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Turkey's energy imports fall by 28.2% in 2016

AA Energy Terminal, *01.02.2017*

Turkey's energy imports fell by 28.2 percent in 2016 compared to 2015, according to the Turkish Statistical Institute's (Turkstat) data Tuesday. The data showed that Turkey's overall imports in 2016 amounted to $198.6 billion in comparison to $207.23 billion in 2015.

The country aims to increase the share of local resources such as coal and renewables in its energy mix and has recently speeded up steps towards this goal to decrease its energy import bill. Therefore, the country's energy import bill decreased gradually. In 2016, the country's energy import bill was $27.1 billion.

In 2015, with low oil prices, Turkey's energy import bill totaled $37.8 billion, compared to $54.9 in 2014 and $55.91 in 2013. Turkey, as an import-dependent country for energy, imports over 90 percent of its crude oil needs.

In the Turkish Development Ministry's recently released mid-term program for 2017-2019, Turkey's energy imports are predicted to further decrease. Crude oil imports saw a decrease last year compared to 2015. Crude oil imports in 2016 realized 24.95 million tonnes as opposed to 25.06 million for 2015, showing a 0.4 percent decline.

Oguzhan Akyener, president of Turkey Energy Strategies & Politics Research Center (TESPAM) said that the first issue to be considered for understanding the decrease in Turkey's energy imports is the fall in global oil prices.

"Upon examination, it can be seen that the main reason behind this change [decrease in energy imports] is the variation in oil prices. In 2015, the oil prices were $50 per barrel on average while it was $42 per barrel in 2016. This means that Turkey, just because of this discrepancy in prices, saves up to 16 percent of its energy import bill in just one year," he explained.

Akyener said Turkey's recent policy towards increased usage of local coal and renewable resources as another reason for the fall in the energy export bill. "Thanks to this policy, in 2016 the share of electricity production from local coal increased. Last year, the use of imported coal decreased while the rate of electricity production from renewables increased," he asserted.

In 2016, the country's total electricity generation was 269.8 kilowatt-hours, of which 131.8 kilowatt-hours, or almost half, came from domestic and renewable energy sources, according to Energy Exchange Istanbul (EXIST) data. The share of renewable energy rose from 44.3 percent to 48.9 percent in total generation.

Natural gas's electricity production was 89.14 million kilowatt-hours, of which 46.76 million came from imported coal powered plants. Thus, the share of natural gas was 33 percent while imported coal's share was around 17.3 percent for 2016.

Along with these improvements, the opening of 158 power plants last year, 68.7 percent of which are using renewable sources, is expected to bear fruit in 2017 and decrease this bill even further, according to Akyener.

He said that the market expectation is that oil prices will boost after the Organization of Petroleum Exporting Countries' (OPEC) decision to cut production, At November's meeting, OPEC members unanimously agreed to lower oil production by 1.2 million barrels per day. Eleven non-OPEC oil producers agreed to cut oil output to achieve market stability at the joint ministerial meeting in December.

"If we predict that oil prices in 2017 will increase to levels of nearly $55 to $66 per barrel, the decrease in Turkey's energy import bill might be reversed. While taking into account the variations of the exchange rate, it can be seen how necessary and correct Turkey's decision was on the increased usage of domestic resources," Akyener warned. "Considering all of these factors, it is important for Turkey to take more different, fast and radical steps in the areas of oil and gas," he concluded.

Turkish Petroleum hits production record

AA Energy Terminal, *31.01.2017*

Turkish Petroleum (TP) produced a historical record high 110,000 barrels daily of petroleum equivalent in January, the company announced on Monday. According to TP's statement, the company's domestic production was 34,000 barrels of oil in January, while it produced 43,000 barrels for export.

TP's domestic natural gas production was 775,000 cubic meter and its international natural gas production reached 4.7 million cubic meters over the same period. In total, the company produced 5.5 million cubic meter of natural gas, equivalent to 33,000 barrels of oil.

The biggest portion of TP's production came from projects conducted outside of Turkey. The production project in Azerbaijan constituted 77 percent of international production, followed by Iraq and Russia respectively.

TP increased its reserves with investments worth 28 billion Turkish liras in the last 10 years. The company became an investment magnet with investments worth $1.6 billion in 2015. International production constituted 65 percent of total production of the company, TP noted.

The company underlined that they speeded up domestic exploration and production activities in line with Turkey's domestic and national energy policy. TP's domestic production came from Batman, Adiyaman and Trakya provinces of Turkey. The company reached 39,000 barrels of production through newly explored fields and research and development projects, the statement said.

TP doubled its reserves by making domestic and international investments worth $12.5 billion in the last 10 years, despite uncertainties in the global oil market, it read. The company targets daily production of 190,000 barrels by 2023.

Managing Director: Trans Adriatic Pipeline will cost €4.5B.

AA Energy Terminal, *31.01.2017*

The Trans Adriatic Pipeline's (TAP) project costs have now been finalized and calculated at 4.5 billion euros, according to TAP's managing director on Tuesday.

The TAP project aims to connect the Trans Anatolian Natural gas Pipeline (TANAP) at the Greece-Turkey border and cross northern Greece, Albania and the Adriatic Sea before going onshore in southern Italy, where it will link up with the Snam-operated Italian natural gas network. It will be 878 kilometers (km) in length with an initial capacity of 10 billion cubic meters per year to transfer Azerbaijan's natural gas to several European markets.

Managing director Ian Bradshaw told Anadolu Agency that this final figure takes into account extensive engineering and design modifications to the project that have taken place since 2009, including the extension of the pipeline route by nearly 70 percent, from 520 km to 878 km.

"TAP expects to secure funding from a number of multilateral institutions, such as the European Bank for Reconstruction and Development and the European Investment Bank, as well as Export Credit Guarantee Agencies of a number of OECD countries involved in the supply of goods and services," Bradshaw said and noted that TAP's financing timetable is expected to be achieved in 2017.

Bradshaw stated that TAP is strategically important for Europe to diversify gas supply sources in South Eastern Europe. The official said that TAP's development is fully aligned with the Shah Deniz II development schedule -- the second phase of Azerbaijan's largest natural gas field from which supplies will be transported via TAP.

He said that the construction of the compressor stations is also due to begin in the first quarter of 2017. "This will be a continuous activity over approximately two years. The offshore scope will take place in the winter of 2018/2019," he said.

Bradshaw also hailed the work completed in 2016 as successful, with millions of safe hours worked towards the completion of the project. From Jan. 23, work has been ongoing in Greece to excavate and clear over 200 km for the pipeline, 120 km in length of pipeline has been strung, approximately 100 km of pipeline length has been welded, 30 km has been back-filled and 6 km has been reinstated.

“Line pipes continue to arrive in Kavala, Thessaloniki and Alexandropoulos. So far, over 60 percent of the 32,000 line pipes that are needed to build the 550km Greek section have been delivered,” he said. He added that in Albania, approximately 55 km has been cleared and graded along the route, 50 km of pipeline has been strung, 40 km welded and approximately 30 km back-filled.

“This means that between Greece and Albania, TAP has now cleared and graded approximately one third of the pipeline corridor - over 260 km out of 765 km,” he added. Bradshaw also shared that in Italy, in line with the single authorization permit granted by the Ministry of Economy on May 20, 2015, TAP continues to progress its secondary permitting activities for the TAP landing point at San Foca.

“Finally, until the end of 2016, we have driven over 15 million kilometers and worked more than 8 million man hours without any major safety incidents. This is a very good safety performance which we would like to maintain as we move into more difficult mountainous terrain,” he said.

Russia’s Federation Council ratifies agreement on Turkish Stream pipeline construction

Hurriyet Daily News, *01.02.2017*

Russia’s Federation Council, the upper house of parliament, approved a bill on an agreement between Russian and Turkish governments on the construction of the Turkish Stream gas pipeline, TASS News Agency has reported.

