem is working on a restructuring plan to raise more than 3 billion euros ($3.4 billion), a Milan judge ruled that the oil and gas service company should stand trial on charges it bribed official in Algeria to win contracts. Saipem, which has debts for 5.5 billion euros, is also continuing talks for its cap hike and a deal with Italian state lender Cassa Depositi e Prestiti (CDP).

Statoil laid the final pipe in the Polarled Pipeline at the Aasta Hansteen field at a depth of 1,260 metres in the Norwegian Sea, saying that the 482.4 kilometre long Polarled is the first pipeline on the Norwegian continental shelf that crosses the Arctic Circle and opens up a brand new highway for gas from the Norwegian Sea to Europe. Statoil also said that it is concluding the project with a 32% saving on the initial investment levels.

After coming up dry at wildcat well 13 kilometres south of the Grane field in the North Sea, Statoil announced an agreement on research funding with the Norwegian University of Science and Technology (NTNU), suggesting that innovation and research are likely to play a key role. Statoil also acquired First Oil's 24% equity share in the Alfa Sentral field in British waters for USD 15 million. "The acquisition of this Alfa Sentral licence increases the resource base and strengthens our efforts to further develop the Sleipner area towards 2030" the company commented.

We are delighted to announce that Mr. John M. Roberts has joined the Natural Gas Europe team as Director of Strategy and Chief Analyst. He is currently researching European energy security in the light of the Ukraine crises; the role of the Caspian in global energy security; gas development in Iran; Sino-Russian energy relations; hydrocarbons development in the Eastern Mediterranean; and shale gas in China.

Iranian gas to Europe is economical, says NIGC

Natural Gas Europe, *05.10.2015*

While Iran and Armenia are working to reinforce energy cooperation, Hamidreza Araqi, managing director of the National Iranian Gas Company, said that Teheran is interested in exporting gas to Europe, either through pipelines or as LNG. "It is economical to export gas to the neighboring countries. Following the nuclear agreement, it is possible to export gas to Europe through Turkey too" Araqi said.

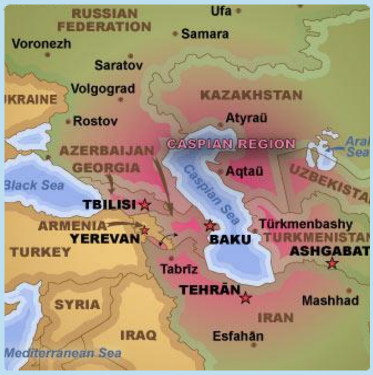
Araqi said that Teheran can export gas through Turkmenistan and Azerbaijan too, while reporting that LNG to Europe remains an option on the table.

"There are also experts who suggest that to enter distant global markets, it is better to export gas in LNG because it will become more economical" Araqi explained. Teheran is clearly intentioned to draw international investors. "Since it is due that Iranian and foreign firms will have further partnership in the oil industry, it is essential that legal ambiguities in this respect will be clarified" Iran's Vice president for legal affairs Elham Aminzadeh said, speaking about the Iran Petroleum Contracts (IPC) to be introduced in the coming months.

According to official news agency Shana, Iranian authorities are indeed interested in strengthening the private sector through international investments. Teheran is working on it. “The new oil contracts and the projects to be developed within their scope will be introduced to foreign investors in a conference in Tehran in month of Aban (Oct 23 – Nov 21),” Minister of Petroleum Bijan Zangeneh commented. At the same time, Iran and Armenia are negotiating expansion of their energy cooperation. According to the plans, Iran should increase its export of gas to the neighboring Armenia and importing extra electricity in return.

Greater Caspian region weekly overview: October 4th

Natural Gas Europe, *22.09.2015*



Iran ready to increase gas delivery to Armenia by 6 times. Currently Iran barters 1 million cubic meters of gas per day (mcm/d) with Armenia, but the gas transition capacity of the pipeline is more than 6 mcm/d.

Ali-Reza Kameli, Head of National Iranian Gas Exports Company, announced on October 4th that Iran barters a cubic meter of gas with 3 kWh of Armenian electricity, but the negotiations continue to change this ratio. He said that the capacity of pipeline on the Armenian side is lower than Iran, but the minimum gas transition capacity of this route is 1.1 bcm/a, which is three times more than current level.

Kameli said that Armenia planned to build a new 400-kilovolt power transmission line towards Iran as a combined-cycle power plant and has asked Iran to supply the needed gas for this plant in future. Iranian cars consume more than 21 mcm/d of Compressed natural gas (CNG), but government planned to double this volume, Shana quoted Ali Shams Ardekani, member of the Energy Committee of Iran Chamber of Commerce, Industries, Mines and Agriculture (ICCIMA). Iran imported 1.3 billion liters of gasoline during March 21 - July 30 two times more than the same period in last year- amounting to over $800 million, Iran’s Oil Minister Bijan Namdar Zanganeh, said on September 6th.

Supplying 21 mcm/d of CNG to domestic market had let to decreasing Iran’s gasoline consumption by more than 20 million liters per day. A cubic meter of CNG (equals 1.35 liter) is sold at about 20 cent in Iran. Iran is studying several gas export options to Turkey, Managing Director of the National Iranian Gas Company (NIGC) Hamid Reza Araqi said on September 3rd. According to him, the best option is liquefying gas and exporting LNG, but other options are also is studied. He said that alongside increasing gas production, Iran is optimizing the gas consumer sectors to decrease domestic consumption by 50 mcm/d. “Iran would be able to export 200 mcm/d of gas in four years,” he said.

Iran has already signed contracts and memorandum of understandings with Pakistan (22 mcm/d), Iraq (25 mcm/d) and Oman (27 mcm/d) to export gas. Iran also is talking with Iraq to export more 35 mcm/d of gas. Currently Iran exporting about 27 mcm/d of gas to Turkey. Earlier Iran announced that $16 billion is needed to construct pipeline to transit South Pars field’s gas to EU. Iran also needs $2.5 billion to complete a 10-million ton per annum “Iran LNG” project.

President Pranab Mukherjee said India should revive Peace gas pipeline (Iran-Pakistan-India) with Iran. India must capitalise on opportunities being offered by the landmark nuclear deal between Iran and the P5+1 (China, France, Russia, the United Kingdom, US and Germany) and should work on reviving the Iran-Pakistan-India gas pipeline along with the development of the strategic Chabahar port in Iran. India withdrew from Peace pipeline due to sanctions, but Pakistan signed gas deal with Iran to import gas in early 2015. However, neither Iranian side was completed nor Pakistan started piping in its soul yet. It’s expected sanctions on Iran be lifted in early 2016 due to a nuclear deal, achieved. Earlier, India said that it is ready to invest $15 billion in Iran.

Russia’s Gazprom has started the supply of 6 million cubic meters per day of gas to Azerbaijan as of September 29. The Magistral Gas Pipelines Department of SOCAR told Natural Gas Europe that Russia started delivery of 6 million cubic meters per day(mcm/d) of gas to Azerbaijan on September 29th through Haciqabul-Baku magistral gas pipeline. The source said that the total gas transit capacity of this pipeline is 12 mcm/d. “Currently, the Russian gas is transited through this 220-km pipeline to AzMeCo,” he said.

State Oil Company of Azerbaijan Republic (SOCAR) is entering a new stage of cooperation with Total SA in the development of Azerbaijan’s second largest natural gas field. Eric Meyer, planning development manager at Total Exploration & Production Azerbaijan B.V., announced on September 28th that the French company has completed the preliminary Front End Engineering Design (FEED) for the Absheron gas condensate field in the Azerbaijani sector of the Caspian Sea.

Meyer added that preparation work was being undertaken for the formation of JOCAP (Joint Operating Company Absheron Petroleum), where SOCAR and Total would each hold a 50% stake. Vagif Aliyev, head of SOCAR’s Investments Department, told Natural Gas Europe that “according to the terms of signed contract between two companies (in 2009) to develop Absheron gas field, in the exploration stage, Total should serve as operator, but during the operational stage of developing the project, it should adopt “cooperation” with SOCAR.” Azerbaijan exported 5.38 bcm of gas in January-August, 1.7 percent less than the same period in 2014,State Customs Committee reported.

Azerbaijan exports gas to Georgia and Turkey. According to the latest statistics, SOCAR (State Oil Company of Azerbaijan) produced 3.977 bcm in January-July 2015, which is 9,6 percent less than result of the same period in the last year. SOCAR vice-president for production and transportation Ramin Gurbanov said earlier that the production level of Socar’s operated fields is expected to reach 6.5 bcm in 2015.

The output from Shah Deniz Stage 1 (SD1) increased by 9.5 percent to 5.2 billion cubic meters (bcm) in first half of 2015, while the total Azerbaijan’s commercial gas production stood at 10.673 bcm.Turkmenistan delivered 125 billion cubic meters of natural gas to China from 2009 to August 2015.

The Ministry of Oil and Mineral Resources of Turkmenistan issued a statement on September 28th saying that, leading among other gas suppliers, Turkmenistan has become a strategic partner for China. Chinese CNPC also develops Turkmenistan's Bagtyyarlyk gas field on the bank of the Amu Darya.

