SOCAR considers purchase of Petrol Ofisi in Turkey

AA Energy Terminal, *05.04.2016*

SOCAR Turkey is currently reviewing the sale of fuel dispensing company, Petrol Ofisi in Turkey with a view to a potential purchase, president of SOCAR Turkey said. Petrol Ofisi with over 1,785 fuel dispensing facilities across Turkey belongs to Austrian energy giant OMV. It has been put for sale in February, 2016 due to financial difficulties.

SOCAR's CEO, Rovnag Abdullayev, had also stated over the weekend that his company is interested in the possible purchase of Petrol Ofisi. "Our CEO, Rovnag Abdullayev, told me and my team to examine and analyze the selling process of Petrol Ofisi.

We have a refinery project that will be operational in 2018 and thus, dispensing sector is one of the most significant parts of our integration," president of SOCAR Turkey, Kenan Yavuz, told Anadolu Agency. "However, the instruction our CEO gave us does not mean that 'SOCAR will definitely buy the corporation'. We will analyze it in line with our strategies, targets and plans of our company. We will inform the public about any development in the issue," Yavuz emphasized.

He also stated that Turkey is regulated with world-standard regulations and claimed that it is not mandatory to have dispensing facilities for companies who have refinery projects. "We still have time to look at examining the processes and developing strategies for such an investment. Additionally, since it is not mandatory, we can sell our products to the market without having dispensing facilities in Turkey," he underlined.

Iran official: Turkey Iran gas dispute due to end by summer

AA Energy Terminal, *05.04.2016*

A senior Iranian gas official said Tuesday that the final arbitration ruling on overcharges of natural gas prices between Iran and Turkey should be settled by summer.

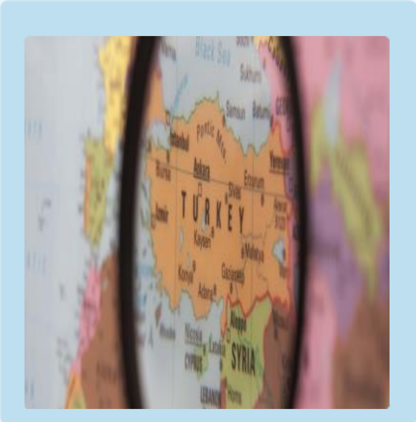
According to Iran's energy information network Shana, Azizollah Ramezani, director of international affairs at National Iranian Gas Company, said that he anticipates the process will be concluded by the end of summer. Turkey brought the case to court because of Iran's high natural gas prices applied to the country during the four-year period between 2011 and 2015. In 2012, Turkey applied to the International Court of Arbitration over the overpriced gas.

The International Court of Arbitration ruled against Tehran in the gas dispute, officials from Turkey's Energy and Natural Resources Ministry said in February. Both countries will present their cases, the court will review them to make a final decision as to the rate of compensation for Turkey which will be in the range of between 13 percent to 16 percent discount on the gas price.

“Rest assured, we will pay it back, and the problem will be solved soon,” Iranian Deputy Foreign Minister Ibrahim Rahimpur told Anadolu Agency during Iran's National Day celebrations on Feb. 10 in Ankara. Turkey imported 10 bcm of natural gas from Iran last year.

EFET's EU market view: Gas hubs, network codes and markets

Natural Gas Europe, *06.04.2016*



Turkey and Ukraine both show promising signs of market development with the potential to become hubs, according to the European Federation of Energy Traders (Efet).

In an interview with NGE, European Federation of Energy Traders (Efet) gas committee chairman Doug Wood also discussed security of supply, interoperability and tariffs. Virtual gas hubs are the future way to trade in the single European gas market, replacing border trading which has historically accounted for most of the trade in markets in eastern Europe. However, this requires more effective implementation of EU legislation to allow hubs to thrive.

Ukraine's state-owned gas company Naftogaz Ukrainy is taking the first steps to unbundle its pipeline business as an independent transmission system operator (TSO), following the more stringent model as set out in the European Commission's third energy package.

The new owner, if it has its way, will be the state property fund, which traditionally handles privatisation. But it is five months behind schedule, for which it blames other state agencies. Naftogaz has also forged a gas tendering business with counterparties in western Europe as it cuts imports from Russia.

And a few days after this interview took place, Naftogaz Ukrainy posted an unofficial translation of the EU gas balancing network code on its website, inviting comments and hoping that it would result in a high-quality document.

"Ukraine has made extraordinary progress and liquidity is growing, mainly at the borders with Slovakia and Hungary," Wood told NGE. "There are still more general issues that discourage trade inside Ukraine such as the requirements to hold foreign currency, but it is moving very well and we hope that given a well-designed hub, trading activity will migrate from the borders."

Efet is also working with Turkish companies to promote a hub, as Turkey "sees itself as a corridor for Russian, Azeri and other gas," he said. If it attracted gas from other production in the region and from LNG imports, then a hub would help to depoliticise trade.

"A Turkish hub would be in a better position to repackage the way the gas is sold," he said. But he said that would require a Turkish hub and an exchange of some kind that could generate local gas prices, reflecting Turkish supply and demand, rather than rely on an external index such as the Dutch hub, the TTF. Efet said it was also "supportive" of hub developments in Bulgaria, Romania and Greece and that it "looked forward to more practical progress."

In the mature markets of western Europe things are not as rosy as Efet would like, as the conflict between markets and intervention shows no sign of abating. This is particularly the case with security of supply and the winter package. These are leading to pipelines being built that, Wood says, risk becoming “tomorrow’s stranded assets.”

This needs to be addressed, he told NGE, along with the question of compensation payments for the transmission system operators (TSOs). Speaking about the planned bi-direction pipeline between Slovakia and Poland, for example, Slovak pipeline operator Eustream told NGE last month that the final investment decision has not been taken but that “taking into account the low level of ship or pay contracts for new pipelines in EU, then the role of grant for works will be essential.”

The Slovakian pipeline system risks being stranded if Nord Stream 2 is built, and there is a question over who will pay for the security of supply that it used to represent for countries downstream such as Italy and Germany. Nord Stream 1 for example led to the termination of gas flows through Ukraine through Slovakia to Lanzhot on the Slovakia-Czech Republic border, while Gazprom’s contract for flows through Slovakia to Baumgarten in Austria does not expire until 2028. So far it has used that contract successfully to block reverse flow.

Wood said that the tariffs network code is yet to go through the EU Comitology process and detailed points are still under discussion. Efet is very keen to see a high level of transparency and consultation on revenue setting and how transporters may be allowed to recover if their sales underperform – a very likely outcome given the depressed gas markets of today.

Because the network code discussions on tariffs have been going on for some time, he says, “boredom and fatigue are now a real risk to the process,” he says. On the other hand creating detailed rules could constrain its ability to solve tomorrow’s problems, says Wood who worked at BP for many years and joined Efet’s staff in late 2014. If the price of cross-border capacity is set in stone you undermine the market and the use of pipelines.

Cross-border trading is also not as free as the ideal of a single market suggests. Different TSOs are allowed to sell capacity in different ways. For example capacity bought from Dutch system operator GTS in the Netherlands does not confer the same rights as capacity sold by German TSOs across the border.

Some TSOs oversell capacity and then buy it back to manage congestion; others are imposing limits on re-nominations to achieve the same end, meaning that the products cannot be bundled. One solution that might have worked was conditional bidding, where a planned series of cross border capacity purchases would be invalid if one bid in the chain was not successful.

But the European Commission (EC) wanted to go further. So now companies have stranded capacity that was bought on just one side of the border and may be unable to buy matching capacity on the other side.

Another area of complexity arises from different tax and licensing arrangements across the EU. Historically, gas shippers formed different national subsidiaries to comply with local rules, and passed title to gas from one subsidiary to another at national borders.

Platforms for selling transportation capacity do not recognise this, and this will discourage the development of trading in member states where tax and licensing arrangements present risks that cannot otherwise be contained.

Efet raised both issues – capacity mismatches and legal entity – with the EC and Acer, which represents regulators across the EU. So far however Efet has met with little success and is “disappointed” that regulatory authorities do not seem to recognise the real difficulties that poor implementation imposes on market parties, Wood said.