According to Russian Deputy Energy Minister Yuri Sentyurin, who is Russia’s official representative in the project, the agreement “implies the creation of a favorable regulatory and legal framework, including tax and customs regulations, for design, construction and further service treatment of the gas pipeline.”

He said the Turkish Stream was designed to deliver Russian gas to Turkey, as well as “to ensure that the Russian side fulfills all its commitments on Russian gas supplies to the territory of the states of the European Union after 2019,” as quoted by TASS. Russia’s lower house of parliament, the State Duma, ratified the agreement in January, while Turkey ratified the agreement late in 2016.

In the intergovernmental agreement, two pipeline branches are planned, each with a capacity of 15.75 billion cubic meters (bcm). The first branch will supply gas directly to Turkey, while the second will be used to deliver gas to European countries through Turkey.

Hungarians may also take part in TurkStream

Daily Sabah, *03.02.2017*

Just before Russian President Vladimir Putin's visit to Hungary yesterday, Russian Vice President Yury Ushakov underscored that Hungary may also participate in the TurkStream project that will carry Russian natural gas to Europe via the Turkish-Greek border.

Ushakov gave the details concerning the visit by Putin to the Hungarian capital Budapest, where Putin will meet Hungarian Prime Minister Victor Orban. Ushakov said that cooperation in the NordStream and TurkStream projects will occupy the agenda of the meeting. According to Sputnik News, Ushakov said:

"Russia and Hungary have good opportunities to cooperate in the oil and gas industry, 75 percent of Hungary's oil and 60 percent of gas are supplied from Russia. In this context, our Hungarian partners can also participate in the new shipping lines in the NordStream and TurkStream projects that Gazprom is working on." Ushakov also added that they are working on Gazprom's new shipping routes in the NordStream and TurkStream projects.

The project, announced by Putin during a December 2014 visit to Turkey, will carry gas from Russia under the Black Sea to the Turkish Thrace. Estimated to have a capacity of 31.5 billion cubic meters through the two lines, the project's first and second lines will transfer Russian natural gas to Turkey and European countries, respectively.

The project involves two more pipelines which will increase the capacity to 63 billion cubic meters. In October, Alexey Miller, chairman of Russian state-owned energy giant Gazprom, announced that the construction of the TurkStream natural gas pipeline project will kick off in 2018.

Gazprom gas could flow through Tap

Argus, *02.02.2017*

Russian state-controlled Gazprom could export gas through the 10bn m³/yr Trans-Adriatic Pipeline (Tap), from the Turkey-Greece border to Italy, deputy chief executive Alexander Medvedev said.

Gazprom has been investigating the possibility of a continuation of its 31.5bn m³/yr Turkish Stream link through the planned ITGI Poseidon pipeline. But using Tap is also a possibility, Medvedev said. Tap's initial capacity is designed to receive 10bn m³/yr of gas from the phase-two development of Shakh Deniz field. But the pipeline could be expanded to 20bn m³/yr, providing space for supply from other sources.

Gazprom plans to use the first 15.75bn m³/yr leg of Turkish Stream to supply the Turkish market and the second leg for deliveries to Europe. But this would require access to new pipelines in the EU, such as the Tap or ITGI.

Turkish Stream construction is scheduled to start this summer and Gazprom plans to commission both legs in late 2019, chief executive Alexei Miller said on 6 December. The Tap consortium began construction in May, with a view to launching the pipeline in 2019-20.

Perspective for 'Turkish Stream' project: Possible scenarios and challenges

Natural Gas Europe, *26.01.2017*

Following the cancellation of South Stream, Russia announced its plans to reroute the pipeline to Turkey, instead of Bulgaria. The new pipeline was dubbed "Turkish Stream", , but less vulnerable to EU competition law.

"Turkish Stream" has also experienced delays due to the crisis in Russia-Turkey relations. However, following the recent normalization of bilateral relations, the project regained its momentum. Russia's aim is to complete the construction of the pipeline as soon as possible, namely before the Southern Gas Corridor is finished, or acquires additional gas from Iraq, Iran, or Turkmenistan.

This article examines the possible scenarios and challenges for the Turkish Stream gas pipeline project, and argues that Russian Gazprom's commitments to other pipeline projects, such as Nord Stream II and the pipeline to China, may prevent Gazprom from completing the pipeline in its entirety.

Turkey is the second largest gas market for Russian Gazprom, as it imports 60 percent of its gas from Russia. Currently Turkey imports Russian gas via Trans-Balkan Pipeline through Ukraine and via the Blue Stream pipeline, which runs under the Black Sea. The crisis in relations between Russia and Ukraine has affected energy partnerships.

Thus, in 2007, Russia launched the 'South Stream' gas pipeline project, which was to start from Russia's Black Sea coasts, running to Bulgaria, and then onwards to Serbia, Hungary, Bosnia and Herzegovina, Croatia, Austria and Italy, carrying 63 billion cubic meter (bcm) of natural gas. Under the initial vision, South Stream was to be routed through Ukrainian territory in the Black Sea, but due to political changes in Ukraine, Moscow and Ankara agreed to re-route South Stream through Turkish waters.

However, because of the EU's unwavering stance on competition law, Russia cancelled the 'South Stream' pipeline project. Russia's Gazprom and Turkey's BOTAS signed a memorandum of understanding (MoU) on the construction of an alternative gas pipeline across the Black Sea, dubbed 'Turkish Stream'. This article discusses the development, challenges and future prospects for this pipeline.

On December 1, 2014, during his visit to Turkey, Russian President Vladimir Putin announced the suspension of the South Stream project, for which he blamed the European Commission's unconstructive position. In light of the new situation, Russia would build another pipeline to Turkey along with an additional gas hub for the South European customers on the Turkish-Greek border in Turkey.

Turkey's BOTAS and Russian Gazprom signed a new Memorandum of Understanding on the construction of a new offshore natural gas pipeline across the Black Sea to the Turkey-Greece border with an annual capacity of 63 bcm. Of this total, some 15.75 bcm would be supplied to Turkey in the first phase, with the remaining 47 bcm destined for the planned gas hub near the Turkish-Greek border in the second phase.

Turkish Stream will consist of four parallel lines, each with a capacity of 15.75 bcm/y and each running 900 km across the Black Sea from the Russian port of Anapa to Kiyikoy, in Turkish Thrace, and then as an underground pipe to Ipsala, at the border with Greece. Turkish Stream will be developed by South Stream Transport BV, a subsidiary of Gazprom registered in the Netherlands.

The first string of Turkish Stream will carry 15.75 bcm/a of natural gas to Turkey's domestic market, replacing the current volume of the Trans-Balkan Pipeline's (TBP) after the termination of the transit agreement between Russia and Ukraine. Russia exports 14 bcm/year of gas to Turkey through the TBP via Ukraine through Moldova, Romania and Bulgaria. However, the current gas flow via TBP is vulnerable to possible disruptions due to the ongoing crisis between Russia and Ukraine. Turkish Stream would enable Russia to redirect its export route via Turkey, without affecting the current volumes.

By rerouting gas exports to Turkey, Russia can eliminate the extra tariff costs incurred along the Ukraine, Moldova, Romania and Bulgaria route, which make the gas expensive for Turkey. Gas export to Greece and Bulgaria through Turkey will be cheaper.

TBP could be used in reverse mode to supply gas to Bulgaria, Greece and Romania from Turkey. However, under its existing contracts, Gazprom is obliged to provide natural gas to consumers to the exact point, but not any place in the EU border. The contracts state that gas delivery for the Central and Eastern European countries shall be via Ukraine.

Gazprom has a 'ship or pay' transit contract with Slovak Eustream SA until 2028, which obliges Gazprom to pay transit fees for a minimum of 50 bcm/y, whether or not the commodity is shipped. Thus, Russia's plans to bypass Ukrainian may cost Gazprom hundreds of millions of Euros in fees.