Kazakhstan eyeing possibility to transport hydrocarbons to India. Kazakhstan is considering the possibility of transporingt its hydrocarbons and to ensure Russian oil and gas transit to India, IA Novosti-Kazakhstan quoted the KazTransOil Director General Kairgeldy Kabyldin as saying. During a panel session at the 10th International Energy Forum Kazenergy, titled “The change in energy development in Europe and the consequences for Central Asia”, Kabyldin said that currently the directions of oil and gas flow are being transformed.

“Earlier we were all aiming at Europe, the Baltic and the Black seas, but now the flows are reoriented to the east,” he said. He added that Russia's oil and gas are going today to the Pacific and China, and Kazakhstan is today transiting Russian oil and Turkmen gas to China.

SNAM could pay price of EU-Azerbaijan strained ties

Natural Gas Europe, *05.10.2015*

While SNAM continues negotiations with Socar, decisions taken by European authorities might reportedly affect ties between the EU and Azerbaijan in a moment of great confusion. According to some Italian newspapers, relations between Azerbaijan and SNAM are progressing well, as proven by the Memorandum of Understanding signed by SOCAR and the Italian natural gas infrastructure company.

Commenting on Azerbaijan's President Abdullayev meeting with SNAM CEO Malacarne in Milan, some other newspapers wrote that tensions between Brussels and Baku are likely to take a toll on SNAM.

Euractiv reported on Monday that Baku might lose interest in major investments in the Old Continent like DESFA and TAP, as the Azeri company continues having problems concluding the acquisition of a 66% interest in Greek gas transmission system operator DESFA. Turkey is an important piece of the jigsaw, as TANAP is a central part of the Southern Gas Corridor. Ankara said that if Moscow decides to cut its natural gas supplies through Ukraine to Turkey from 2019, it could increase consumption of gas delivered through the Trans-Anatolian pipeline. A few days before, Gazprom started the supply of 6 million cubic meters per day of gas to Azerbaijan.

Iran's gas may reach Europe in long term only

Trend News Agency, *08.10.2015*

The possibility for transportation of gas via the Trans Adriatic Pipeline (TAP) from other sources, such as Iran, Iraq and Turkmenistan is open, Charalampos Pippos, Senior Energy Consultant, expert, former Chairman of the Energy Group of the EU Council said.

"Under specific positive political and economic circumstances there is still an open possibility for transportation of natural gas through the Trans Adriatic Pipeline (TAP), which is the vital part of the Southern Gas Corridor, from Iran, Iraq and/or Turkmenistan," Pippos told Trend.

While Turkmen and Iraqi gas could become gas supply sources for the Southern Gas Corridor in the mid-term, Iranian gas could reach the western markets only in long-term perspective, given the geopolitical energy developments in the broader region, Pippos believes. Turkmen gas, he said, could be transported via an appropriate final link of the route starting from Turkmenistan via Azerbaijan directly with TAP or with another possible interconnector (for example the interconnector Greece-Italy).

"In the case of Iraqi or Iranian gas transportation to the EU markets, a new strategic route should be constructed in Southeast Mediterranean, most possibly that being part of the relevant EU East-Med/Trans-Med pipelines, again through an appropriate final direct link of this line either with TAP or with IGI," Pippos said. The proposed East Med pipeline would bring gas from off-shore Israel and Cyprus to the EU through Greece or Turkey. So far though, Turkey is blocking a shorter and cheaper pipeline through occupied Northern Cyprus and Turkey proper, which would be the optimal solution.

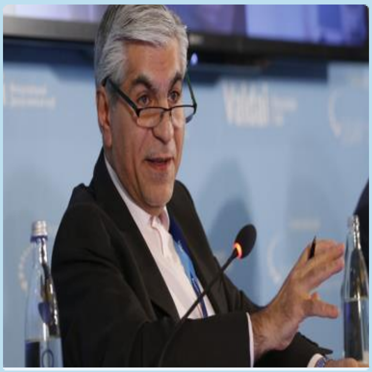
The East Med pipeline is a proposed project which envisages the transportation of gas from off-shore Israel and Cyprus to the EU through Greece or Turkey. The project has been included in the European Union's Projects of Common Interest (PCI). The pipeline, approximately 1,700 kilometers in length, is expected to have an annual capacity of 15 billion cubic meters. The East Med pipeline will be comprised of a network of submarine and overland infrastructure offering a direct link for deposits in the southeast Mediterranean area with the European gas network via Greece.

The Trans-Mediterranean Pipeline is a natural gas pipeline from Algeria via Tunisia to Sicily and to mainland Italy. An extension of the TransMed pipeline delivers Algerian gas to Slovenia. TAP project is a part of the Southern Gas Corridor that will allow Europe to diversify its hydrocarbon supply sources and strengthen energy security.

TAP will transport natural gas from the giant Shah Deniz II field in Azerbaijan to Europe. The 878 km long pipeline will connect with the Trans Anatolian Pipeline (TANAP) at the Turkish-Greek border at Kipoi, cross Greece and Albania and the Adriatic Sea, before coming ashore in Southern Italy. TAP's initial capacity will be 10 billion cubic meters per year, expandable to 20 billion cubic meters per year.

GECF: Azerbaijan to begin Europe gas supplies in 2022-2025

Trend News Agency, *07.10.2015*



Azerbaijani gas supplies to Europe will begin in 2022-2025, Secretary General of the Gas Exporting Countries Forum (GECF) Seyed Mohammed Adeli said in an interview with the "Izvestiya" Russian newspaper. He said that Azerbaijani gas supplies to the EU will begin no earlier than in 2022-2025, while the supplies of Iranian gas will begin even later.

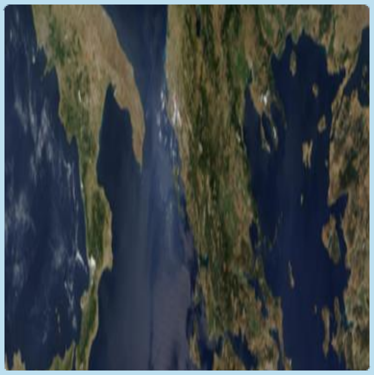
The GECF secretary general said that the natural gas from Azerbaijan is the alternative to Russian gas for Europe. In connection with this, the construction of TANAP is underway, which is designed to supply Azerbaijani gas from the Shah Deniz field through Turkey to Europe, he said.

"According to my observations, Iran wants to resume its liquefied natural gas supply, as it would be more profitable for it to supply gas to Asia across the Arabian Sea," he said. "The project of the Iranian gas supply through Turkey is a long-term prospect and there are no prerequisites for it for now." He also said that after the start of supply of Azerbaijani and Iranian gas, Europe's dependence on Russia will reduce.

"Right now, about one third of the gas consumed by the EU comes from Russia (according to the evaluation of the European Commission, the Russian gas last year accounted for 42 percent of the EU gas imports) with the emergence of TANAP and an increase in the proportion of long-term liquefied natural gas (LNG) spot supplies will fall to 25-28 percent," said the secretary general. "Not only the GECF understands it, but also the EU."

Gas strategies discussed in Greece

Natural Gas Europe, *05.10.2015*



The annual Global Oil&Gas Black Sea and Mediterranean Conference took place recently in Athens, Greece, and various stakeholders laid their views upon the gas culminations in the regional markets.

Bochkarev, energy fellow at the EastWest Institute, attested that the proposed Turkish Stream pipeline project could indeed become a reality in the coming years, albeit in a different form as presently presented: significantly lower in terms of volume capacity - up to 75% less. That means the pipeline would have a maximum 17.5bcm capacity and chiefly supply Turkish and Greek markets without further expansion.

It is not improbable that the Trans Adriatic Pipeline (TAP) could be used to transfer limited amounts of Russian sourced gas. On the other hand, Nord Stream is currently of outmost importance for the overall energy security of the major EU natural gas markets and in that respect, regulatory affairs should be taken into account regarding EU-Gazprom future supply relations. The Greek government, through incumbent Energy Minister Panos Skourletis, also pledged to follow through with Turkish Stream without making any assumptions around changes in volume or route.

The impeding opening up of the East Mediterranean natural gas supply route was touched upon by a cadre of experienced policy makers on the subject. The former head of the Energy Ministry directory of Cyprus, Solon Kasinis, placed emphasis on the recent gas discoveries offshore Egypt in the Zohr field, which could have more than 1 trillion cubic metres of gas in place.

According to the Cypriot expert, plans that call for the establishment of a pipeline from that region to the EU via Greece could be revitalized. In the coming months there should be strong competition and collaboration alike by all neighboring countries to firmly set up export infrastructure in the region, with a concentration on LNG installations. The Tamar field is operational and the Leviathan is about to be streamlined as well.

It was also noted that Italian ENI is still pursuing, after a 2-year break, potential gas resources offshore Cyprus in the sea blocks 2, 3 and 9, whilst French Total will commence its research by the end of this year in block 11. Egypt has certainly emerged a big player and has its own set of options, including stronger cooperation with Israel and Cyprus and significant investment options in the LNG market. By 2021, the situation should be settled and if new discoveries are made, the region could see a golden era of natural gas both in terms of local gasification and in export potential.