Cabinet approves Turkey-Georgia energy deal

Daily Sabah, *07.04.2016*

An agreement between the Turkish and Georgian government on cooperation in the field of economy that was signed on April 9 last year has now been approved by the Cabinet, taking full effect after being published in the Official Gazette.

Covering cooperative agreements, the agreement was signed by former Energy and Natural Resources Minister Taner Yıldız and Georgian Minister of Energy Kakha Kaladze. The decision will launch the construction of of electric power transmission lines as well as sharing experience regarding the renovation of the structures of intelligent network technologies, transmission system operators.

According to the agreement, in case of an emergency regarding the need for power, an “energy working group” will be established in order to provide electricity and share the experiences that Turkey had during its membership in the European Network of Transmission System Operators for Electricity (ENTSO-E).

Energy firms eyeing consortium to carry Israeli gas through Turkey

Hurriyet Daily News, *06.04.2016*

At least 15 energy companies want to be part of a planned consortium which will carry Israeli gas to Europe via Turkey, according to Turcas CEO Batu Aksoy, who said the first Israeli gas may reach Turkey in the next five years.

"We plan to establish a buyer consortium . Each consortium member will take some gas in this plan. At least 15 companies have contacted us so far and voiced their intention to become a part of this planned consortium," he said. The holders of rights in Israeli's natural gas reservoir have been in contact with Turkish companies for months, including Turcas, concerning exports of Israeli gas.

Aksoy noted it was not possible for a single company to deal with such big exports, adding that the estimated 8 bcm (bcm) of Israeli gas could be taken on an annual basis by sharing the risks with reliable partners. "Potential consortium partners that have contacted us are composed of companies which utilize or distribute gas. Namely, they are active players in the sector. A constructive buyer consortium needs to be established," he said. Aksoy said Israeli gas may flow through Turkey in the next five years.

"In these projects, the construction process lasts the shortest period of time. Political discussions, the issuance of intergovernmental agreements or the financial feasibility issues take a much longer time.

Regarding Israeli gas, some bilateral agreements may be required between Turkey and Israel, between Israel and Cyprus, and between Cyprus and Turkey. In resolving long-term regional problems, the planned pipeline may play a role. If the parties want and the required political environment is created, the gas may reach Turkey by 2021," he added.

Aksoy noted Turkey has become a huge gas consumer, with around 50 bcm of annual gas consumption and meeting around 55-60 percent of this demand from the Russian market. "The less dependent a country becomes on a sole provider, the lower gas costs it faces.

Europe wants to decrease the share of Gazprom in its gas market by opening their gas market more and increasing their liquefied natural gas [LNG] sources… Turkey needs to do the same. Turkey has been connected to Russia, Iran and Azerbaijan by pipelines. There are two other sources to maximize the pipelined gas potential:

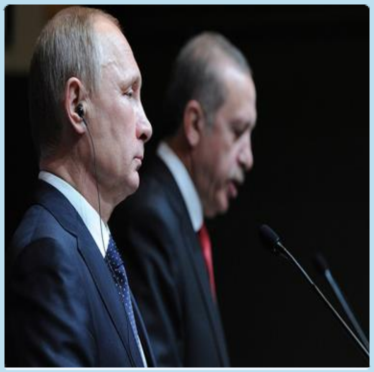
The eastern Mediterranean and Iraq… The inflow of natural gas via six or more pipelines from five suppliers rather than four pipelines from three suppliers will enable Turkey to gain a much bigger bargaining position in gas price talks.

We believe eastern Mediterranean gas will be a huge chance for Turkey on the road to becoming an energy hub," he said. Aksoy noted this did not mean eastern Mediterranean gas was an alternative to Russian gas. "Russia is a big and reliable gas supplier, I believe. Russia did not cut the gas flow to Turkey during the Cold War, the Ukraine crisis and even following the jet crisis. Russia did not cut the gas flow to Europe either…

Why should [Turkey] however not reduce the costs? We need to diversify our resources one way or another. If Turkey takes 8-10 bcm gas from the eastern Mediterranean and 5-10 bcm from Iraq, the risks will be dispersed and key opportunities will be unleashed on the road to opening the energy markets in Turkey," he added.

Can Turkey break its Russian gas habit?

Al Monitor, *07.04.2016*



Scrambling to reduce its gas dependence on Russia, Turkey has moved to speed up the construction of the Trans-Anatolian Natural Gas Pipeline (TANAP), designed to carry Azeri gas to Europe via Turkey, and set up three new liquefied natural gas facilities.

According to the Energy Market Regulatory Authority (EPDK), Russia provided Turkey 26.97 bcm of gas in 2014, or 54.8% of the total import of 49.26 bcm. İran was second with 8.93 bcm, followed by Azerbaijan with 6.1 billion. Turkey imported also 4.18 bcm of gas from Algeria, 1.41 bcm from Nigeria and 1.69 bcm from the spot market.

The EPDK has yet to reveal the 2015 statistics, but according to the head of the Natural Gas Distributors' Union, the country's gas consumption amounted to 47.5 bcm last year. Though the union's figure points to a decline of 1.76 bcm from the previous year, the EPDK estimates that consumption in 2016 will increase to 49.56 bcm.

The crisis with Russia, sparked by Turkey's downing of a Russian jet at the Syrian border in November, has prompted Turkey to seek new supply strategies that would reduce reliance on Russian gas in the shortest possible time. Accordingly, diversifying supplies has emerged as a priority to change the balance.

The plane crisis aside, Russia's tensions with Ukraine are also of close concern to Turkey. In comments to Al-Monitor, Gokhan Yardim, the former head of Turkey's state-run pipeline company BOTAS, noted that the gas transit agreement between Russia and Ukraine was due to expire in 2019. Turkey imports up to 14 bcm of gas per year via this route, he said, stressing that alternative sources should become operational before 2019 to make sure Turkey has a replacement. The plan aims to get the pipeline running in late 2017, with the prospect of Turkey increasing its initial share to 10 bcm if needed. The more Turkey imports from TANAP, the less it will buy from Russia.

The Russian gas currently flows from two conduits to Turkey: the Ukrainian route and the Blue Stream pipeline, which runs under the Black Sea. Even if the flow via Ukraine stops, 10 bcm from TANAP will mean a problem-free replacement for Turkey.

Yardim, however, believes the acceleration plan is too ambitious. “Getting gas from TANAP in 2017 will be a surprise. Even if the flow starts, it will be limited to a few bcm,” he told Al-Monitor. Pointing to technical obstacles, he explained, “The compressor tender was only recently completed.

The manufacturing process is likely to take 18 months, meaning late 2017. And the job is not over with the completion of the pipeline. They need to drill wells and build platforms at Shah Deniz II. Drilling a single well will not be enough. All this could be ready for 2018, but I’m doubtful about 2017.”

Still, Yardim believes Russian dominance over Turkey’s gas imports is bound to diminish in the next few years. “Turkey’s projects and plans are being shaped toward this end,” he said. Israeli gas is another alternative. Turkey and Israel have recently revived talks to normalize ties, with the prospect of gas trade seen as a key incentive for reconciliation.

Israel’s gas-exploitation project, however, is bound for a delay following a critical ruling by the country’s Supreme Court last month. Citing legal flaws, the court gave the government a year to amend the plan for the development of offshore reserves or see the plan canceled. The project involves a deal that Prime Minister Benjamin Netanyahu reached with Texas-based Noble Energy and Israel’s Delek Group last year, giving them control of the country’s largest gas field, Leviathan.

Turkey, meanwhile, is drawing up new projects that have yet to be officially announced. Speaking on condition of anonymity, a source who took part in meetings on the issue told Al-Monitor that Ankara plans to set up three floating terminals off Eregli in the Marmara Sea, Aliaga in the Aegean Sea and a yet undetermined location off the country’s southern coast to receive LNG imports by sea.

The terminals would consist of anchored ships serving as storage facilities for incoming LNG supplies. Work is currently underway for a tender for the floating facilities, a model that countries like Brazil and Chile are already using, the source said. The capacity of each terminal is not yet known, but the project is planned to have a total capacity of more than 10 bcm and become operational in two years. Additionally, the government plans to open tenders to expand the capacity of an existing LNG facility at Eregli, the source said.