The construction of Turkish Stream's first string is much easier from a legal point of view, because neither Russia nor Turkey belongs to the EU, and so neither is bound by the EU's 'Third Energy Package' (TEP) rules. Otherwise, Russia would face same obstacle as it did in South Stream.

Between 2008 and 2010, Russia signed intergovernmental agreements (IGA) with Bulgaria, Serbia, Hungary, Greece, Slovenia, Croatia, and Austria on the implementation South Stream. Russia was relying on its close relations and bilateral energy agreements with EU member states to prevail over EU legislation against Gazprom's gas monopoly in Europe. However, the EU was unwilling to enable Member States' preferential relationship with Russia on South Stream, which was dividing them on the EU's common energy policy.

The EU demanded revision of those IGAs, which Russia could not agree with. Directive 2009/73/EC of the European Parliament and of the Council concerning common rules for the internal market in natural gas defines two major principles for the development of new gas infrastructures: 1) unbundling between the suppliers and the owners of infrastructure; and 2) granting of third party access to the transmission and distribution systems.

Therefore, Moscow shifted from South Stream to Turkish Stream because of the EU's opposition to the IGAs. The EU's position was based on the non-compliance of those IGAs with the EU's TEP rules (regarding 'unbundling' and 'third party access'), according to which, a single gas supplying company cannot own/control the pipeline and transport gas through it simultaneously. Although Serbia is not an EU member, it is bound to implement EU energy regulations through its Energy Community membership.

Judy Dempsey, Senior Associate from Carnegie Europe, wrote that the demise of South Stream would speed up the diversification of Europe's energy sources, and encourage transparency in the energy sector over prices and contracts.

Although Brussels considered it as a diplomatic victory, the European transit countries (Serbia, Bulgaria and Hungary) were considered the losers in terms of potential investment, job opportunities and price discounts, as well as an alternative supply route in case of supply disruptions through Ukraine. According to Keith Johnson, "Putin seemed to acknowledge that European sanctions torpedoed the financial prospects of the project".

Fyodor Lukyanov, Editor-in-Chief of the 'Russia in Global Affairs' magazine, writes that, Nord Stream was implemented because of political resources and strong position of Germany within the EU, through which former wanted to ensure itself from possible transit risks. The partners and stakeholders of South Stream were unable to circumvent EU law, though German Wintershall (Nord Stream stakeholder) was participating in South Stream as well.

It is important to note that Turkish Stream will still come up against the TEP rules if Russia decides to export further beyond Turkey-Greece border, since Greece is an EU member state. Any failure of Turkish Stream would be a major threat to Russian economy. However, the EU regards Turkish Stream as "an attempt to thwart the Southern Gas Corridor".

EU Vice-President, Maroš Šefčovič, has taken a clear stance against Turkish Stream, questioning the project's viability and citing unresolved divergences between the EU and Russia on TEP. Šefčovič stated that the "decision on construction of Turkish stream should be made taking into account the views of the EU".

The EU Competition Commissioner Margaret Vestager did not exclude the examination of Gazprom's talks with the European countries through which Turkish Stream could pass in regard to compliance with EU antitrust legislation. "All companies that operate in the EU market - no matter if European or not - have to play by EU rules," she said. If the EU ill demonstrate same stance on energy regulations, then only first string of Turkish Stream will be built, which will make it a ''Blue Stream-like'' pipeline between Turkey and Russia.

In May 2015, the US State Department's special energy representative Amos Hochstein, during his visit to Athens, urged Greece to embrace a [Southern Gas Corridor] project that would link Europe to natural gas supplies from Azerbaijan, which would reduce the EU's dependence on Russian gas supplies, rather than agree to a [Turkish Stream] gas pipeline pushed by Moscow. Hochstein said that "[this] is not an economic project, but is only about politics [and] So let's put that to the side and focus on what's important - the [Trans-Adriatic Pipeline] pipeline [to which] we already agreed."

He added that "The SGC through Greece would enhance its longer-term goals of diversification", and that "TAP will draw in Greece €1.5 billion of foreign investment." In the SGC Advisory Council's meeting in Baku in February 2016, Amos Hochstein noted that "South Stream, Turk Stream, Nord Stream, all the other streams are simply restatements of political projects that have questionable economic value." The US is also worried about continuous delays of the Interconnector-Greece-Bulgaria project, the result of slow decision-making processes in Greece and Bulgaria.

'Turkish Stream' is planned to terminate in the Ipsala district of Turkey, near the Greek border, the also the planned endpoint of the Trans-Anatolian Pipeline (TANAP). The key question is whether Turkish Stream could be a competitor for either the TANAP or Trans-Adriatic Pipeline (TAP), which envisage the delivery of 16 bcm of Azerbaijani gas to Turkey and Europe by 2018 and 2020 respectively. The important consideration is whether the termination of both pipelines at the same location will create competition in terms of market share, given the possible expansion capacity of both TAP (from 10 to 20 bcm/a) and TANAP (from 16 to 23/31 bcm/a). There were similar tensions between the South Stream and Nabucco projects; while previously Nabucco was considered an alternative to South Stream, now Turkish Stream may play the same role in relation to TANAP/TAP.

In fact, theoretically Russia can export its gas via TAP from the Turkish Stream toward Europe, without Gazprom's pres-ence in the TAP Consortium, and without breaching the TEP rules. Specifically: 1) Russia has no stake in TAP; 2) in the first stage, only 50% of TAP's total final capacity will be used for 10 bcm/a, and can expand its capacity up to 20 bcm/a (100% of total capacity) in the second stage; 3) the EU Commission's regulation left 50% of TAP's total (final) capacity open for third party access (TPA) for the expansion capacity; 4) the EU regulation also states that upon request of a third party, TAP is obligated to construct additional entry/exit points in Greece to receive gas from non-Shah-Deniz sources.

Thus, Russia can reserve a space in the TAP by requesting TPA to transport its gas (as a supplier, not an owner) at the second stage of gas delivery, or request the construction of additional entry/exit point for additional compressors at the expansion capacity of TAP. If Russia does not own the infrastructure, but simply sells its gas from the Turkey-Greece border, its actions will not contravene TEP rules.

However, the Shah-Deniz Consortium has already secured 10 bcm of Azerbaijani gas with a 25-year-contract for the first stage of gas delivery via TAP. Under this contract, the Consortium has already secured 100% of TAP's initial capacity. The Consortium has been granted a TPA exemption by the EU Commission for 100% of initial capacity (for 10 bcm) of the pipeline for 25 years. This means that Russian gas cannot be transported via TAP for at least the next 25 years, unless there are either significant market or geopolitical changes, or sufficient gas demand to drive expansion. The long-term contracts of Shah-Deniz Consortium together with the relevant provisions of EU law make this option unlikely.

TAP's expansion would enable Gazprom to deliver a maximum of 10 bcm/y, while the Turkish Stream's second string was to pump 15.75 bcm/y. The injection of Russian gas into TAP could create rivalry between Russian and Azerbaijani gas in terms of volume, and Russia gas could block the prospects for additional volumes of Azerbaijani gas in the TAP's stage II. Azerbaijan is expected to increase its gas flow via Azeri-Chirag-Guneshli, Umid, Babek, Shafag-Asiman, Zafar-Marshal, Absheron, Bulla-Deniz fields and Shah-Deniz stage III.

Azerbaijan's increased gas volume can be distributed for other Balkan countries via Interconnector-Greece-Bulgaria (IGB) to Bulgaria and the Ionian-Adriatic Pipeline (from Albania) to Montenegro, Bosnia-Herzegovina and Croatia in the second stage. However, the MoU between Gazprom, Edison and DEPA could divert Bulgaria's focus away from the IGB (developed by ICGB AD), which is supposed to receive Azerbaijani gas from Shah-Deniz II. This is because Italian Edison and Greek DEPA are both shareholders of 'IGI Poseidon' joint venture, which is also a 50% shareholder in the 'ICGB AD' JV.

