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Turkish brokerage firm enters OTC gas market

Argus, *21.07.2016*

Turkish power brokerage firm Balkaner has expanded its operations into the country's over-the-counter (OTC) natural gas market, brokering its first deals.

A total of 375,000m³ of ex-post day supply for delivery on 3-17 July traded at 475 lira/'000 m³, just TL10/'000 m³ below the balancing price for this month. "We were looking for opportunities in commodities [other than power], and the gas market is a good place to start," chief executive Kerem Balkaner said. Balkaner, which has been involved in the OTC power market since 2011, is the second firm to enter Turkey's OTC gas market, after the Volt OTC platform.

Around 134,000m³ of ex-post day gas for delivery on 3-16 July changed hands on the Balkaner platform today, at TL470/'000 m³. Maintenance work on the Western Line pipeline's Malkoclar entry point, on the Bulgarian border, was extended to 3-13 July from 3-7 July. This may have affected companies' balancing positions and encouraged ex-post day OTC trade. Physical flows delivered at Malkoclar were below nominations for the majority of 9-17 July, data from European gas system operations association Ensto-G show. Maintenance at Malkoclar on 20-31 July is expected to reduce physical flows by around 35pc. But demand is low at present.

Dolphin discovery to be returned to Israel

Natural Gas Europe, *22.07.2016*

The Israeli energy ministry has said it does not recognize the Dolphin natural gas reservoir as a discovery.

The commissioner's decision was revealed in a filing by Delek Drilling to the Tel Aviv Stock Exchange. The partners in the license are Delek Group, Noble Energy and Ratio for the Leviathan Partnership. Dolphin is a small gas discovery close to Leviathan. It was discovered in 2012 but since it holds only 2.8 bn m³ of gas there are no incentives to develop it. The energy ministry demanded from the Dolphin partners an irrevocable undertaking to develop Dolphin in conjunction with phase 1 of the development of Leviathan field.

The partners however might have refused to commit themselves to that timetable. Delek said July 21 that it is considering legal action in order to keep the field in its possession.

Iran's daily gas-to-power at record

Natural Gas Europe, *19.07.2016*

Iran's gas deliveries to power plants have hit a historic record during the last few days, standing at 248mn m³/d. The total potential demand is 270mn m³/d, but Iran cannot meet this fully so it uses liquid fuel to make up the balance.

In 2013, gas supplied less than 60% of the power generation demand, but last year the figure neared 80%. This translates into a rise from 36bn m³ to 58bn m³ in 2015 and Iran expects the sector this year to use 65bn m³. However, according to the latest statistics of Iran's energy ministry's weekly report, the country's power plants consumed on average 179.6mn m³/d from the start of the year to July 9.

The head of the dispatching unit of National Iranian Gas Company, Abdolreze Ebrahimian told Shana July 18 that gas supply to power plants reached 248mn m³/d and this volume could reach 255 or 260mn m³/d in the coming days. The country's power sector also consumed above 1.1bn litres of liquid fuels during March 21 to July 9, about 40% less than the same period in last year. In total, the power plants' fuel demand fell by 3.9% year on year.

In total, 88.459 TWh of electricity were generated during this period, of which 1.765 TWh were exported. This was down 39% year on year, while imports rose by 6% to 1.470 TWh. In 2013 Iran's net electricity export was above 8 TWh, but it dramatically declined during the last two years owing to greater demand at home, while generating capacity did not grow as expected: it rose by under 1% last year, compared with the planned 5%. Iran produced 282 TWh of electricity last fiscal year.

Legal aspects of Iran's new oil contracts

Economist, *18.07.2016*

There is no legal obstacle for signing Iran's newly designed oil and gas contract model, known as Iran Petroleum Contract (IPC), or even production sharing agreements (PSAs) with foreign companies, a petroleum ministry official told.

IPC was approved after some amendments by Iran's Resistance Economy Headquarters to replace the old, less popular buyback agreements to attract foreign companies. According to the Deputy Oil Minister for International Affairs and Trading Amir Hossein Zamaninia, it is expected that the first agreement with a foreign company over developing an upstream oil and gas project, based on IPC, will be signed.

Iran unveiled the generalities of IPC in November 2015, offering 49 oil and gas projects to foreigners. Since then, some hardliners criticized the government "on abusing the national interests by sharing the reserves with foreigners." In IPC, Iran has kept its sovereignty over its hydrocarbon reserves, but payment of all direct and indirect expenses, as well as finance and operation costs will be dependent on allocating a portion (maximum 50 percent) of products or proceeds based on current day sale prices.

IPC has some advantages over the contract-based and buyback contracts. The source in petroleum ministry, who wanted to be unnamed, explained that neither IPC nor PSAs share the oil and gas reserves with a foreign company (FCO), which is banned by the constitutional law. "Iran's newly designed contract is categorized mostly in service contracts, though it shares some terms with PSAs," said the source. According to her, "in legal and contractual terms, contractors will not hold stake in oil and gas reservoir or even output based on PSA. Of course, contractors will have the right to extract oil and gas [in IPC or PSA], but their ownership is defined at a certain point, for example a port, from which oil and gas is exported."

Despite offering the right for oil and gas extraction, IPC is not a PSA, but it is categorized as a service contract. "I should note that participation in production sharing contracts is not in contradiction to articles 44 and 45 of Iran's Constitution. Moreover, based on note 3 of paragraph T of article 3 of the Petroleum Ministry's charter, the ministry has been allowed to attract internal and external capitals with the aim of developing hydrocarbon fields giving the priority to joint fields through defining new models of contract, including participation with domestic and foreign investors without transferring the ownership of oil and gas reservoirs," she said.

According to the Iranian law, the ownership of oil and reservoirs should not be transferred to contractors. "This is why concessionary, license, or lease contracts are not concluded in Iran, but participation in production sharing contracts are not in contradiction to the Constitution because the ownership of oil and gas reservoirs and also produced oil and gas will remain in the hands of the government," added the official.

According to the law, transfer of the ownership of a property, i.e. oil, gas and condensate, are conducted based on a purchase deal. So, all the contracts for selling crude oil, which are concluded by the Oil Company and buyers, lead to transfer of the ownership of crude oil (not oil reserves). “It should be noted that sometimes, based on annexations to buyback contracts the ownership and selling a part of produced crude oil or gas condensate are transferred to contractors. So, the law has not forbidden selling oil, gas or condensate based on a sell and purchase contract,” said the source.

As for the government’s guarantee for repayment of foreign investments put in the Iranian oil and gas projects through buyback contracts between National Iranian Oil Company (NIOC) and foreign investors, the source said there was a legal barrier for government’s guarantee. “Although there is no such barrier in the new model of contracts, in my opinion the government will not guarantee repayment of investment costs and expenditures related to Iran’s oil contract,” she added.

