Oil & Gas Bulletin

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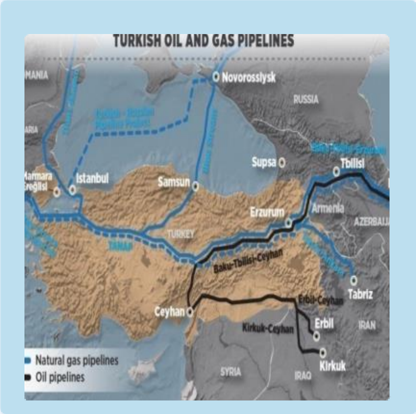
Turkey hits historic gas consumption record in January

AA Energy Terminal, *22.03.2016*



Turkey's monthly natural gas consumption reached a historic record high at 5.78 billion cubic meters (bcm) in January 2016, according to data from Turkish Energy Watchdog.

In January 2016, 5.78 bcm of natural gas was consumed, EMRA, announced in its monthly natural gas report for January. The new monthly record is 5.7 percent higher than the previous highest consumption which was seen in January 2015 with 5.47 bcm. Turkey's daily highest consumption was also seen in January 2016 with a consumption rate of 235 million cubic meters of gas, Turkey's Energy Ministry had announced in February 2016

During January 2016, the most natural gas was consumed by households with 2.45 bcm and electricity plants with 1.34 bcm. Istanbul became the biggest natural gas consuming region followed by Ankara and Kocaeli.

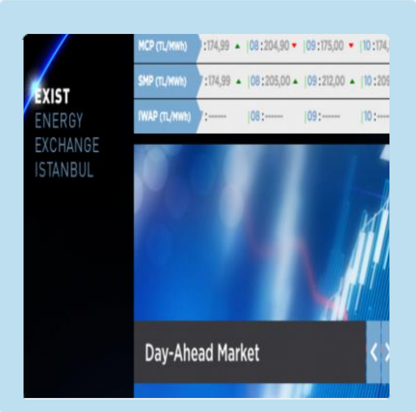
Turkey's natural gas imports rose by 7.8 percent to 5.39 bcm in January, compared to the same month last year. This represents the highest amount of natural gas imported in the country's history, according to EMRA's data. The country imported the most natural gas from Russia with 2.78 bcm. Iran and Azerbaijan followed with 852 million cubic meters (mcm) and 594 mcm respectively.

Russia's share in Turkey natural gas imports fell to 51.65 percent from 53.81 percent last January. LNG was the main instrument to meet the country's natural gas demand in January 2016. Turkey imported 396 mcm more natural gas than the previous January out of which 240 mcm was supplied by LNG facilities, according to the report.

LNG imports for Turkey increased 25.97 percent to 1.16 bcm in January compared to the same month last year. Turkey imported the most LNG from Algeria with 468 mcm and Nigeria with 171 mcm. Turkey also imported 520 mcm of LNG from spot markets in January.

Turkey energy stock market awaits 18M lira profit in 2016

AA Energy Terminal, *22.03.2016*



The Turkish Energy Stock Market (EPIAS) expects a total of 18 million Turkish Liras in profits before tax, in 2016, according to Hasan Huseyin Savas.

Currently, there are 868 participants active in Turkey's power market including representatives from state power companies, the Energy and Natural Resources Ministry and private power companies. Hasan Huseyin Savas, The Turkish Energy Stock Market (EPIAS) , emphasized the importance of data processing and said, "in 2015, 75 percent of investments were in data processing, for 2016 this share is planned to reach 95 percent."

EPIAS started a trial version of the transparency platform for the data needs of energy market participants and launched Turkish-produced software to be used for the day-ahead market in the electricity sector. For 2016, EPIAS targets creating a consumer management system and setting up the natural gas market, completing the test trial of the day ahead market software by June 30, Savas said.

Additionally, the stock market hopes to finalize work on the transparency platform and strengthen the software infrastructure in 2016, he added. EPIAS was given a 49-year-long operating license for the country's electricity market from Sept. 1, 2015 onwards which was officially launched on March 18, 2015.

Russian Gazprom waiting for Turkish Stream project

Daily Sabah, *18.03.2016*

According to Russian news agency RIA Novosti, regarding the Turkish Stream natural gas pipeline project, Board of Directors member Oleg Aksyutin noted that they are waiting for relations between Russia and Turkey to return to normal. "After relations between the two countries return to normal, the signing process of the agreement between the two governments will become clear," said Aksyutin.

Stating that the project will strengthen Gazprom's situation in Europe, Aksyutin added that with this project, natural gas delivery risks will be eliminated and trust in Russian gas can be restored.

Meanwhile, according to Anadolu Agency (AA) in January, negotiations between representatives of the Russian energy giant Gazprom and Turkish firms over whether a previously applied price discount on imported Russian gas would continue to apply in 2016 are still in progress, which is in line with information received from Gazprom sources.

Earlier in the day AA reported that six private Turkish companies had said they would no longer be able to utilize the 10.25 percent discount, according to notifications they received from Gazprom. The 10.25 percent price discount for the companies had been in effect since Jan. 1, 2015.

The natural gas trade between Turkey and Russia became an issue after Turkey downed a Russian Su-24 jet on Nov. 24 for violating Turkish airspace along the Syrian border, and political tensions were followed by economic sanctions.

The Russian government banned Turkish produce and industrial goods from entering Russia and began refusing work permits to Turkish workers in Russia. While Moscow has damaged its reputation as a reliable trade partner in Ankara's eyes, state-run Gazprom announced that they will continue to supply the gas promised under the agreement. Yet, natural gas prices were not an issue that emerged between the two countries after the jet-downing crisis.

During his visit to Turkey in December 2014, Russian President Vladimir Putin announced that Moscow had scrapped the South Stream pipeline project, which was to carry Russian natural gas to Europe via Bulgaria, and replaced it with the planned Turkish Stream pipeline instead.

The Turkish Stream pipeline project was designed to carry natural gas to Europe over the Turkish-Greek border, but negotiations over a possible natural gas deal between Turkey and Russia have encountered constant delays due to both parties push for the other to sign the deal first. Russia promised to provide a 10.25 percent discount to BOTAŞ, but Gazprom did not apply it.

It insisted that Turkey must first approve the proposed pipeline project. Six private Turkish gas companies have yet to get a discount as per the agreement, which ended in January. The first direct gas pipeline between Russia and Turkey was Blue Stream, commissioned in 2005, with an expansion plan later replaced by South Stream, itself abandoned in 2014. In 2009, Putin proposed a line parallel to Blue Stream 1 under the Black Sea, from Samsun to Ceyhan and further to Syria, Lebanon, Israel and Cyprus island.

In November 2015 after the Russian Sukhoi Su-24 was downed, Russia's Economic Development minister stated that the Turkish Stream gas pipeline project falls under the restrictive measures against Turkey. On Dec. 5, 2015, Turkish President Recep Tayyip Erdoğan formally terminated the Turkish Stream project, although claiming the decision was because of Russian "non-compliance" with Turkish demands surrounding the project.

Iran concentrates on boosting economic ties with Turkey

Anadolu Agency, *20.03.2016*

Iran aims to reach a $30 billion trade target with Turkey, marking the country's desire to engage more with Turkish markets, said Iranian Foreign Minister Javad Zarif said during an official visit to Turkey.

"God permitting, we will increase the two countries' trade volume to $30 billion," said Zarif during a joint press conference with his Turkish counterpart, Mevlüt Çavuşoğlu, in Istanbul. Zarif said Iran sees Turkey as a partner in every aspect and is focusing its efforts on enhancing cooperation through increasing the trade volume between the two countries.

Zarif also met Turkish President Recep Tayyip Erdoğan and Prime Minister Ahmet Davutoğlu during his one-day visit to Istanbul. He said their talks had consisted of discussions about joint investments on energy, oil and natural gas, tourism, and transportation via railways and highways.

"We have talked and discussed about easing the journey of the two countries' investors," Zarif said, adding that the discussions on joint projects would continue in the coming weeks. "These topics will be discussed once again within the framework of the [Turkish-Iranian] Joint Economic Commission [KEK] meeting in the forthcoming week.