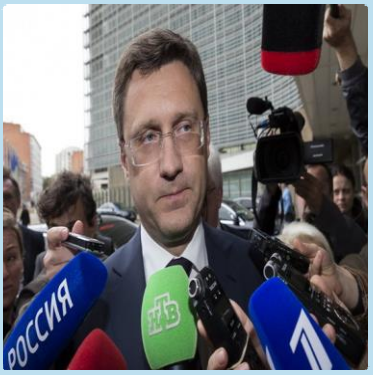
Former chairman of the Cypriot hydrocarbon agency, Charles Ellinas, pointed out that the plan to establish an LNG terminal in the Vasiliko area of Cyprus could become a reality if sources of gas are also being directed from Israel.

There are also indications for more gas to be found offshore Cyprus and the major difficulty nowadays is to secure long-term financing for any project at hand. By combining forces with Israel, Nicosia could hope for options to export both to EU and Asian markets. With the Zohr discovery and optimistic predictions for more reserves, Egypt could again become net exporter by 2022, a development that could ease the country's commercial deficit by many billions of dollars annually. In terms of price competitiveness, the cost of Cypriot and Israeli gas sent to Europe would be around $12 per MMBtu in today's prices, which is more than Gazprom's price to the same destination. That means that any potential exports will have to take that under consideration. In any event, exports would be a long term issue and not for the short term.

EU authorities, according to Mr Ellinas, are generally speaking in favor of projects such as the East Med pipeline, but it is not in the immediate priorities of the Union or any member states, save Greece and Cyprus. For the moment, the EU is primarily concentrating efforts on the Southern Corridor project with its TANAP-TAP system of pipelines along with assorted interconnectors. Cyprus, therefore, should speed up its efforts for a new round of explorations and be ready to hand out licensing for new sea blocks by 2016.

As winter looms, war-weary Ukraine shows signs of energy independence

The Christian Science Monitor, *06.10.2015*



More than two years after an armed conflict erupted in Ukraine, the state of affairs in the country continues to evolve rapidly. Some days are filled with reports of violence, others are marked by hope that the various ceasefire agreements between Ukraine and the country's Russian-backed separatists will carry weight. But as the winter months grow closer and the cold begins to creep in, a familiar tension rises to the forefront.

Roughly a third of Europe's natural gas – a critical heating fuel – comes from Russia, and more than half of that supply flows through pipelines in Ukraine.

As winter heating season once again approaches, the animosities between Russia and Ukraine may temporarily take a back seat to ensuring a steady supply of natural gas from Russia. This time, the Russia-Ukraine winter gas standoff is different, experts say. Russia's grip on energy in Ukraine – and indeed all of Europe – is slipping as the continent curbs consumption and bolsters its own gas transit systems. It's a promising trend toward greater energy independence, experts say, but decades of energy politicking among Brussels, Kiev, and Moscow isn't going away overnight. The European Union brokered a tentative wintertime truce to an ongoing standoff between Russia and Ukraine over how much gas to supply and at what price.

"Once implemented the winter package will lay the ground for smooth gas deliveries from Russia to Ukraine, and consequently also through Ukraine to the European Union," European energy commissioner Maroš Šefčovič told reporters in Brussels that day. The so-called "Winter Package" would commit Ukraine to purchasing 2 billion cubic meters of Russian natural gas between October 2015 and March 2016 for around $500 million, a price comparable with the prices offered to neighboring EU countries.

Five days after the agreement was slated to begin, there are signs that it may be unraveling before any gas arrives in Ukraine. The Ukrainian government has yet to sign the agreement and is instead seeking better deals from its western suppliers. Ukraine's reluctance to finalize the winter gas deal, which took months of EU-facilitated negotiations to conclude, is a sign that Russia has more to lose than Ukraine if the deal goes south, experts say.

"Russia has a lot at stake," says Ariel Cohen, a senior fellow at the Atlantic Council, a think tank based in Washington. "It has an abundance of gas, it's trying to keep its market share, and the conflict in Ukraine has the potential of deeply cutting Ukrainian purchases of Russian gas." Ukraine's large natural gas storage facilities and new bi-directional interconnectors, which facilitate gas imports from countries like Slovakia, are giving the country the leverage to hold out for a better deal, observers say.

Confronted with Ukraine's hesitance over the winter gas package, Russia, meanwhile, has expressed its readiness to seal the deal immediately. On Saturday, Russian energy minister Alexander Novak told reporters that Ukraine's formal signature on the "Winter Package" is unnecessary, as Ukraine's gas company Naftogaz needs only to pay its bill for the agreement to come into force.

"Russia wants to remain a reliable supplier to the markets in the center of Europe," says Brenda Shaffer, a specialist on energy and foreign policy at Georgetown University. "Until Moscow builds alternative gas supply pipelines, it will strive for the transit through Ukraine to Europe to be uninterrupted." In recent months, Russia again surpassed Norway as the number one supplier of natural gas to Europe, Dr. Shaffer points out. Currently, Russia supplies around one third of Europe's gas needs, and Moscow is now jockeying to gain EU support for the expansion of the Nord Stream pipeline, which brings natural gas from Russia to Europe via the Baltic Sea, bypassing Ukraine.

Meanwhile, Moscow is also pushing for a successful out-of-court settlement to the European Commission's antitrust case against the Russian state-owned gas company Gazprom, which alleges that Russia abused its dominant position in Poland, Hungary, and other eastern European EU-member states by overcharging for gas by up to 40 percent. A successful conclusion to the gas deal with Ukraine would be perceived as a step toward normalizing Russia's business relationship with Europe, which has been tense during the aftermath of the Western sanctions levied against Russia as a result of the conflict in Ukraine.

Although Europe has less to lose if the "Winter Package" is left by the wayside, EU officials also wish to avoid the turmoil that could ensue if Ukraine were to block Russian gas imports to Europe, experts say. Consequently, both Russia and the EU are vying to deescalate the conflict in Ukraine by exerting pressure on Kiev to accept the status quo and go ahead with the gas deal.

"Europe just wants everything to be calm on the Eastern front; they don't want Ukraine to freeze and they don't want them to cut the flow of gas to Europe," says Dr. Cohen. "They [the Europeans] are worried about the Russian economic downturn and the loss of markets," says Cohen. "They recognize the Russian intervention in Ukraine, but Ukraine isn't of strategic importance … Europe can live with it being a frozen conflict," he concludes.

Nevertheless, if Ukraine remains convinced that it has enough gas in storage and an option to bring even more gas from the West, it could walk away from the deal with Russia entirely. The amount of gas Ukraine ultimately imports from its eastern and western neighbors will depend on how low suppliers are willing to bring down the price, and how much gas the country needs to heat homes throughout the winter, according to analysts from Platts McGraw Hill Financial.

Currently, it remains unclear exactly how much gas Ukraine will need to last the winter. Ukrainian officials estimate the country will consume an additional 5.7 billion cubic meters from October until April, while Russia has suggested that it will need up to 7 billion cubic meters to cover its energy needs. "The severity of winter will determine how much gas it [Ukraine] needs," says Shaffer. "In the end, nature will decide if [the Winter Package] is successful."

Gazprom to auction a further 6bn m³

Argus, *06.10.2015*

Russian state-controlled Gazprom plans to auction at least 6bn m³ of gas for delivery in April 2016-March 2017 because EU spot markets are above oil-linked prices.The firm has planned two auctions, with one to take place late this year before another offering in January-February, Gazprom chief executive Alexei Miller said at the St Petersburg International Gas Forum.

Gazprom plans to sell a "minimum" of 6bn m³/yr — 16.4mn m³/d in April 2016-March 2017 — although the actual amount could be higher, Gazprom deputy chief executive Alexander Medvedev said.

Auctioning 6bn m³ would be less than Gazprom had previously suggested. The firm had planned to auction up to 10pc of its overall exports, which would be almost 16bn m³/yr, Medvedev said in September. Gazprom sold 1.23bn m³ — 6.76mn m³/d — for delivery in October 2015-March 2016 through the Nord Stream pipeline to Germany at an auction in September. The firm had offered up to 3bn m³ in the auction. The gas sold at the two upcoming auctions would be delivered through the same route as the offering for 3bn m³ in October-March, Miller said.

Spot prices at European hubs are higher than the price under oil-indexed contracts, Miller said. This could encourage Gazprom to auction gas at a premium to the price of sales under its long-term contracts. But European hub prices may not remain above oil-indexed levels in April 2016-March 2017.

Northwest European prompt and near-curve prices rose above oil-indexed import costs earlier this year because of strong injection demand. But European storage stocks were low at the start of this summer because of Russian deliveries that were below nominations from early September 2014 until 6 March 2015.

Higher Russian exports to Europe this winter could result in a considerably lower draw on storage and weaker injection demand in the 2016 summer. Hub prices could drop below oil-indexed levels — as they were for much of 2009-14 — if inventories are high at the start of the summer. The drop in European gas consumption because of weak economic growth and the expansion of renewable power generation capacity in previous years had left the continent with ample long-term contract obligations. This had pushed hub prices below crude-linked import costs, at least until the Russian shortfalls last winter.