According to energy consultant Mikhail Krutikhin, the construction of TAP is a painful blow to Gazprom. As Azerbaijani gas will flow to Italy via this route, it will be able to replace half of the volume that Italy receives from Gazprom.

Without the EU's consent, Russia invested in bilateral agreements and spent billions of dollars on South Stream, which at the final stage proved to be inconsistent with EU regulations and therefor illegal. Along with the political ambiguity of the Turkish Stream, Russia is seeking to resurrect the long-discarded Poseidon project.

Although the initial volume of TAP is not comparable to what Russia can supply, with flow of Turkmen and Iraqi gas in the future, TAP could play a significant role in the EU's energy diversification strategy.

According to Vitaly Baylarbayov, deputy Vice President of SOCAR,"To imagine that Turkish Stream could ruin the SGC is nonsense. Unlike the Gazprom's project, the SGC is about billions of dollars already being invested". SOCAR Vice President Elshad Nasirov had earlier said that "Turkish Stream is not a rival to the SGC. If the Turkish Stream is constructed, we will be able to use its extension," given future increases in Azerbaijani gas production via the next generation of gas fields. Turkish Foreign Minister Mevlut Cavusoglu has offered to connect the Turkish Stream pipeline to TANAP, since Turkey will buy 15.75 bcm/y of Russian gas via Turkish Stream, meaning that the remaining volume can be exported via TANAP (by connecting it to the Turkish Stream).

Technically, Greece is the optimal country to receive Russian gas from the Turkey-Greece border and to deliver it onwards to Europe. Both current and previous Greek energy ministers have been in favor of the construction of the 'Greek-Russian gas pipeline' as an extension of Turkish Stream to Greece.

In the light of the EU-Russia standoff, Greek Prime Minister Alexis Tsipras paid a visit to Moscow on April 8 2015. He and Vladimir Putin discussed Greece's role in the 'Turkish Stream' project, as well as the creation of a Joint Venture (JV) for the construction of the Turkish Stream's extension to Greece and Italy to transport Russian gas to the Balkans, Italy, and Central Europe.

Vladimir Putin said that the financing of the project still needed to be agreed upon between Russia and Greece. To that end, the Russian side pledged financial support for the Greek government and private companies that will be involved in the project.

Regardless of warnings from the US and the EU to against joining the Turkish Stream project, Alexis Tsipras signed an MoU with Gazprom during a visit to St Petersburg on June 18 2015. The agreement, worth $2.3 billion, will set up a JV for the construction of the Turkish Stream's extension through Greece. The extension has been dubbed the 'South European Gas Pipeline', and will allow the transit of 47 bcm of Russian gas further into Europe.

Russia's development bank Vnesheconombank would own 50 percent of the €2 billion link and provide all financing, and Greece would own the rest. Both countries pledged to assist a proposed 50-50 joint venture of Russian and Greek investment banks for the feasibility study for the 'South European Gas Pipeline'.

Greece is hoping to start discussions with the European Commission for the construction of the South-European gas pipeline, and hopes also to involve Italy in the negotiations. Greece had previously expressed its interest to transport Russian gas to Europe via the Interconnector-Turkey-Greece-Italy (ITGI), as an extension of the Turkish Stream.

The extension of the Turkish Stream would be divided into two routes, with first string passing through Greece to Italy (ITGI) and second string running northwards - via the Former Yugoslav Republic of Macedonia (FYROM), Serbia, Hungary - to Baumgarten, Austria.

In February 2016, Russia's Gazprom, Italian Edison SpA, and Greece's DEPA signed an MoU in Rome on natural gas deliveries across the Black Sea from Russia via third countries to Greece and from Greece to Italy across the Ionian Sea via the ITGI/Poseidon pipeline. The ITGI/Poseidon project was shelved in 2012 after it was opted out to Trans-Adriatic Pipeline (TAP) following the selection of latter pipeline. However, Bulgaria and Turkey were missing from the MoU. France's EDF and Italy's Edison expressed their unofficial support for the ITGI.

The Interconnector-Turkey-Greece-Italy (ITGI) pipeline comprises the following sections: Turkish grid (operational, needs to be upgraded for extra gas volume); Interconnector Turkey-Greece/ITG (operational since 2007; transport capacity - 11.5 bcm/y); Interconnector Greece-Italy/IGI project (capacity 12 bcm/y).

The IGI pipeline includes: IGI Onshore (600 km onshore pipeline in the Greek territory, to be developed by Greek Transmission System Operator/DESFA) and IGI Poseidon (200 km offshore pipeline across the Ionian Sea, under development by IGI Poseidon SA, a joint venture between Italian Edison and Greek DEPA).

The ITG from Karacabey (Turkey) to Komitini (Greece), launched in 2005, was intended to enable third suppliers to bring additional natural gas to Greece. The construction of the Greece-Italy undersea pipeline (Poseidon) is an extension of ITG. The Poseidon pipeline has been included in the EU's Project of Common Interest (PCI) list and the project has received all the necessary authorizations for construction and operation and third party access exemption for 25 years. ITGI shareholders Edison and DEPA planned to boost the throughput capacity of pipeline from planned initial 12 bcm/y up to 20 bcm/y (equal to TAP's maximum capacity in the second stage).

Gazprom's preference for ITGI was linked with the fact that both Italy and Greece are long-term importers of Russian gas and both Edison and DEPA have shares in ITGI/Poseidon. The final plan was to connect the ITGI and Turkish Stream in the Turkey-Greece borders.

The Greek government favors the ITGI for three reasons: 1) it bypasses Albania as a transit country, which requires more pipelining in Greek territory, and thus more investment; 2) Greece will be able to use Poseidon to receive Mediterranean gas; 3) Greece does not own any shares in the TAP project, and its previous demands for a stake in TAP, revision of transit fees, and price discounts did not yield positive responses from the SDC.[59]

Vladimir Socor, a senior research fellow at the Jamestown Foundation, writes that, "Geography and capacity make ITGI-Poseidon almost a mirror image of TAP." He also states, "Gazprom will use it to promote a Russian gas transit route and obstructing the [TAP] via Greece to Italy", like the previous South Stream was meant to block the Turkmen gas flow to Europe and the Nabucco project. Moscow was seeking to confuse and divide EU countries through promises of 'gas hub' and 'intergovernmental contracts'.

According to John Roberts, "the one of the key reasons for raising the prospect of an ITGI/Poseidon is simply to cause damage to current EU plans to develop the SGC", though the technical, financial, feasibility and cost efficiency of ITGI/Poseidon is still under question.

However, the Turkey-Greece section of ITGI is operated by DESFA as part of the national gas transmission system in Greek territories. Since SOCAR seeks to purchase 49% of DEFSA, the company could potentially control Russian gas flow through ITGI, if it were realized.

It is also possible to transport Russian gas via a new pipeline through FYROM and Serbia to Hungary and Austria (Baumgarten hub) after gas entered Greece through Turkish Stream's extension or via ITGI. This proposal was put forth by Hungarian Premier Minister Victor Orban,[64] and the infrastructure was dubbed 'Tesla pipeline'.

The 1,400 km-long 'Tesla', which will have a capacity of 27 bcm/y, is expected to be completed in 2019. From Baumgarten hub, the northern regions of Italy and Germany can be supplied via the Tesla pipeline. The route of 'Tesla' resembles that of 'South Stream' pipeline, although it excludes Bulgaria, but gives an enhanced role to Greece and FYROM.

On 7 April 2015, Hungary, Serbia, Macedonia, Greece, and Turkey signed a declaration on the formation of a working group to facilitate natural gas deliveries to their markets, including the participation in the Turkish Stream project.

The representatives of five countries expressed their intent "to create a commercially viable option of route and source diversification for delivering natural gas from Turkey through their territories to the countries of Central and South Eastern Europe". It called for the EU to co-fund related infrastructures and the interconnecting the natural gas infrastructures of their countries. Thereafter, in August 2015, Hungary, Serbia, Macedonia and Greece discussed the possibility of signing a MoU for the construction of the so-called 'Tesla' pipeline, in order to realize it by 2019. The project had been already included in the EU's PCI list.