The contracts related to improving or increasing recovery rates in operational fields and reserves are based on engineering studies until their termination. Upstream contracts between the NIOC and eligible contractors for investment, exploration, description, development, production, and operation are concluded after meeting legal requirements. Also, it is possible that under the approval of the NIOC, eligible Iranian companies, as the partners of qualified oil companies, can import technological know-how and managerial skills.

It has been foreseen that all the direct and indirect costs, as well as finance and payment expenditures and operation costs should be paid by contractors and repaid based on the contract through allocation of a portion of revenues of the contract (maximum 50 percent) via selling products based on current prices or in cash. In the new model of oil contracts, all the risks and expenses in case of not discovering a field or a reservoir commercial, or not meeting the contractual goals or insufficient reserve for settling financial debts, should be borne by the contractor.

State Department's energy envoy sees Greece as potential gas entry point

Ekathimerini, *18.07.2016*

Amos Hochstein has been a regular visitor to Athens in the past few years and he met with Prime Minister Alexis Tsipras.

With the TAP deal already signed, the terminal station in Alexandroupoli in northern Greece in the final stretch and the IBG under way, Hochstein tells that Greece could become the entrance point for natural gas coming from the US and the Eastern Mediterranean. The American official believes that the South Stream pipeline is a political scheme that will only benefit Russia and calls for a stop to plans for the North Stream II pipeline, arguing that it will have a negative economic and political impact on counties.

You have been visiting Athens quite often. What is the purpose of your current trip?

I believe that there's a bigger picture of energy security in Europe that has an urgency we need to address and I have also believed for a long time that Greece can play a significant role, a leadership role, in being part of the solution for the broader region in Europe. In so doing, it would also benefit itself by supporting the economy in Greece. That has been my belief all along for the last couple of years and I've been trying to work with my friends here and around the region to make it a reality. I think that we're getting very close.

What about the liquified natural gas (LNG) terminal at Alexandropoli, the FSRU, TAP and IBG? A few months ago, during his last visit to Athens, Secretary of State John Kerry said that there would be American investments involved. Is there something more specific to talk about?

There is not something very specific to talk about yet. There's been an American involvement in TAP because the US government has championed this project from Azerbaijan, through Turkey and Greece and Albania and inside Italy. I've spent much more time on this one project than any other project I've ever worked on. Even though there are no American companies in that project, we have still made this a US government priority. That's why I was here in Thessaloniki for the groundbreaking of TAP. When it comes to the floating storage and regasification unit (FSRU), this is an idea in Alexandropoli that we have been pushing for a very long time. I believe that it could have American gas coming to it, because it would be ready by the time that we've just begun to export.

Would that be around 2020?

It depends when some of the parameters are fixed. But it could be done earlier than that. If the FSRU is ready, I would say that could take two years from the final decision by the investors to do it. I think you asked about TAP and the FSRU and the IGB: these are all interconnected and the more we see it as different pieces of one bigger puzzle, the more likely we will be to see success. TAP is no longer a question of if but when it will be complete. We made so much progress in the relationship between Greece and Bulgaria, and the US is working hard with the EU to make IBG a reality. That has allowed the FSRU economics to improve and has encouraged foreign investors to come in and express interest in investing. And ultimately that's the bottom line. That's how Greece benefits. Not just because gas will flow through Greece, but because it becomes an interconnection point where investors come in and bring money from the outside to invest inside Greece, and see Greece as an energy entry point into Europe. I believe it will grow from there.

Do you believe that Alexandropoli can function as an entry point for natural gas from the East Mediterranean, Israel, Cyprus, Egypt?

Yes, 100 percent. We're in a unique timing. The US starts to export gas. Israel starts to export gas... Israel is in the final phase of approvals and it will begin to develop the Leviathan gas field. Egypt is developing the Zohr Field. These are very large gas fields that have will have to be exported. If Egypt has LNG and wants to find buyers in Europe, and Greece has the LNG facility in Alexandropoli, it becomes a very attractive place to interconnect into Europe. For that you obviously need the FSRU to happen and we need the IGB to happen. So those are the two parameters that we need to have and that is why there is a linkage between progress on both.

So all those are viable projects, contrary to other projects that you believe are not as viable as you have recently stated...

Which one?

South Stream. The Alexandropoli LNG Terminal together with IGB and TAP make sense economically and commercially, and is good politically too. South Stream benefits its builders politically. But only politically. It makes no economic sense. That is the difference between the two projects. That it works for you geopolitically is good. But not if it's at the expense of economics and commerce. Those bargains don't last. So I'm not very worried about it. Because at the end of the day, when people will examine that project and will realize that it is all about politics, then it becomes a dangerous project.

There is a similar situation in northern Europe. Some EU member states oppose the North Stream II project, Greece included. Can what you are saying about the South Stream be applied to the North Stream as well?

North Stream II is a very interesting case because a significant portion of EU member states, nine member states, wrote a letter to [European Commission President Jean-Claude] Juncker objecting to the project. There is a fundamental energy security problem in Europe and fundamental inequity inside Europe when it comes to energy. When we're talking about energy union and unity in Europe, it doesn't exist. It's a goal. North Stream II as it is currently configured doesn't support the goal of energy union or unity at all. It also doesn't support energy security in Europe. You have two halves of Europe. You have one half that is dependent on one supplier of energy and doesn't have a free market in energy, and another half that already does have that. Building North Stream II at the moment will keep that imbalance for the next several decades. So, the Commission has to address the concerns that are raised by member states. And I think they have really good reasons to be worried. It would also have a terribly negative impact on Ukraine and Slovakia who rely on the transit fees for a significant part of their budget. Just to take that away overnight would be quite dramatic and have a big impact not only economically but also politically on Ukraine and Slovakia. I think that the US look at it like: "what do we do about this project itself?". And what we can do is to ensure that we have a policy that no one country can do a project that would have such a negative impact on the energy security of the Union or the economic viability of the Union. These two conversations have to happen. Maybe it would be a good idea to pause North Stream II so that Brussels can reflect on the environmental, political, economical and security impacts, and not rush into a project that would have so many consequences in so many countries.

Greece - Bulgaria deal opens way for freer trade

Natural Gas Europe, *18.07.2016*

Gas network operators Desfa and Bulgartransgas have signed an interconnection agreement allowing the transport of gas between Greece and Bulgaria.

The signing ceremony took place in the border area of Sidirokastro in northeast Greece. Based on the deal the partners will create a technical and commercial natural gas hub, Desfa said in a statement. Apart from the major geopolitical importance for Greece and Bulgaria, the agreement will also offer benefits for consumers as a result of more competition between suppliers, Desfa's CEO Konstantinos Xifaras said.

Providing a reverse virtual flow at the interconnection point (IP) Kulata-Sidirokastro furthers the aim of a single European energy market, Bulgartransgas said, a notion which is defined partly by diversification of supply. "This provides the possibility for the virtual supply of natural gas from the Revithoussa LNG terminal in Greece. The agreement is signed for an initial test period of three months – from July 1 to October 1, 2016," it said.