Hub prices above oil-indexed contracts had reduced requests from Gazprom's European customers for increased gas-on-gas indexation, Miller said. Gazprom's maximum exports under long-term contracts to Europe — excluding the Baltic states — and Turkey for 2015-20 are 199bn m^3/yr, Miller said. And European demand for Russian gas beyond 2020 will either be unchanged or higher because of the decline of indigenous production and higher power sector gas consumption, Miller said.

Gazprom exports to Europe fall

Argus, *05.10.2015*

Russian gas exports to Europe and Turkey dropped in September on the previous month, while state-controlled Gazprom's average realised price fell. Sales to Europe and Turkey — not including the Baltic states — slipped to 13.1bn m^3 in September from 13.6bn m^3 in August. But exports were considerably higher than the 10.6bn m^3 a year earlier, when Gazprom delivered less than nominated to some customers.

Gazprom's sales rose to 115.2bn m^3 in January-September from 113.3bn m^3. Russian exports have been strong since early March, when Gazprom started meeting nominations again following the shortfalls that started in September 2014.

Gazprom hopes to sell 82bn-85.8bn m^3 to Europe and Turkey in the second half of the year, which would require deliveries to 41.05bn-44.85bn m^3 in the fourth quarter. Gazprom sold 32.3bn m^3 to Europe and Turkey in October-December 2014, during the shortfalls. Hub prices have been above Gazprom's average realised price since June, which has encouraged brisk imports from Russia from firms with flexibility to increase their receipts. Gazprom's average realised price was \$223/'000m³ in September, while the cost of everyday gas at the TTF was €19.18/MWh (\$227.92/'000m³). Hub prices have remained in a tight range around Gazprom's average realised price since April, after it started meeting nominations again.

Demand for Russian gas has been strong this year because of the low Russian receipts during the winter resulting in low stocks at the start of the summer and strong injection demand. This pushed hub prices above oil-indexed levels to encourage quick imports by firms with crude-linked contracts. But the brisk Russian deliveries to Europe have prevented hub prices rising further.

The convergence between hub prices and Gazprom's average realised price has also been partly driven by the Russian firm increasing its gas-on-gas indexation in recent years. Gazprom has granted some buyers more hub-indexation and TTF-linked corridors in recent renegotiations. Oil-indexed prices have fallen through much of this year, offering an incentive for firms with crude-linked contracts to take more in the second half of 2015. And crude-linked import costs appear set to be lower in November and December than October, which could encourage taking more towards the end of the year.

Russian deliveries to western Europe — through Nord Stream, Yamal-Europe and at the Ukraine-Slovakia border — slipped to 283mn m^3/d on 1-4 October from 314mn m^3/d in September. But the drop in flows may also partly be the result of increasingly full storage sites in some parts of Europe, particularly at sites where Gazprom has capacity. The Astora-operated Rehden facility, in Germany's Gaspool market area, was 94.3pc full, while the Taqa-operated Bergermeer site in the Netherlands was at 90.6pc of capacity. Gazprom has capacity at Bergermeer and Rehden. Other German sites were less full, with aggregate stocks at just 74.6pc of the country's capacity.

Russian flows into Europe for Gazprom to add to its European storage, may slow as sites where it has capacity become increasingly full. And some importers may have reduced their Russian take in early October as storage sites in some regions are close to full, limiting space to absorb long-term contract supply. Italy reduced its imports through Tag on 3-4 October, with Russian deliveries upstream at the Ukraine-Slovakia border falling. Italian injection capacity has become increasingly limited as sites approach capacity, curbing import demand, particularly at the weekends when consumption is lower.

Gazprom in Asia: Worried about nothing

Natural Gas Europe, *06.10.2015*

"I want to respond to everyone who thinks that Gazprom's projects are under threat – all of them are competitive and going to be implemented," announced Alexander Medvedev, Deputy Chairman of Gazprom, at the 19th Sakhalin Oil&Gas Conference in Yuzhno-Sakhalinsk, Russia.

Considering the fact that the level of uncertainty and disquiet in the Russian energy industry is only rising, this reassuring news was delivered at the right time.The Asian market is one of the key priorities for Gazprom and Sakhalin's energy plays a significant role in the company's strategy. This year the Sakhalin II project is celebrating its 10th anniversary.

It is one of the world’s largest integrated, export-oriented gas and oil projects that became possible after the first ever Russian production sharing agreement in 1994. Sakhalin II is managed and operated by Sakhalin Energy Company and its shareholders: Gazprom (50% and 1 share), Shell (27.5% minus 1 share), Mitsui (12,5%), Mitsubishi (10%). It includes the only Russian LNG plant with 13.2 bcm annual capacity. The main theme of the conference was the expansion of Sakhalin II LNG plant: a construction of a third train with 7.4 bcm capacity. On June 18th this year at the St Petersburg International Forum, Gazprom and Shell signed an Agreement of Strategic Cooperation on the so-called Sakhalin III. “The project is scheduled to come into operation in 2021 and will allow us to get 20,6 bcm of gas per year,”added Mr. Medvedev.

However, extensive plans might be undermined by Western sanctions. The U.S. government has recently included the Yuzhno-Kirinskoye field - the source of additional gas for Sakhalin III - in the sanctions list. For field development, the companies were planning to use subsea equipment that Russia does not produce. The primary supplier for the project should have been the American company FMC. Nevertheless, lawyers from Gazprom and Shell may argue that the main target of sanctions, according to OFAC Russian sanctions program is “oil exploration and production in water’s deeper than 150 metres,” while Yuzhno-Kirinskoye is supposed to be a gas field with a sea depth probably less than was stated by the U.S.

Alexander Medvedev refused to comment on Yuzhno-Kirinskoye but mentioned that “the sanctions are always unpleasant but it is not a tragedy for Russian energy industry.” As for Shell, Olivier Lazare, Country Chair Russia, emphasized that they “do not change plans every minute” and are going to stick to their plan of cooperation with Gazprom.

Meanwhile, the partners have launched a committee under the direction Gazprom’s Substitution Department (Department 335) headed by Pavel Krylov. The aim of the committee is to seek substitution of equipment necessary for LNG plants in Sakhalin and the Baltic. Import substitution is a painful theme for Russian energy as it is considerably dependent on foreign equipment and technology used in developing both onshore and offshore oil and gas fields. Currently Department 335 is working on the options for importing necessary equipment from the third countries, i.e. China. The question mark here is the quality and durability of such substitution, especially taking into account the unique and harsh conditions in the Russian oil and gas fields.

Another prospect for Gazprom is its capacity to call upon government support. During the session of Sakhalin Oil&Gas Conference, Pavel Zavalny, Chairman of Committee for Energy, Russian State Duma, admitted that governmental efforts are not enough to keep the industry up and running. Sidetracking the question about investments, Mr. Zavalny, however, recited the well-known “trouble package”: low oil prices, decrease of Russian export, sanctions, lack of credit resources.

To deal with these problems the proposed measures include tax preference on natural resources production in Siberia and Far East and property tax preferences for infrastructure of the Eastern projects, mainly for export pipelines. To implement this remedial plan, Russia needs to sacrifice budget revenues, which would make the economic situation in the country even more complicated. Also it is worthwhile noting that the level of gasification in the Russian Far East is only 7% comparing to the average 65% in the country.

According to the forecasts Gazprom relies on, the Asian market is the world's main driver of consumption: neither falling oil prices (and correction of gas prices), nor falling Chinese demand would change this trend. By 2025 gas import consumption could increase to more than 400 bcm a year, comparing with 280 bcm a year these days. Expansion in the Asian market is the number one goal for Gazprom nowadays and China is the number one partner. It was confirmed that the Power of Siberia would start to deliver 38 bcm a year in 2019. The negotiations about the Altai route (30 bcm capacity) are continuing. In addition to which, Gazprom is considering a possibility of delivering additional volumes to China from the Far East.

The question whether China would need such amount of gas remains unanswered. Kremlin's ambitious plan for Asia requires a lot of efforts and flexibility in the new reality that Russia has never experienced before. Still, according to the conference announcements, Gazprom seems to maintain its composure in the middle of a perfect storm.

Polish President claims Nord Stream-2 construction must be stopped

Sputnik, *07.10.2015*

Polish President Andrzej Duda said that Russia's Nord Stream-2 pipeline, which is intended to connect Russia and Germany through the construction of two new pipeline branches, is of great political significance.

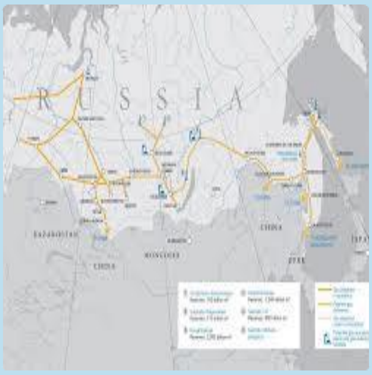
President Duda said that the construction of the Russia-initiated Nord Stream-2 gas pipeline should be stopped. "We must do everything to stop the additional branches of the pipeline from being built," Duda said. According to the president, Russia's Nord Stream-2 pipeline, which is intended to connect Russia and Germany through the construction of two new pipeline branches, is of great political significance.