God permitting, these meetings will reach an end at the 3rd Turkish-Iranian High-Level Cooperation Council in the presence of our presidents," he said. Zarif's meeting comes around two weeks after Davutoğlu visited Tehran to hold meetings with Iranian President Hassan Rouhani and Vice-President Eshagh Jahangiri. Zarif said Iran values the relationship between Turkey and his country. "Turkey has always supported Iran, especially during the days of sanctions," he said.

Commenting on the situation in Syria, Zarif said Syria's national unity and territorial integrity had to be respected. "We strongly believe that as neighbors of Syria, Iran and Turkey can work together to bring peace to Syria. We are ready to help people in Syria to decide about their country's fate," Zarif was quoted as saying by Associated Press.

Turkey seeks energy investment from China

Asia Times, *11.03.2016*

Turkey's dependence on imported energy is a major bottleneck for the country's economy, which is suffering from a chronic current account deficit problem. More than 90% of the oil and gas consumed by Turkey is coming from imports, and last year the sum paid by Turkey for its purchases of mineral fuels was a massive $37.8 billion, a number which could have been much higher if it was not for the low oil prices in global markets.

Turkey's balance of payments is characteristically defined by a sizeable deficit in goods trade, which is only partially covered by a surplus in the trade of services.

According to data released by the Turkish Central Bank, the country's deficit in the goods trade (including fuels) was $47.9 billion in 2015, while at the same time there was a $24.0 billion surplus in the trade of services, with tourism being the major source of revenue in the services sector.

This year, there will be greater stress on Turkey's balance of payments. A possible rise in oil prices would inflate the energy bill, and with all the problems surrounding Turkey's tourism industry, caused by subsequent terrorist attacks in the country's large cities, some of which appear to have directly targeted tourist groups, and economic sanctions imposed by Russia, services trade can only be hoped to generate a modest surplus.

After the crisis with Russia last year in November, a Turkish think-tank had calculated the potential annual loss in tourism revenues around $8 billion; now in the aftermath of the recent explosions in Istanbul and Ankara, this figure is revised to $12 billion. In either case, hard times are in store for Turkey's balance of payments.

This is why reducing dependence and creating greater efficiency in the energy sector is more crucial than ever for the policy makers in Ankara. Energy transition is vital for sustainable growth in any case, but for Turkey it is also and primarily a matter of keeping the finances afloat.

Supply security, diversification of resources, and increased efficiency in the energy sector are key targets in this respect and Turkey knows very well that these targets can be achieved only through international cooperation, and with the finances, technology and know-how that will come with it.

This week's visit by Turkey's new Energy Minister, Berat Albayrak, to China shows that Turkey sees a possible partner in this country. The two countries have been expressing their intention to collaborate more in this field since 2009, when the two governments signed a memorandum of understanding for cooperation, which, however, did not produce much concrete outcome in the following years.

Both being net importers of oil and gas, there is no energy trade between these two countries, and in fact, they can even be considered as competitors for the world's scarce hydrocarbon resources.

On the other hand, there are Chinese investments in Turkey's energy industry, such as China Sunergy's (CSUN) production of solar panels in Istanbul and Harbin Electric's coal-based power plant in north-western Turkey; however, these are far from amounting to a large-scale cooperation between the two countries, something Ankara is looking forward to.

Albayrak's loaded schedule in China reveals that the Turks are willing to explore every possibility of energy-sector cooperation with China. In Beijing, he is set to meet with the head of China's National Energy Administration, as well as representatives from wind energy companies and finance institutions. Perhaps the most important meetings in Beijing, at least from the Turks' perspective, will be with China's coal industry giants.

Coal-based power stations remain an important source for Turkey's electricity generation, and Ankara's energy vision implies not a reduction but an increase in the use of coal, in a more efficient and environment-friendly way.

The idea here is that using more domestically produced coal will, under the right conditions, reduce Turkey's dependence on imported hydrocarbons, and according to Turkish government's calculations, increased and more efficient use of domestic coal (particularly lignite which Turkey has in abundance) will substitute for $7.2 billion worth of imported natural gas. China being the world leader in production, consumption and imports of coal, Turkey sees a point in cooperating with the Chinese in this field.

During the rest of his visit in China, Albayrak will visit the Nuclear Engineering Research and Design Institute in Shanghai and a third generation nuclear power plant built by the State Nuclear Power Technology Corporation (SNPTC) in Weihai.

Nuclear energy is, despite protests by the country's environmental groups, a priority for the Turkish government, and the first nuclear plant in the country will go online in 2022. Two more plants are planned and Turkey is currently considering alternatives for international cooperation to source technology, know-how and funding, China being one of the options.

Turkey seeks Chinese investment in renewables, nuclear energy and coal industry, and during his visit, Albayrak and his delegation will be exploring the opportunities that do or may exist in this respect. There is, however, one caveat. At the political level, Turkish-Chinese relations are currently at a conjuncture that is highly unfavorable for Turkish interests. The anti-Chinese demonstrations in Turkish cities last summer certainly did harm, but it was really the Turkish government's decision to cancel, in the last minute, the missile defense system tender that was initially awarded to a Chinese company, which disappointed Beijing most.

China appears to be interested in projects in Turkey, which has a key location on the route of the "One Belt, One Road" initiative; however, the missile issue created a serious confidence problem for the Chinese, who are likely to be more hesitant now when making investment decisions. A recent move by Chinese authorities complicating visa procedures for Turkish passport holders indicates ongoing hard feelings, which could well undermine prospects in energy cooperation.

Minister Albayrak's visit to China is, therefore, not only about energy cooperation, but also about restoring confidence. Despite the currently problematic atmosphere in bilateral relations, more Chinese investment in Turkey's energy sector can still be possible in the near future; at the end of the day, it is all about business and mutual benefits.

Iraq seeks financial agreement with Kurds before pumping crude to Turkey

Reuters, *23.03.2016*

Iraq will not resume pumping crude through a Kurdish pipeline to Turkey unless it reaches a financial agreement with theKRG, the Iraqi oil minister said.

Adel Abdul Mahdi confirmed that the central Iraqi government had decided to stop pumping crude from fields under the management of its state-run company in northern Iraq through the pipeline. He said state-run North Oil Company previously fed 150,000 barrels a day into the pipeline that carries crude from the Kirkuk fields and other reservoirs managed by the Kurdish authorities to the Turkish Mediterranean terminal of Ceyhan.

"We have two options" in order to resume pumping, the minister said, demanding either a return to a previous oil agreement between Baghdad and the Kurdish Regional Government, or making a new agreement.

The previous agreement provided for the KRG to transfer to Iraq's central state oil marketing company 550,000 barrels a day of crude produced in the Kurdish region, in return for a 17 percent share in the federal budget, he said. The KRG stopped all oil transfers to the government in September 2015, at which point they also stopped receiving government funding, he added.

Turkey mulls building nuclear plant with China, US

ICIS, *17.03.2016*

During his four-day visit to China, Energy Minister Berat Albayrak visited the AP1000 Shandong Haiyang Nuclear Plant, run by the SPIC and built by U.S.-based nuclear company Westinghouse, to enhance ties with his Chinese counterparts as well as to increase cooperation in order to design and construct a new nuclear plant in Turkey.

He also inspected the nuclear plant. The representatives of Chinese nuclear giant SNPTC and Westinghouse said they are willing to transfer the necessary technology so that Turkish firms can start local production, adding they have strong support from both U.S. and Chinese administrations.

Furthermore, technical staff, engineers and project directors would be trained in China. Raising capital through debt financing or providing credits for Turkey are also possible ways to fund the project.

Albayrak examined nuclear reactor no. 1, which was produced by Westinghouse, in the city of Weihai, Shandong in eastern China. Albayrak was also briefed about the design and technique of the CAP 1400 plant, produced based on Westinghouse technology.

Westinghouse had announced through a written statement that the American-Chinese cooperative began negotiations with Turkey's Electricity Generation Company on the construction of the country's third nuclear plant in November 2014.