The European Commission has welcomed the agreement as a crucial step towards implementing EU rules on one of the last cross-border points in Europe where to date historic transit arrangements, tailored to a single company, prevailed, it said in a statement. “The agreement is also the first step in giving access to other market players – for north- or southbound deliveries – along and beyond the important Trans-Balkan gas corridor between Greece, Turkey, Former Yugoslav Republic of Macedonia and Ukraine,” the EC said.

The EC considers it part of the broader Central and South Eastern Europe Gas Connectivity (CESEC) initiative launched in 2015 by 15 EU member states, the Energy Community, and the European Commission with the objective of diversifying gas supplies and increasing security of supply in the region. This deal will be followed by similar agreements between the Bulgarian and Romanian and the Romanian and Ukrainian network operators respectively and a follow up on an agreement signed in 2015 between the Hungarian and Ukrainian network operators.

Bulgaria launched the compressor station in the town of Petrich after modernization. Funded to the tune of €17mn by the EU, the project is expected to make Bulgaria more independent in terms of its energy supplies, the country’s energy ministry said. The compressor station will enable Bulgaria to receive a third of its gas supplies from Greece – up to 3mn m^3/day. At present Bulgaria uses slightly above 3bn m^3/yr. After the agreement becomes valid shippers who have booked capacity for delivery at IP Kulata - Sidirokastro must submit daily nominations for the quantities to be delivered or virtually received there and the direction of flow in either case, Desfa said.

EBRD publishes gas suppliers list for Ukraine

Reuters, *05.07.2016*

European Bank of Reconstruction and Development has published a list of gas suppliers that have pre-qualified according to the agreement with Naftogaz Ukrainy.

These companies have the right to take part in tenders to supply gas to Naftogaz, at the expense of the EBRD, the state-run monopoly said. A revolving credit line from the EBRD allows Naftogaz to spend up to $300mn on purchasing gas from European suppliers, as an alternative to gas from Russia. Two companies have been prequalified unconditionally: Cez from the Czech Republic and French major Engie.

The following have been selected, subject to satisfying further conditions: Swiss Axpo Trading, UK-based EDF Trading; Italian Eni Trading & Shipping; Polish Handen and PGNiG; German RWE Supply & Trading; Uniper Global Commodities; Vattenfall Energy Trading and VNG Slovakia; and UK Shell Energy Europe. Last year, 11 companies made the cut.

Research: Reforming Ukraine's gas market takes political will

Natural Gas Europe, *19.07.2016*

Over the past few years, Ukraine has made much progress in liberalising its gas market, including cutting subsidies and developing network codes along European Union lines.

With the war with Russia in the east spurring it on, the country has made an effort to find alternative suppliers in the west, freeing it from Russian gas so far this year. Naftogaz Ukrainy has also introduced the liberalising policies of the Third Energy Package, pushing for the unbundling of transmission from supply and production. But it has started from OIES – The Ukrainian residential gas sector: a market untapped – advises that there is still a lot to be done.

Retail prices for the domestic sector need to go up before energy efficiency will improve and demand come down, the authors argue. And there remain a lot of uncertainties, including the strength of political will to raise prices and sell off strategically important infrastructure, that could slow reform down or even turn the clock back.

"Many former post-Soviet states have similar issues as Ukraine with subsidised energy prices, leading to low energy efficiency, high costs for the state budget and less profitable domestic gas extraction. Reformers should take advantage of the currently very low international prices for natural gas by decreasing or removing price subsidies, while also introducing efforts to increase energy efficiency. The framework presented in this paper for calculating the effects on the size of the gas market could be used by policy makers seeking to evaluate the effects of a whole or partial subsidy removal of natural gas," they say. The largest inefficiencies result from large energy losses during the production and distribution of hot water by the district heating companies (DHCs), with an estimated 59% of the total energy lost. A comparable number for German DHCs is 32%, they say.

Additionally, the corporate governance reforms of Naftogaz and its subsidiaries will play an important role in creating a stable and non-corrupt Ukrainian business environment for natural gas. Further on, the pipeline system might be partly sold off, bringing in useful revenue – although the country's role as a major transit route from the east appears to be ending, with Gazprom planning to retain about 20bn m^3/yr of entry capacity against exit capacity of 150bn m^3/yr. The authors doubt if western investors will be quick to bid for a minority stake in this asset, were it to come to market.

Major problems are corporate governance and regulation. A transparent, reformed Naftogaz with better corporate governance practices, subject to independent and professional oversight might be able to overcome the historical deficiencies of the company and root out malpractices as well as allow the company to become profitable in the long term, the authors say. “Naftogaz seems serious about the corporate governance reform of the company and the pressure from international organisations such as the EBRD has been very strong, so there is a decent chance that Naftogaz will start acting more like a modern corporation in the coming years,” they say.

Ukraine’s energy regulator NCEPUR is in a worse position: “according to the Third Energy Package, this entity needs to be fully independent from the government and act as a neutral arbiter of the gas market. As of April 2016, the necessary changes in legislation are not yet passed. Currently, the legal foundation of NCEPUR is unclear, with the president still having the legal power to establish and liquidate the body at will, a right which has twice previously been used to dismiss NCEPUR’s management,” they say.

As import prices increase in the future, NCEPUR may fail to adjust the domestic prices accordingly. Similarly, with possibly increasing rates of non-payment among consumers due to the recent subsidy removal, the public pressure to decrease prices could also rise. There has also been an opaque arbitrage opportunity owing to the parallel existence of two markets: subsidised household gas, supplied by state UkrGazVydobuvannya (UGV); and industry, which pays a market price that has been ten times greater. “Having a system with very low levels of metering of gas consumption, until recently the case in Ukraine, makes it easier to get away with these practices,” they write. However, the low prices are responsible for the continuing stagnation of UGV.

In 2014 households (including district heating companies) consumed 22.1bn m^3 of natural gas, out of which 13.9bn m^3 came from UGV, which had to sell it at subsidized prices to Naftogaz, and 8.2bn m^3 came from imports. And past irregularities cast a shadow over the present as well. During the privatization of gas distribution companies [oblgazy] in 2012, Gaztek, the company owned by businessman Dmytro Firtash – who is now exiled – won 14 out of 17 bids, allegedly acquiring the regional gas companies for prices far below market rates, often without real competition. The authors say that Firtash’s business group “controls some 70% of the Ukrainian gas distribution market. In essence, a state-monopoly has been exchanged for an almost private monopoly.”

Ukraine, Romania sign gas link agreement

Reuters, *20.07.2016*

Romania and Ukraine have turned their cross-border transfer point at Isaccea/Orlovka into an interconnection point as defined by European Union regulations, to facilitate cross-border gas flows and provide free and non-discriminatory access to the gas transmission infrastructure.

The agreement that the two countries' transmission system operators signed covers the Transit 1 pipeline, which was used to carry Russian gas to Bulgaria until Gazprom's contract expired. Romania's Transgaz and UkrTransGaz have now brought access and capacity rights into line with European Union network codes.