After a meeting of Andrzej Duda and his Slovakian counterpart Andrej Kiska, the politicians expressed their opposition to the Nord Stream-2 pipeline expansion project. Duda proposed raising this issue with the Visegrad countries, comprising the Czech Republic, Hungary, Poland and Slovakia. In June, Gazprom announced plans to build two additional branches of the Nord Stream gas pipeline from Russia to Germany in a joint project with E.ON, Shell and OMV. In early September, Russia's Gazprom energy company signed a shareholder agreement on the pipeline extension with the international energy companies BASF, E.ON, Engie, OMV and Shell.

Gazprom is the main shareholder in the project, with a 51 percent stake. The capacity of the Nord Stream-2 pipeline could reach up to 55 billion cubic meters of direct annual gas supplies from Russia through the Baltic Sea to European customers. According to Russia's envoy to the European Union, Vladimir Chizhov, the Nord Strem-2 is not a political project, but it is supposed to ensure stable gas supplies to Europe.

Russia’s only LNG plant says to maintain output despite falling demand

Reuters, *05.10.2015*



Russia’s only liquefied natural gas plant, the Sakhalin-2 project in the Far East (Kuala Lumpur: 5029.KL - news) , plans to maintain production at around 10.8 million tonnes in 2016 despite falling demand from Asia, the firm’s chief executive officer said. As we have long-term commitments for our customers, we do not plan to cut production”, Roman Dashkov, the head of Sakhalin Energy, said in emailed answers to Reuters questions.

Sakhalin Energy is a joint venture between energy giant Gazprom -- which owns a 50 percent stake -- and Royal Dutch Shell (LSE: RDSB.L - news) which has 27.5 percent.

Japan Mitsui also has 12.5 percent and Diamond Gas, a Mitsubishi Corp subsidiary, 10 percent. Dashkov’s comments come against an uncertain backdrop for LNG after Asian LNG prices (LNG-AS) for November delivery slid to $6.60 per million British thermal units (mmBtu), down from $10.10 at the start of the year. That was partly due to new Australian supply coming on the market and demand remaining subdued. The outlook means that, in China, energy giants are being forced to sell a glut of he fuel to buyers in other countries .

Dashkov told an industry conference that the plant increased production capacity by 1-2 percent, thanks to an upgrade in its first production train this year. A second train is scheduled to be upgraded in the same way. The firm exported 80 percent of its gas to Japan last year and 18 percent to Korea. When asked how long low demand could persist, Dashkov said the firm foresaw “a conservative scenario.” He cited new LNG volumes expected to be launched in Australia and the United States and the fact that Korea and Japan might restart their nuclear energy plants soon.

“But in the short term it will have no effect on LNG production” (for other suppliers), he said. “Low oil prices could also prompt potential new LNG suppliers to delay taking investment decisions,” he said. Dashkov said U.S and EU sanctions imposed over Russia’s actions in Ukraine would have no impact on plans to build a third production train. “The project Sakhalin-2 is not subject to sanctions and the project is being commissioned in accordance with a production sharing agreement,” he said.

Gazprom’s own Yuzhno-Kirinskoye deposit, which is on a U.S. sanctions list, is seen as a resource base for a third train. A final investment decision on building the third train is expected in the second half of 2017 and it could be launched in 2021. It (Other OTC: ITGL - news) will allow production at Sakhalin-2 to be increased to 15 million tonnes of LNG per year from around 10 million tonnes. Gazprom said last week it was also considering building a fourth production train. “Co-operation between Russian firms and the key foreign ones will allow us to hit the target (for building the third train)”, Dashkov said.

Gazprom sees 2015 gas exports at 159-160 Bcm, TurkStream delay

Platts, *07.10.2015*

Russia's Gazprom has raised its forecast for 2015 gas exports to 159-160 Bcm based on stronger than expected second and third quarters, while not ruling out a year's delay to the TurkStream pipeline to send gas to southern and central Europe, Deputy CEO Alexander Medvedev.

The new export forecast includes traditional long-term contract supplies as well volumes sold via auctions, Medvedev was quoted on the sidelines of the St Petersburg International Gas Forum. "The export volumes are much higher than those of last year. Moreover, the second and third quarters have significantly exceeded our schedule," he said.

Gazprom raised last month its forecast for natural gas exports to Europe and Turkey to 158 Bcm in 2015 from the previous estimate of 153-155 Bcm, which was based on second-quarter results. International Gas Report is a biweekly report that intelligently analyzes what is happening in the natural gas industry, improving your vision and sharpening your competitive edge. Through its unrivalled network of global correspondents, it covers the whole gas chain, from the well-head to the burner tip, in Asia, Europe, the Middle East, Africa and the Americas, including gas transport, regulation and the ever-present problems posed by shifting geopolitical concerns.

Hampered by lower demand from Ukraine in Q1, Gazprom's exports to Europe and other countries dropped 6.5% year-on-year to 80.4 Bcm in H1, according to company data. But it has since made up for the amount due to higher demand in Europe, especially Germany which is Russia's top gas buyer in the region.

Company CEO Alexei Miller said Tuesday Q3 exports to Europe had grown by 23% year-on-year, but without giving figures. Germany imported a record 21.5 Bcm of gas in the first half of the year, he said. Gazprom's actual 2014 exports to Europe totaled 159.4 Bcm. With growing European demand, Gazprom plans two additional pipelines to send Russian gas to Europe -- Nord Stream 2 across the Baltic Sea, and TurkStream across the Black Sea.

While Nord Stream 2 project has been gaining speed, TurkStream has seen its envisaged capacity halved and is facing a construction delay, possibly to end-2017, Medvedev said, adding however, that a year's delay, will not be critical for the company's plans. "We could have had the first line project implemented in December 2016, [but] this deadline is shifting. If it shifts by a year, it will be nothing terrible," Medvedev said, according to Prime. The project is affected by Turkey's political situation with the temporary government in place and upcoming elections on November 1, he said. First proposed last December, TurkStream was expected to deliver 63 Bcm of Russian gas via four parallel underwater pipes of 15.75 Bcm/year capacity, across the Black Sea, bypassing Ukraine, and making landfall in Turkey's European province of Thrace.

The new plan involves the construction of two lines with a combined capacity of 32 Bcm, Miller said. The first line is to supply Turkey's demand, with the rest flowing onward to central European states. Turkish officials said earlier this year they had reached agreement on development of the first line, but not the remaining three. Turkey currently receives 14 Bcm/year of Russian gas through the Transbalkan pipeline via Ukraine which Russia plans to close once TurkStream is completed.

The TurkStream project has run into difficulties since Turkey's general election in June failed to produce a working government, making it impossible for the Turkish parliament to hold a vote on approving the inter-governmental agreement for the line, which in turn has led to conflicting reports on whether Turkey was still committed to the project.

Outgoing Turkish energy minister Taner Yildiz said ratification of the inter-governmental agreement for the TurkStream project would be delayed until a new government could be formed, blaming Gazprom for failing to deliver coordinates for the planned pipeline to his ministry in time for the agreement to be voted on in the Turkish parliament before the June general election.

Gazprom plans to offset the European supplies cut from the TurkStream project with the third and fourth underwater lines of the Nord Stream pipeline, expected by the end of 2019 and doubling the current pipeline's capacity to 110 Bcm/year. Gazprom signed a shareholders' agreement with Europe's BASF, E.ON, Engie, OMV and Shell, to build the Nord Stream 2 pipeline system, moving forward on an expansion previously opposed by EU authorities.

Sources: Moscow got gas deal in exchange for Syrian airstrikes

WND, *03.10.2015*

In exchange for Russia's military intervention in Syria, embattled President Bashar al-Assad acquiesced to Moscow's further exclusive exploration of gas fields off the Syrian coast, according to informed Middle Eastern defense sources speaking to WND.

The silent agreement, the sources say, extends beyond the multi-million-dollar deal Syria signed in 2013 with Russian company Soyuzneftegaz for exclusive offshore drilling, development and production pertaining to a 2,190 square kilometer bloc of Syria's territorial waters. The area stretches from the city of Tartus to Banyas.

Agence France-Presse described the 2013 contract as "the first ever for oil and gas exploration in Syria's waters." In 2010, a U.S. Geological Survey predicted as much as 1.7 billion barrels of oil and 122 trillion cubic feet of natural gas could be found in the northern part of the Levant Basin off the Syrian coast.

This is in addition to Syria’s strategic position on the Mediterranean to pipe Iranian and Kuwaiti gas to the European market, which Russia has long dominated. Former Soviet-bloc intelligence chief Gen. Ion Mihai Pacepa reveals the secret strategies destroying Western civilization in his book “Disinformation “ and the companion documentary.

Russia has kept up a sustained air campaign in Syria, with strikes promptly followed by Syrian ground attacks, as WND reported. WND quoted Middle East defense sources saying Russia is updating battle plans to carry out possible airstrikes in Iraq as soon as next week. The sources said Moscow is awaiting a more formal request from the Iraqi government before expanding its campaign targeting insurgents in the region, a campaign that U.S. officials believe is primarily about asserting Russian influence.

Iraqi Prime Minister Haider al-Abadi on Wednesday and Thursday made a series of comments supportive of Russian intervention in his country. The comments come after Iraq announced earlier this week it recently established an intelligence-sharing platform with the Russians, Syrians and Iranians. The intelligence coordination could potentially jeopardize U.S. security, because the U.S. maintains its own intelligence-sharing channels with Iraq.