Turkish Energy and Natural Resources Ministry announced that these negotiations could be labeled as preliminary. On March 15, Westinghouse's Senior Vice Chairman Jeff Benjamin announced that they sent a report to Ankara about the third nuclear plant and they are waiting for response.

SNPTC is the fourth biggest company among 53 Chinese state-owned giants with $112.9 billion capital along with an annual revenue of $32.3 billion. During his four-day visit to China, Albayrak is attending high-level meetings, sharing Turkey's future goals and projects with the Chinese and is discussing opportunities for greater collaboration and investment.

Albayrak is also meeting with internationally-renowned Chinese firms investing in finance, renewable energy, mining and thermal power plants. Beijing, Weihai and Shanghai are also among the destinations in Albayrak's China visit. Albayrak's first stop was the Wind Power Center in Beijing and met with representatives from major world wind power firms, followed by meetings with representatives of the China Development Bank as well as several finance institutions. As the last destination on his Beijing itinerary, Albayrak will meet with giants in the Chinese coal mining sector.

The last stop of Albayrak's four-day visit will be Shanghai where he will visit the Shanghai Nuclear Engineering Research and Design Institute, and meet with representatives of world leading firms operating in the fields of thermal power plants and renewable energy. He will discuss Turkey's potential for coal mining, its renewable energy sectors and potential joint projects. Albayrak will also meet with prominent Chinese firms in the solar power sector in Shanghai.

Lukoil shareholder Fedun says Iran not essential for Doha oil deal

Reuters, *24.03.2016*

Iran's participation is not essential for the oil market to move closer to balance if a global agreement on freezing production is signed in Doha next month, Leonid Fedun, one of Russia's most prominent oil bosses, said.

Fedun, who owns almost 10 percent of Lukoil, was the first Russian oil official to voice support for coordination with OPEC, a month before a preliminary deal on stabilising crude output was reached in Qatar in February. Russia and OPEC refused to cooperate on production cuts, choosing to keep fighting for market share by squeezing out high-cost producers such as U.S. shale oil firms.

Keeping production at January levels for the rest of 2016 would in practice yield one of the highest output levels on record, both for Russia and the Organization of the Petroleum Exporting Countries. "In general, we see that the goals established by the cartel (OPEC) to clean up the market are being reached - (U.S.) shale oil production is falling ... major damage has been inflicted on renewable sources of energy," Fedun told reporters.

"Targets have been met and now proper coordination of efforts is needed, so as not to give too much hope to high-cost producers." Russian Energy Minister Alexander Novak has said the deal would help to balance the market even without participation by Iran. Tehran first wants to return to the output levels it had before the West imposed sanctions over its nuclear programme.

Fedun, whose Lukoil works in neighbouring Iraq and pumps crude at West Qurna-2, one of the world's biggest oilfields, said Iran was not essential to a global deal. "This does not make any difference - with no significant foreign investments, Iran cannot sharply increase production. Plus, there is significant domestic demand in Iran," said Fedun, whose company has voiced interest in working in Iran.

He added that Lukoil, Russia's No.2 oil producer, was awaiting clarity from Iran on access to the country's oilfields before taking a final decision on any investment. Lukoil's production is expected to be roughly flat this year, Fedun said. In 2015, Lukoil as a group produced around 2 million barrels per day.

Data compiled by Reuters shows that Russia will export more oil to Europe in April than it has in any month since 2013, despite the planned deal, by re-routing some oil away from refineries undergoing planned maintenance.

Saudi Arabia will freeze oil output without Iran, says OPEC delegate

Financial Times, *22.03.2016*

Saudi Arabia is prepared to join an oil output freeze without Iran, Opec delegate said, making a deal among big producers more likely. Some of the world's largest oil nations will meet in Doha to discuss restraining output. The move follows a provisional agreement reached by Saudi Arabia, Russia, Qatar and Venezuela to keep production at January levels.

"There is agreement from many countries to go along with a freeze," said the delegate. "Why make it contingent on Iran?" Gulf officials suggested any deal was conditional on Iran, Saudi Arabia's Opec rival, taking part alongside other big producer countries.

Iran has sought to increase production and exports after the lifting of sanctions against its oil industry in January. Iranian officials have shown no willingness to back any deal that would result in restricting its output. Questions have been raised among Gulf delegates about Iran's ability to increase output, suggesting this could be one reason to proceed without it. "Despite all the bragging, we have yet to see what Iran can do," said the delegate.

Abdalla El-Badri, Opec secretary-general, said at a news conference in Vienna: "Maybe in the future [Iran] will join the group. They have some conditions about their production." About 15 Opec and non-Opec countries — accounting for two-thirds of global oil output — supported an oil freeze, Mohammed Bin Saleh Al-Sada, Qatar's energy minister, said last week.

Some market analysts have said an oil freeze at January levels would have a limited impact on supply and demand balances because many producer countries are producing near record levels. But a provisional deal has helped to support prices and reverse negative market sentiment towards oil. Brent crude was at $41.72 in afternoon trading on Tuesday, up 54 per cent since a 2016 intraday low of $27.10 a barrel in January.

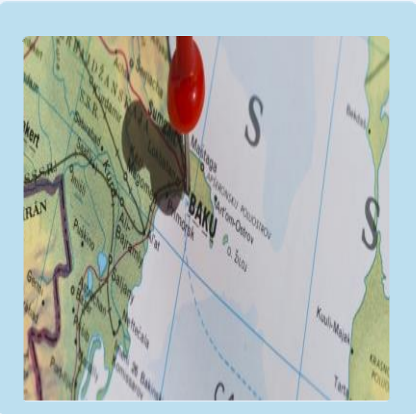
"Look at what it [the move towards the oil freeze] did to change the psyche of the market," said the delegate. "Now the market can see people are gathering, people are communicating. This collaborative element has helped the price." Hedge funds and other speculators have dramatically increased their bets on a higher oil price in the past weeks. Their combined net long positions in Nymex and ICE WTI are at 172m barrels, from just 35m.

The delegate predicted higher oil prices by the end of the year as excess supplies fell. A sense of urgency among all producers to improve the economic situation had been a catalyst for engagement between producers, he added. Russia, he said, was “taking a leading role” in engaging with Opec producers and its relations with Saudi Arabia had improved.

Although a production freeze at January levels was most likely, the delegate said there remained an opportunity for more discussion on which marker was used. “We’ll see who did what in January, February and March. Then maybe we can find numbers that add more credence in the marketplace.”

Baku eyes gas imports from rivals

Natural Gas Europe, *18.03.2016*



Despite progress in upstream projects and increasing gas exports, Azerbaijan is looking at gas imports from Russia or Iran to meet its domestic needs. Azerbaijan’s state energy company Socar is planning to buy natural gas from Russia’s Gazprom, the company head Rovnag Abdullaev said.

Socar is in talks not only with Russia but with Iran as well, Abdullaev said. He argued Azerbaijan has two underground gas storage facilities and wants to inject 3bn m³ of gas to these facilities to test their final capacities. The mentioned facilities are estimated to have 5bn m³ of storage capacity together, while only 2bn m³ of gas have been injected there.

He also argued that Azerbaijan needs more gas to re-inject into oil fields to maintain crude oil production level in the Azeri, Chirag and Guneshli il fields (ACG). During last year, some 3.2bn m³ of associated gas, extracted from ACG, were delivered to Socar, while 9.2bn m³ were re-injected. However, for 2016, the re-injection volume is projected to increase, and then there will be less associated gas to be delivered to Socar from ACG.

Azerbaijan signed an agreement with Georgia in March 4 to export an additional 0.5mn m3/yr of gas. Azerbaijan delivered about 2.1bn m³ of gas to Georgia in 2015. Azerbaijan’s exports are rising while its deliveries of gas to power plants are being replaced with heavy fuel oil.

According to documents, obtained by NGE, the natural gas delivery to petrochemical plants is also projected to decrease by 1000 metric tons compared with last year to 64,000 mt in 2016. On the other hand, Azerbaijan’s statistics committee reported on March 17 that the country’s total gas production (including re-injected gas) rose by 2.5% to about 4.95bn m3 during the first two months of 2016, but commercial gas production dropped by 8.3% to 3.155bn m3.