They said July 20 that the interconnection agreement "fully reflects requirements of the Commission Regulation (EU) 2015/703 of 30 April 2015 establishing a network code on interoperability and data exchange rules. The system operators plan to provide network users with firm and interruptible transportation capacities from Ukraine to Bulgaria, and interruptible reverse flow capacities (backhaul)." Flows will be physical or virtual, depending on the sum of nominations in both directions.

The agreement is part of the regional initiative driven by the European Commission aimed on increasing interconnectivity in central and southeast Europe (CESEC). Together with recently signed interconnection agreements between Greece and Bulgaria, and between Bulgaria and Romania, this interconnection agreement will allow bi-directional gas flows from Ukraine to Greece, thus providing local network users the chance of diversifying supply routes.

The EC said these agreements were a crucial step towards opening the Trans-Balkan pipeline system between Greece and Ukraine to transport gas and trade in line with EU rules. UkrTransGaz invited companies to bid for transit capacity in its system, allowing gas to flow between Hungary, Romania, Poland and Slovakia across Ukraine's territory. The tender is to close early next week. Two pipelines carry a combined 14bn m^3/yr of gas from Russia across the Balkans, one of 8bn m^3/yr and one of 6bn m^3/yr capacity.

Romania, Bulgaria, Ukraine to test gas flows by end of 2016

ICIS, *20.07.2016*

Natural gas flows between Ukraine, Romania and Bulgaria will be tested by the end of the year after grid operators of the three countries signed landmark interconnection agreements, a source familiar with the matter has told ICIS.

The deals will allow bi-directional virtual flows spanning the region from Ukraine to Greece, the European Commission and Ukrainian grid operator Ukrtransgaz announced. Romania's Transgaz, Bulgaria's Bulgartransgaz and Ukrtransgaz, plan to provide shippers with firm and interruptible transportation capacity from Ukraine to Bulgaria, and interruptible reverse flow capacity from 1 October 2016.

The agreements are an important step towards the opening of the Trans-Balkan pipeline to third parties for the transport and trading of natural gas in the region in line with EU rules. "Western traders are very interested in the Bulgarian market," said Sergiy Makogon, executive director of Ukrtransgaz. "We have already received a lot of enquiries about organisation of gas flows from Slovakia to Romania." He added that up to 20 billion cubic meters (bcm)/year can be transported from Slovakia via Ukraine to Romania and the same volume in the opposite direction.

Ukrtransgaz said the agreement with Transgaz is for the Isaccea-Orlovka interconnection border point on the Trans-Balkan pipeline. The interconnection point has been used to transport gas from Russia via Ukraine and Romania to Bulgaria. From 1 January, the exit tariff at Orlovka is $23.12/thousand cubic meters(kcm). The entry tariff in Ukraine is $12.47/kcm. The Trans-Balkan pipeline had been used by Russian producer Gazprom to supply gas to Eastern Europe and Turkey as part of long-term contracts. Two transit contracts, one with Bulgaria and one with Romania are due to expire this year, freeing up pipeline capacity to private parties.

Earlier in June, the transmission system operators of Bulgaria and Greece signed a similar interconnection agreement, allowing market players to transport gas, including from LNG sources, between the two countries. A private Greek company subsequently sold volumes to Bulgaria in reverse flow for the first time on 1 July. The interconnection agreements were signed as part of the broader Central and South Eastern European Gas Connectivity (CESEC) initiative launched in 2015 by 15 countries from the EU, the Energy Community and the EC. "The agreement will also allow Ukrainian traders to buy gas in Greece and flow it to Ukraine," Makogon said but added that this transport route has seen little interest from traders yet. Ukrainian producers can also potentially use the agreement to export gas to Bulgaria. Previously, some producers active in Ukraine told ICIS they would be interested in exporting gas in the future.

Russia revisits oil pipeline to avoid Black Sea

UPI, *20.07.2016*

Russia could revisit a land-based oil pipeline meant to get around Turkish waterways if the political situation worsens, a Russian executive said.

Nikolai Tokarev, the head of Transneft, said there was renewed interest in building the Burgas-Alexandroupolis oil pipeline. "Everyone is now interested in it, including Bulgarian partners," he was quoted by Russian news agency Tass as saying. Bulgaria signed an agreement in 2007 with Russia and Greece to build the 174-mile Burgas-Alexandroupolis oil pipeline to bypass crowded waterways near Turkey by crossing an overland route to the Aegean Sea.

Moscow at one point said the Bulgarian government owed about $10.3 million in costs related to the project and Sofia in late 2011 announced plans to end its role in the pipeline project because of financial concerns. The pipeline director said the pipeline "can be taken off the shelf to start working if necessary."

Turkey is a key energy hub given is geographic position between Europe, Central Asia and the Middle East. The Turkish government last week shut down the Bosphorus Strait briefly after a coup attempt. About 3 percent of the world's oil moves through the straits in the Black Sea. Political ties between Russia and Turkey have soured in recent years. Russian military intervention in Syria frustrated the Turkish government and its NATO allies and last year's downing of a Russian military jet in Turkish airspace was met with measured anger by the Kremlin. The overland Burgas-Alexandroupolis pipeline was envisioned to transport as much as 250 million barrels of oil per year.

Gazprom to hold 3rd auction for gas supplies to Europe

Reuters, *16.07.2016*

Russian gas giant Gazprom Export will hold an auction for gas to Europe on Aug. 31, Sept. 1 and 2, 2016, the company announced.

The auction, which will be the third of its kind, will determine the volume and price of Russian gas supplied to Europe for the winter season of 2016-2017. Gazprom Export launched the auction process in 2015, as a new alternative sales mechanism to the current system of long-term contracts, the company previously said. The company conducted its first auction on Sept. 7 to 10, 2015 and in total, the company signed deals with 15 clients for a total volume of 1.2 bcm.

The second auction was held for the Baltic States on March 15-17, 2016 and resulted in deals with six clients for a total volume of 420 million cubic meters. After the third auction process, gas deliveries will be made at designated delivery points located in Germany's Greifswald, Gaspool and Olbernhau. In addition, buyers will have an opportunity to take volumes sold at the auction at Baumgarten and Arnoldstein in Austria.

Gazprom eyes more sales to EU

Natural Gas Europe, *18.07.2016*

Gazprom will increase export to Europe by 2-3bn m³/yr by 2021, Viktor Zubkov, said. "Our estimates and long-term contracts prove that we should not reduce volume of gas supplies to Europe. On the contrary, we need to add 2-3bn m³/yr in the coming three to five years," Zubkov said.

In 2015 Gazprom supplied 158.56bn m³ to the far abroad (European countries outside the former Soviet Union and Turkey). In 2016 exports are expected to reach between 166bn m³ and 170bn m³. During the first five months of this year, Gazprom's export revenues stood at $12.87bn, down 31% on the year, according to the federal trade commission statistics.