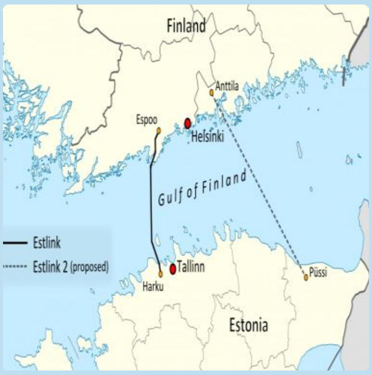
“It’s a possibility; if we get the offer we’ll consider it,” Abadi told France 24 television in an interview recorded Wednesday and broadcast Thursday, speaking about future Russian air strikes in Iraq. “In actual fact, I would welcome it.” Abadi further told the PBS “NewsHour” he already spoke with Russia over the matter. “Our message to the Russians — I met with Putin — please join this fight against Daesh,” he said, referring to the Arabic acronym for ISIS. “Daesh is a dangerous terrorist organization, not only against Iraq, against Syria, against the whole region, against the whole world. It is time that we all join the same forces to fight Daesh.”

Sergey Lavrov, Russia’s foreign minister, said his country has not been invited by Iraq to act against ISIS there. “We are polite people, we don’t come if not invited,” Lavrov told reporters on the sidelines of a U.N. gathering of world leaders. Ilya Rogachev, director of the Russian Foreign Ministry’s department for new challenges and threats, said Moscow would consider airstrikes in Iraq if invited by the country.

“If we have either a corresponding request from the government of Iraq or a resolution from the U.N. Security Council, the adoption of which to a conclusive degree matches the will of the government of Iraq,” said Rogachev. “If we have these sufficient grounds, then the political and military appropriateness will be evaluated.”

Finland, Estonia to lobby Brussels for gas linkup

The Baltic Times, *07.10.2015*



The Finnish government has vowed to apply for EU funds to link their gas network with Estonia's, defying concerns from its state run gas company. Connecting the gas networks of the two countries for the first time would open Finland up to competition and tie in the Nordic country with EU gas transmission networks in central and eastern Europe, Finnish and Estonian officials have said.

The proposed project, known as the Balticconnector, includes an underwater gas transmission pipeline that spans 81 kilometres across the seabed of the Gulf of Finland, with compressor stations on both coasts.

According to the proposal, the Balticconnector would allow for gas flows of up to 7.2 million cubic meters per day and the total cost is estimated at 250 million euros. Following a ministerial committee meeting where Finland's decision was made last Friday, Olli Rehn, Finland's minister of economic affairs, said the project would be impossible without 75 per cent of the cost being covered by the EU's Connecting Europe Facility.

The deadline for proposals is and both governments have now resolved to file the Balticconnector proposal jointly, having come to terms regarding the division of the remaining 25 percent of costs. But the Finnish energy group Gasum, which oversaw the project's planning together with the Estonian transmission system operator Elering, has warned that the project is not commercially viable and has backed away from the project.

"The Finnish gas market and its future outlook have changed substantially since 2008 when plans for the projects were initiated," the company stated in a press release last Friday. "The competitiveness of gas has deteriorated and gas consumption has decreased." Gasum has stated instead that it is committed to the active development of gas in the Nordic region rather than fostering costly connections with Estonia, and to do so with domestic Liquified Natural Gas (LNG) terminals.

"Gasum is investing constantly in the development of Finnish gas infrastructure. Our key objectives are to ensure our customers' access to clean and competitive fuels and at the same time develop the Finnish biogas market and Nordic LNG market," Gasum CEO Johanna Lamminen is quoted as saying. The Finnish government's decision, however, will mean the creation of a new state company to oversee the Balticconnnector project regardless of Gasum's objections, subject to the EU approving funding. Some Estonian analysts believe Gasum's involvement in the project will not be missed, accusing the company of dragging its feet from the start.

“Gasum has a vested interest in the status quo,” says Emmet Tuohy, a Research Fellow at the Tallinn-based International Centre for Defence and Security, a think tank. “It makes considerable profits bringing in pipeline gas from Russia, profits it can invest in smaller-scale LNG terminals aimed at the marine shipping and industrial markets,” he tells The Baltic Times. “It has no incentive to change.”

“But the region as a whole would very much benefit from the pipeline,” he adds. “Regional companies would be able to negotiate more effectively with outside suppliers of LNG, given the greater commercial attractiveness of an integrated market (with its significantly higher demand). Another factor is that Gazprom is more likely to renegotiate supply agreements if the region has alternatives.”

The Finnish Government’s decision was applauded by Estonian officials. “This is a very positive decision,” chairman of the board of the Estonian transmission system operator Elering Taavi Veskimagi told BNS. “We have put in a lot of effort to submit an application in the second call for proposals for projects of common interest already this fall.”

“The necessary documents for lodging a funding application for Balticconnector basically exist. The project certainly has advanced to such a stage of readiness that, now that a political decision has been made in both countries, it can be submitted to the second round of funding applications,” he added. “Approval of this application by regulators and ministries is still required. I believe that now that both countries’ political decision is in place this can be achieved within the said time frame.”

According to Veskimagi, he is unable and unwilling to comment on Gasum’s decision to back out. “From our perspective, it has no importance which concrete legal entity on the Finnish side is in charge; it’s for the Finnish state to decide how they will organize their gas market in the future,” he added. Russia has watched on in consternation as energy link ups between EU member states in the Baltic Sea region have gotten underway — a result of policy makers in Brussels pushing for diversified energy supplies to counter dependence of some EU member states on Russia.

During an interview with the US TV channel CBS, Putin expressed dismay and alarm at the process of integrating Nordic-Baltic energy networks with central and western Europe’s. “In practice, it means that a number of zones will emerge between several regions of the Russian Federation, where we will have no power transmission lines, since previously we used to have a loop transition through the Baltic countries,” he said in conversation with TV presenter Charlie Rose. “And it means that we will have to reform the system, spending billions of dollars, as well as our European partners who will also have to spend billions of dollars to integrate the Baltic countries into their power grid. What for?”

Analysts acknowledge that the Baltic states’ plan to integrate into the European grid might lead to the isolation of the Russian region of Kaliningrad, wedged between Lithuania and Poland, and raise tension in relations with Moscow. At the moment, the Baltic States’ power systems still synchronically operate with Russia as part of the so-called BRELL ring, linking Belarus, Russia, Estonia, Latvia, and Lithuania. It means that certain key parameters of the Baltic systems are centrally-controlled by Moscow.

The Baltic states want to become part of the European grid to free themselves from Moscow's influence in the energy sector. Lithuanian President Dalia Grybauskaite has said the synchronization with continental Europe would step up Lithuania's energy security and political independence.

Šefčovič confirms Eastern European countries need help

Natural Gas Europe, *02.10.2015*

While Gazprom reportedly announced a y-o-y 23% increase in gas exports to Europe and Turkey in the third quarter, European Commission Vice President Maroš Šefčovič emphasised the role of the North–South Corridor in connecting Central European energy markets, and increasing energy security in the region.

In a meeting with Paweł Olechnowicz, Chairman of the Board of Directors of Central Europe Energy Partners (CEEP), the European Commissioner said that the North–South Corridor is a key strategic asset in a moment of 'geopolitical upheaval'.

He also stressed the importance of the energy sector for the European industry. "We want to keep industry in Europe, facilitate its development and increase competitiveness. This applies also to the whole energy sector, including oil, gas and electricity. We are aware of the need to foster investments in these fields, and EU regulations have definitely an impact on that. We will work hard to make sure the European industry has proper conditions to grow" Šefčovič said in a note released.

CEEP recently made the case for the pipeline, speaking about 'enormous political, economic and social benefits that the North–South Corridor would bring to the whole of Europe.' Presidents, prime ministers and foreign ministers of Austria, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Slovakia, Slovenia, Poland and Romania discussed the document presented by CEEP.

Šefčovič already made it clear. His point is that the Nord Stream II project would have a negative impact on Eastern European countries. "The eastern European countries will clearly have their energy security decreased" he said Thursday in Sopot, Poland, referring to the planned expansion of pipelines carrying Russian gas to Germany. Meanwhile, Gazprom said it exported 41.4 billion cubic metres of gas to Europe and Turkey in the third quarter, registering a 23% from the third quarter in 2014. According to Reuters, Germany increased purchases by 19% to 11.2 bcm, while Italy by 69% to 7 bcm.

North Sea oil and gas firms told: Get on and collaborate

The Herald, *02.10.2015*

North Sea oil and gas firms recognise they need to collaborate more to help the industry survive the crude price plunge but only a small minority are doing anything about it experts have found. A survey by Deloitte found clear recognition of the value of collaboration in the North Sea.

However, while there appeared to be widespread awareness among firms of the theoretical benefits of working together hardly any had developed plans to ensure they collaborated in practice. Less than 10 per cent of respondents said leaders of their firms regularly emphasised the importance of collaboration or included it in their business strategy.