All projects are aimed at reducing reliance on Russian gas, but Russia is bound to remain Turkey’s largest supplier with the 16 bcm of gas flowing through the Blue Stream. Yet if everything goes as planned, its share will shrink from 55% to 30-35%.

Greek Cypriots gas bid is to attract Russia to east Mediterrenaen

Oilprice, *27.03.2016*

The Greek Cypriot administration's decision to open a tender for hydrocarbon exploration offshore Cyprus is a move to attract Russian companies to the Mediterranean in opposition to Turkey, said director of hydrocarbons at the OME.

"Opening a new tender for natural gas exploration which can increase the tension [between Turkey and Greek Cypriot administration] was not a necessary move in an atmosphere in which peace talks are making progress," director Sohbet Karbuz told. The Greek Cypriot administration announced a tender for new hydrocarbon exploration offshore the long-divided Mediterranean Island.

This calls for bids to be submitted by June 21 to award licenses for blocks 6, 8 and 10. Turkish Foreign Ministry said that Turkey would not allow foreign companies to explore for hydrocarbons in the area.

"The Greek Cypriot administration's decision to open a tender on the one hand disregards the Turkish Cypriot side's equal rights and interests on the island's natural resources and on the other hand violates our country's continental shelf rights in the region," Turkish Foreign Ministry said in a written statement.

According to Karbuz, Greek Cypriots has an aim to magnetize Russian energy companies to Cyprus' offshore blocks for exploration and put diplomatic pressure on Turkey. "One of the blocks named 6 is intersecting with the area in which Turkey stakes a claim for Turkish Petroleum. The Greek Cypriot administration aims to bring a major actor," Karbuz said adding that it could well be a Russian company.

"Gazprombank and Novatek had given offers to previous tenders in the past. We know that Russia wants to be there [in the Mediterranean]," Karbuz said. Karbuz asserted that the Greek Cypriot administration is looking for a new actor in its diplomatic spate against Turkey and is trying to benefit from the current dispute between Turkey and Russia.

The rift between Russian and Turkey arose when a Russian SU-24 fighter which crashed in the Syrian region of Bayirbucak close to Yayladagi district of southern Hatay province was shot down by Turkey. NATO confirmed that the incident was in violation of Turkey's airspace.

According to Karbuz, the Greek Cypriot administration's claims which says 'there are geologic similarities between the tendered blocks at the Zohr gas field are merely indicators resulting from some preliminary research which was conducted by Greek Cypriot scientists and private companies.

The Zohr gas field was discovered in last August by Italian Eni offshore Egypt as the biggest reserve in the Mediterranean with 850 billion cubic meters of capacity. The eastern Mediterranean island was divided into a Turkish Cypriot state in the north and a Greek Cypriot administration in the south after a 1974 military coup by Greece was followed by the intervention of Turkey as a guarantor power. Long-stalled negotiations to find a way to settle the conflict resumed last year following Akinci's election in April. The talks which restarted last May are focused on establishing a federal model.

U.S. says Israel gas may help Europe diversify from Russian fuel

Bloomberg, *07.04.2016*

Israel's offshore natural gas fields, potentially the largest in the Mediterranean Sea, could boost energy trade in the region and even help Europe diversify away from Russian fuel, according to U.S. Energy Secretary Ernest Moniz.

The U.S. hopes Israel can resolve domestic challenges blocking development of its Mediterranean gas field "in a timely way," considering that they contain substantial quantities for exports, Moniz said in an interview with Bloomberg Television. Israel's gas exports "can be used in a strategic way" in the region and beyond, U.S. Energy Secretary Ernest Moniz said.

"First and foremost there is a very clear economic and energy security benefit to producing the field," Moniz said. Gas from Israel can be shipped to Turkey, where it can be pumped through pipeline networks from the Caspian Sea to Europe, he said. Israeli gas can help in "diversifying supplies away from Russia for Europe." Israel can also export gas to its Arab neighbors, such as Egypt and Jordan, he said.

Israel's development of the $20 billion Leviathan gas field faces new delays following a decision last month by the country's highest court blocking the government's proposal to prevent major regulatory changes for 10 years. Houston-based Noble Energy Inc., which is leading the project, saw its shares plummet nearly 8 percent and the company was downgraded to hold from buy at Tudor Pickering Holt & Co., on the basis that the ruling may put its expansion at risk.

"The U.S. has a strong interest in this because energy security is a collective enterprise," Moniz said. Companies that are going to be engaged in this or other future fields are "clearly going to want to understand also the opportunities for export markets."

The natural gas discovered off Israel's Mediterranean coast is sufficient to meet the country's energy's needs for decades, with surplus for export, developers say. The Tamar field holds about 10.8 trillion cubic feet of gas and Leviathan about twice that amount.

The developers have signed deals to export fuel to neighboring Jordan, and have been in negotiations to ship fuel to Egyptian plants where it would be converted to liquid natural gas for possible export to Europe. Moniz, a key negotiator for the U.S. administration on the agreement to curb Iran's nuclear ambitions, said Prime Minister Benjamin Netanyahu now accepts the agreement after denouncing it in a speech to Congress last year as a threat to Israel's existence.

The agreement "was focused exclusively on removing the existential threat of a nuclear weapon," Moniz said. Moniz spent two days this week in Israel where he signed an agreement with Energy Minister Yuval Steinitz to expand cooperation on alternative fuels and water desalination.

The Iran deal has allowed the Islamic Republic to increase crude supplies, with a "fair amount of reserves" being marketed, he said. The Persian Gulf country still faces challenges in attracting about $150 billion in investment needed to rehabilitate its energy industry and boost production to pre-sanctions levels, he said.

"I just don't see how those resources are going to be attracted on a very short time scale," he said. "I think they will build up and they will build up over time. How fast it goes, I can't say, but we do know the capital requirements are quite significant."

It is "hard to imagine" that Iran would join a proposal for a crude output freeze by members of the Organization of Petroleum Exporting Countries and other producers to help curb the global glut. Iran has been explicitly saying that it has no intention to restrain its attempt to ramp up crude production to recapture market, he said.

For Israel energy developers, bad news may be good news

Globes, *29.03.2016*

The latest bout of bad news for Israel's natural gas extraction plans may turn out to be a boon for energy explorers. Plans to develop the Leviathan ran aground after the country's highest court ruled that the government overstepped its boundaries by promising a consortium of U.S.

But explorers may end up with a better deal as the government weighs a range of possible incentives in an effort to salvage the project, Energy Minister Steinitz said. "The result of this very unfortunate supreme court decision is that we are now considering giving things that we refused to give in the past," Steinitz said.

"The companies had asked for these gestures before." Among the options the government may dangle are debt guarantees and financial compensation for damages resulting from regulatory changes, Steinitz said in an interview.

It is also considering legislating or softening the clause the court struck down, he said, declining to elaborate further. A decision on how to proceed could come “soon,” he added. Steinitz’s comments on the ruling’s possible benefits to developers reflects the government’s frustration with its inability to win approval for a gas strategy delayed by political, legal and regulatory challenges.

The absence of a regulatory framework has held up Leviathan’s development and hindered production at the smaller Tamar reserve. It’s also blocked export deals and antagonized investors, making it harder for the explorers, led by Texas-based Noble Energy Inc. and units of Israel’s Delek Group Ltd., to secure financing at a time when energy prices have tumbled.

Noble and Delek declined to comment on Steinitz’s remarks. They’ve said in the past that the gas deal can’t go ahead without some kind of government commitment to cushion developers against the type of regulatory instability that has held up their work. Critics say the plan entrenches a monopoly and will increase natural gas prices for Israeli consumers. Steinitz said the court ruling against it sets a bad precedent for doing business in Israel.

“If our supreme court comes up with such an unreasonable decision, that government can’t make decisions that will somehow bind future governments, this is very harmful and unprecedented in the world,” he said. “What kind of message does that send to investors who want to make long-term decisions in Israel?” Eytan Sheshinski, who advised Steinitz in formulating the government’s gas policy, said he expected Israel to offer debt guarantees.