From January to May, Gazprom's gas export increased by 7.9% and totalled 81bn m³, of which 66bn m³ were delivered to the far abroad, which indicated 16% growth. By contrast exports to CIS member states dropped by 18% to 15.1bn m³. During that period the average price of exported gas was $158.8/'000 m³ ($4.50/mn Btu), 36.4% less than the same period in 2015, according to the FTC.

Gazprom's 'stress case' scenario for this year is based on an export gas price of $151/'000 m³ while the finance ministry's budget envisages a price of $199/'000 m³. The rise in oil prices since the start of the year could feed through into slightly higher gas prices although most of its European sales have been indexed to spot gas prices, so growing demand especially in northwest Europe and Italy will be critical to its actual receipts. Cuts in Groningen output from October, and the reduction in peak winter gas in the UK thanks to problems at Rough storage, are both bullish signals.

Nord Stream 2: A bad deal for Germany and Eastern Europe

Bruegel, *18.07.2016*

At the end of last year, Gazprom reached a deal with five Western European companies (BASF, E.ON, ENGIE, OMV and Shell). They agreed to add two additional lines to the Nord Stream gas pipeline across the Baltic Sea, increasing the capacity of the pipeline from 55 billion cubic metres per year to 110 billion from 2019. The project has provoked controversy, as it sharpens divisions among EU members about energy and foreign policy.

In terms of energy policy, the EU has two goals. It is trying to make itself more independent from individual suppliers, and also aims to do without fossil fuels in the medium term.

In recent years the market position of the EU has improved markedly. Thanks to low global energy prices and unexpected falls in gas demand – which in 2015 was around 40% lower than expected according to 2005 predictions – European users have been able to push for significantly lower gas import prices. Prices have halved in the past 2 years, to about $170 per thousand m³.

Due to enduring stagnation in demand for gas in Europe, overcapacity in the global gas market, and continuing underuse of European gas import infrastructure, another expensive pipeline from Russia is not needed to supply the EU in the near future. It would work against current efforts to diversify supply, as Gazprom is already the largest supplier in the EU. And in the medium term there is the question of whether -because of climate change commitments – gas demand in the EU will actually fall faster than domestic and Norwegian production. The time frame in which the Nord Stream 2 project could pay for itself is thus relatively short at best.

Against these concerns are stacked the interests of the Western European companies taking part. They expect Nord Stream 2 to guarantee them a preferential supply of Russian gas, and hope to strengthen their existing business interests in Russia.

With Nord Stream 2, Germany would also become a gas hub for all of continental Europe. It would therefore benefit not only from the business related to Nord Stream 2, but also from lower gas prices than its neighbours. But this would be a zero-sum game– Germany would only profit at the expense of its neighbours, who would find themselves paying more at the end of the transport route through Germany.

Most alarmingly, Gazprom would gain another tool to discriminate between countries. Gazprom could then credibly threaten to cut off gas supplies in Eastern Europe without threatening its markets in Western Europe. In this way Gazprom could achieve higher prices in Central and Eastern Europe, without having to use illegal “destination clauses” (which allow buyers of Gazprom’s gas to only sell it to domestic consumers).

In terms of foreign policy, the EU supports Ukraine in its efforts to defend its sovereignty and territorial integrity against Russian interference. Nord Stream 2 would undoubtedly make this task more difficult. On the one hand, Ukraine would lose revenues from gas transit of up to 2 billion US dollars a year, equal to about 2% of Ukrainian output. On the other hand, a large scale cutback in gas transit would make it harder to supply Ukraine with gas.

Because of lower Ukrainian demand for gas and a large increase in gas imports from Slovakia, at this moment Ukraine can do without direct gas imports from Russia. As a result, it has sourced no gas from Gazprom since November 2015. This has offered Ukraine significantly increased political leeway, for example regarding much-needed radical reforms of the corrupt gas sector.

If Nord Stream 2 gets built, Central and Eastern Europe (especially Slovakia and Hungary) might be supplied with Russian gas from this pipeline, bypassing Ukraine altogether. In this situation Moscow could, at worst, press for reduced western gas exports to Ukraine, and could certainly demand higher prices for any gas sent on such an indirect journey. That would increase readiness in Kiev to once again accept ‘mates rates’ for gas supplied directly from Russia, which would be tied to political concessions.

Even within the EU, Gazprom is still a tool of Russian foreign policy. This was shown in autumn 2014, when Gazprom unilaterally cut supplies by up to 50% to countries (Poland, Slovakia, Austria and Hungary) which sold gas on to Ukraine. Strengthening the market position of such an actor therefore has costs for foreign policy.

What is more, Nord Stream 2 threatens one of the few European foreign policy successes of recent years. Despite the economic concerns of many member states, Europe and Germany in particular managed to find an unexpectedly clear united answer to the annexation of Crimea and Russian involvement in eastern Ukraine.

However, the European compromise to implement economic sanctions in response to Russia's legal violations remains fragile. If Germany positions itself as a friend of Russia and supports such a large project, without concessions from Russia on foreign policy disputes, it risks breaking the fragile European consensus on Russia — which has only been laboriously held together until now. The resulting loss of trust among European partners would hardly be offset by the improved relationship with Russia.

These disadvantages of Nord Stream 2 could largely be cushioned through extra investment in the domestic European gas network, more financial support for Ukraine, and German guarantees on security of gas supply for Central and Eastern Europe. But the cost of this would be paid by German gas consumers and taxpayers. On the other hand, the indirect foreign policy costs are difficult to measure. To sum up, building Nord Stream 2 would be a bad deal for both Germany and its Eastern European partners.

Enagas: Spanish gas demand down in 1h

Natural Gas Europe, *18.07.2016*

Spanish gas demand in 1H16 declined by 1.3% year-on-year to 158.9 terawatt-hours of gas owing mainly to more hydroelectric generation this year than last, said Enagas.

It noted that industrial demand, which represents over half of Spain's gas consumption, remained robust, growing by 2% compared with 1H 2015. Enagas said the trend of industrial demand is consistent with the Spanish economy's performance and forecasts for Spanish GDP for year-end 2016. The company reported 1H 2016 net profit up 0.5% year-on-year at €214.2mn, with affiliates contributing 12.3% of that, compared with 11.4% in 1H 2015.

Last month Enagas agreed to increase its stakes in the Sagunto LNG terminal (Saggas) to 72.5% and in Chile's Quintero LNG terminal to 60.4%. In March 2016 it agreed to buy a 1.64% stake in Peruvian TSO Transportadora de gas del Peru from local firm Grana y Montero, increasing Enagas's stake to 25.98%.

Norway's Aker adds value, but orders are lower

Natural Gas Europe, *19.07.2016*

Norway's Aker said that its 2Q 2016 net asset value and that of its holdings adjusted for dividend was Nkr24.7bn ($2.9bn), up 29% compared with 1Q 2016.

Aker President and CEO Oyvind Eriksen said this was "the strongest quarterly increase since 2006," with the gain in Det norske alone (50%-owned by Aker) being Nkr4bn. "What a reminder of the continued value potential in oil and gas!" he noted. Det norske and BP announced the creation of Norway's largest independent producer last month, called Aker BP. Eriksen said Aker BP will be as "Europe's largest independent listed E&P company, in terms of production."