Azerbaijan is also preparing to develop several projects, but no significant gas output growth is expected in near future. Socar launched a production rig in its section of the offshore Guneshli field, platform number 7.

Socar’s vice-president for oil and gas production and transportation Rahman Gurbanov told NGE that the rig would drill 6 wells in 2016 and the total from all six would be 150mn m^3/yr. He added that the number of new wells in Guneshli field would reach 20 in the coming years and most would be oil. Then another 12, mostly gas, wells would be drilled.

Despite the low oil price, BP is continuing its other two exploration projects in Azerbaijan: the shallow-water Absheron Peninsula (SWAP) and Shafag-Asiman. While SWAP could be moved to the exploration drilling by the end of 2017, Shafag-Asiman’s future is uncertain owing to a shortage of semi-submersible drilling rigs in Caspian that are suitable. None of them are expected to become operational in a decade.

BP also started preparation for Shah Deniz stage 3 implementation – the biggest layer of Shah Deniz – with 500bn m3 of gas reserves) and the collection of data from the Caspian Sea field. But the development of this phase is not expected before 2020 owing to the need to develop the second stage, aimed to produce and export 16bn m3/yr of gas to Turkey and Europe by 2020.

Turkmenistan’s president Gurbanguly Berdimukhamedov visited Pakistan on March 17 and discussed the long-delayed Turkmenistan-Afghanistan-Pakistan-India pipeline project, aimed to transit 33bn m3/yr of gas by 2019. Turkmenistan has 85% share in the $10bn-project and other states own each one 5% share. The cost of Tapi is more than one third of Turkmenistan’s yearly budget, which was $29.37bn last year.

It’s not clear with absence of any international major company, how Turkmenistan would finance the project, while the oil and gas prices are very low and the country faces a number of economic problems. Berdimukhamedov expressed confidence during a meeting with Pakistan’s prime minister Nawaz Sharif that the Tapi project will be successfully implemented and give an impetus to regional and global development in the near future.

Coming to Uzbekistan, South Africa’s Sasol said it is reviewing its plans to participate in construction of a $5.6bn gas to liquids (GTL) plant for production of synthetic fuel in Uzbekistan, citing current low oil prices as its reason. It represents part of a wider reining-back of Sasol’s plans in the GTL sector.

However, in upstream sector, Uzbekistan is eyeing developments. The double-landlocked central Asian republic expects to see 8% more spent this year than last on developing and upgrading the gas industry. This year’s investment is planned to reach $2.798bn, according to the decree of the president Islam Karimov in late January.

The leadership of the Uzbekneftegaz national holding company (NHC) told Trend on March 16 that Uzbek-Chinese joint venture ‘New Silk Road Oil & Gas Company plans to start developing gas condensate fields at the Karakul investment block in Uzbekistan’s Bukhara region this May. Gazprom and Uzbekneftegaz signed a contract on March 15 for the purchase of 4bn m3 of Uzbek gas in 2016, or about 4 times more than 2015.

Leviathan partners said in talks to secure up to $4 billion

Bloomberg, *21.03.2016*

The partners in Israel's Leviathan natural gas find are seeking to raise as much as $4 billion to develop the offshore field and are in talks with banks on funding plans, two people with knowledge of the matter said.

Noble Energy Inc. and Delek Group Ltd and Ratio Oil Exploration 1992 are seeking to raise between $3.5 billion and $4 billion, the people said, asking not to be identified as the talks are private. The partners will secure their slices of the funds in proportion to their ownership of the Leviathan field, the people said. Delek owns 45 percent, Delek Drilling LP and Avner Oil Exploration LLP, while Noble owns 40 percent.

Ratio holds a 15 percent stake. They're negotiating with lenders including Deutsche Bank AG, Citigroup Inc., HSBC Holdings Plc, BNP Paribas SA, JPMorgan Chase & Co. and Natixis SA to cover about 65 percent of the development costs, the people said. The remainder could come from bond sales or equity, according to the people.

Gas discoveries off Israel's Mediterranean coast include the Tamar field and Leviathan, the country's largest deposit, which have brought the nation closer to energy independence and to becoming an energy exporter. Tamar holds about 10.8 trillion cubic feet of gas and Leviathan about twice that amount. The partners are also negotiating to export about 10 billion cubic meter a year of natural gas to Turkey, which would be worth about $2 billion a year, according to the people.

In November they agreed to enter non-binding negotiations with Dolphinus Holdings Ltd. in Egypt to supply as much as 4 billion cubic meters of natural gas annually for a period of between 10 and 15 years. Dolphinus is a group of large, non-governmental gas consumers and distributors headed by Egyptian businessman Alaa Arafa. In addition, Israel expects a gas pipeline to Jordan to begin in 2017.

Delek Group rose as much as 2.9 percent before gaining 1 percent to 655.80 shekels at the close of trading in Tel Aviv. Delek Drilling added 1.4 percent and Avner advanced 1.2 percent. The TA-Oil & Gas Index strengthened 1.2 percent to 918.7, the highest level since Jan. 11. Delek, Noble, Ratio, Deutsche Bank, HSBC and Citi declined to comment. Natixis, BNP Paribas and JPMorgan didn't immediately respond to requests for comment.

Nord Stream 2: Trojan horse or guarantee of security

Natural Gas Europe, *16.03.2016*

Calling Nord Stream 2 a "test of the European energy union," the president of Lithuania, Dalia Grybauskaite, has joined seven other heads of governments of Baltic and central European countries in writing a letter to the president of the EC Jean-Claude Juncker.

"It is highly regrettable that our big partners are trying to explain to the EU member states that it is only a private commercial project. We all are very well aware that all energy projects of this scale are geopolitical, and their goals are precisely geopolitical. Therefore, such a letter was signed by eight leaders, including myself," Grybauskaite explained.

A staunch supporter of Ukraine, Grybauskaite is said to have spearheaded the letter aiming to derail the Russian-led project, although success would come at the expense of Germany, Lithuania's pivotal partner in Europe and a backer of the line. The letter has been signed by the prime ministers of Estonia, Latvia, the Czech Republic, Poland, Hungary, Romania and Slovakia.

According to Grybauskaite, the original Nord Stream pipeline has not been used at its full capacity, therefore the Nord Stream 2 has no other purpose than the geopolitical: to bypass Ukraine and several eastern EU countries. Nord Stream 2 could cost Ukraine around $2bn/yr from gas transportation. Russia's gas export plans have become more political because of the standoff between Russia and Ukraine over the Crimea and Russia's alleged aggression in eastern Ukraine.

War-torn Ukraine is the main transit route for about half of Gazprom's gas which it sells to the European Union and therefore it transports around a sixth of EU gas demand. Although most Baltic policy makers and experts have embraced the letter, some cautioned that the politicians need to find other means to help Ukraine. Juris Ozolins, an independent energy expert from Latvia, insists that the commercial viability of Nord Stream 2, for outsiders, not partners of the shareholder agreement, is "quite difficult to assess".

"It is long-term and strategic for the participants, but the success depends upon access to funding and vision of European, not only EU, market development," he emphasized to NGE. There are quite a few key questions to be answered before measuring up the project, he says.

For example, "is natural gas fuel (really effective) for a transition to low carbon economy? What might happen to carbon pricing – taxation or intensification of the European emission trading scheme and so on?" He points out that EU gas extraction is falling, although most participants (of the market) still believe that there will be need for additional volumes in the near future, even if prospects for Ukrainian gas transit remain gloomy. Asked who will be Europe's winners with the Nord Stream 2 in operation, Ozolins insisted there is no a single answer to that.

“There is much controversy surrounding the project. I reckon it is bad news for Slovak, Czech and Ukrainian gas transmission operators and customers, first of all. But it will beneficial for German and French gas markets,” Ozolins said.

In his words, if diplomats and politicians are “serious about international security” and if they seek to cope with the Russian aggressiveness in Europe and beyond, making Russia and Ukraine interdependent in gas business is a “high value target.”