Because low oil prices have frozen investments worldwide, “the government has more urgency than the companies at the moment,” said Sheshinski, a professor emeritus at the Hebrew University of Jerusalem. “The least costly route for the government are debt guarantees and other arrangements made directly with the companies” that wouldn’t require legislative approval, he said.

The Bank of Israel favors government aid to the project, whether through direct investment or guarantees. With oil prices down, developers may have trouble financing Leviathan, and in the interest of reliable electricity supply “it would be worthwhile for the government to assist them in return for a share in the profits from the sale of the gas,” the bank said in its annual report last week.

Given the state of the global energy market, the delay created by the court ruling might buy the companies welcome time, given the difficulties in financing deep-sea projects right now, said Brenda Shaffer, a senior fellow at the Washington-based Atlantic Council research institute’s Global Energy Center, who specializes in oil and gas policies. “We are talking about a world awash in oil and gas,” Shaffer said.

Will Saudi Arabia freeze oil output?

Azernews, *08.04.2016*

Although Saudi Arabia announced that it will not put a brake on its oil output unless Iran and others agree to join in, analysts are still optimistic about the upcoming Doha meeting and expect oil production cut. Saudi Arabia's deputy crown prince Mohammed bin Salman said that "if all countries agree to freeze production, we're ready", in reference to the other members of the OPEC.

"If there is anyone that decides to raise their production, then we will not reject any opportunity that knocks on our door," he told. Russia and Saudi Arabia, have agreed to freeze production at January levels in Doha on February 16.

The states set a goal to maintain average production at the level of January 2016, but there was a condition "if other producers will join this initiative as well". OPEC and non-OPEC states are going to discuss freezing oil output in market in order to save the collapsing oil prices at the forthcoming meeting in Doha on April 17. Countries like Ecuador, Algeria, Nigeria, Oman, Kuwait and the United Arab Emirates have voiced their willingness to join to the act.

Iran also confirmed its participation in the meeting, but warned that it does not seek to join the initiative. The price of a barrel dropped by almost 3.3pc as Saudi Arabia voi9ced its "condition", falling below the $40 dollar mark to $39.

Later, Russian Energy Minister Alexander Novak revealed that Russia may hold separate bilateral talks with Al Riyadh before the Doha meeting if such a necessity or possibility arises. Russia has not discussed the issue on Iran's participation in freezing oil production with Saudi Arabia either but it is ready to talk on the matter, Novak told to RIA Novosti. "I hope that certain consolidated position will prevail during the discussions in Doha, and yet all the parties agree", said Novak.

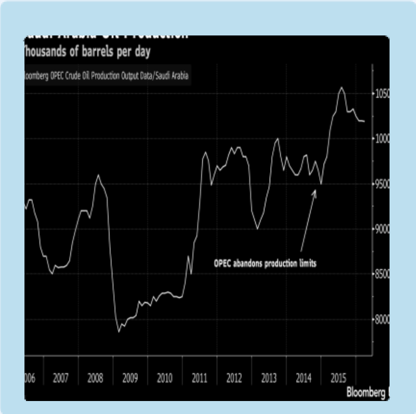
Tehran, in turn, stated that the country will discuss freezing oil production only after its output reaches 4 million barrels per day. At present, it is at the level of 3.1 million barrels, according to the data provided OPEC. Novak has previously spoken in favor of having a different approach to Tehran's involvement in the freezing of oil since the sanctions hindering the export of black gold were lifted just in January.

Nawal Al-Fuzaia, representative of Kuwait at OPEC believes that oil producers may agree to freeze without the participation of Iran in the negotiations, as they have no other choice. Prices could go higher by the latter part of the year. The Brent crude price is expected to average between $45 and $60 in the second half of 2016 and until 2018, the Kuwaiti official said. Thomas Pugh, leading British economist at Capital Economics also expressed similar views. He said that although the Saudi prince's comments led to a weakening of the market expectations of a possible deal in Doha, still a compromise can be reached, even without the participation of Iran. He believes that Mohammed bin Salman's statement was spontaneous and it should not be viewed as the final word.

However, Tony Headrick, an energy market analyst at CHS Hedging LLC believes that Iran heavily influences the idea of freezing oil production. The oil producers may agree to freeze oil production, but Iran's position will have a significant impact on the effectiveness of any deal, he said. "Given the fact that the meeting is scheduled, it is possible, the parties will reach an agreement, but the patience of oil producers to maintain a stable level of production will dry up with the increasing market share of Iran," Hedrick emphasized.

Saudi Aramco, Sabic said to study plan for joint oil refinery

Bloomberg, *06.04.2016*



Saudi Arabian Oil Co. and Saudi Basic Industries Corp. are studying a plan to build a joint refinery that would produce chemical products directly from crude oil, according to two people with knowledge of the talks.

The world's largest crude exporter known as Saudi Aramco and Sabic, the second biggest petrochemical maker in the world, are planning to build the refinery in Yanbu on the Red Sea coast of Saudi Arabia, said the people, who asked not to be identified because the talks are confidential. Saudi Aramco declined to comment while Sabic didn't respond to a request for comment.

"This move is long overdue given that both companies are operating and competing in the same markets," said Mohamed Ramady, a London-based energy analyst, said by phone. "Sabic and Aramco cooperation will ensure that both companies will avoid duplication of projects in this period of Saudi economic rationalization and cost effectiveness."

In an interview with Bloomberg in Riyadh last week, Saudi Deputy Crown Prince Mohammed bin Salman said a conflict between Aramco and Sabic had been resolved in the past few months. Both independent companies will have a majority ownership by Saudi Arabia's sovereign wealth fund, the Public Investment Fund, the prince said.

"Having Aramco and Sabic working together is needed since both companies will report to the Public Investment Fund and this eventually will create more natural synergies between them," John Sfakianakis, the director of economic research at Gulf Research Center in Riyadh, said by phone.

Saudi Aramco and Sabic had been working separately on projects to produce chemicals straight from crude oil without the need to have separate refineries, the people said. Aramco has delayed plans to build an oil refinery with a petrochemical complex in Yanbu with a planned capacity of 400,000 barrels a day as it awaits progress on studies for the joint refinery with Sabic, they said. Aramco's chief executive officer, Amin Nasser, confirmed at a conference in Al-Ahsa, Saudi Arabia, on March 30 that the company is testing the new technology to produce chemicals from crude oil.

Saudi oil minister Ali al-Naimi had announced in 2013 that the ministry was working with Sabic for the construction of an oil-to-chemical refinery in Yanbu. The Saudi government is pushing the two state-controlled companies to collaborate on the Yanbu refinery project and to undertake more joint projects, said the two people with knowledge of the talks.

Oil prices slip as investors dismiss inventories decline

WSJ, *07.04.2016*

Oil prices fell Thursday as some investors dismissed an unexpected decline in U.S. crude inventories and harbored growing doubts that major oil producers will agree to curb their output.

Light, sweet crude for May delivery settled down 49 cents, or 1.3%, at $37.26 a barrel on the New York Mercantile Exchange. Brent, the global benchmark, fell 41 cents, or 1%, to $39.43 a barrel on ICE Futures Europe. The market had been getting support from an unexpected decrease in U.S. crude-oil supplies, down by 4.9 million barrels last week, the Energy Information Administration said.

But many are now pointing to data deeper in the EIA report that suggest that decrease may be an anomaly if not irrelevant altogether. Gasoline stocks rose by 1.4 million barrels following six consecutive weeks of declines while inventories at the key crude delivery hub of Cushing, Oklahoma, rose 357,000 barrels last week, the EIA said. Despite the draw down on crude, total stocks of oil and all petroleum products grew again from already historic highs, up 1.1 million barrels to 1.357 billion barrels.

Exports also dropped, a bad sign for demand. And much of last week's fall in crude stockpiles came from declining imports, which is likely to be a one-week anomaly because of bad weather halting deliveries around Houston or just because of the routine week-to-week changes, analysts said.

“I don't think the (numbers) from yesterday were nearly as bullish as the headlines,” said Kyle Cooper, managing director at Criterion Research LLC, a Houston consulting firm. “I don't think global supply dropped all that much.”