Completion of that merger is expected by end-2016. Det norske also added value from portfolio acquisitions from Centrica and Noreco during 1H 2016, said Aker. Aker said that 49% of its gross asset value of Nkr31.7bn in 2Q 2016 were oil- and gas-related, of which 32% being Det norske, 16% oil services (Aker Solutions, Akastor, Kvaerner) and 1% other.

Pre-tax 2Q 2016 profit of Nkr742mn was up 54%. Among important contract wins in 2Q 2016 was the umbilical system for the Zohr gas field offshore Egypt, valued at over Nkr1bn. However 1H 2016 order backlogs at the contractor businesses were 20% lower year-on-year at both Aker Solutions (Nkr35bn) and Akastor (Nkr15.1bn), and 43% lower at Kvaerner (Nkr10.2bn). Aker's shareholdings in these contractors is respectively 34.8%, 36.7% and 28.7%.

Regas from Dunkirk enters French system

Natural Gas Europe, *21.07.2016*

GRTgaz gas transmission system received the first flows of regasified LNG from the new Dunkirk, terminal operator Dunkerque LNG has announced.

It also said that a second LNG cargo is due to arrive on August 7 at the terminal at Dunkirk in northern France but did not disclose from where. The second cargo will also be a commissioning cargo, enabling final testing of the terminal to be completed, prior to its commercial start-up in September. The first commissioning cargo arrived on July 8 aboard Madrid Spirit from Nigeria, and unloaded its cargo during the following week, before departing Dunkirk.

LNG from that cargo began entering the terminal at 23.00 local time on July 8 and was pumped into storage tank 3, filling it to a depth of 20 metres by July 18. Dunkerque LNG said it would gradually start filling the other two LNG storage tanks in order to prepare for the second cargo's arrival. The price of gas for day-ahead delivery at the Dutch hub has not changed over the fortnight, at €14.20/MWh, or $4.60/mn Btu, according to exchange operator EEX.

GRTgaz operates about 85% of France's gas transmission system, the remaining 15% is run by southwest France gas grid operator TIGF. The latter said July 13 it had appointed Dominique Mockly as its new CEO from July 31, succeeding Monique Delamare who has become TIGF's new chair. Mockly joined French nuclear contractor Areva in 2003 and was director of its downstream business group from 2011 until now.

Finnish Gasum profits halved

Natural Gas Europe, *19.07.2016*

Gasum

Finland's main gas supplier Gasum saw its operating profit halved in 1H 2016 to €68m, from €133mn in January-June 2015. Natural gas deliveries declined to 13.2 terawatt-hours of gas (1.22bn m3), down from 14.2 TWh in 1H 2015. LNG deliveries also slipped back to 2.4 TWh, from 2.7 TWh. Biogas sales were 0.037 TWh, double the year-ago level.

Gasum said lower profits were due to a 14% decline in revenues to €445.3mn because of lower sales volumes and a lower margin as the price of its oil-indexed Russian gas imports fell. Gasum's 51%-owned LNG marketing subsidiary Skangas accounted for €76.1mn of group revenue.

Gasum CEO Johanna Lamminen noted the arrival of Finland's first ever LNG at Skangas's Pori terminal on July 10, adding: "I would like to extend many thanks to the entire project organization. We are now able to offer LNG across the segments from maritime transport and industry to energy production and heavy-duty road transport. Commercial deliveries from the Pori terminal to customers will begin in September."

Gasum is 100% owned by the Finnish state: 73.5% at arms length through state agency Gasonia and 26.5% directly. According to Finnish Government's policy issued May 12, 2016, the state must maintain a majority holding of at least 50.1% in Gasum. Finland's gas consumption in 2015 was 3bn m3 in 2015, according to Eurogas, whereas just over five years ago it was headed for 5bn m3/yr. The country has no gas pipelines connecting it to the rest of the EU, but a new pipe is to be built by 2019 to Estonia.

ENI loses GasTerra arbitration, GasTerra Counterclaims

Natural Gas Europe, *21.07.2016*

Eni lost its arbitration battle to reduce the price it paid Dutch marketer GasTerra for gas deliveries between 2012 and 2015.

GasTerra has fought back with a counter-claim for €918mn against Eni, being the difference between what Eni paid under a provisional agreement since the start of the review period, and the contract amount, plus interest. Eni was claiming €2bn over the period, suggesting that GasTerra met Eni's claims half way, until the final decision was made. But as Eni did not pay the sum owing, Gasterra seized assets belonging to Dutch-registered Eni International to the value of €1.01bn, with the authority of the Amsterdam district court.

"GasTerra considers that, by dismissing Eni's claim, the award restored the original contract price, on the basis of which GasTerra now claims an additional amount to be paid by Eni to GasTerra," Eni said. This measure, which was granted after a summary review only and without Eni being heard, does not prejudice the outcome on the merits of the proceedings, Eni said.

Eni said that its external consultants advised it to ignore GasTerra's interpretation and so it will not take the effects into account in its first half results. It has rejected GasTerra's request for payment, "seeking good faith discussions to agree on the extent of the 2012 price revision." Eni considers that GasTerra's request for payment is unfounded and will take all necessary measures to protect its rights. With respect to the interim measures obtained by GasTerra, Eni is considering its position, pending the outcome of the arbitration proceedings. Eni will further seek compensation for any damages it incurs, due to GasTerra's legal actions. In 2014 supplies of natural gas attributed to Eni from The Netherlands amounted to 13.46bn m³, 16% of Eni's total supplies.

UK committee probes energy market

Natural Gas Europe, *21.07.2016*

The House of Lords Economic Affairs Committee has launched an inquiry into the economics of the UK energy market, as it believes it is not functioning as it should.

The accelerated closure of coal-fired plants, and subsidies for renewables, have been the principal means of securing decarbonisation. But consumers' prices have risen while there has been under-investment in baseload capacity. The committee will consider whether the present mix of policy interventions and subsidies in pursuit of those objectives have led to failures in the energy market. It will look at what measures are required to correct these failures.

Among the issues the committee will consider are the key economic challenges for the energy market which the government must address over the next decade, the shifts in technology and how to promote research and development. It also seeks views on what should be the balance between the roles of the public and the private sector and whether further expertise is needed within government to understand the issues and to negotiate with external investors and suppliers.

Committee Chairman Lord Hollick said that the committee's report into the economic impact on UK energy policy of shale gas and oil in May 2014 had concluded that "there had been a lack of clarity and consistency in energy policy over many years. This failure of policy had left the UK dangerously close to lacking sufficient electricity generating capacity. Over two years later, little has changed. Coal power stations are being closed and old nuclear stations are coming towards the end of their life. But it is not clear how they will replaced and at what cost. The core question for the committee is are there failures in the energy market and what measures are needed in the future to correct them?"