Only one in five respondents said they actively sought out opportunities to collaborate. Deloitte said the results should provide a wake up call for the industry which is reeling from the effects of the slump in the oil price since June. This has impacted across the supply chain, from firms that own fields to businesses that provide services like drilling. Nick Clark, a director in the Deloitte consulting team that completed the research, said: “While it’s encouraging that collaboration is seen by the industry as an important tool in helping companies succeed in maximising economic recovery of the United Kingdom Continental Shelf .. there’s clearly work to be done, and fast given the current tough environment.”

Mr Clark noted that greater collaboration across the industry was one of the key recommendations of the report into maximising the recovery of the North Sea’s oil and gas reserves published by oil services tycoon Sir Ian Wood. Companies appear to be struggling to change competitive behaviours they learned in an age when markets were buoyant. Experts have said the boom in the oil and gas industry that came to an end last year allowed firms to ignore what has proved to be an unsustainable rise in costs.

Deloitte found: “The industry needs to address a number of practical, cultural and behavioural barriers that are standing in the way.” Oil & Gas UK said the report was a welcome contribution to the important debate about how the industry should respond to the oil price fall. The trade body’s business development director, Stephen Marcos Jones, said: “In a world of a fallen oil price and high costs, industry is facing a difficult time. Whilst there are some signs of recovery - through an upturn in production and concerted focus on improving efficiency - there’s also growing consensus that much more needs to be done.” He added: “It is valuable to have a means to measure industry’s progress in terms of collaboration – which is no easy task.” Deloitte suggested oil and gas firms must take the lead to make collaboration effective in the North Sea but they should expect to get support from Oil & Gas UK and the new regulator.

The firm said the Efficiency Task Force launched by Oil & Gas UK this month could be a real driver for positive change. Mr Marcos Jones said Oil & Gas UK hopes the task force will challenge existing behaviours and be a catalyst for pan-industry improvement. Supported by Oil & Gas UK, the survey was completed in July and got responses from people working for 61 firms including a range of operators and services companies.

Beware of cheap oil!

Natural Gas Europe, *08.10.2015*

When oil prices go up, governments of oil-importing countries worry. Low oil prices give European economies a boost, but in terms of foreign and security policy, Europe's neighbourhood faces more instability as oil-producing countries struggle with a fiscal crunch.

Between 2005 and 2014 there was an extended period of high oil prices. From 2011 to 2014, Brent oil averaged $107 per barrel. But in mid-2014 prices plummeted. Oversupply booming US shale oil production in combination with unchanged levels of production in OPEC countries met falling demand, particularly from a slowing Chinese economy.

Supply disruptions, sanctions and conflicts – which removed more than 3 million barrels per day from the market in 2015 – had little effect on the downward trend in oil prices. On October 6, Brent oil was trading at around $52 per barrel.

The period of high oil prices had negative consequences. It led to a massive transfer of wealth from Western economies to oil producing ones, which weighed on European recoveries and filled the state coffers of (mostly) less democratic states. Defence spending, repression and corruption increased in the Middle East and Russia. Since oil products are a key ingredient in fertilisers, high oil prices contributed to soaring food prices, putting extra strain on import-dependent emerging economies, like Egypt. This was one of the factors that led to the 2011 Arab Spring uprisings. Pirates and militant groups in the Gulf of Guinea specialised in stealing crude oil from pipelines and tankers.

Now, developments in both supply and demand are likely to depress prices for some time, perhaps until the end of the decade. The markets are bearish about prospects in the years ahead: oil futures contracts for early 2020 currently trade at less than 60 US dollars ($). On the supply side, American shale or 'tight' oil production can respond to price changes more quickly than conventional production can. Rystad Energy, a Norwegian energy consultancy, estimates that on average US shale oil becomes economic to produce at $58 per barrel; so increased US supply could slow global price rises above that level. In addition, in mid-2016 sanctions on Iran's oil sector will end; as it attempts to win back market share it could soon add one million barrels per day to global output, increasing the world's excess capacity.

On the demand side, China is slowly moving away from energy-intensive heavy manufacturing towards domestic and urban services, and its growth rates will inevitably fall from stellar to merely robust. The recovery in the eurozone is shaky, the IMF has corrected its global growth forecast downwards and overall energy efficiency gains mean the world confronts a depressed demand for oil, for now.

So, is the current price decline a good thing? Unfortunately a sustained period of low oil prices will create its own foreign and security policy problems. Low oil prices hurt the bottom line of oil-exporting countries. The IMF expects the export earnings of the Gulf states this year to decline by $287 billion due to the price collapse.

Since 2011 governments across the Middle East have increased social spending to keep their populations happy in the wake of the Arab Spring uprisings. They may now struggle to maintain that spending. In many oil-exporting states, those who control the oil wealth control most of the economy. If expected oil proceeds decrease in countries where ethnic, tribal or religious communities compete for political influence – as in many countries in the Middle East – this could become a cocktail for instability and conflict.

Jihadist groups in the region may find it easier to recruit disgruntled youth when economic problems rise. The risk of social unrest may lead governments to increase repression, resulting in human rights violations, terrorism and migratory pressures. The chart below shows the depth of a country's state coffers and the oil price at which oil-exporters can balance their books (called the 'fiscal breakeven price').

The size of the bubble reflects the population that needs to be kept happy. An oil-exporter would prefer to be in the lower right-hand corner: able to balance the books with a low oil price, and with substantial government reserves to withstand years of low oil prices. Countries in the upper left-hand corner have breakeven prices in excess of the current oil price, and small financial buffers.

Only Kuwait still earns money at current prices. Saudi Arabia can weather low oil prices for a long time due to its massive reserves, but others are not so fortunate. Bahrain has a high breakeven price, limited government reserves, large debts and a high rate of oil and natural gas extraction; only about ten years' worth, at current rates. Under these difficult economic conditions, tensions between the ruling Sunni minority and the Shi'a majority could boil over, as they did during the Arab Spring.

Despite its small financial buffer, Iraq sits on massive oil wealth and has a relatively low fiscal breakeven price. This suggests that if it is able to attract investment into its oil sector, it could prosper despite low oil prices. But the fight against the Islamic State terror group and Baghdad's inability to reach a revenue-sharing agreement with the Kurds mean this may be difficult.

Outside the Middle East, crude oil, natural gas and oil products make up 90 per cent of Nigeria's exports. It has limited reserves, a high breakeven price and a large and growing population that demands improved social services and economic opportunity. Groups like Boko Haram could exploit such grievances.

The Russian economy is heavily dependent on oil as Andrey Movchan from Carnegie's Moscow centre explain [8]s [9]. The chart above suggests that it has substantial reserves to deal with low oil prices, but Ian Bond and Christian Odendahl have argued that Russia's state coffers may not be as full as the official statistics suggest [10]. Russia has responded to low oil prices by pumping record quantities of crude, but Western sanctions against its financial and oil sectors as a result of its intervention in Ukraine are making it hard for Russia to replace depleted oil fields.

If low oil prices persist, President Vladimir Putin will have to choose between maintaining social spending and pushing on with his expensive programme of defence modernisation. Although Russia's vulnerability to oil price fluctuations should convince him to diversify the Russian economy, Putin may prefer to distract public opinion with military adventures abroad. It is worth remembering that Iraq's president Saddam Hussein invaded neighbouring Kuwait in 1990 during a period of low oil prices.

Metal prices have fallen along with the oil price, and so developing countries that are dependent on mineral extraction face similar difficulties: copper accounts for 73 per cent of Zambia's exports; 60 per cent of Mauritania's exports comprise iron ore and copper; 90 per cent of the Democratic Republic of Congo's exports consist of copper, cobalt and oil. The longer the price slump lasts, the more weak governments in these countries – many of which have a history of civil strife – will struggle.

The role of the US in both global oil markets and (potentially) Middle Eastern politics will change. American shale oil will continue to put downward pressure on prices. It makes the United States, not Saudi Arabia, the global swing-producer; and it challenges the cohesion of the OPEC oil cartel, as maintaining market share rather than high prices becomes the overriding concern for OPEC's members.

In Europe, the impact of low oil price is mixed. The economic effects are clearly positive: low oil prices boost household incomes and reduce production costs. The impact of the Chinese slowdown, a negative for the European economy, is partially off-set by the subsequent fall in the oil price. But persistently low prices may complicate the EU's efforts to reduce its dependence on Russian gas by delaying investment and production in some of Europe's most important gas and oil suppliers, including Algeria and Azerbaijan. The Shah Deniz-2 gas project in the Caspian, bringing gas from Azerbaijan to Europe and a critical element in the EU's efforts to increase its supply of non-Russian gas, loses money at current prices.

From a climate perspective, there is both good and bad news. The exploitation of high-cost energy sources will be delayed, including off-shore Arctic resources, complex ultra-deepwater fields and Canadian tar sands. Perhaps $200 billion in capital expenditures, mostly involving deepwater and oil sands projects, has been deferred due to the oil price bust, say energy consultants at WoodMackenzie. (Some Arctic projects and oil sands production could become economic again at $70 per barrel.) The controversial development of European shale resources might be unnecessary (and uneconomic) with the current oil and gas glut. In the longer term, low oil prices should create an incentive for oil producers to modernise their economies to reduce their dependence on hydrocarbon exports – if they can afford the necessary investment and show the political will. If so, Europe should be prepared to assist them with the transition.