Thursday's decline also marks another pullback from the late-winter rally tied to hopes that major producers will agree to limit their output. Several key players, including Saudi Arabia and Russia, are expected to meet on April 17 in Doha, Qatar, to discuss a plan to alleviate the global oversupply and boost prices. However, earlier this week, oil prices fell after Saudi Arabia said the kingdom will freeze its oil production only if Iran agrees to curb its output. Tehran, however, has vowed to keep ramping up production until output rises to pre-sanction levels. There are also growing doubts about Libya's attendance of the talks.

"Without the participation of the two countries with the most capacity headroom, a production 'freeze' is a misnomer at best," said Michael Hsueh, analyst at Deutsche Bank. "Such an agreement would do little to change the supply outlook."

The market did get a boost at the end of the day, rallying sharply in the last few minutes of trading to pare losses by half. Front-month Brent crude futures for June delivery briefly traded above July futures, a market structure called "backwardation" that is seen by some as a sign of tightness in the market. The spread between near-term and far-term futures prices has been narrowing in recent weeks, so much that many ways of storing oil have become unprofitable, said John Saucer, vice president of research and analysis at Mobius Risk Group in Houston.

If the trend continues, it foreshadows a sustained rally that many expect for later this year or early next year as oversupply wanes and demand increases, said Todd Gross, chief investment officer at QERI LLC. "The market is tighter than most people think," Mr. Saucer said. Gasoline futures settled down 1.35 cents, or 1%, at $1.3812 a gallon. Diesel futures lost 1.46 cents, or 1.3%, to $1.1257 a gallon.

Saudi Arabia acts to slow Iran's oil exports

Financial Times, *04.04.2016*

Saudi Arabia has taken steps to slow Iran's efforts at increasing oil exports, banning vessels that transport Iranian crude from entering their waters, according to traders and shipbrokers. Iran already faces insurance, financing and legal obstacles despite the lifting of sanctions linked to its oil industry in January.

Under a nuclear deal with world powers, Iran was allowed to resume crude exports to Europe and other destinations. Since the lifting of sanctions, Iran has managed to sell only small volumes of crude to Europe, including barrels to Spain's Cepsa, Total of France and Russia's Litasco.

By mid-April, only about eight tankers will have sailed from Iran's Kharg Island for Europe, said shipbrokers, with only 12m barrels booked to sail. Iranian vessels carrying the country's crude are restricted from entering ports in Saudi Arabia and Bahrain, according to a circular sent by a shipping insurance company to its members in February.

The notice said ships that have called to Iran as one of its last three ports of entry will also require approval from the Saudi and Bahraini authorities before entering their waters. Shipbrokers and traders have relayed the same messages since.

Iranian oil executives have expressed their concern about the message circulating in the market, saying it is only adding to problems they face in selling their crude. Saudi Aramco, and The National Shipping Company of Saudi Arabia (Bahri) did not respond to requests for comment.

Iran is also yet to regain access to storage tanks at a key oil transit hub on Egypt's Mediterranean coast, which is part-owned by Saudi Arabia. Oil tanker association Intertanko and other industry participants say no formal notice has been given by Saudi Arabia but uncertainty is making some charterers less willing to lift Iranian crude. "It's seen as an unknown risk," said one shipbroker. "No one wants to disrupt their relationship with the Saudis."

The amount of oil being stored at sea off the coast of Iran has risen by 10 per cent since the start of the year, data from maritime data and analytics company Windward show, and now stands at more than 50m barrels. Diplomatic tensions between Saudi and Iran, which have worsened during the bloody conflict in Syria, are seen influencing the commercial sphere with both countries battling for market share amid the collapse in oil prices.

Major oil producers are set discuss plans to freeze output on April 17 — the first concerted action to halt an oil price rout that has shredded producer country budgets. But last week Deputy Crown Prince Mohammed bin Salman said Saudi Arabia would not hold output steady unless joined by Iran, which has said it plans to regain its post-sanctions output level before agreeing to any freeze.

Part of the slow increase in exports to Europe has been the lack of access for Iran to facilities operated by the Arab Petroleum Pipeline Company, known as SUMED. Before the imposition of sanctions Iran used to send crude from the Red Sea to the Mediterranean on the company's lines.

The facility is 50 per cent owned by Egypt, with Gulf Arab allies Saudi Arabia, Kuwait and the UAE together owning 45 per cent. Some traders believe Saudi is blocking Iran's access to SUMED, though others have said it is possible a pre-sanctions contract could be resumed in time. SUMED did not return calls seeking comment.

Once the second-largest oil producer in Opec, Iran's exports dropped to about 1.1m b/d last year, half their pre-sanctions level. Iran's oil minister Bijan Zangaeh said Sunday exports of crude and condensate have reached 2m b/d, though this is higher than many estimates. Some of Tehran's problems have been self-imposed, traders said, with the country reluctant to discount its crude and attaching stringent destination clauses and other stipulations to its sales.

Insurance and US banking restrictions also remain. Charterers of vessels for moving Iranian barrels have at times paid premiums of almost a third. "Shipowners are charging above market rates given the problems with insurance, in particular," said another shipbroker.

Iran's oil exports jump ahead of producers' freeze talks

WSJ, *03.04.2016*

Iran's oil minister said the country's oil exports jumped again, potentially undermining a global deal to limit crude output and raise prices. Zanganeh said Iran's oil and gas condensate exports rose by 250,000 bpd, to surpass 2 million bpd.

The remarks were the oil minister's first comments since a report emerged that Saudi Arabia, would limit its production only if Iran followed suit. The dueling positions by the Middle East's two biggest rivals for power and economic might have set off a scramble among other oil producing nations to salvage a deal to freeze their output and stop growth in the world's petroleum supplies.

Global oil production outpaces demand by almost two million barrels on any given day now, sending prices to their lowest levels in over a decade. Saudi Arabia and other members of the 13-nation Organization of the Petroleum Exporting Countries are set to meet with nonmembers like Russia on April 17 in Doha to hash out a production freeze.

The Bloomberg report, citing an interview with the kingdom's Deputy Crown Prince Mohammed bin Salman, shocked Saudi Arabia's Arab allies in the Persian Gulf. Before the prince's comments, Saudi Arabia had been signaling it would hold production steady, instead of increasing, even if Iran ramped up its output. Iran just received relief from Western sanctions that crippled its oil industry and is increasing output to achieve pre-sanctions levels.

Another Iranian media source, the semiofficial Mehr News Agency, reported Sunday that Mr. Zanganeh rejected Saudi demands and that he would attend the Doha meeting "if he had time." An Iranian oil ministry official denied the report on Sunday, saying Mr. Zanganeh hadn't given an interview to Mehr this weekend. Those remarks had been made by the minister, the official said.

But with the Kingdom apparently breaking ranks, Kuwait and Qatar are now scrambling to reach Riyadh to salvage the prospective agreement, according to officials in these countries. Kuwait's acting oil minister Anas al-Saleh said cooperation between OPEC and nonmembers would "certainly help stabilize oil prices." "We believe that a common agreement on a positive stand will serve market stability," the minister said.

Oil prices have risen since Saudi Arabia and Russia met in Doha in February and first broached the idea of a freeze. Prices climbed over $40 a barrel in recent weeks, after lows of $27 a barrel in January. But prices fell on Friday, after the Saudi prince's comments were published.

Nord Stream 2: Politics or markets

Natural Gas Europe, *04.04.2016*

At an Atlantic Council event entitled Nord Stream 2: Is It a Threat to European Energy Security? several experts weighed in on the pro and contra arguments for building an extension of the Russian natural gas pipeline that traverses the Baltic Sea delivering gas to Germany.

On the more pro than contra side, Friedbert Pfluger Nonresident Senior Fellow, Global Energy Center Atlantic Council, said that if one looks at the overall gas consumption in Europe – 415bn m^3/year – is mainly comprised of indigenous, Russian and Norwegian gas. He argued that Russia's contribution has halved in the last 2 decades.