He added that the energy market involves an "extraordinarily complicated mix of policy interventions and subsidies. Every investment in electricity generating supply is effectively determined by the government. This inquiry will seek to investigate whether current policy is delivering the best deal for energy users and whether it is striking the correct balance between private and public sector involvement."

Algeria’s Bouterfa cites 2020 target

Natural Gas Asia, *19.07.2016*

Algeria’s new energy minister Noureddine Bouterfa has said that Sonatrach foresees an increase in its oil and gas production in the order of 30% by 2020, reported state news agency APS. “Efforts are being deployed in order to reach this objective within the targeted schedule,” he said.

During his visit, the minister also participated in the start-up of a 660-MW gas-fired power plant to the northwest of Hassi Messaoud, reported APS. Bouterfa took over from his predecessor Salah Khebri in June 2016; the latter had said two months previously that Algerian oil and gas production would rise to 4.82mn boe/d in 2020.

State producer Sonatrach said it would not back down in a dispute with Repsol and Total, but listed several international companies led by Eni with which it has improved cooperation. One month into the job, Bouterfa on July 18 echoed that topic of partnerships, citing in particular the Ourhoud oil field joint venture that regroups Sonatrach, Italy’s Eni, Spain’s Cepsa and Denmark’s Maersk among others. But he risks similar criticism to Khebri if his production forecasts do not prove accurate.

Algeria’s 2015 marketed gas production was 82.5bn m³, according to a study published this May by the Oxford Institute for Energy Studies’ Ali Aissaoui who pointed to the risks of continued gas production decline, and to the possibility that rampant domestic gas demand might cut 75% off today’s 60bn m³/yr gas exports by 2030, leaving them at just 15bn m³/yr. In 1Q 2016, BP, Statoil and Sonatrach started new production at their In Salah Southern fields. A week ago, APS reported official data showing that the country’s 1Q 2016 oil and gas production grew by 3.3% year-on-year, following year-on-year declines in every quarter of 2015. The Aissaoui OIES study listed five gas fields – Touat, Reggane North, Timimoun, Ain Tsila, Tinrhert – that he believes could come onstream pre-2020, adding almost 20bn m³/yr. However he argued that this may only suffice to stabilise production at about 85bn m³/yr, as the super-giant Hassi R’Mel gas field which has produced for over 40 years is now thought to be suffering serious water incursion.

SIRIUS gets Nigeria drilling consent

Natural Gas Asia, *18.07.2016*

Nigeria's environment ministry has approved the environmental impact assessment (EIA) survey on the Ororo Field Licence (OML 95), its licensee AIM-listed niche Nigeria explorer Sirius Petroleum said. The approval covers the drilling of three wells on the shallow water Ororo field and the installation of wellhead platforms.

The EIA was submitted for approval in April by Sirius and its partners Guarantee Petroleum and Owena Oil & Gas. On July 12, Sirius said that Nigeria's Ministry of Petroleum Resources had granted it and its two partners a three-year extension to their OML95 licence with effect from May 1, 2016.

In April, Sirius said the potential exists to develop and market gas as Compressed Natural Gas (CNG), in addition to earning revenues from liquids. Sirius has no current production, with Ororo planned to be its first producing field. The company made a $4mn loss in 2015, down from $5.6mn in 2014.

Total signs long-term deal to supply Chugoku Electric with LNG

Natural Gas Asia, *22.07.2016*

Total has signed a long-term agreement to supply LNG to Chugoku Electric. The binding Heads of Agreement between Total and Chugoku Electric is for the direct supply of LNG for a period of 17 years starting from 2019.

Under the agreement, Total is to supply Chugoku Electric with up to 0.4 million tons of LNG per year (Mt/y) sourced from the company's global portfolio. Laurent Vivier said the following in a press release: "This supply agreement with one of Japan's major regional electric utilities is an important milestone for Total in the country where the Group has been a reliable partner in supplying LNG for almost 40 years."

Berdymukhamedov scraps Turkmen ministry

Natural Gas Asia, *17.07.2016*

The autocratic president of Turkmenistan Gurbanguly Berdymukhamedov has reorganised the management of the gas-rich nation's energy industry by abolishing the oil and gas ministry.

In a recent government meeting he said the move was necessary "in order to further improve the management of the oil and gas sector, improve the overall industry, and to streamline the cash flow." The main functions of the abolished ministry will be assigned to the relevant department of the cabinet, subordinate to the vice-premier Yagshigeldy Kakaev.

Some of the former ministry's other functions have been delegated to two state concerns: Turkmengaz and Turkmennebit (for oil): such as, the agency for the management and use of hydrocarbon resources under the president of Turkmenistan. Turkmengaz will represent the state in the production-sharing agreements (PSA) for developing the onshore Bagtyyarlyk gas field and offshore gas and condensate Block 1.

China National Petroleum Corporation holds a licence for Bagtyyarlyk, while Malaysia's Petronas produces oil, gas and condensate in Caspian Block 1. The two new concerns will succeed the agency as the state representatives in the PSA with UAE's Dragon Oil for the Cheleken development in the Caspian. It will represent the state in agreements for onshore Nebitdag and Hazar projects being implemented by Italy's Eni and Austria's Mitro International.

The former agency's funds have been transferred to the central bank of Turkmenistan to further ensure the financing of projects, the decree says. The suspended ministry was established in January, 2016, when Berdymukhamedov announced a large-scale reorganisation, which included creating a joint-stock company Turkmen National Oil and Gas Co, or Napeco. This would carry out upstream exploration work as well as implement international projects, among other things, although it was never actually established.

Pakistan, Iran agree to amend gas deal

Natural Gas Asia, *19.07.2016*

Pakistan and Iran have reportedly agreed to amend the sale purchase agreement to extend the timeframe for completion of the Iran-Pakistan (IP) gas pipeline, Business Recorder reported.

Sources have told the newspaper that the decision was taken earlier this year. The current agreement was signed in 2009. The future of much delayed Iran-Pakistan (IP) gas pipeline remains uncertain as Pakistan has not been able to raise funds to complete the section of the pipeline would pass through its territory as the project still attracts some sanctions.

Iran has already built 900 km length of the pipeline on its territory while Pakistan still has to start work on the pipeline. Once the pipeline is operational, about 250 million cubic feet gas would be imported from Iran during first year, while in the second year the import of gas would be enhanced to 500 million cubic feet while in the third year 750 million cubic feet gas would be imported.

Exxon Mobil acquires InterOil for $2.5 Billion

Anadolu Agency, *22.07.2016*

Exxon Mobil agreed to buy InterOil, a driller mainly focused on projects in Papua New Guinea, for at least $2.5 billion, according to the press statement released by the company.