However, the 'Tesla' project only exists on paper as a non-binding Memorandum of Understanding, and it may experience the fate of 'South Stream', due to TEP rules. Moreover, it will be hard to find non-Russian financing for the pipeline, writes Robert Cutler, a senior researcher in the Institute of European, Russian and Eurasian Studies at Carleton University. But even if the 'Turkish stream' is realized, the Tesla will have a rival - the Eastring pipeline (also included in EU's PCI list). If Russia suspends gas transit through Ukraine, the Eastring project can help Ukraine. The 'Eastring' project was proposed by Slovak gas pipeline operator Eustream as a means of linking Bulgaria, Romania, Hungary, Slovakia, and Balkan states by modernizing their gas infrastructures to bring western European gas to them. With its 20 bcm/y capacity, the Eastring project is scalable up to 40 bcm, and might challenge the extensions of Turkish Stream, carrying even Azerbaijani gas via interconnectors.

In July 2015, Gazprom halved the capacity of Turkish Stream pipeline from the original 63 bcm/a to 32 bcm, because of the expansion of its Nord Stream gas pipeline from Russia to Germany. "The rest of the amount will flow to the EU via the 'Nord Stream-2', [therefore], southern direction is now no longer necessary for the construction of gas transportation capacities more than 32 bcm/y," said Alexei Miller.

In September 2015, Turkey's Energy Ministry deputy undersecretary Sefa Sadik Aytekin said that "talks with Russia on Turkish Stream are frozen, because of Russia's hard-line attitude on gas price discount, which is the perquisite for Turkish Stream talks."

Shortly thereafter, Gazprom announced it was in agreement with Turkish partners that they would only be working on the first line [between Russia and Turkey] of Turkish Stream. In October 2015, Alexander Novak said “Moscow will wait for the formation of a new government for the granting of construction licenses for two of the four-stages of Turkish Stream”, because Turkey has thus far only awarded licenses for the first line. However, after the ‘jet incident’, when Turkey shot down a Russian fighter jet near the Turkey-Syria border, Russian Energy Minister Aleksandr Novak announced on November 24, that “negotiations on Turkish Stream have been suspended.”

Turkish President Erdogan said that “It was not Russia, but Turkey [which] froze the Turkish Stream project, [even] before the crisis.” After several months of tension, on June 27, Russian President Vladimir Putin received a letter from President of Turkey Recep Tayyip Erdoğan, expressing Turkey’s willingness to restore ties with Russia.

Immediately, Gazprom spokesperson Sergey Kupriyanov announced his company’s openness to dialogue with Ankara on the construction of the ‘Turkish Stream’ natural gas pipeline. Turkish Prime Minister Binali Yıldırım also expressed Ankara’s support for the project. Russian Deputy Prime Minister Arkady Dvorkovich said that Turkey confirmed its willingness to resume dialogue with Russia on the construction of Turkish Stream.

Energy Minister Alexander Novak reported that Russia has submitted to Turkey its road map for building the Turkish Stream to sign an intergovernmental agreement (IGA) in October 2016 to launch works on the first string with 15.75 bcm/y capacity. The working group would be established to negotiate the draft of IGA.

On October 10, Turkey and Russia signed an IGA on the construction of Turkish Stream. The agreement foresees the construction of two lines (15.75 bcm each) from Russia across the Black Sea, with construction forecast to start by the end of 2017 and be completed by 2019.

One of the lines is intended to deliver gas to Turkey while the other would branch off toward the Turkish–European Union border to carry gas to Europe. The cost of the project is estimated at $6 billion. Both lines are supposed to be completed by December 2019.

The agreement also envisaged special tax exemptions for the offshore section and a second land line of “Turkish stream”. Moreover, Turkey will release Gazprom from the tax revenues for the marine section of pipeline. The import of vehicles and equipment and other necessary materials are exempt from the payment of customs duties in Russia and Turkey. The Turkish side also eliminated the value added tax on gas transportation.

According to Energy Minister Alexander Novak Gazprom will build and own the offshore section of Turkish stream, the first line of land section (including receiving terminal and connection lines) for the delivery of gas to Turkey will be built and owned by Turkey’s BOTAS.

The second line towards Turkey-Greece border for gas transit to Europe will be owned by joint venture between Gazprom and BOTAS. According to Russia’s Energy Ministry, Turkey has agreed to a second line in exchange for a discount for a discounted gas price promised by Moscow. Turkey has already granted Gazprom the first permits for the development of the Turkish Stream via Turkey, which likely relates to feasibility studies for the final section of pipeline on Turkish territories.

Actually, main sections of the offshore pipeline in Turkey's exclusive economic zones in the Black Sea were previously approved within the framework of South Stream's implementation, and Gazprom has completed the environmental impact assessment for the offshore and landfall sections of Turkish Stream pipeline.

The Turkish Stream project will face dozens of challenges. Falling oil prices, the economic sanctions against Russian companies and banks, the cost of the project, etc. make it difficult to find financing for the gas pipeline. Gazprom faced serious financial losses as a result of South Stream's suspension.

The company had to pay fines worth $1 billion to Italian ENI, German Wintershall, and Electricite de France for their stakes in the consortium. Russia had rented two pipe-laying vessels from Italian Saipem to lay pipelines for South Stream; however, following the suspension of 'South Stream' pipeline project in 2014, Gazprom had to pay Saipem €25 million per month, despite not using them.

The pipes initially purchased for the South Stream can be used to lay the Turkish Stream's first line. In July 2015, Gazprom cancelled its contract with Italian Saipem, involved in construction of the Turkish Stream's offshore portion, and agreed to pay penalties (around $300 million) to Saipem. In November 2015, Saipem Stream Transport B.V., a subsidiary of Italy's Eni, sued Gazprom for €759 million in damages for severing the contract on the construction of the underwater segment of the South Stream.

According to a report by the Russia's Ministry of Economic Development and the Sberbank, Russia's natural gas production, notably that of Gazprom, demonstrated an unpredicted fall in2015 compared to 2014. The export revenues also experienced a rapid decline due to decreases in the price of natural gas exports, according to Russia's Federal Customs Service. Sberbank's report indicates that lower exports would also reduce Gazprom's revenues. Gazprom's lavish expenditures on infrastructure, costly diversification plans, etc., have cost it billions of dollars.

Reportedly, the cost of the Turkish Stream's four-line pipeline will amount to €11.4 billion (half the cost of South Stream, €23.5 billion), with the cost of the first line estimated around €5 to 6 billion. However, given the fluctuating oil prices, the costs may overrun. Since most of the revenue is generated by energy export and the company's costs are in rubles, falling oil prices have heavily affected the Russian economy and market value of the Russian ruble.

Russia would not be able to influence Turkey in the same way it has Ukraine, and consequently there is little room for Moscow to politicize Turkish Stream. Apart from that, the EU's increasing options for diversification, economic sanctions etc., are serious challenges to Russian gas exports. Amidst the withdrawal of sanctions on Iranian oil and gas exports, Turkish Stream could lose its significance for Russia's European clients.

If Gazprom goes forward with the construction of the third and fourth strings of the Turkish Stream, beyond the Turkey-Greece border, the company will encounter the same regulatory obstacles, namely the TEP rules. The Ukraine crisis left Russia little room to maneuver for South Stream, which was hindered by the EU's Third Energy Package rules along with the economic sanctions that blocked financing capabilities of Russian banks.

Russia abandoned the South Stream to avoid falling under EU energy legislation. Russia used the TEP as an excuse for the suspension of South Stream, but in reality is was obvious that Gazprom would not be able to proceed with project because of political and financial obstacles. The EU is not eager to import additional Russian gas; rather it wants to diversify routes and sources. South Stream was intended as a means of entirely bypassing Ukraine, like the Nord Stream.