“It works in the Balkans with electricity, for instance. But the gas industry alone cannot solve the political problems. Diplomats should not be just signing the letters, but helping Ukraine to become a reliable gas transport system. It ought to be done using the existing EU external resources for consolidation of will and actions,” he said, concluding: “If Nord Stream 2 becomes operational, the affect on the gas systems of Ukraine and the so-called Visegrad countries’ gas systems will be tangibly negative, but not catastrophic.”

If carried out, Nord Stream 2 natural gas pipeline will stretch for some 1,200 km across the Baltic Sea from Russia’s Baltic coast to the German coast near Greifswald. As with the Nord Stream 1 pipeline, each pipeline will have a design capacity of 27.5bn m^3/yr. It will not start from Vyborg but from further south down the coast, but most of the route will be the same.

In late 2015, nine central and eastern European countries, spearheaded by Poland and Slovakia, sent a similar letter to European Council President Donald Tusk asking him to block the Nord Stream 2 construction due to energy security concerns. The EC replied that its stance on the gas pipeline remained positive.

Russia has always insisted that the project is exclusively commercial and aimed at guaranteeing Europe’s energy supply security. Romas Svedas, an independent Lithuanian energy expert and lecturer at the Institute of International Relations and Politics at Vilnius University, told NGE he saw “three dimensions” of the contentious Russian gas project.

“First, the project should be assessed from the legal standpoint. Second, in terms of the economy and, third, from the prospect of European values,” Svedas said. “As the EU is an entity based on the non-discriminatory principles, the EC, the governing body, ought to scrutinize the project from the point of view of the EU energy legislation and see if it is consistent with it,” he said. “Especially if it is in line with the EU’s third energy package envisioning the split-up of gas supply, transmission and distribution networks.”

The package requirements, he says, has to be applied not only to EU commercial entities but to those having business with the European Union, too. Economically, since the EU has long said it wants to decrease reliability on Russian energy sources, it has to pursue the task consistently and tenaciously, emphasized Svedas.

“The project, alas, increases the dependency rather curtails it,” he pointed out. “So from that perspective, EU remains inconsistent with the intentions and goals it has publicly declared.” And lastly, from the point of European values, Europe ought to bear in mind who really controls Gazprom, he said.

“Literally speaking, buying the gas from Gazprom is tantamount to buying it from the Kremlin itself and moreover: supporting its policies, which now are hostile to Europe and its interests,” he said. The Lithuanian analyst paid attention to the fact that South Stream and North Stream gas pipelines bypass eastern and central European nations.

“By creating additional gas transportation capacities, Russia benefits from the gas exports to Western Europe, but, at the same time- note, with Europe’s nodding- retains the geopolitical grip on eastern and central Europe,” Svedas noted. “So, again, embargo-plagued Russia benefits from it both economically and geopolitically.”

On the other hand, he says, whatever the fate of the Nord Stream 2 project is, eastern and central European countries should be “grateful” to Russia, whose adverse energy policies have spurred the former satellites of the defunct Soviet Union to gain energy independence from the sole gas supplier, Gazprom.

“That we today operate a liquefied natural gas terminal in Klaipeda, which is deemed a regional LNG hub, we owe to the Russian gas monopoly. So, to answer your question, economically, there are neither obvious winners nor losers, except the only benefactor, Russia, from the project.

But, value-wise, all the EU member states have to be clear whether they defend the European values or support Russia through the gas project,” Svedas underlined. He added: “If the tensions between western and eastern and central Europe arise (over the project), they will all be about the values, not the economy of the project.”

Meanwhile, Agnia Grigas, PhD Non-resident Senior Fellow at the Atlantic Council, noted that, with Germany being Russia’s biggest gas market, looking for direct access to this market via Nord Stream 1 and now Nord Stream 2 does have “commercial rationale.”

“However, in the current conditions of the global energy markets that are marked by a gas glut and low prices and considering the slowing European demand for gas, especially Russian gas, makes this sizable investment project like Nord Stream 2 seem more motivated for Moscow politics than by commerce,” Grigas said.

According to her, while most EU countries realize that they need to diversify their gas imports away from Russian sources, they still seek secure access to Russian gas and tensions between Ukraine and Russia via gas halts of 2006, 2009 and the conflict since 2014 raise concerns about the stability of gas transit via Ukraine.

“In contrast, the Baltic States are not dependent on gas transit via Ukraine and receive gas via other pipelines including through Belarus and now via the new LNG terminal,” Grigas said. Like Svedas, she says Nord Stream 2 is against the long-term declared interests and strategy of the EU that seeks diversification of its gas imports, increased energy efficiency and increased reliance on renewables.

“The Nord Stream 2 project creates long-term ties between EU and Russian gas. Moreover, with Russian gas imports follows Moscow’s political influence and leverage and thus Nord Stream will have long term geopolitical consequences for Europe and its allies,” she told NGE.

Weekly overview: Nord Stream 2 strikes back

Natural Gas Europe, *25.03.2016*

The Swiss-registered Nord Stream 2 company replied this week to the howl of protest that its project has evoked in former eastern bloc countries.

Companies wanting to spend their own money to build pipelines to ship their own gas to markets where production is falling are normally welcomed, but projects involving Russia have an extra hurdle to overcome: opposition from its former satellites in eastern Europe. Nord Stream 2 was responding to the letter reportedly delivered to the president of the European Union Jean-Claude Juncker by the governments of at least seven states.

The Visegrad Group – Poland, Hungary, Czech Republic and Slovakia – and three former Soviet republics: Estonia, Lithuania and Latvia. Romania and Croatia have also reportedly signed. If the project goes ahead, Nord Stream 2 would generate "potentially destabilising geopolitical consequences," the letter says, according to a Reuters report.

"The Nord Stream 2 project that is currently under preparation can pose certain risks for energy security in the region of central and eastern Europe," it says, and "it would strongly influence gas market development and gas transit patterns in the region, most notably the transit route via Ukraine."

Rebutting the letter, in a statement, Nord Stream 2 said that "EU energy supply has never been more diverse than it is today, in contrast to the letter's claim of threats to security of supply and diversification of sources, suppliers and routes."

It said the line will increase security of gas supply for the whole EU and "precisely those countries who worry most about dependence on one gas supplier have the most to gain from projects like Nord Stream 2, which will enable them to procure more gas through a competitive internal market and from more diverse supply routes."

It says that two thirds of the gas will flow towards the Central European Gas Hub in Baumgarten, Austria. "This hub offers ideal connectivity and can handle large flows to central, east, southeast and south European countries, boosting their gas markets to comparable levels of liquidity and competiveness as in northwest Europe."

If Nord Stream 1 was operating at close to 80% of capacity in 2014, and met its shippers' nominations in full, as it claimed this week, then its assertion about the security of another, almost parallel, line seems fair.

And as NGE has pointed out before, building Nord Stream 2 does not prevent Gazprom from shipping gas to Romania and Bulgaria and Turkey through Ukraine, let alone to its existing customers such as Shell and Uniper, whose EU gas production is declining.

Another legitimate question is how the line could have geopolitical consequences, given the upheavals in the pipeline systems and energy markets generally. The balance of power has shifted dramatically in Europe’s favour since the bad old days of 2009, whatever the UK energy secretary Amber Rudd may say about Russia using gas as a weapon.

Gazprom has started using gas auctions – it has had two so far since last autumn, with one last week for the Baltic states resulting in most of the gas being sold – as a supplement to long-term contracts; LNG terminals are proliferating, with Poland’s first LNG cargo due in July from Qatar; and low oil prices and competition have forced down the price of Gazprom’s pipeline gas.

Reverse flow has enabled traders to run rings around Gazprom, taking gas from the east and sending it back east again into Ukraine. Elsewhere, floating LNG and short pipelines from shore to grid are the way forward for smaller markets with worse connection.

Looking at the map of the EU today, Russia has not been very successful if its goal was to use gas as a weapon. Finding greater overall value in leaving than staying in the sphere of influence of that particular union, the eastern European and Baltic states are now inside the EU and enjoying the financial benefits of membership.