But low oil prices also challenge European climate policy, which rested on the assumption that oil prices would continue to rise, gradually making renewables and other low-carbon technologies more attractive. Low oil prices are linked to a drop in the carbon price. Meanwhile, coal has also become cheaper. Robust regulation rather than market forces will thus be needed to achieve Europe's climate objectives. This also has consequences for the international climate conference in Paris in December.

In a low oil-price environment, reaching binding decisions on climate targets becomes much harder. Though the US and China may push for an agreement in Paris, emerging economies like India and Turkey – which experience soaring energy demand – may be more reluctant to commit to costly emissions-reductions strategies. Finally, and most urgently for European policy-makers, the arc of instability around Europe's southern and eastern periphery, full of oil-exporting countries, will get more unstable if the oil slump lasts.

This could lead to more regional conflict, an increased risk of terrorism, new refugee flows to Europe and more stress on EU countries struggling to cope with mass migration. European governments should consider this when debating spending priorities: a world of low oil prices will demand investment in development and humanitarian aid, security and in capable military forces.

Oil prices that are neither too high nor too low are good from a foreign policy perspective. But because the oil market tends to overshoot and undershoot, a 'goldilocks' oil price will remain elusive. For now, Europe should be ready for its neighbourhood to stay turbulent as long as cheap oil reigns.

Strategic cooperation in energy: Infrastructure is key

Natural Gas Europe, *05.10.2015*

In a session dedicated to "Strategic Cooperation in the Energy Sector" at the 25th Economic Forum in Krynica, Poland, an electricity transmission system operator from the Baltics offered his company's experiences of regional strategic cooperation.

Explaining that he represented the Lithuanian transmission system operator, LITGRID AB, Mr. Daivis Virbickas, Chairman of the Management Board and CEO, said his company is currently implementing part of Lithuania's energy strategy via the building of cross-border interconnections between Lithuania and Poland, and between Lithuania and Sweden.

"As a company which is implementing strategies," he said, "I would like to say it is crucial that infrastructure is necessary for cooperation. Without infrastructure you can produce papers, can produce strategies, but nobody benefits from them."

According to Mr. Virbickas, for building infrastructure on time political will is necessary, and in the wake of its existence it is possible to deal with issues like regulation, harmonization of regulation and getting all the benefits of markets and integration.

Recalling that the Polish-Lithuania power interconnector was first mentioned in 1992, he noted it took 23 years: “Five years to construct, 18 years to discuss about the strategy, get political will on the table, and to go forward.” The Lithuania-Sweden connection, he explained, is happening much more rapidly, but still entailed the same process.

Mentioning “not in my backyard sentiments,” Mr. Virbickas said, “Such initiatives like the European Union’s ‘Projects of Common Interest’ are helping us to implement infrastructure, and helping communities to understand the importance of infrastructure for the community.” Cooperation, he said, is crucial in order to reap benefits for regions, states and communities.

Moderator Igor Dekanic hammered Mr. Virbickas’ point home: “For strategic cooperation, you have to have infrastructure and that’s a basic fact, you have to have gas interconnectors, electrical network interconnectors, gas storages, etc. and for that basic infrastructure, particularly in international relations, you have to have political will. “Strategic cooperation,” he pointed out, “is somehow very closely connected to the policy.”

In terms of where Ukraine fits into such strategic cooperation, Oleksandr Dombrovskyi, First Deputy Chairman of the Committee on Fuel and Energy Complex, Nuclear Policy and Nuclear Safety, Supreme Council, Ukraine, pointed out that there’s a war going on in eastern Ukraine. Of that war, he commented: “This is a crucial factor determining our strategy and decisions made by the president and the Supreme Council.”

Regarding energy sector integration, he mentioned the recent Association Agreement with the European Union. “Ukraine is doing its best to enable implementation of its obligations towards the EU, even in time of crisis.” Mr. Dombrovskyi noted Ukraine’s decisions regarding electricity and gas markets have to be in line with the EU directives and reported that the Ukrainian parliament was deliberating over measures that would lead to closer and stronger integration with the Union.

He said, “In June of this year our parliament adopted legislation on the gas market, which leads to better cooperation of our activities with gas partners in Europe. We’ve also made a number of technological commitments thanks to assistance from our partners regarding various pipeline transport of gas supplies to Ukraine. A number of technical problems, he said, have been resolved.

“Thank you for supplying us with gas in the winter,” said Mr. Dombrovskyi, who added that a bill on the electricity market would be put to the Ukrainian parliament in October, in line with the Third Energy Package, allowing for better integration with the country’s partners in Central & Eastern Europe. According to him, a number of agreements have been signed with Poland, Romania and Hungary. “We would like to go further in this direction. These issues are of paramount importance for effective utilization of energy infrastructure in Ukraine, and also from the point of view to effectively use our infrastructure for the benefit of the EU member states.”

He deemed “historic” the EU’s decision to pursue an Energy Union, which Mr. Dombrovskyi said comprised the third pillar of Ukraine’s actions. “Our integration task is perceived as the task of a good neighbor of the European Union,” he explained.

Within that task, he said that Ukraine sees possibilities for the integration of its gas and electricity infrastructure, integrating it with the corresponding EU infrastructure. Mr. Dombrovskyi contended that although Kiev has shared such plans with Brussels, there is not a single mention of Ukraine in the Energy Union declaration. He offered, “We would like a clearly defined place which we will occupy in the hierarchy of the energy structure in the EU.”

Irrespective of technical problems, he said that the energy sector in Ukraine is very strong. Recognizing the opportunities for regional cooperation to ensure energy security, Maricel Popa, Secretary of State in Romania’s Ministry of Economy, said such cooperation should place an emphasis on national resources and their utilization.

He commented, “From that point of view, Romania welcomes the Juncker package – we hope that this investment plan will contribute to strengthening investors’ confidence and trust. For the first time, a part of the budget will be used for the guarantees of the European Investment Bank in the amount of more than EUR 20 billion.”

New investments should bridge development gaps between member states and regions, he opined, mentioning capital investments on transport, energy, infrastructure, and retrofitting. Romania, he said, will pursue the development of energy efficiency via improvements of energy projects like power transmission grids, the development of interconnectors in Central & Eastern Europe, from north to south.

“Given the greater availability of funding for these purposes, we have drafted a document to improve competitiveness in the period 2015-2020,” said Mr. Popa of Romania, who explained that the measures included are designed to strengthen the country’s position in terms of competitiveness, and that the document was in the confines of Romania’s energy strategy. Of that strategy, he offered, “It’s main objective is to maintain moderate prices for consumers and more intensively protect the environment.”

Noting that Romania has extensive natural gas deposits – 150 bcm, and geologic reserves amounting to 615 bcm, he said that the country’s yearly consumption is 15 bcm; oil reserves, he added, amount to 16 million tons. Romania, he continued, is looking for investment partners for the development of the country’s natural gas deposits. He said, “We will incentivize the growth of investments and will continue to privatize state enterprises, relying on our natural resources utilization.”

Announcements & Reports

► *Annual Statistical Bulletin*

Source : OPEC
Weblink : http://www.opec.org/opec_web/en/publications/202.htm

► *Petroleum Supply Monthly*

Source : EIA
Weblink : http://www.eia.gov/petroleum/supply/monthly/

► *Natural Gas Weekly Update*

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

► *This Week in Petroleum*

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

Upcoming Events

► *European Shale Gas & Oil Summit*

Date : 15 - 16 October 2015
Place : Manchester - UK
Website : www.shalegassummit.co.uk

► *Shale Gas Summit*

Date : 26 - 27 October 2015
Place : London - UK
Website : www.shalegassummit.co.uk

► *Gastech 2015*

Date : 28 – 29 - 30 October 2015
Place : Singapore
Website : http://www.gastechsingapore.com/

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► *Abu Dhabi International Petroleum Exhibition & Conference*

Date : 09 - 12 November 2015
Place : Abu Dhabi - United Arab Emirates
Website : http://www.adipec.com/

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► *CIS Oil and Gas Transportation Congress* ***(in Turkey)***

Date : 11 – 12 November 2015
Place : Istanbul - Turkey
Website : http://www.theenergyexchange.co.uk/event/cis-oil-and-gas-transportation-congress-2014/attend

► *20th Turkmenistan Oil and Gas Conference*

Date : 17 - 19 November 2015
Place : Ashgabat – Turkmenistan
Website : http://www.oilgasturkmenistan.com/

► *Israel's 2nd Annual International Oil & Gas Conference*

Date : 17 - 19 November 2015
Place : Tel Aviv - Israel
Website : http://www.universaloilgas.com/

► *European Autumn Gas Conference*

Date : 17 - 19 November 2015
Place : Geneva - Switzerland
Website : http://www.theeagc.com/

► *Atlantic Council Energy & Economics Summit*

Date : 19 – 20 November 2015
Place : Istanbul - Turkey
Website : http://www.acsummit.org/

► *Project Financing in Oil and Gas Conference*

Date : 23 - 24 November 2015
Place : London - UK
Website : http://www.smi-online.co.uk/