The Ukraine crisis re-emphasized the role of Turkey not only for the EU, but also for Russia, in preventing supply disruption to Europe. Turkey also wants to avoid dependence on a single supplier, and to meet its energy demands with lower prices from reliable sources. The best way which is considered the SGC, which will carry Azerbaijani gas.

Turkey seeks to take advantage of its geography– i.e. turning itself into a regional hub by hosting the Turkish Stream and transporting Turkmen, Iraqi, Iranian and Mediterranean gas. Fully eliminating reliance on Russian gas exports is unlikely, given its significant export role at present and noting that Turkey does not have an alternative supplier to substitute this volume. Whereas, the crisis between Russia and Turkey could divert latter to diversify its gas imports away from former.

If Turkish Stream is realized, Turkey will play a larger role in the region's energy map. 'Turkish Stream' can bring Turkey and Russia together, regardless of their disagreements on many issues. Both Russia and Turkey were vindictive towards the EU, due to EU-led sanctions toward Russia and delays on Turkey's EU membership, respectively.

With Turkish Stream, Russia wanted to demonstrate to the world that it is not totally isolated. The rejection of Turkish Stream by Turkey would weaken Russia's position vis-à-vis Ukraine. Russia knows that after suspension of the gas flow through Ukraine, Gazprom's European partners will have no other option than to import gas via the Turkish Stream.

As the implementation of the Southern Gas Corridor gathers pace, Russia is pushing forward its own options. The Turkish Stream might be a poten-tial challenger to Azerbaijani gas exports to Southeast Europe. On the other hand, by transporting Russian gas via ITGI, and Azerbaijani gas via TAP, Greece wants to pursue a balanced energy policy, playing to both Russia and Azerbaijan. However, the realization of ITGI re-mains doubtful given its previous failure on financial grounds. The question that remains is how Greece will come up with the financing for ITGI, given its precarious economic situation. The transportation of Russian gas via ITGI is matter of time and financing, while the planned 'Tesla' pipeline might encounter TEP rules.

Russia is seeking either to target potential markets for Azerbaijani gas, or to use the additional capacity of Azerbaijan's gas export routes. At first glance, it might seem that the timeline and capacity of Turkish Stream will hinder Azerbaijan's gas strategy in Southeast Europe, given that Azerbaijani gas will reach Turkey in 2018 and Europe by 2020.

However, the 16 bcm of gas from Shah-Deniz's Phase II that TANAP/TAP will carry to Europe has already been sold, based on a 25-year contract with European companies, and the initial capacity of TAP has been secured via a TPA exemption. The long-term agreements protect SOCAR from the risk of competition from other gas suppliers. Russia could focus on the expansion of the existing Blue Stream by laying additional lines across the already functioning pipeline, which would be more cost-effective than laying new pipelines underwater.

However, with the extension of the Blue Stream, Russia will not be able to reach the Turkey-Greece border directly, and the pipeline would supposedly have a smaller capacity. Since Gazprom prioritized 'Nord Stream II' to compensate for its political and economic losses, the company will only implement the first line of Turkish Stream to feed Turkey's domestic market without relying on Ukraine's transit status after the suspension of the Trans-Balkan Pipeline. In the most optimistic scenario, the second string of the Turkish Stream will be realized in order to replace the TBP's current delivery to Bulgaria and Greece, and onwards.

The move from South Stream to Turkish Stream will not change Russia's energy market, as the latter might be extended into Greece or Bulgaria via different pipelines. However, it is not yet clear which will be the second string in Europe: ITGI (Poseidon), or TAP, or a new onshore pipeline. The second string will definitely need to tackle the EU's regulatory obstacles.

Gazprom understands that financing constitutes the biggest challenge in finalizing the entire Turkish Stream project. Gazprom's financial situation remains worrisome; the declining gas exports and decreasing gas prices have been a serious blow to the company.

Greece is not in a position to fund the pipeline alone, and the Greek government can hardly convince the EU that Turkish Stream is important for Europe's long-term diversification plans. This means the entire four-line 'Turkish Stream' is unlikely to come on-stream anytime soon. Until Russia finalizes the construction of Turkish Stream's first or second strings, Ukraine will remain a major transit country for Russian gas exports to Europe, supplying Romania, Bulgaria, and Greece - even after the termination of the transit agreement.

Saudi Arabia raises March crude oil pricing for all buyers

Bloomberg, *02.02.2017*

Saudi Arabia, the world's largest crude exporter, raised pricing for March sales to buyers from the U.S. to Asia as output cuts by OPEC and other producers shore up oil prices.

State-owned Saudi Arabian Oil Co., known as Saudi Aramco, boosted its official pricing for Arab Light crude to Asia by 30 cents to 15 cents a barrel more than the regional benchmark, it said Thursday in an e-mailed statement. The company had been expected to increase pricing for the grade to a premium of 10 cents more than the Oman-Dubai benchmark, according to the median estimate in a Bloomberg survey of six refiners and traders.

Aramco raised pricing in Northwest Europe to the highest since 2015, except for the Heavy grade which was boosted to the highest since 2014. Pricing was increased in Asia to the highest this year. Buyers in the Mediterranean region will also see higher pricing for all grades in March.

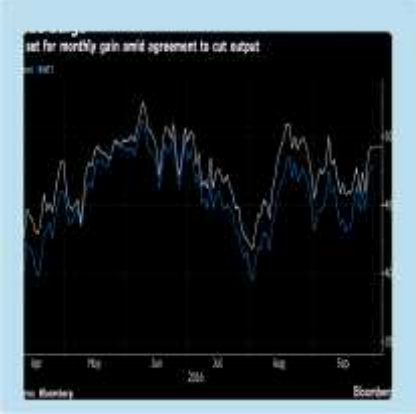
Oil jumped 52 percent last year, its first annual gain in four years, as the Organization of Petroleum Exporting Countries took steps to limit production to eliminate a global supply glut. The group and 11 other producers, including Russia, have been meeting their collective pledge to cut output by as much as 1.8 million barrels a day, Saudi Arabia Energy Minister Khalid Al-Falih said in Vienna on Jan. 22. The cuts started last month.

“Compliance is great -- it’s been really fantastic,” Al-Falih said, after the producers met to agree on how to monitor the reductions. “Based on everything I know, I think it’s been one of the best agreements we’ve had for a long time.” Saudi Arabia’s production was below 10 million barrels a day, he said on Jan. 12. The country pumped on average about 9.98 million barrels a day last month, according to a survey compiled by Bloomberg.

Middle Eastern producers compete with cargoes from Latin America, North Africa and Russia for buyers in Asia, its largest market. Producers in the Persian Gulf region sell mostly under long-term contracts to refiners. Most of the Gulf’s state oil companies price their crude at a premium or discount to a benchmark. For Asia the benchmark is the average of Oman and Dubai oil grades.

Saudi Arabia will continue to cut oil output for months and years to come

Forbes, *29.01.2017*



Saudi Arabia has kept its promise. It has cut oil output by 486,000 barrels a day, in line with the OPEC agreement the Kingdom pulled together last October, helping oil stabilize above $50 per barrel.

That’s music in the ears of American frackers, who have been bringing oil rigs back to life at a feverish rate—111 in the last two weeks alone; countering Saudi oil cuts, and keeping oil prices in the $50 to $60 range, for now. Still, Saudi Arabia’s output cuts are just the beginning of a trend that is expected to last for months and years to come, irrespective of what American frackers do.

There are good reasons for that.To begin with, the Kingdom has learned a lesson the hard way: it cannot end the American fracking revolution by engaging in a price war with American frackers — which have demonstrated an exceptional ability to survive even at extremely low prices. Moreover, Riyadh’s leaders do not want to antagonize the new Washington administration by declaring another war on American frackers.