Even though over a decade has elapsed since joining, not all of these countries have yet taken on board the EC’s ambitions for energy markets. State-owned monopolies continue to hold sway; the loss-making coal sector remains too sensitive to close; and foreign investors are finding themselves at a disadvantage to the national champions.

Nord Stream 2, dominated by Gazprom, knows better than to criticise where national champions are concerned; but it takes the EU member states to task in the matter of coal: in its statement, it says that for “electricity production, gas is the cheapest and quickest solution for cutting CO2 emissions by 50% in comparison to coal. Regrettably, the letter to Commission President Juncker fails to recognize any of the benefits of additional gas imports for the global climate and the European environment.”

Nord Stream 2 also said it was fully committed to the rule of law and hinted that it was being discriminated against. “The project will only go ahead based on approvals and instructions from the competent authorities of the countries whose jurisdiction Nord Stream 2 crosses. This process is based on EU law, national legislation and international conventions,” it said.

By contrast, “no gas import pipelines from third countries to the EU’s internal market are subject to the Third Energy Package. North African pipelines and Nord Stream have always been treated as outside the scope of the TEP.

Even Norwegian import pipelines, which are within the internal market, are categorised as ‘upstream’ and thereby excluded from key provisions of the TEP. The legal precedent is very clear.” It is also very clear that this will not be the final word on the matter.

But as NGE has pointed out, there are other factors militating against Gazprom's bold scheme, such as low gas prices, the weak ruble and unresponsive gas demand which may ultimately decide the pipeline's fate when the partners come to take their final investment decision this year.

Russia remains set on South Stream pipeline project

Oilprice, *24.03.2016*

When Moscow abruptly terminated the South Stream that decision left all of Russia's potential partners in the Balkans in the lurch. They had all made commitments to South Stream and, serious financial if not political investments in the project, only to be abandoned without warning.

Since then, these countries have been searching for new alternatives. Yet, despite Moscow's 2014 decision—and Sofia's previous declaration it would suspend its government's involvement until the project adhered to the EU's Third Energy Package regulation—some politicians have continued to push for the revival of South Stream.

Thus, Russia's Deputy Energy Minister Yuri Sentyurin has claimed that Bulgarian authorities were working to revive the pipeline project (RIA Novosti, Novinite, March 10). This move comes in the wake of other actions indicating that if Russia is not promoting South Stream, it is trying to launch rather similar projects in Southeastern Europe.

It is worth noting that Bulgaria receives about 80 percent of its gas from Russia and has accurately been described as a battleground between Turkey and Russia (Novinite, February 25). The same description may also be applied to the EU-Russia struggle in Bulgaria and in the Balkans as a whole.

Certainly, Russian media have targeted Bulgaria for a long time, routinely broadcasting messages demonizing the North Atlantic Treaty Organization (NATO). However the issue of South Stream received new traction in public discussions recently because Russia continues to seek another way to dominate Balkan and Central European gas supplies while bypassing and isolating Ukraine from Europe. When Russia's original idea for South Stream ultimately failed, Moscow approached Turkey, in 2014–2015, about building Turkish Stream—a pipeline across the Black Sea to Turkey that would end at the border with Greece.

Since this proposed gas pipeline would entirely avoid EU territory, Brussels would have no authority over it and would not be able to block it as it had done with South Stream. But even before Turkey shot down a Russian plane that had violated Turkish airspace in November 2015, the Turkish Stream project had failed because Ankara found its cost to be exorbitant.

Indeed, while it was still originally being considered, South Stream's projected price had also kept increasing, meaning it was quite unlikely that project was ever financially sound. Nevertheless, Russia has persisted in trying to expand or develop new dependencies in Europe on its energy exports.

More recently, it has proposed expanding the Nord Stream pipeline, which runs from Russia to Germany, under the Baltic Sea, by constructing a parallel line—Nord Stream II. Moscow would like to be able to use this expanded trans-Baltic pipeline capacity to send more of its gas directly to Germany, which would then ship Russian gas throughout Central and Eastern Europe.

But Nord Stream II has aroused a storm of protest from Central and Eastern European governments, nine of which—Estonia, Latvia, Lithuania, Poland, Hungary, the Czech Republic, Slovakia, Romania and Croatia—have recently signed a public letter of protest against it, addressed to EU President Donald Tusk.

Conspicuously absent from the list of signatories was Bulgaria. Undeterred in its quest for a pipeline route that would evade the EU and allow it to dominate the Balkans and Central Europe, Gazprom signed an agreement in late February with the Italian Edison company and Greece's DEPA to build an interconnector that would ship Russian gas from Greece to Italy, and utilize the previously proposed ITGI Poseidon pipeline project to connect Greece and Italy. Clearly, this agreement represents an effort to resurrect South Stream, albeit in a different guise.

Evidently, these recent decisions have stimulated the perennial longing of some Bulgarian politicians for a share in South Stream. Of course, Gazprom and Moscow have long sought a mechanism by which Russia could ship large quantities of gas to Europe without having to comply with EU legislation and other protocols.

But it cannot afford to openly pursue another South Stream and alienate Germany by ditching the Nord Stream II project, even though the latter makes no economic sense and is the source of so much criticism and consternation in the region. Therefore, Russia has had to announce that it is not considering a revival of South Stream and that it is committed to moving forward on Turkish Stream, dubious as that sounds under present conditions.

These maneuvers suggest that steady EU resistance to Russia's schemes to undermine its authority and forge bilateral deals with Germany or Balkan countries like Bulgaria can prevail, if such legal and political defiance can be maintained. But it also suggests that doing so will require a long struggle.

And clearly, some pro-Moscow elements in the Balkans and Germany are committed to undermining the EU and securing Russian gas on what they wrongly believe would be advantageous conditions for themselves. Moscow's ambitions to isolate Ukraine and retain preeminence in Central and Eastern European energy markets have not gone away.

However, the remorseless logic of economics may yet force Russia to accept the fact that the only sensible and realistic way to bring gas to Europe is through the existing Ukrainian pipeline network—by following purely commercial and not political means. Bringing Moscow to this realization will take a long time and steady nerves from Brussels. In the meantime, one can reasonably expect more gambits like this Bulgarian one to find ways to preserve Russia's way of doing energy deals in the Balkans.

Solving the EC-Russia-Ukraine question

Natural Gas Europe, *16.03.2016*

Ukraine is playing an increasingly central role in European thinking about energy security, even though Russia has said it is planning to halt gas deliveries to Europe via Ukraine in the next four years.

And Ukraine's energy minister, thinks it might not be too late to put together some kind of international consortium to operate Ukraine's gas transit system in a way that would encourage Russia to continue to use Ukrainian pipelines beyond 2020. Demchyshyn was speaking alongside such luminaries as the EC's vice president for Energy Union, Maros Sefcovic and Johannes Hahn, the EU Commissioner.

The meeting, organised to mark the 20th anniversary of the EU's Inogate programme, covered a wide variety of subjects from tariffs and investment incentives to standards and regulation. However, if only because of the minister's presence, time and again in the plenary sessions the discussion came back to Ukraine.

Demchyshyn said the Ukrainian system was able to carry 150bn m^3/yr, but was now carrying 60bn m^3/yr. "But what if the Ukrainian gas system is operated by an international gas consortium – an international gas corporation headed by Europeans, Americans....." Such an approach, he argued, would "bring money into the system."

In response to critics who have sometimes considered that the Ukrainian transit system might be outliving its usefulness, Demchyshyn had this to say: "Some people say the system is outdated; but it is OK technically." Then he added: "But only if this consortium is operating this system."

Storage was a key issue, with Sefcovic saying: "We can use Ukrainian gas storage as strategic assets for European gas security," and stressing that was the answer if people asked why Ukraine should be considered in discussions on European energy security.

Demchyshyn, noting that storage was vital for any centre seeking to become a gas trading hub, stressed that Ukraine possessed 32bn m^3 of existing gas storage, whereas Turkey was planning to spend $700m on developing just on 1bn m^3 of gas storage. Sefcovic acknowledged that Ukraine was "going through very tough times."