Among Pfluger's pro Nord Stream 2 arguments, he said that Europe will need additional imports due to decreasing indigenous production, including liquefied natural gas imports from North America, and that Europe's consumption will likely go up because of climate change objectives that call for increased use of natural gas instead of coal.

To those who contend that building Nord Stream 2 is not a business case, he retorted: "Who decides this? Is it government? Politicians? Are we in a planned market society? Do we teach Gazprom and the Russians that we know better as politicians than companies what the future market share and consumption in certain fields are?

"No, we have a free market, and if companies without subsidies decide to go that way in my opinion we should welcome that," said Pflüger. Regarding the project being against Ukraine, he conceded there was an element but said that while it is important to stabilize the country, it's not the duty of the companies in the Nord Stream 2 consortium.

The timing of Nord Stream 2 is certainly not good, according to Tim Boersma, Acting Director of Energy Security and Climate Initiative and Fellow of Foreign Policy, The Brookings Institution, who pointed out the need to replace the 20 bcm produced in the Netherlands.

Also more pro Nord Stream 2 in his remarks, he said that the European Union's efforts at integration of the gas market had been a success. "A number of major analyses have confirmed that by increasing grid connectivity, reverse-flow options, storage options, LNG import capacity the European market is not nearly as vulnerable as it was when the last major supply disruption took place in 2009," he said.

When the European Commission's projects of common interest are implemented by the end of the decade, Boersma cited an analysis according to which single source dependency will no longer be an issue throughout the EU. As part of a free market with a strong regulatory framework, he said that companies are supposed to make investments in grid that are deemed necessary and which are profitable.

“Let us keep in mind that five out of the six companies in this consortium are real companies with real balance sheets. They have to answer to shareholders when they make investment decisions.” Moreover, he said because destination clauses are no longer allowed according to EU law. “What it essentially means is that wherever gas comes from once it’s in the EU you can resell it.” He said Germany had redelivered 30bn m³ in 2015, much of it going to central and eastern Europe. This showed that although a lot of that gas may have been Russian, it could be resold.

While he said he believes in supporting Ukraine, Boersma questioned maintaining the status quo for the transit of gas across the country. In a passionate response to the previous speakers, Anders Aslund, Resident Senior Fellow, Dinu Patriciu Eurasia Center, Atlantic Council offered why he believes Nord Stream 2 is not necessary.

He began with the fact that in the last decade Europe’s gas consumption has fallen by 21%, fully sufficient to address a decline in the continent’s indigenous production. He conceded that only 25% of Europe’s LNG capacity is used, only half of Gazprom’s pipeline capacity to Europe is used.

“Why do you build up more of something that is not used?” he queried. “Because this is a political strike against Ukraine and because this is an attempt to build a stronger oligopoly together with five big national champions in Europe together with Gazprom. This is a big blow against the marketization of Europe,” he said.

According to him, the European Commission’s biggest project is the Energy Union because Russia had cut gas supplies to Europe twice, once in 2006 and again 2009. He added, “The Kremlin is the culprit; it runs Gazprom. It’s not an independent enterprise.”

Noting that the company had recently been valued at $51bn while in May 2008 it had been worth $369bn. Anders commented: “This is the worst managed company in the world, from an economic point of view. Why? Because it doesn’t have commercial objectives.”

He said Gazprom’s two objectives are to enrich people in the Kremlin, while huge premiums are paid out to individuals and organisations against which the US has justifiable sanctions. “The US has not sanctioned Gazprom for one single reason: European countries oppose it.” Asland said that Gazprom should be treated like an organised crime syndicate.

He alleged that Gazprom had cut supplies 16 times to various countries from 1991-2006. Finally, he emphasised the weakness of the European Union. “The European Commission is too weak to check the big European energy giants and they are now colluding with Gazprom to build a completely unnecessary pipeline to beat Ukraine and get a cosier oligopoly with higher prices for European consumers,” concluded Aslund.

The founding director and chairman of the Atlantic Council’s Global Energy Center, Richard Morningstar, opined that the commercial and political issues can not be separated regarding Nord Stream 2, and also recalled the opposition to the project expressed in a letter signed by numerous countries in central and eastern Europe. “With that kind of division on a project, it seems to me very difficult, ultimately, that it could be approved,” he commented.

Nord Stream 2: ‘Driving a wedge’ through the EU

Natural Gas Europe, *07.04.2016*

Tensions between different European Union member states were brought to the fore at a conference in Brussels on Nord Stream 2, as Moscow – and by implication Gazprom’s project partners – were accused of using gas to drive a wedge between east and west.

Opening the April 6 conference in the European Parliament, Maros Sefcovic, the commissioner for the energy union, said the pipeline could not be built in a legal vacuum or be operated solely under Russian law. He also said that it would, even as offshore infrastructure, be bound by the EU rules of energy, environmental protection and public procurement.

So far though there has been no declaration from the EC that the line would be illegal. The concept of the energy union was created by Polish prime minister Donald Tusk “as an answer to the challenges that Russia poses to the European Union,” in the words of the chair of the second panel session, Rebecca Harms of the Greens/European Free Alliance.

She said the gap between the east and west of the EU would be widened if the line went ahead and she asked, “why, when we are trying to strengthen a country [Ukraine] would we want to weaken it?” She also said that Nord Stream 2 was in conflict with the EU goals to decarbonise and it represented “more of the same” rather than technological innovation.

Another former Polish prime minister Jerzy Buzek, chair of the parliamentary committee on trade and energy, closing the conference said that Nord Stream 2 and the energy union could not co-exist.

It would isolate Ukraine, leave it weaker financially and leave some regions of Europe exposed to higher prices, speakers at the conference argued. Some also argued that Nord Stream 2 would conflict with existing EU competition law and others said that it was anyway unnecessary from a gas supply view point as there was already more than enough capacity for Russia to meet its export obligations. But that last matter will be a question for the shareholders in the project, rather than for analysts to decide.

And there was no call for a boycott on Russian gas. Quite the contrary: Ukraine, which longer includes Crimea and is being destabilised by a Russian-backed civil war in the east, wants to continue to earn $2bn/year from its former master in transit fees. It is the choice of route, not what it is carrying, that is the focus of attention. The two panel sessions were unbalanced as there was just one representative of Nord Stream AG: the official spokesman Ulrich Lissik, battle-hardened from experience in the Germans telecoms industry.

Aside from correcting the error regarding the actual load-factor of Nord Stream 1 which is typically nearer 80%, not the often-quoted 50%, his main role was to explain that the company would follow the same strategy it had taken with the first Nord Stream line: dialogue with whoever wanted it; open lines of communication and discussion of all the critical issues: chiefly, competition, energy and environment law.

Nord Stream 1, which has different shareholders, spent €100mn on finding the best route across the hazardous floor of the Baltic Sea; and the second line is expected to have different departure and landing points owing to difficulties with the seabed at Vyborg and Greifswald.

But he also set out the business case for the line. Projecting a 'mid-range' supply shortfall of 140bn m^3/yr as Dutch, UK and eventually Norwegian output fall, the €8bn line will fill some of that gap, with other suppliers also needed.

If the COP21 talks in Paris late last year feed through into business practice there will be less coal used in power generation. And the future of nuclear power is also uncertain. These are both big opportunities for gas to help the EU meet its climate goals, he said. He also pointed out that market has changed a lot in recent years with the building of interconnectors allowing gas to flow from anywhere to anywhere.

The first session was otherwise dominated by Ukrainian speakers. Ihor Didenko of the energy ministry said that Ukraine could carry 146bn m^3/yr across its territory compared with supplies of 182bn m^3, so building more capacity would be wasted. "There is enough capacity today," he said. And that was without considering the arrival of LNG from North America and Asia.

The CEO of state Naftogaz Ukrainy Andriy Kobolev said he was biased about Nord Stream 2: "This project is bad for us," he said. "It is a hybrid weapon. It looks nice, it seems to be commercial, but what will the impact on the market be?" Among the consequences will be a lot of gas arriving in Germany, causing bottlenecks there and higher prices in southern Europe after transportation.

Companies that suffer from a high price will be offered reductions in exchange for "geopolitical advantage" for Russia, he said. "Now that we [Ukraine] can source gas from elsewhere we can avoid blackmail."