Then, there's Riyadh's grand plan: the Aramco IPO — sell shares of state-owned company Aramco to the public to finance its vision 2030, which will make the Saudi economy less dependent on oil. The success of Aramco's IPO, which promises to be the biggest in history, relies heavily on the state of the oil and equity markets at the time of the "road show"– the date for marketing of the IPO. The higher the oil prices, the easier it will be to sell Aramco to institutional investors at a high price.

But there's another factor, more fundamental, which will cause output cuts to last beyond the IPO. The Kingdom may be running out of oil faster than previously thought. Its major oil fields have become mature, and new fields are hard to come by.

The trouble is that it's very hard to substantiate this factor, due to the secrecy that surrounds the Kingdom's oil reserves. "What we know about the Kingdom's oil is pretty much what Saudi Aramco, the Petroleum Ministry, and the royal family want us to know," writes Matthew R. Simmons in Twilight In The Desert: The Coming Saudi Oil Shock And The World Economy(New York: John Wiley& Sons (2005)-p.19. "The 'known facts' about Saudi Arabia's oil, then, are few and simple.

In 2004, 'proven oil reserves' totaled 259.4 billion barrels, plus another 2.5 billion barrels in the Saudi-Kuwait neutral zone. If these proven reserve numbers are real, it means that Saudi Arabia's oil will last another 90 years at the current production barrels per day."

Adding to the secrecy surrounding Saudi reserves is persistent inconsistency of oil production data published by different agency. "There is a persistent lack of close agreement among estimates made by Saudi Aramco, the International Agency, the U.S. EIA/DOE and BP's annual Statistical Review of World Energy of the amount of Saudi Arabian oil produced each year from 1988 to 2004," continues Matthew R. Simmons."The variances between these sources highlight the uncertainty about the volume of oil that Saudi Arabia produces."

While only time will tell how long Saudi Arabia has before running out of oil, Saudi output cuts will stabilize oil prices in the $50 to $60 range, provided that the world economy grows fast enough to absorb the added supply that will come from American frackers.

Seasonal gas trade pulls NBP, TTF liquidity down in January 2017

ICIS, *02.02.2017*

The volume at the TTF and NBP hubs dropped year on year in January, according OTC and exchange trade data collated by ICIS. A total of 1,727TWh was dealt at the TTF representing a 15% drop compared to January 2016. At the NBP, 1,392TWh was traded, 42% OTC, which was down by 29% year on year.

Declining interest on the front two seasons was the key driver behind the downtrend at both hubs, with less trade on the far curve beyond these contracts also factoring in. The lower curve volume was likely due to particularly strong trade at the start of 2016, when shippers were adjusting gas positions in light of oil's fall to decade-low prices.

Trade of the front two seasons at the TTF early in 2017 may also be suffering from a tight forward summer/winter price spread, with some counterparties likely to be waiting for a better opportunity to hedge storage capacity for the upcoming 2017/18 cycle. According to ICIS assessments, in January the TTF Summer '17 contract closed on average €1.08/MWh below Winter '17, down 12% compared to the equivalent products one year before.

Trade of the front-month contract in January was symptomatic of the divergent growth trends at Europe's two biggest hubs. At the TTF a record volume of front-month trade was recorded via the ICE Endex exchange and OTC at 448TWh, representing a 27% year-on-year increase. At the NBP the volume traded fell by 9% to 380TWh.

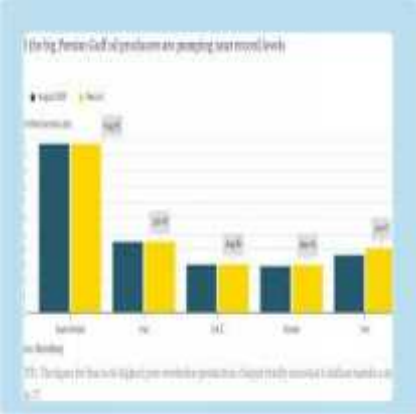
Trade of the four ICIS-assessed prompt-delivery contracts rose to a year-high 90.4TWh at the TTF, driven up by unseasonably cold temperatures and strong demand. The 58.6TWh dealt on the same four NBP contracts was the highest since May 2016.

OTC trade at the TTF fell by 17% year on year in January to 1,268TWh, according to ICIS data. Trade via the ICE Endex and PEGAS bourses fell by 8% to 458TWh, split approximately 82:18 in favour of the former. Monthly contracts were the only products to post significant year-on-year growth, as trade on the rest of the curve slumped. Trade on the prompt was little changed, as strong demand and storage withdrawal optimisation supported liquidity.

At the NBP, OTC trade was down by nearly a third compared to January 2016 at 586TWh, with a 28% drop to 801TWh recorded at the ICE. Trade of monthly contracts were stable on ICE, but down significantly OTC, while delivery periods further out on the curve recorded less trade in both sectors. Only the NBP Day-ahead recorded growth on the prompt.

TRS gas prices to fall on back of LNG influx, relief for French CCGTs

ICIS, *31.01.2017*



Natural gas prices in France's TRS zone could remain elevated this week, but LNG vessel arrivals in February should bring relief to the southeast, which has been dogged by a perfect storm of high demand and low supply in recent weeks.

Grid operator GRTgaz issued a fresh red-level system alert via its vigilance system on Tuesday morning, indicating a local gas deficit had been observed, or was highly likely. GRTgaz had amber warnings in place for the rest of the week. LNG send-out from the Fos terminals is projected at just 5 million cubic metres (mcm)/day until Saturday.

But warmer weather and more LNG cargoes are on the way, which should help to bring prices down thereafter, said a trader at a utility on Tuesday afternoon. GRTgaz announced on Tuesday there are six LNG cargoes due at the Fos Cavaou LNG terminal in February, double the number of arrivals in January.

This tallies with the operator's projections, which show send-out from Fos will ramp up to average 12mcm/day between 6-12 February and 24mcm/day between 13-28 February. This should bring some relief to combined-cycle gas turbines (CCGTs) in the TRS zone, boosting profit margins at a time when power demand is expected to begin creeping up.

Most recent figures indicate slack in the French CCGT fleet of some 2GW. In week 3, when France was struck by very cold weather, its gas-fired plants collectively averaged output of 9.2GW over the two coldest days. So far in week 5, this figure has fallen to a little over 7GW as demand has slid.

With power demand in the latter half of week 6 expected to creep back up, coinciding with the ramp-up of send-out from the Fos terminal and by extension an increase in profit margins for TRS gas plants, some 2GW of gas-fired capacity that has been switched off could be expected to fire back up.

The first vessel to arrive at Fos will be the 75,000cbm ENGIE-chartered Global Energy on 4 February, having just picked up a cargo at northern France's Montoir terminal, according to LNG Edge. This is the second time in two weeks that a vessel has delivered LNG from north to south France, after the 154,000cbm GDF Suez Point Fortin discharged on 24 January.

A question mark surrounds the 153,000cbm Esshu Maru, which was due to reload at the Netherlands' Gate terminal late last week, before discharging a cargo at Fos. But the vessel is still loitering outside Gate, having not yet reloaded, according to ICIS LNG Edge.

Market intelligence suggests Algeria's Skikda LNG terminal will soon resume operations, following a month of inaction due to technical problems. This raises the possibility of additional Algerian cargoes heading to southern France and Spain. In January, incumbent Sonatrach was only able to send cargoes from the Arzew facility.

Because of a lack of LNG arrivals in recent weeks, storage sites in southeastern France have been drained at an alarming rate. The Saline group of sites are now less than 35% full, according to GRTgaz, the lowest January level for five years.

The news of the impending pick-up in LNG send-out initially hit the market on 27 January, crushing TRS prompt and near-curve delivery contracts in the process. The Day-ahead shed €9.175/MWh during Friday's session. The contract had hit a record high of €40.75/MWh on 25 January, driving its premium over PEG Nord to €19.10/MWh.