And while appreciating Ukrainian efforts to promote reform, he nonetheless stressed, “you need the determination, effort – and you need to complete the reforms.” The deputy director-general at DG Neighbourhood & Enlargement Negotiations, Katarina Mathernova, stressed the need for Ukraine to push for a much greater focus on energy efficiency as it pushed for reform. When she commented that “if Ukraine had energy efficiency at the lowest band of the European Union, there would be no gas imports necessary,” Demchyshyn immediately interjected: “Agree.”

Energy efficiency, described by Mathernova as low-hanging fruit in a garden where fog meant you couldn’t see the trees, was repeatedly stressed. She said that what Ukraine “needs to do is to lower its energy intensity, one of the highest – if not the highest – energy intensity in the world.

But all too often, she said, the focus was misplaced, with officials seeking to promote big projects for new sources of energy, rather than simply saving money by using less energy. But, as she commented wryly, “boys like big toys; it’s always sexier to talk about large projects.”

“One should massively invest in energy efficiency,” Mathernova argued. There was “the golden triangle of energy: availability, acceptability and affordability.” With most energy sources and investments, she argued, “you have a trade-off; you have two, but not three.”

However, she then added: “Energy efficiency has demand management, so its available; it’s affordable, because it saves you cash; and its very socially acceptable.” It’s also, she said in an apparent dig at Russia, very important in a region “where you have a dominant supplier who doesn’t shy away from using energy to blackmail customers.”

Hahn also said that if Ukraine’s energy efficiency were up to EU standards that it would no longer have to import gas, then added: “Imagine, just for a moment, how that might have changed recent history.”

Ukraine, Hahn stressed, needed investment in its energy sector. “But you can only attract private investors if there is rule of law, an independent judiciary, and they are not confronted – not to be naive – with too much corruption.”

Demchyshyn agreed with this. “You need to have a regulator that transparently sets the prices – and a judiciary that operates transparently,” he said. Ukraine, he added, faced a host of problems “apart from corruption” and lack of transparency. “But these are problems, problem of government. And with the support of our parliament we will make a transparent market.” In 2014, he noted, parliament had passed two fundamental laws on gas market and electricity market reform.

Clinton tries to stake out new turf on energy policy

Foreign Policy, *23.03.2016*

In recent weeks, Democratic front-runner Hillary Clinton has moved to the left on energy policy, seemingly yanked by the Bernie Sanders insurgency. Much as happened with other issues, such as free trade, Clinton has apparently shifted her position on things she once espoused.

She has begun questioning the U.S. energy revolution she once sought to export as secretary of state, and her campaign rhetoric on everything from the Keystone pipeline to offshore oil exploration to the future of coal has been colored by her need to compete for votes with the Vermont senator.

But unlike in past elections, where energy policy took at least a prominent place, if not center stage, the 2016 race is seemingly about everything but how to power the world's largest economy. And whoever wins the White House will be unable to undo the U.S. energy boom, which is primarily driven by technology and market forces.

In other words, Clinton's lurch to the left may not have many practical implications other than underscoring how very unimportant the nuts and bolts of policy proposals have become. Spokespeople for the Clinton and Sanders campaigns did not respond to requests for comment.

It's clear that the Hillary Clinton who served as chief U.S. diplomat is not the same person on the campaign trail. That's fruit of the strident divide inside the Democratic Party, and shows up most clearly in things like Clinton's sudden disavowal of big free trade deals like the Trans-Pacific Partnership, which she described as the "gold standard" while working as America's top diplomat. The candidate who declared her opposition to the Keystone pipeline from Canada is the same person who leaned toward approving it for years while secretary of state.

Most recently, Clinton took a strident line on the future of hydraulic fracturing, which has fueled the U.S. oil and gas boom. This month, during a debate in Michigan, Clinton unloaded on fracking and its potential environmental perils. "By the time we get through all of my conditions, I do not think there will be many places in America where fracking will continue to take place," she said. That generated plenty of concern in the U.S. oil patch.

One reason that opposition to energy development could be a vote-winner is, paradoxically, the huge U.S. energy boom itself, which has dramatically lowered prices and made the cost of energy largely a non-issue during the campaign."Three or four years ago, oil was $100 a barrel, and now it's $35, and natural gas remains incredibly cheap. That takes the pressure off energy development for politicians," said Paul Bledsoe, who now specializes in energy and climate policy.

“I think she just has her ear to the ground a little bit.” (Bledsoe is not affiliated with Hillary Clinton’s campaign in any way.) But her campaign rhetoric is a sharp contrast to the State Department’s efforts to spread the U.S. fracking revolution far and wide on her watch.

The awkwardly-named Unconventional Gas Technical Engagement Program, for example, was started in 2010 to share know-how with almost a score of countries around the world and enable them to benefit from a surge of cleaner-burning natural gas.

As secretary, Clinton extolled the “surging” U.S. oil and natural gas production unleashed by fracking. Even after she left office, she was still singing the virtues of the gas revolution: In a 2014 paean to the virtues of natural gas, she applauded its benefits for the environment and the economy.

“The boom in domestic gas production is an example of American innovation changing the game,” she said, though she underscored the need to minimize environmental damage from fracking.

But Sanders rejects Clinton’s efforts to move closer to his policies, at least on the campaign trail, dismissing them as primary posturing. “The question is not what she says. The question is what her record has been and what she will do if she is elected president,” he told the New Yorker.

The oil and gas lobby, the American Petroleum Institute, doesn’t comment on candidates, but defended its turf. “Americans don’t want to see significant costs for energy, the loss of tens of thousands of well-paying American jobs, billions of dollars in federal revenue lost, and a weakened national security,” an API spokesman told Foreign Policy.

Even positions Clinton has held for years, such as promoting clean energy, have been Bernied. “We’re going to put a lot of coal companies and coal miners out of business,” she said at an Ohio town hall this month. While Clinton — like President Barack Obama — has for years sought to promote renewable energies like wind and solar power, rather than coal-fired power plants, she hadn’t previously attacked the economic livelihood of coal miners so directly.

Republicans pounced on her comments, which echoed then-Sen. Obama’s pledge in 2008 to “bankrupt” coal companies. Senate Majority Leader Mitch McConnell (R-Ky.) called Clinton’s ideas “callous” and “wrong.”

The Clinton campaign later clarified that she meant that market forces including cheap natural gas, rather than government policies, are hammering the coal industry. But her comments were largely perceived as a major gaffe and overshadowed her $30 billion plan to find a viable economic alternative for people in coal country who’ve been mauled by global, structural economic changes.

Clinton seems to be a target for criticism of her energy policies, in large part, because she has some. Republican policy prescriptions range from reiterations of past platforms, such as Texas Sen. Ted Cruz’s vow to defenestrate the Environmental Protection Agency and to boost domestic energy production, to front-runner Donald Trump’s sparse and erratic references to how he would approach the nexus of U.S. energy and environmental policy. Although he has no discernible energy policy per se, Trump has tweeted numerous times about the need to boost oil and gas production while decrying record global temperatures as a Chinese “hoax” to steal jobs.

That creates an odd campaign where ideas become millstones, Bledsoe said. "You can end up penalizing candidates who actually put forward proposals." Ultimately, given the nature of the U.S. energy boom, the beginning of U.S. exports of natural gas and crude oil, and market-driven massacres of the coal industry, there is little that any president can really do to redraw the map.

Clinton could not "ban" fracking even if she wanted to, since it is primarily conducted on private land and is largely regulated at the state level. Private companies are exporting liquefied natural gas from huge terminals in the Gulf of Mexico, and only the market will affect that. Clinton opposes drilling for oil in the Arctic — but so does the oil company that spent $7 billion there drilling a dry hole.

And if Clinton is down on coal's future as a power source, she's following the implacable lead of institutions such as JPMorgan and other big banks, which have sharply curtailed financing for any coal-related projects given the fuel's increasingly dire outlook.

Whether Clinton's rhetorical shift to the left is a tactical ploy for the primaries, or represents a true change of heart, doesn't ultimately matter. What is becoming increasingly clear, as she veers to woo starry-eyed Sanders voters and Trump barrels his way toward the nomination while disavowing detailed prescriptions altogether, is that there is one undoubted campaign casualty this year. "Populism is trumping realism," wrote Richard Reeves of the Brookings Institution recently. "Perhaps the biggest loser of all is public policy."