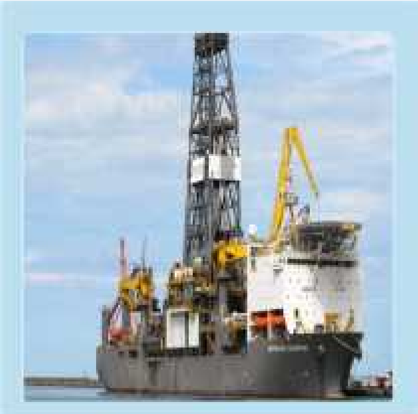
According to the statement, the sides announced an agreed transaction worth more than $2.5 billion, under which ExxonMobil will acquire all of the outstanding shares of InterOil. InterOil's assets, Elk-Antelope, in the onshore Gulf Province, and exploration licenses covering about 16,000 square kilometers. ExxonMobil will pay $45 per share plus an additional cash payment based on the resource size of Elk-Antelope.

When concluded, the transaction will give ExxonMobil access to InterOil's resource base, which includes interests in six licenses in Papua New Guinea covering about four million acres. "InterOil's resources will enhance Exxon Mobil's already successful business in Papua New Guinea and bolster the company's strong position in liquefied natural gas," said Rex W. Tillerson, chairman and chief executive officer of Exxon Mobil Corporation.

Exxon already developed the first gas-exporting plant in the country. The Papua New Guinea LNG plant is well-nigh a $20 billion project on the island north of Australia that first began shipping gas two years ago. Liquefied natural gas, which can be shipped around the world on tankers in the same fashion as crude oil, is burned to generate electricity. Papua New Guinea's low cost but high quality natural gas resources with low taxes is attracting the interests of major energy companies including Exxon, Royal Dutch Shell Plc and Total to profit from the rising demand in Asia.

Mexico to auction 15 offshore oil areas

Anadolu Agency, *20.07.2016*



The Mexican government on Tuesday approved auction terms for 15 shallow water areas in the Gulf of Mexico. The contracts will be part of a major overhaul of the country's energy laws launched in 2013 and is set to open next March, according to the energy ministry.

In the first phase of the auction process called Round 2, the government will feature production-sharing contracts for 30 years that could be extended for up to 10 years. Fifteen contracts will cover an area of 8,908 square kilometers (5,535 square miles) and include existing and undiscovered reserves of light and heavy oil and gas.

The head of Mexico's National Hydrocarbon Commission, Juan Carlos Zepada, said at a press conference Tuesday that the 15 contract areas located in the states of Veracruz, Tabasco and Campeche could bring investments of $750 million per block, or $11.3 billion in total. Energy Secretary Pedro Joaquin Coldwell said the purpose of Round 2 is to raise the country's oil and gas reserves and output and to guarantee Mexico's energy and revenue security.

Australia’s Santos reports 25% jump in q2 sales

Natural Gas Asia, *21.07.2016*

Santos reported a 25 percent jump in sales as the company successfully started the second train of GLNG project.

Sales climbed to 19.6 million barrels of oil equivalent (mmboe) in the June quarter of 2016 from 15.7 mmboe a year earlier. Production was up 8 percent at 15.6 mmboe. Total revenue fell 3 percent to $590 million from a year earlier as average realised oil price decreased 29 percent to $43 per barrel. For GLNG project, gross gas delivered to the LNG plant during the quarter was 60.6 PJ from GLNG’s supply portfolio including GLNG indigenous production, Santos’ portfolio and third-party purchased quantities.

Santos’ share of GLNG domestic gas and sales gas to LNG production was 7.2 PJ for the quarter. The LNG plant produced 1 million tonne of LNG during the quarter and shipped 16 cargoes, taking the total to 39 cargoes since start up in September 2015. GLNG train 2 produced first LNG on 26 May 2016. Gross gas production at PNG LNG project during the quarter was 105 PJ (Santos share 14.2 PJ). The LNG plant produced 1.8 million tonne of LNG in the quarter, lower than the previous quarter primarily due to routine maintenance in April, and an unscheduled plant shutdown in May due to an electrical issue. A total of 25 LNG cargoes were shipped during the quarter. Gross condensate production for the quarter was 2.6 mmbbl (Santos share 351,200 barrels). Gross gas production from SE Gobe of 3.0 PJ (Santos share 0.2 PJ) was purchased by the PNG LNG project during the quarter.

US energy firm Chevron inks LNG deal with Chinese JOVO

Anadolu Agency, *21.07.2016*

U.S. energy giant Chevron signed a preliminary agreement with Chinese oil and gas terminal operator JOVO, to supply liquefied natural gas (LNG) from its global supply portfolio, Chevron said.

When the LNG sale and purchase agreement is finalized, Chevron plans to send JOVO 0.5 million metric tons of LNG annually for five years with the first LNG delivery expected to arrive in 2018, the company said. Commenting on the deal, Mike Wirth, executive vice president of Chevron midstream and development said it is "another important step in the commercialization of Chevron's natural gas holdings."

"We are positioned to become one of the top 10 LNG suppliers in the world," Wirth added. JOVO's portfolio includes an LNG receiving terminal, tank truck operations, urban pipelines for natural gas, automobile gas refilling stations, direct industrial clients, power plant customers and exclusive management of an industrial park in South China. 1 million metric tons of LNG is approximately equal to 1.38 billion cubic meters.

US oil rig count rises sixth time in seven weeks

Anadolu Agency, *21.07.2016*

The number of oil rigs in the U.S. increased for the sixth time in the last seven weeks, and for the third consecutive week, according to the oilfield services company Baker Hughes.

Oil rig count in the country rose by 6 this week to reach 357. Last week, the number of oil rigs increased by 10, the most since April 15. And the week before, the oil rig number had jumped by 11 -- the highest weekly jump in the last six months. However, the total number of oil rigs in the U.S. is still 78 percent below its highest level in October 2014 when it was at 1,609. After the release of Friday's data, the price of crude oil in global market was slightly down.

The American benchmark West Texas Intermediate fell to $45.88 a barrel, from $46.11, while the international benchmark Brent crude declined to $47.54 per barrel, from $47.81 before 6:40 p.m. GMT. The rig count provides an indication on the well-being of the oil sector in the U.S., and signals possible short-term production cuts and increases. Due to low oil prices, oil rigs are removed, wells are shut down, while production declines. The U.S. oil output was at 8.4 million barrels per day (bpd) for the week ending July 8, according to the country's Energy Information Administration. Domestic oil production in the U.S. is now 1.2 million bpd less than June last year when output peaked at 9.6 million bpd.

Announcements & Reports

► *Saudi Arabia's Vision 2030, Oil Policy and the Evolution of the Energy Sector*

Source : OIES
Weblink : https://www.oxfordenergy.org/wpcms/wp-content/uploads/2016/07/Saudi-Arabias-Vision-2030-Oil-Policy-and-the-Evolution-of-the-Energy-Sector.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

► *FSRU Asia Summit*

Date : 06 – 07 September 2016
Place : Amara Sanctuary Resort Sentosa, Singapore
Website : http://www.fsrusummit.com/

► *Operational Excellence in Oil and Gas Europe*

Date : 19 – 21 September 2016
Place : London, UK
Website : http://www.opexinoilandgasemea.com/

► *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 Greek Cyprus Energy Symposium

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