Japan considers buying more U.S. energy as Abe prepares to meet Trump

Reuters, *02.02.2017*

Japanese Prime Minister Shinzo Abe is considering increasing energy imports from the United States, two sources familiar with the plan told Reuters, as he prepares to meet President Donald Trump, who has complained about Japan's trade surplus.

Japan is putting together a package of plans for Japanese companies to invest in infrastructure and job-creation projects in the United States for Abe to take to the Feb. 10 meeting with Trump in Washington. Another idea is to offer to increase liquid natural gas (LNG) imports from the United States, a source in the ruling coalition told Reuters.

Another option, if Abe determines that Trump is most concerned about the trade gap, is to increase imports of U.S. shale oil or gas on top of the investment package, according to a top executive at a major Japanese corporation who is close to Abe. Japanese officials have been scrambling to respond to Trump's scattershot comments since he took office.

He has threatened to impose a tax on car imports from Mexico, criticized Japan's trade gap with the United States and most recently accused Japan, along with China and Germany, of devaluing their currencies to the detriment of U.S. companies.

"(Abe) wants to know what's the most important thing for Trump," said the executive, who declined to be identified. "If it is the trade surplus that Trump cares the most about, for instance, then we could come up with a few possible solutions," including importing more U.S. shale oil or gas. Abe's approach toward Trump would be "not accommodating, not opposing", he said.

Utilities would be resistant to buying more U.S. shale gas because they have already committed to buying large amounts and Japan's demand for energy is falling, an executive at a Japanese gas importer told Reuters on condition of anonymity. Prices for LNG in Asia LNG-AS have fallen by almost a fifth this year amid a supply glut.

Japan is the world's biggest buyer of the gas cooled to liquid form for transport on ships and takes in nearly a third of global shipments. Once seen as a panacea for Japan's energy crisis after the Fukushima nuclear disaster in 2011 led to the shutdown of most reactors in the country, U.S. shale gas is now just one of many options for Japan to meet its needs.

Japan took in its first shipment of shale gas in liquid form this month and more shipments are likely to come as more export terminals start shipments this year and next. The Yomiuri newspaper said on Thursday Abe's growth and jobs initiative would include a plan for Japan and the United States to jointly develop a $450 billion "infrastructure market", into which the Japanese government and companies would invest $150 billion over 10 years.

Louisiana's port Fourchon may add LNG tenant

Rigzone, *01.02.2017*

Many Gulf of Mexico oil and gas workers know Port Fourchon as a Louisiana land base where offshore hitches begin and end. The intermodal transportation hub, operated by the Greater Lafourche Port Commission (GLPC), could also become home to a mid-scale liquefied natural gas (LNG) production and export facility.

"While it is still very early in the planning and regulatory process, we are excited to be able to tell the community and our tenants about this potential opportunity to continue to keep Port Fourchon at the very cutting edge of the oil and gas services industry," Chett Chiasson, stated.

"We feel that this is a great addition to the suite of vessel services that are offered by our tenants and greatly enhances our capability and versatility as the premier services hub for the oil and gas industry," continued Chiasson. "We have been working with Energy World since April 2016 when they first approached us about this proposed facility, and we are happy to be able to share these latest developments with the community.

The proposed facility would ultimately be capable of producing up to 2 million tons per year of LNG for export, and it would operate a separate smaller-scale liquefaction plant to provide LNG for next-generation LNG-powered offshore supply vessels, according to GLPC. Energy World USA, a unit of Hong Kong-based Energy World International Ltd. (EWI), would build the project on up to 150 acres of currently undeveloped port-owned property.

“The Energy World family of companies has over 20 years’ experience in the safe production, storage, transportation and delivery of LNG to its customers in Australia, Indonesia and the Philippines, and we are looking forward to bringing this expertise to Port Fourchon,” noted Kevin Blount, Energy World USA’s president.

“The LNG produced at Port Fourchon will initially be exported to our own gas-fired power plants right across the Asia-Pacific region and also be sold into U.S. domestic markets for marine applications, added Stewart Elliott, Energy World Corp.’s chairman and CEO. “Eventually, we hope to export to Jamaica and the wider Caribbean where Energy World is separately proposing to develop a LNG hub terminal and gas-fired power plants consistent with our goal of delivering clean and affordable electricity to developing countries on a global platform.”

The project would add a needed economic boost to the coastal Louisiana parish in which Port Fourchon is based, according to a local official.

“With as much as our workers and residents have been hurting lately, this project could be a great opportunity for our local economy, bringing hundreds of jobs during the construction phase, and dozens of good-paying permanent jobs once they are up and running, which will result in Lafourche Parish being able to hang on to our young families and workers,” stated Lafourche Parish President Jimmy Cantrelle.

GLPC said that it will “in the coming weeks” launch a Waterway Suitability Assessment with the U.S. Coast Guard. In addition to helping to ensure that operation of the LNG facility would not adversely affect current and future port activities, the document would support Energy World’s forthcoming application to the Federal Energy Regulatory Commission for project approval, the port authority explained.

GLPC also stated that it is working with the Louisiana Department of Economic Development to identify potential business and tax incentives to support local construction of the facility. Energy World’s Port Fourchon proposal is the latest in a string of smaller-scale LNG projects envisioned for the Louisiana Gulf Coast. Other proposed export projects include Venture Global’s Calcasieu Pass and Plaquemines facilities, G2 LNG in Cameron Parish and Driftwood LNG and Magnolia LNG in Calcasieu Parish.

Announcements & Reports

► *Brexit's Impact on Gas Markets*

Source : OIES
Weblink : https://www.oxfordenergy.org/wpcms/wp-content/uploads/2017/01/Brexits-impact-on-gas-markets-OIES-Energy-Insight.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

► *International Conference on Oil & Gas Projects in Common Fields*

Date : 07 – 08 February 2017
Place : Amsterdam – The Netherlands
Website : http://www.waset.org/conference/2017/02/amsterdam/ICOGPCF

► *19th International Conference on Oil and Gas Projects in Common Fields*

Date : 07 – 08 February 2017
Place : Bangkok - Thailand
Website : http://www.waset.org/conference/2017/02/bangkok/ICOGPCF

► *Cuba Oil & Gas Summit 2017*

Date : 07 – 09 February 2017
Place : Havana - Cuba
Website : http://www.cubaoilgassummit.com/

► *Iran LNG & Gas Summit*

Date : 14 – 16 February 2017
Place : Frankfurt, Germany
Website : http://www.iranlngandgas.com/

► *Australasian Oil & Gas Exhibition & Conference (AOG)*

Date : 22 – 24 February 2017
Place : Perth - Australia
Website : http://aogexpo.com.au/

► *LNG Summit*

Date : 23 – 24 February 2017
Place : Houston – United States
Website : http://lng-usa.com/

► *Nigeria Oil & Gas Conference & Exhibition*

Date : 27 February 2017
Place : Abuja - Nigeria
Website : http://www.cwcnog.com/

► *15th Global Oil & Gas Turkey*

Date : 15 – 16 March 2017
Place : Istanbul - Turkey
Website : http://www.global-oilgas.com/Turkey/Home/

► *New Zealand Petroleum Conference 2017*

Date : 21 March 2017
Place : New Plymouth - New Zealand
Website : http://www.petroleumconference.nz/

► *CIS Oil & Gas Summit*

Date : 26 – 27 April 2017
Place : London, United Kingdom
Website : http://cissummit.theenergyexchange.co.uk/

► *Offshore West Africa*

Date : 06 – 08 June 2017
Place : Lagos, Nigeria
Website : http://www.offshorewestafrica.com/index.html

► *Big Gas Debate 2017*

Date : 14 June 2017
Place : London, United Kingdom
Website : http://www.theenergyexchange.co.uk/big-gas-debate/

► *7th Iraq Oil & Gas Conference*

Date : 28 – 30 November 2017
Place : Basrah, Iraq
Website : http://www.basraoilgas.com/Conference/