US oil rig count falls, relieves pressure on oil prices

AA Energy Terminal, *25.03.2016*

After ending its 12-week decline last week, the oil rig count in the U.S. is on the decline again by losing 15 more rigs this week to reach 372, according to oilfield services company Baker Hughes data. This is the lowest number of oil rigs in the country since the week of Nov. 13, 2009.

The oil rig count is at its lowest level in more than six years, and around 77 percent less than its highest level. On a positive note, the latest fall in rig count this week relieved some of the downward pressure on plummeting prices, which dropped around 4 percent when the U.S.' weekly crude oil inventories rose three times more than expectations.

After the rig count data, oil prices reversed some of their losses and gained close to one percent. However, they still remained lower than last week when the crude market had a bullish sentiment after the Saudi-Russian oil meeting was scheduled for April 17 with the hope of trimming oversupply around the world. The U.S. oil rig count provides an indication on the well-being of the oil sector in the country, and signals possible short-term production cuts and increases.

Due to low oil prices, the U.S. producers are having a difficult time seeing a return of their investments. In response, oil rigs are removed, wells are shut down, while production declines. Because of plummeting prices, domestic oil production in the country fell around 500,000 barrels a day since April 2015 when output reached its highest level since the 1970s at almost 9.6 million barrels a day. The U.S. oil production stood below 9.1 million barrels a day for the week ending March 18, according to the country's Energy Information Administration.

Moody's: Low oil prices to raise budget deficits in GCC

AA Energy Terminal, *24.03.2016*

Global rating agency Moody's Investors Service said that low oil prices will slow growth and increase budget deficits in oil-exporting Gulf Cooperation Council countries this year.

The report named "Sovereigns - Gulf Cooperation Council: As low oil prices weaken fiscal metrics, credit impact depends on reserves, reforms", said GCC governments have already begun cutting costs and implementing measures to enhance new revenues. "Lower public spending is likely to weigh on economic growth in 2016, although we expect it to remain positive as oil production is sustained and expenditure cuts are implemented only gradually," Mathias Angonin said.

"However, lower oil prices will also affect GCC public finances, eroding their fiscal reserve buffers and increasing debt levels," he added. The rating agency said it projects GCC's fiscal deficit will reach close to 12.5 percent of their regional GDP in 2016, compared to 9 percent in 2015.

It also anticipates fiscal deterioration to be faster in Saudi Arabia, Bahrain and Oman, compared to the United Arab Emirates, Qatar and Kuwait, since the latter countries' reserves could better cushion the short-term negative impact of low oil prices and allow a more gradual adjustment in their economies.

Due to funding deficits, Moody's warned that external debt will increase the most in Bahrain, Oman and Saudi Arabia, where government debt-to-GDP is projected to increase by 35, 18, and 15 percentage points, respectively, in 2016, from their 2014 levels. For other GCC countries, government debt-to-GDP is expected to rise by 11 to 13 percentage points. The agency advised that medium-term reforms are "key to relieving pressure on government balance sheets and will determine GCC sovereigns' fiscal trajectory." Moody's revised down its oil price assumptions at the beginning of this year, and forecasts crude prices to average $33 a barrel in 2016 and $38 per barrel in 2017. The agency anticipates higher than expected crude supply from the U.S., Iran and Iraq this year and the next.

In a separate report, the rating agency stated that oil importing countries in the Middle East and North African region will only see “subdued economic growth” from low oil prices. This is mostly due to the fact that political and social challenges in the region still exist, while the oil importing countries are still implementing economic reforms.

“Going forward, we expect fiscal improvements to be gradual and depend on the countries’ institutional capacity to balance the conflicting objectives of higher growth, social stability and fiscal consolidation,” the report said.

It also noted that Morocco and Jordan have begun reform implementations early, while Tunisia, Egypt and Lebanon face bigger challenges. Moody’s said it expects Morocco, Jordan and Lebanon to benefit the most from low oil prices, where “a lower energy bill will translate into a reduction of current account deficits by around 4 to 6 percentage points of GDP” until the end of this year.

Announcements & Reports

► *Shifting Political Economy of Russian Oil and Gas*

Source : CSIS
Weblink : http://csis.org/publication/shifting-political-economy-russian-oil-and-gas

► *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

► *22nd Annual BBSPA Conference*

Date : 07 – 08 April 2016
Place : Vienna, Austria
Website : www.bbspetroleum.com

► *3rd IENE Energy and Shipping Seminar*

Date : 08 April 2016
Place : Piraeus, Greece
Website : www.iene.eu

► *10th Global Oil&Gas Atyrau Conference*

Date : 12 – 13 April 2016
Place : Atyrau, Kazakhstan
Website : http://www.oilgas-events.com/

► *Global Oil & Gas Atyrau*

Date : 12 – 14 April 2016
Place : Atyrau, Kazakhstan
Website : http://oil-gas.kz/en/

► 22nd International Energy& Environment Fair and Conference

Date : 27 – 29 April 2016
Place : İstanbul, Turkey
Website : www.icci.com.tr

► Smart Energy Analytics 2016

Date : 04 – 05 May 2016
Place : London, United Kingdom
Website : www.wplgroup.com/aci/

► Flame – Europe’s Leading Natural Gas & LNG Conference

Date : 09 – 12 May 2016
Place : Amsterdam, Netherlands
Website : www.flame-event.com

► Global Oil & Gas Turkey

Date : 16 – 17 May 2016
Place : Istanbul, Turkey
Website : http://www.oilgas-events.com/TUROGE-Conference

► 6th International Conference & Workshop REMOO 2016

Date : 18 – 20 May 2016
Place : Budva, Montenegro
Website : http://remoo.eu/html/general_information.html

► Turkmenistan Gas Congress

Date : 19 – 21 May 2016
Place : Turkmenbashi, Turkmenistan
Website : http://www.oilgas-events.com/

► Pipeline Technology Conference

Date : 23 – 25 May 2016
Place : Berlin, Germany
Website : www.pipeline-conference.com

► Caspian Oil & Gas

Date : 01 – 04 June 2016
Place : Baku, Azerbaijan
Website : www.caspianoilgas.az/2016/

► *Yamal Oil & Gas*

Date : 08 – 09 June 2016
Place : Salekhard, Russia
Website : www.yamaloilandgas.com/en/programmerequest/

► *7th International Energy Forum*

Date : 10 June 2016
Place : Istanbul, Turkey
Website : www.iicec.sabanciunic.edu

► *Energy Systems Conference 2016*

Date : 14 - 15 June 2016
Place : London, UK
Website : www.energysystemsconference.com

► *World National Oil Companies Congress*

Date : 15 - 16 June 2016
Place : London, UK
Website : http://www.terrapinn.com

► *ERRA Summer School: Introduction to Energy Regulation*

Date : 20 - 24 June 2016
Place : Budapest, Hungary
Website : http://erranet.org

► *9th SE Europe Energy Dialogue*

Date : 29 – 30 June 2016
Place : Thessaloniki, Greece
Website : www.iene.eu

► *Global Oil & Gas - Black Sea and Mediterranean*

Date : 22 – 23 September 2016
Place : Athens, Greece
Website : www.iene.eu

► *23rd World Energy Congress*

Date : 09 - 13 October 2016
Place : Istanbul, Turkey
Website : http://wec2016istanbul.org.tr/

► 15th ERRA Energy Investment & Regulation Conference

Date : 17 - 18 October 2016
Place : Budapest, Hungary
Website : http://erranet.org/InvestmentConferences/2016

► 21st IENE National Conference "Energy and Development 2016"

Date : 24 - 25 October 2016
Place : Athens, Greece
Website : www.iene.eu

► European Autumn Gas Conference 2016

Date : 15 – 17 November 2016
Place : Hague, Netherlands
Website : http://www.theeagc.com/

► 5th Cyprus Energy Symposium

Date : 29 - 30 November 2016
Place : Nicosia, Cyprus
Website : www.iene.eu