He said that all companies that supplied gas to Ukraine in 2014 and 2015 had their nominations cut. However that was hard to prove in every case: for example one such company, French Engie, won tenders to supply gas but never reported any reduction in its flows. Despite the tensions in Ukraine and the consequent sanctions on Russia, Engie is also a shareholder in Nord Stream 2, showing the blurred lines that often exist between politics and trade.

Professor Alan Riley made the legal case against the pipeline, saying that for at least 100 km the line passed through EU waters, and there was no EC case law for treating pipelines that are offshore differently from those that are on dry ground. Exclusive economic zones are where EU law may be applied, he said. In another argument he said that United Nations law prohibited countries from facilitating acts of aggression by others, which was what maritime states were doing by allowing Nord Stream through their waters and so hitting Ukraine's revenues.

And he said there was legally no comparison between other pipelines from non-EU countries to the EU such as Algeria because they all pre-dated the third energy package which now makes Nord Stream questionable. He also asked what were the western parties thinking of when they agreed to become involved in the project? There are questions of reputation, he said.

Lissik responded that on the contrary, Nord Stream 2 did not enter the EU internal market, and that Russia was not banned from trading with the EU. Economic exchange with Russia was continuing, and it is unfair to project political views and to focus on conflict when discussing Nord Stream 2. “We are trying to depoliticise the project. Its only target is to have a business case,” he said. “This is not the Kremlin.”

Three moves to get the EU power market right

Natural Gas Europe, *07.04.2016*

Europe’s energy ministers are having their first discussion on how to design the EU’s future market. They have to come up with good ideas on how to best use – and integrate – energy sources as different as solar, nuclear, gas to produce the cleanest, cheapest and most reliable electricity possible.

Any decision will have major implications on the energy sources that Europe will use to produce power in the coming decades. The prize of having a low-carbon power sector by 2030 is substantial, with a real opportunity to move the EU significantly towards its target of a 40% reduction in carbon emissions by 2030.

For this to happen, ministers – and the European Commission, who will make proposals on the issue by the end of the year – will have to take a number of decisions: First: the EU’s power markets need to change, so as to push highly polluting, inflexible coal and lignite power plants, accounting for nearly 75% of the sector’s carbon emissions, into retirement.

Existing gas fired plant could generate all the electricity currently produced by coal and lignite fired power stations by simply increasing their utilization rates from 26% to 68%. Ultimately, new build renewables plant could generate some of this electricity.

This would have the advantage of dramatically reducing CO_2 emissions, improving air quality and human health while increasing efficiency. Second: the new renewable electricity will likely be produced in a different place from where it will be most needed (far from big industries or cities, for example). To ensure that power can easily be transported to where it is needed, sufficient interconnections and transmission lines will be required.

Given local opposition to overhead lines, such as seen recently in Bavaria and concerns about their exposure to adverse weather, the EU might have to think about using underground cables, which, however, come at a (significantly higher) cost.

On the other hand, the gas network is already available and can provide energy storage and transportation for the renewable sector, thanks to the conversion of electricity into gas – the so-called Power to Gas. This unique capability can contribute to the decarbonisation of the energy system, while avoiding the huge costs of reinforcing the electricity grid.

It will also provide an increasingly valuable balancing and flexibility service to the electricity system through management of intermittency. All of this, of course, will have to be combined with efforts to build a truly integrated EU energy market, where sources compete on an equal basis.

Third: the power system has to have enough flexibility to handle peak demand, making sure that there are no blackouts, even when everyone has lights and air conditioning on, washes laundry, cooks while watching TV etc. For the time being, the EU only needs 65% of existing non-variable ("dispatchable") capacity to meet peak demand.

But this could get close to 100% by 2030 if no new firm capacity is added, as the highly polluting, inflexible plants retire. That's assuming that power demand continues to stagnate rather than grow, i.e. there is a continued emphasis on energy efficiency to ensure power demand remains decoupled from economic growth and that sectors such as heating aren't electrified.

Lowering the peaks in demand by working with consumers to shift their consumption to off-peak periods will contribute, but will be unlikely to provide a complete answer. Power storage, although progressing, is not expected to solve the problem any time soon.

It is therefore likely that the EU will need to add additional, flexible power plants, able to cover peak demand. Prices – i.e. the prospect of price spikes during periods for which there is a shortage of electricity on offer – should provide the initial incentive. But for such an approach to be effective, the market has to be allowed to function properly, with no subsidies distorting price signals. Providing a financial incentive for having power plants available to handle unexpected variations in demand or supply, even if the capacity isn't then used (what the sector calls "capacity remuneration mechanisms") is one option of last resort.

If such mechanisms are introduced, they should preserve market competition, reflect the costs incurred by those who develop that capacity and, over time, be harmonised across the EU, in line with current State Aid Guidelines and the EU's Climate and Energy objectives, and should therefore include criteria to support low carbon intensity, flexibility and reliability. Although these challenges are difficult, they can be solved, allowing us to achieve the prize of a low carbon power sector for Europe. Ministers, on April 11, have a good chance of starting on the right track.

U.S. taps India as Asia's debut buyer of American shale gas

Bloomberg, *01.04.2016*

Gail India Ltd. bought the second shipment of liquefied natural gas from Cheniere Energy Inc.'s Sabine Pass plant in Louisiana in a deal that makes it the first Asian importer of U.S. shale gas.

The nation's biggest supplier will receive the cargo, bought on spot basis, at the Dabhol import terminal on the country's west coast by mid-April, Vandana Chanana, a company spokeswoman, said Friday by e-mail. Faith Parker, a spokeswoman at Cheniere in Houston, didn't immediately respond to a voice mail left outside office hours and an e-mail sent Friday morning.

The deal marks the beginning of U.S. LNG exports into the world's biggest importing region of the super-chilled fuel, just as regional producers from Australia to Papua New Guinea ramp up supplies. India last year overtook South Korea as the world's second-biggest importer of the fuel on a spot and short-term basis as buyers took advantage of a slump in prices brought on by the crash in crude oil and an oversupply.

"This is the first and definitely will not be the last shipment to go to India from the U.S. Gulf Coast," Chris Rumley, a senior LNG and natural gas consultant at Poten & Partners, said by telephone from Houston on Friday. "There is terminal capacity in India and if the price is competitive against alternative fuels, then there's a market there for it."

The delivered price of the cargo is about $5 per million British thermal units, according to two people with direct knowledge of the matter, who asked not to be identified because the information is private. Chanana declined to comment on commercial terms. That's higher than the $4.30 per million British thermal units now paid by customers in northeast Asia for spot cargoes, according to assessments by the World Gas Intelligence publication. Prices crashed 78 percent from the peak in February 2014.

The price slump supported demand for spot cargoes in India. Imports rose 45 percent to 9.7 million tons in 2015, the biggest increase in spot and short-term traded volumes last year, according to the International Group of LNG importers annual report published this week. India imported a total of 14.6 million tons of LNG last year, unchanged from a year earlier, according to the group.

The Clean Ocean LNG tanker left Sabine Pass on March 15 after loading the second export cargo from the terminal. It's sailing toward South Africa, according to ship-tracking data on Friday. Some analysts had expected the vessel to go elsewhere, perhaps to South America because of demand there for the power-plant fuel and because of the content of the gas Cheniere was producing.

“We initially thought when it left it would be Rio or Kuwait, because of there being hotter gas, meaning higher ethane and C+ content, in the tanks when they started to liquefy,” Jason Lord, LNG analyst for energy data provider Genscape Inc., said by telephone from Boulder, Colorado. “Their regas facilities and grid tend to be able to handle that better in the Atlantic basin. Potentially, this one in India can handle that.”

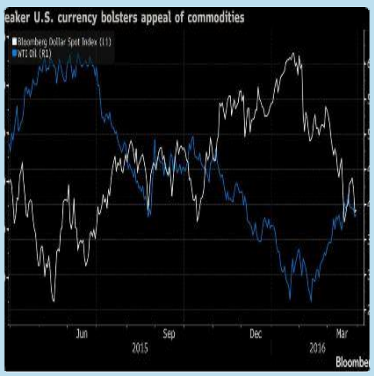
The first batch of LNG from the Cheniere terminal was shipped to Brazil in February, marking the start of U.S. shale gas exports. The third cargo on the GasLog Salem is also set to go to Brazil, while the destination of the fourth shipment on the Energy Atlantic is still unclear, according to the ship-tracking data.

Cheniere plans to ship as many as eight cargoes of LNG from its Sabine Pass project by May, the Houston-based company said in a February notice to the Federal Energy Regulatory Commission. Cheniere’s initial exports are commissioning cargoes as part of the startup process to ensure the terminal is fully operational. Once that’s complete, Cheniere will need regulatory approval to operate the terminal commercially.

Gail India has agreed to buy 3.5 million metric tons of LNG a year for two decades from Sabine Pass. It has also booked 2.3 million tons a year capacity in the Cove Point LNG liquefaction terminal in Maryland. The shipments are expected to start in 2017 or 2018. Gail will import around 6 million metric tons of gas from the U.S. from 2018, India’s Oil Minister Dharmendra Pradhan said in an interview in New Delhi on March 28.

BP settles for $20 billion in Gulf of Mexico oil spill

AA Energy Terminal, *05.04.2016*



British energy company British Petroleum’s (BP) $20 billion settlement agreement for 2010 Macondo oil spill was approved by a U.S. judge on Monday. The U.S. District Judge Carl Barbier of Eastern District of Louisiana in New Orleans approved the agreement that will see BP pay around $20.8 billion over the next 16 years, according to the U.S. Justice Department.

The amount will be paid to local governments and five U.S. states in the Gulf of Mexico to clean the environment. The settlement agreement is the largest amount to be paid by a single company in U.S. history.

U.S. Attorney General Loretta E. Lynch praised the settlement on Monday with a statement and said “Today’s action holds BP accountable with the largest environmental penalty of all time while launching one of the most extensive environmental restoration efforts ever undertaken.”

“The approval of this agreement will open a final, hopeful chapter in the six-year story of the Deepwater Horizon tragedy,” she added. The oil spill, also referred to as “Deepwater Horizon blowout” began in April 20, 2010 after the Transocean-owned and BP-operated oil rig in the Gulf of Mexico blew out and took the lives of 11 workers, marking it the biggest offshore oil spill in U.S. history.

BP reached a settlement in July 2015 with the U.S. government and five Gulf Coast states to pay $18.7 billion for the oil spill. In total, the British giant’s total tab for the disaster, including other settlements, penalties, fees and cleaning expenses, is expected to be over $50 billion.

Oil market ‘fooled’ by freeze talks seen better off gauging U.S.

Bloomberg, *08.04.2016*

Oil investors looking for signs of a sustained price recovery would do well to assess U.S. supplies rather than the banter between major producers on freezing output.

While OPEC members and producers outside the group are set to meet in Qatar this month to discuss a deal, just a cap on output would have limited impact on prices because several participants are already pumping near record amounts of crude, Ole Hansen, the bank’s head of commodity strategy. The rebalancing of the oil market amid a glut triggered by the U.S. shale boom hinges more on American drilling activity, he said.

Oil has rallied since mid-February amid speculation that nations including Saudi Arabia, the biggest member of the Organization of Petroleum Exporting Countries, and Russia will agree to freeze output and shrink the glut that sent Brent crude to a 12-year low in January.

For all the comments from various producers during “a cat and mouse game” in the lead up to the gathering in Doha on April 17, there’s been no definitive action on curbing supplies, according to Saxo. “The market can be fooled, and we have been fooled,” Hansen said.

“We have seen almost a 50 percent recovery in oil prices since the first signs of verbal intervention emerged back in January. So a lot has been achieved already without doing anything, so I think at this stage they will be very happy if they can just keep the market in the belief that action can be taken if necessary.”

While global producers are “buying time” and waiting for the focus to shift from the oversupply to rising demand, U.S. producers will “absolutely” be the ones driving the potential rebalancing of the oil market, according to Hansen.

“No doubt, because they have the ability to react much quicker to price changes,” he said, referring to U.S. producers. He warned that a price surge to $55 to $60 a barrel may prompt drillers to pump more.

Others including Goldman Sachs Group Inc., UBS Group AG and IHS Energy have also said a recovery in crude may sputter once prices go high enough to keep U.S. oil flowing. After surging to 9.6 million barrels a day last year, the highest level in more than three decades, daily U.S. production has dropped to about 9 million as of early April. Meanwhile, the number of rigs drilling for oil in the U.S. has dropped to the lowest level since 2009.

Still, the market may reach equilibrium in 2017, according to Hansen. The International Energy Agency has warned that investment cuts taking place now because of the energy downturn increase the possibility of oil-security surprises in the “not-too-distant” future.

Brent crude, the benchmark for more than half the world’s oil, traded 3.2 percent higher at $40.69 a barrel on the London-based ICE Futures Europe exchange by 6:10 p.m. Singapore time. Prices had slid to $27.10 on Jan. 20, the lowest level since November 2003.

With major producers already producing near record volumes, the impact of an agreement to keep output at January levels will be limited, said Hansen. Iraq has the potential to continue to increase supplies, even though the country still needs investments to boost output, while Russia is seen nearing peak production, he said.

Iran plans to boost crude output to 4 million barrels a day, the highest level since 2008, before it will consider joining other suppliers in seeking ways to rebalance the global oil market, Oil Minister Bijan Namdar Zanganeh said, according to a report from the Iranian Students News Agency on March 14. Saudi Arabia has said it will only freeze output if it’s joined by other suppliers including Iran, while Kuwait has signaled a deal doesn’t hinge on the Persian Gulf state.

“For every month they manage to keep us satisfied, that something will happen, then we move closer to the time where the market will take over and start to look at the potential risk of where supplies are going to come from,” Hansen said.

Oil prices rise on optimism over end of punishing glut

Reuters, *08.04.2016*

Oil prices rose on Friday, lifted by fresh hopes over a proposed freeze in oil production and firm economic indicators from the United States and Germany that cast a positive light on growth in fuel demand.

Russia's oil production could fall in April, sources said, while the country's energy minister expressed hopes that producer nations could agree to an output freeze at a meeting in Doha later this month. Front-month U.S. West Texas Intermediate crude futures were trading $1.33 higher at $38.59 per barrel at 0954 GMT, more than 3 percent above their last close. International Brent futures were up $1.30 at $40.73 a barrel.

"You have declining supply in the United States and a declining rig rate," said Bjarne Schieldrop, chief commodities analyst with SEB Bank in Oslo. "You mix that with outages in Nigeria ... and put Doha on top of it, and your eyes are looking towards the tightening of the market." U.S. crude stocks marked a surprise decline, Energy Information Administration data showed, while stocks at the Cushing, Oklahoma hub dropped by more than 480,000 barrels due to the shutdown of the Keystone pipeline. [EIA/S]

Summer maintenance in the North Sea fields that form the basis of the Brent benchmark also helped boost near-term prices. Bank of America Merrill Lynch said in a note that U.S. shale production was in "freefall" and that "as the global oil glut starts to clear, crude oil should lead the way".

A rebound in financial markets also boosted optimism over demand. The U.S. Federal Reserve said the country was on the path of more economic growth, while rating agency Moody's said Germany, Europe's biggest economy, should see a slight acceleration in growth to 1.8 percent.

Still, some warned that oil prices could fall again, dragged down by a glut that will take time to clear and soaring production outside the United States. "We believe the current oil price is unsustainable and expect a fundamental price recovery when markets move into better balance in mid- to late-2H16," investment bank Jefferies said, adding that "the recovery could be protracted".

Iraq said that exports from its southern ports had hit almost 3.5 million barrels per day by April, up from an average of 3.29 million bpd in March, while Iran said it would participate in a production freeze only once it had regained its pre-sanctions level of 4 million bpd.

Announcements & Reports

► *Instead of Cutting Waste, Nigeria Racks Up Debt to Replace Oil Revenues*

Source : IEEJ
Weblink : http://eneken.ieej.or.jp/data/6618.pdf

► *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

► *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